



Manhattan

Office Perspectives

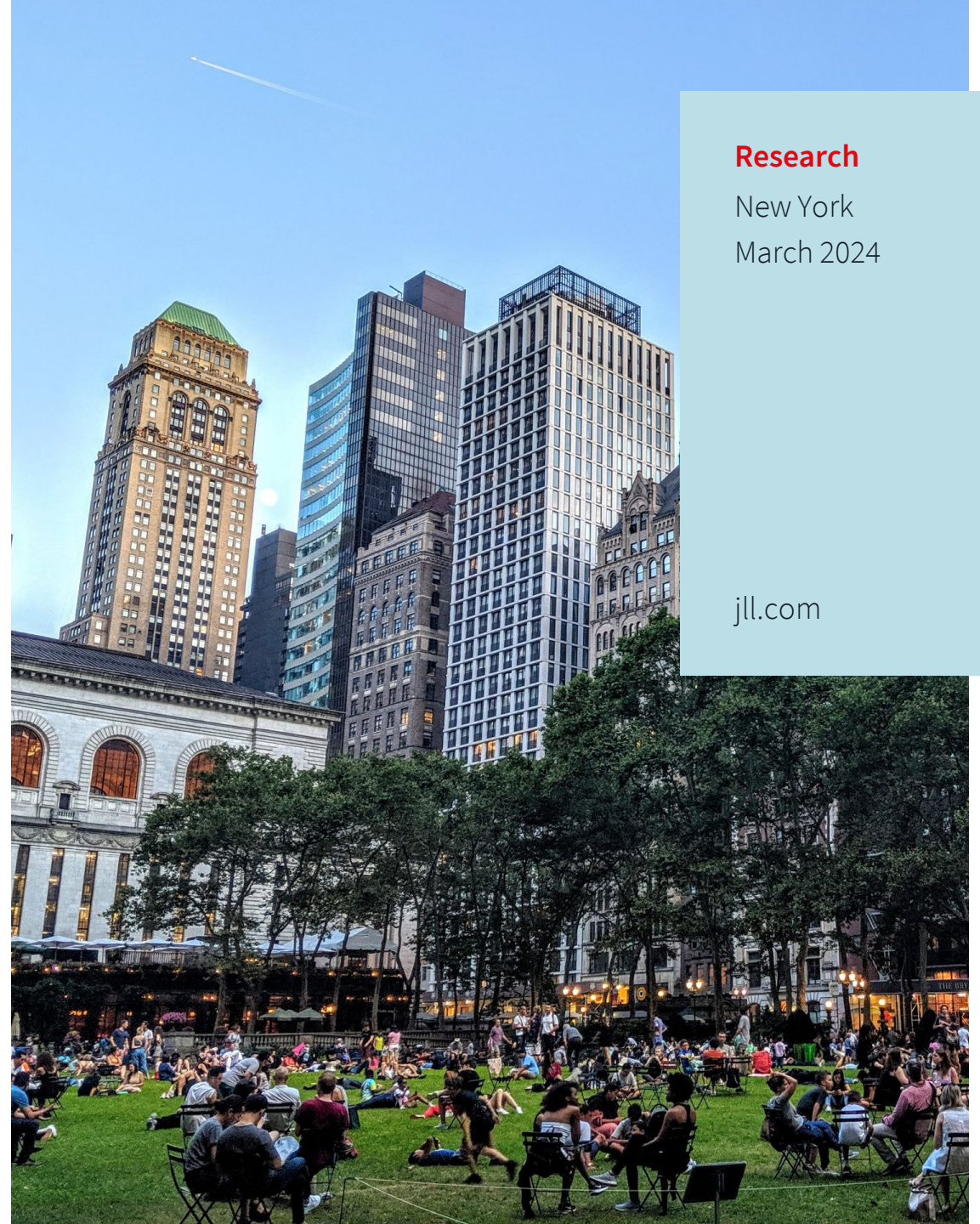
Prepared for 452 Fifth Avenue



Research

New York
March 2024

jll.com



NYC office market: 5 Themes to know

1

Leasing activity in 2023 ends on a high note

- Leasing activity in Q4 totaled almost **7.4 million s.f.**, making it 2023's strongest quarter.
- This brings total leasing activity in 2023 to **23.1 million s.f.**

2

Financial services and law firms drove more than half of leasing activity in 2023

- Financial services companies and law firms represented more than 52% of leasing volume.

3

Overall vacancy in Manhattan increased but availability remains stable.

- Overall vacancy increased by 50 basis points to 17.0%.
- The majority of this is due to the completion of PENN 2 and One Madison, totaling 3.2M s.f., although anticipated.

4

Overall Manhattan direct asking rents continue to correct slowly

- Direct asking rents declined slightly by \$0.84, or 1% since last quarter to \$81.00 p.s.f.
- Downtown has seen the steepest correction in direct asking rents, decreasing by almost 11% since Q1 2020, from \$69.08 to \$61.65 p.s.f.
- Midtown rents however have stayed more resilient with direct rents at \$86.67 p.s.f..

5

The development pipeline has narrowed significantly

- With most of the space under construction already leased or owner-occupied, the amount of available space in new construction will continue to fall to under 2.5M s.f. This is forcing demand into the best available space into existing, highly-improved buildings.

6

Top of market demand shows resiliency, as tenants continue the flight to quality

- 73% of leasing volume in 2023 took place in properties with a major amenity
- Select Midtown submarket Trophy and A properties see their lowest vacancy rates in history.

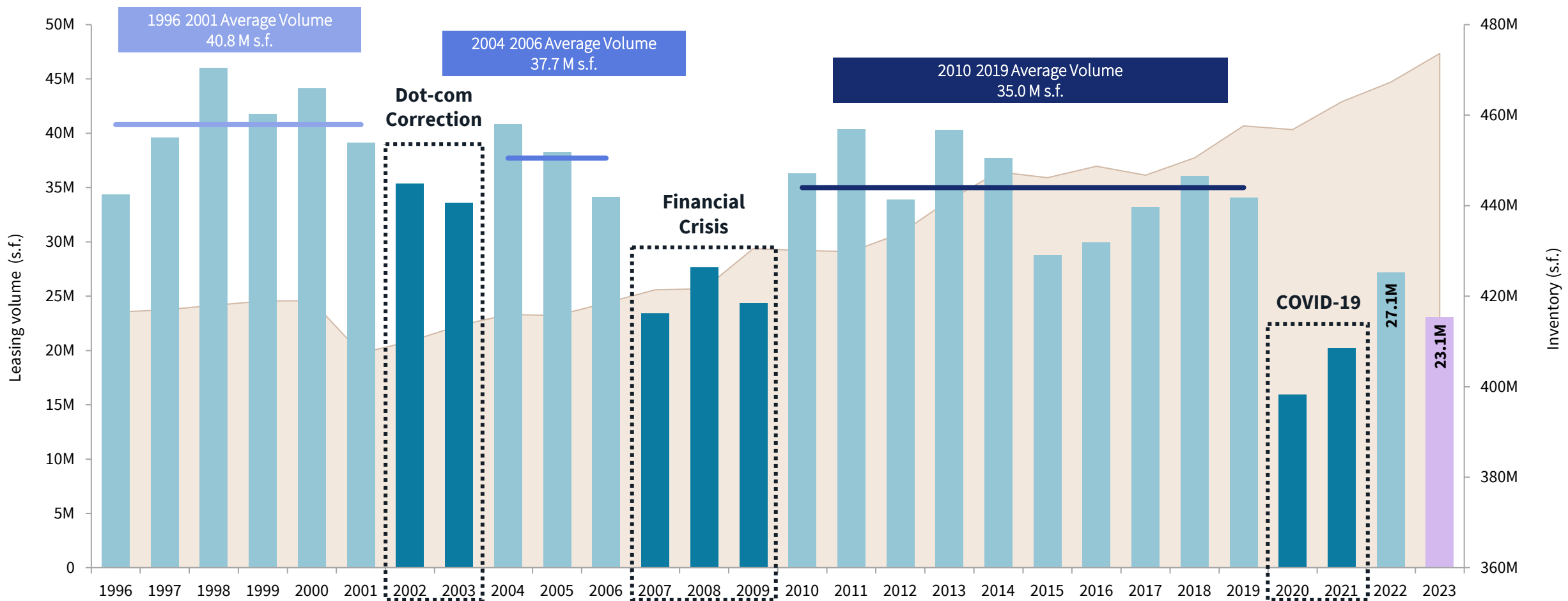
Manhattan submarket overview



<i>Trophy, Class A & B</i>	MIDTOWN	MIDTOWN SOUTH	DOWNTOWN	OVERALL
Inventory	293.3M s.f.	82.9M s.f.	97.5M s.f.	473.6M s.f.
Direct vacant	36.6M s.f.	11.4M s.f.	13.6M s.f.	58.2M s.f.
Sublease vacant	9.7M s.f.	3.5M s.f.	5.7M s.f.	18.9M s.f.
Current Vacancy	15.8%	18.0%	19.8%	17.0%
Direct Average Asking Rent	\$86.67/s.f.	\$85.37/s.f.	\$61.65/s.f.	\$81.00/s.f.

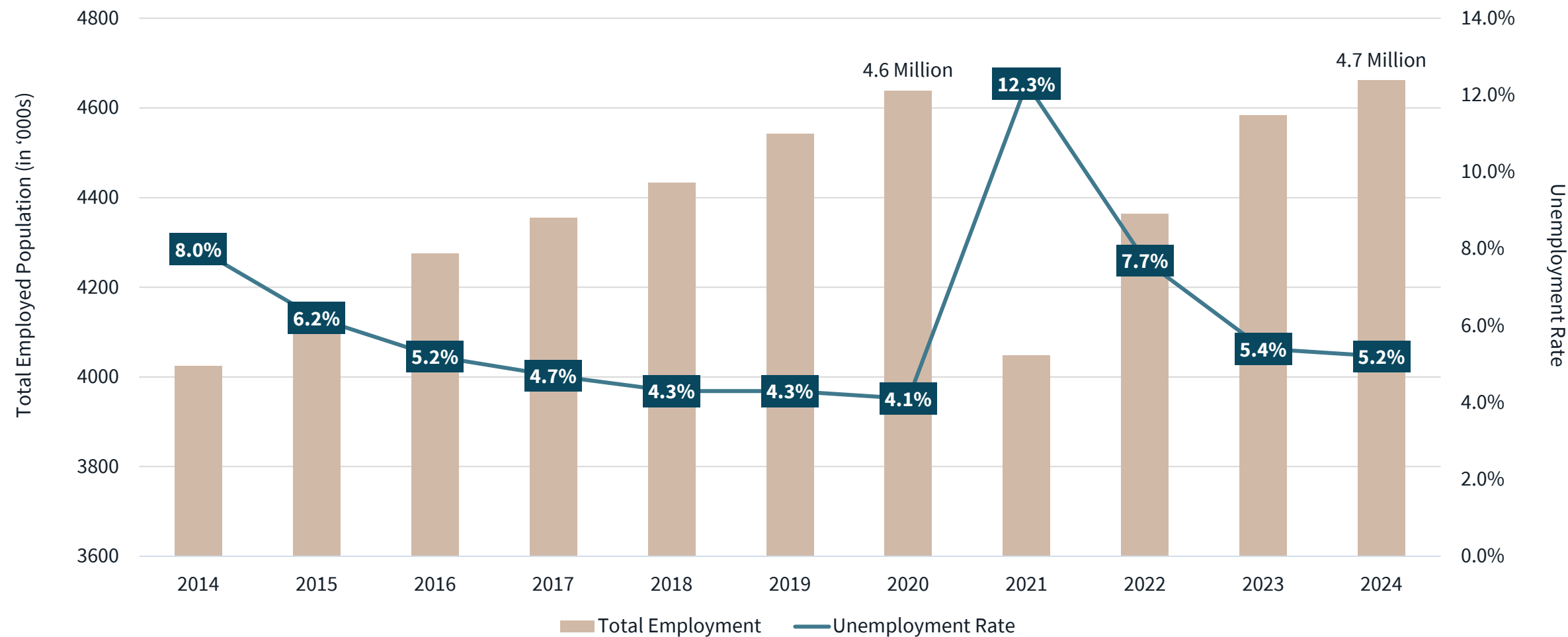
Leasing volume and inventory

Leasing volume in 2023 exceeded 2020 and 2021 but fell 15% below 2022 total leasing volume as uncertainty around interest rates and the economy generally weighed down on the market for most of the year.



New York City employment at an all-time high

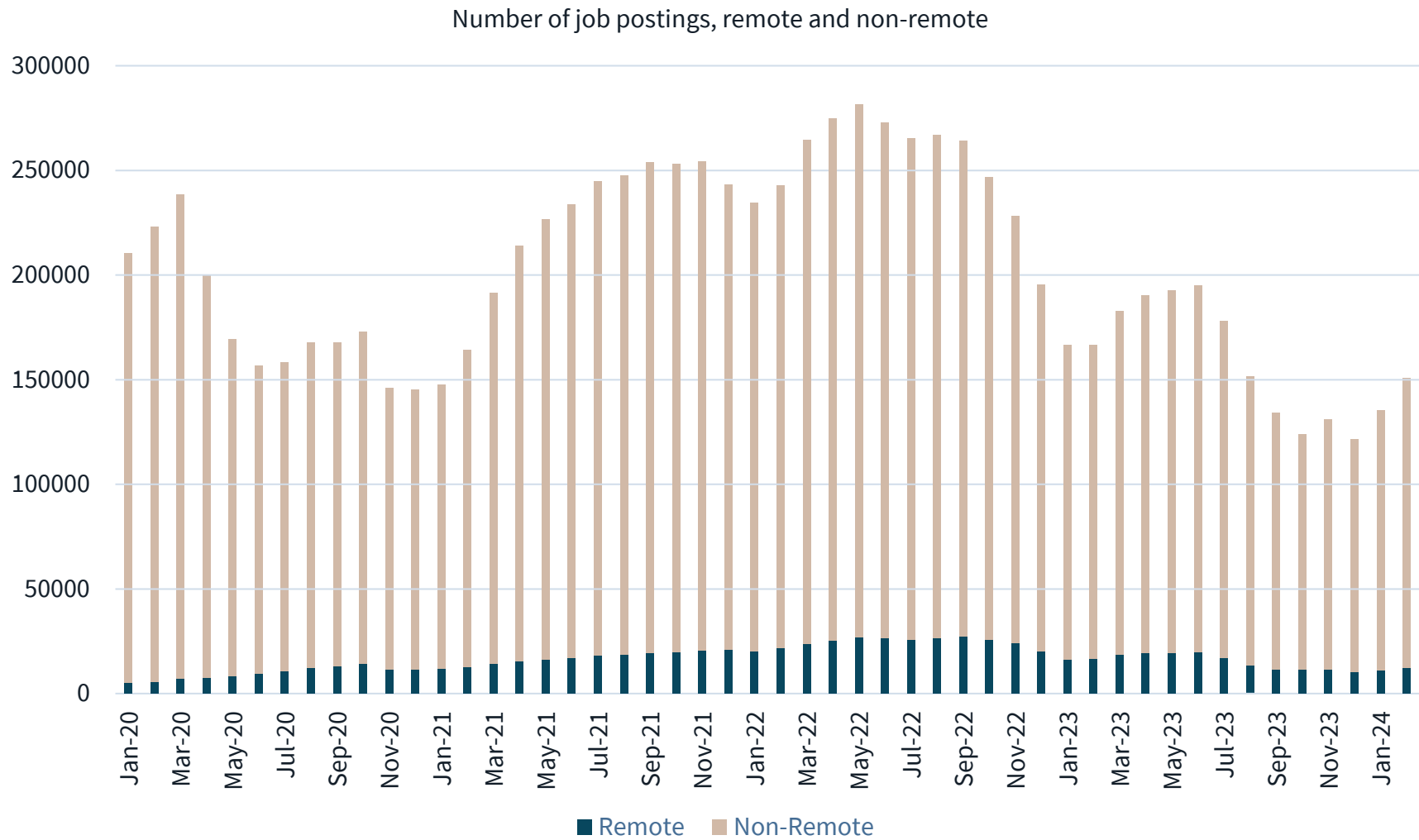
The city's unemployment rate continues to trend down.



Note: Numbers reflect unemployment rate and all non-farm employment numbers in January of each given year.
Source: JLL Research; New York State Department of Labor; U.S. Department of Labor
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NYC firms are hiring, overwhelmingly for in-office jobs

In-office jobs dominate the share of job postings in the city, as firms continue to want employees in the office.

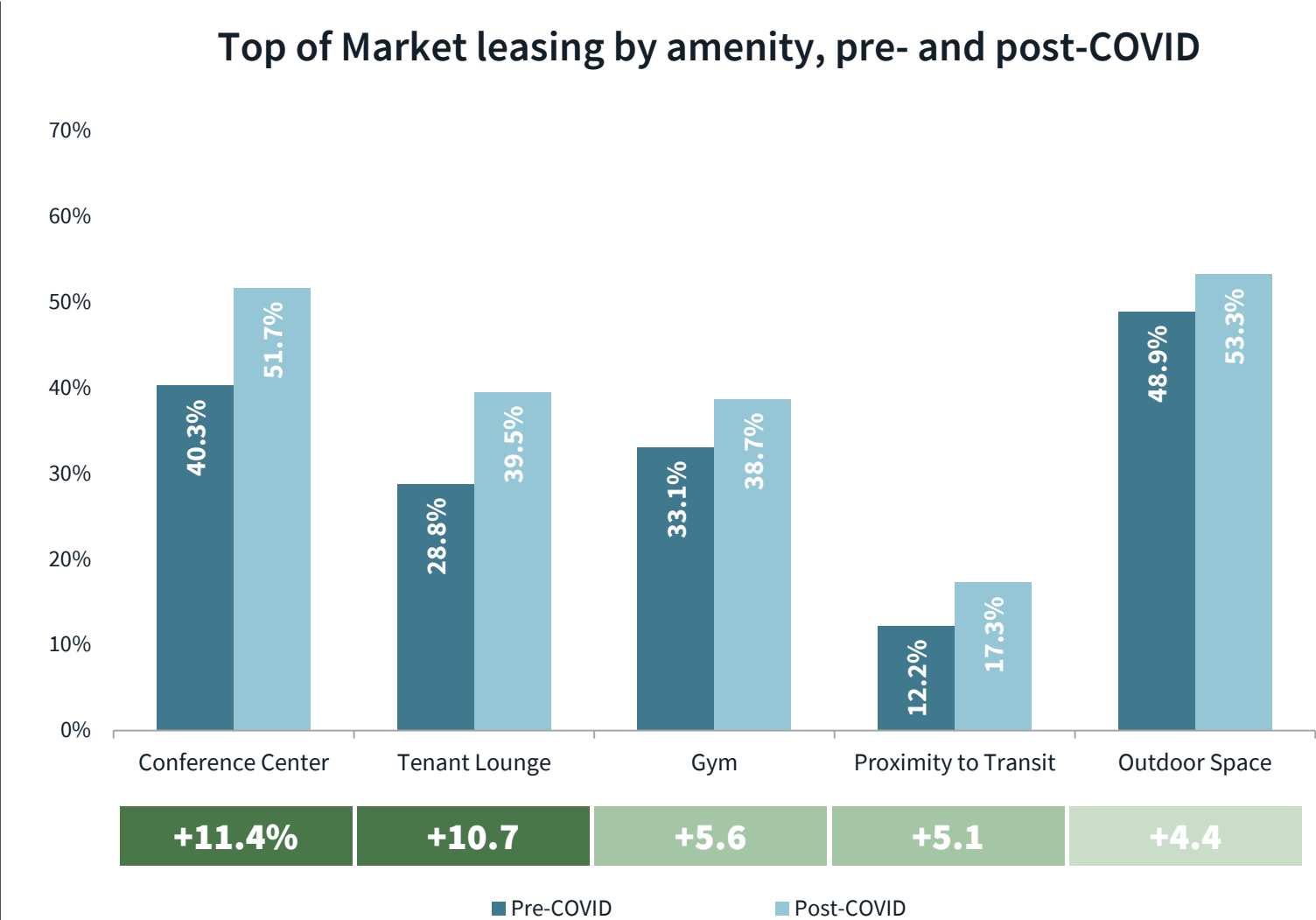


Available Jobs per available worker

Management 1.8 Jobs per unemployed worker (Dec 2023)	Biz & Financial Ops 2.5 Jobs per unemployed worker (Dec 2023)
Computer & Math 8.5 Jobs per unemployed worker (Dec 2023)	Legal 2.6 Jobs per unemployed worker (Dec 2023)

Leasing trends reflect the importance of amenities

Buildings with amenities attract more leasing activity and higher rents in general, with social and wellness amenities becoming more popular.



Note: Major amenities include a gym, conference center, tenant lounge, tenant-only outdoor space, restaurant, parking garage, event space.
Source: JLL Research
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Tenant demand for amenitized buildings has resulted in:

170 | CLASS A BUILDINGS IN
MIDTOWN WITH AMENITIES

118 | Gym, Conferencing, Lounge and/or
Outdoor Space

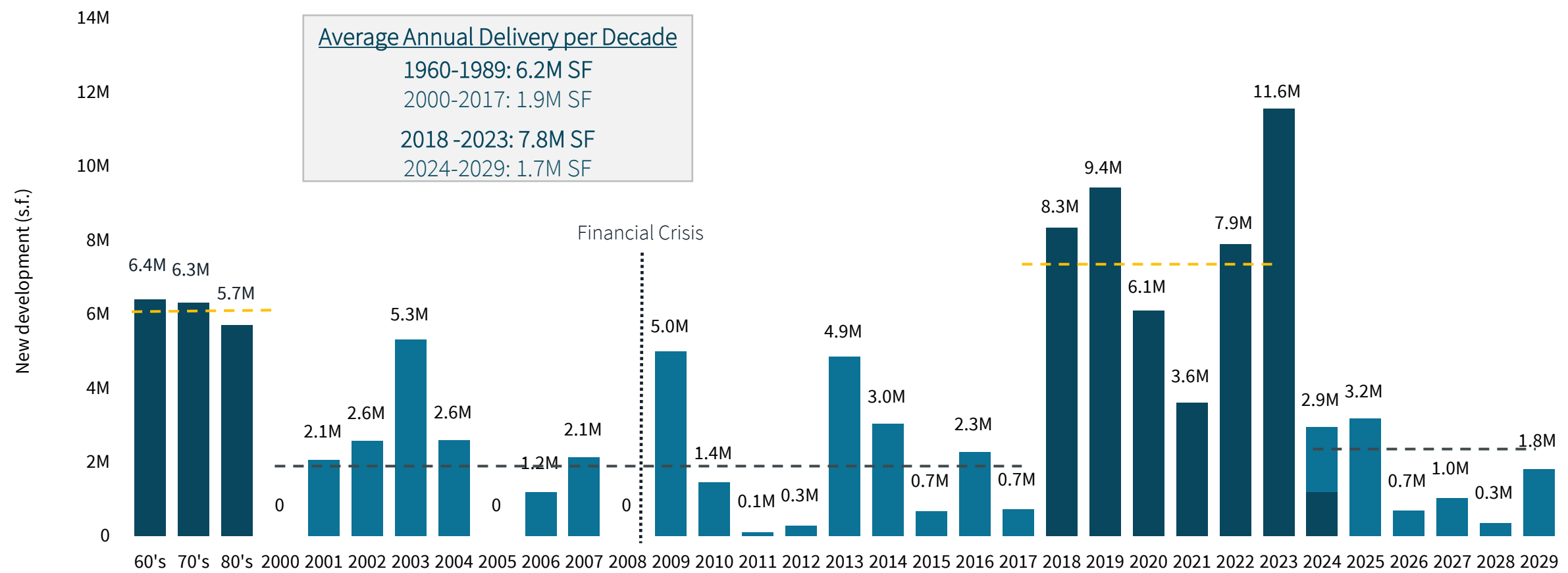
53 | Renovated since 2020

Representative Amenities



Historic Manhattan new construction

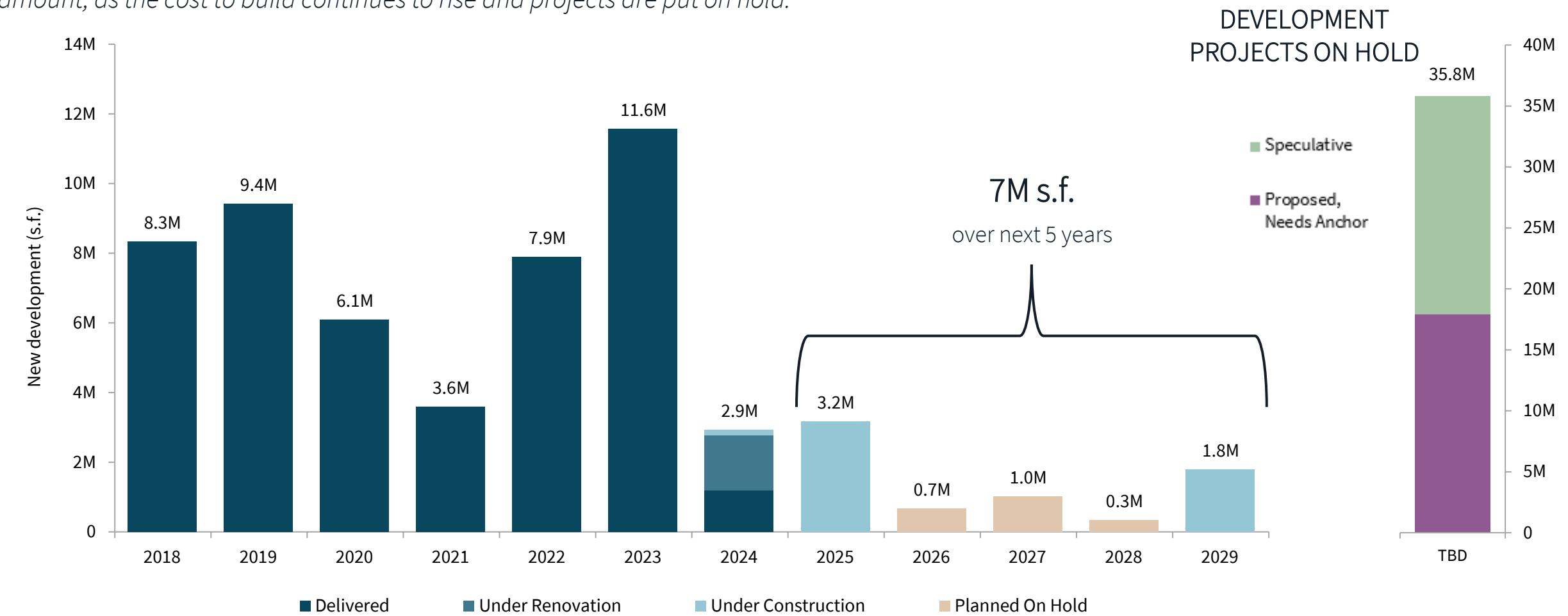
The wave of new construction, driven by Hudson Yards, mirrored the NYC pipeline (1960-1990); reduced supply anticipated over the next 5-10 years.



Note: Delivered is a property that underwent full renovation or new construction that can be occupied; Under Renovation is an existing property that is undergoing a renovation that fully repositions the building in the market; Under Construction is a property that is currently in the process of being built from ground up; Planned On Hold is a property that is ready to be built on spec but currently can't do to various internal or external factors; Proposed, Needs Anchor is a property that is ready to be built, but needs an anchor tenant before it can continue; Speculative is a property that is a proposed development that is either unlikely to be developed or is planned far into the future
Source: JLL Research

New development slows significantly – high construction costs/interest rates

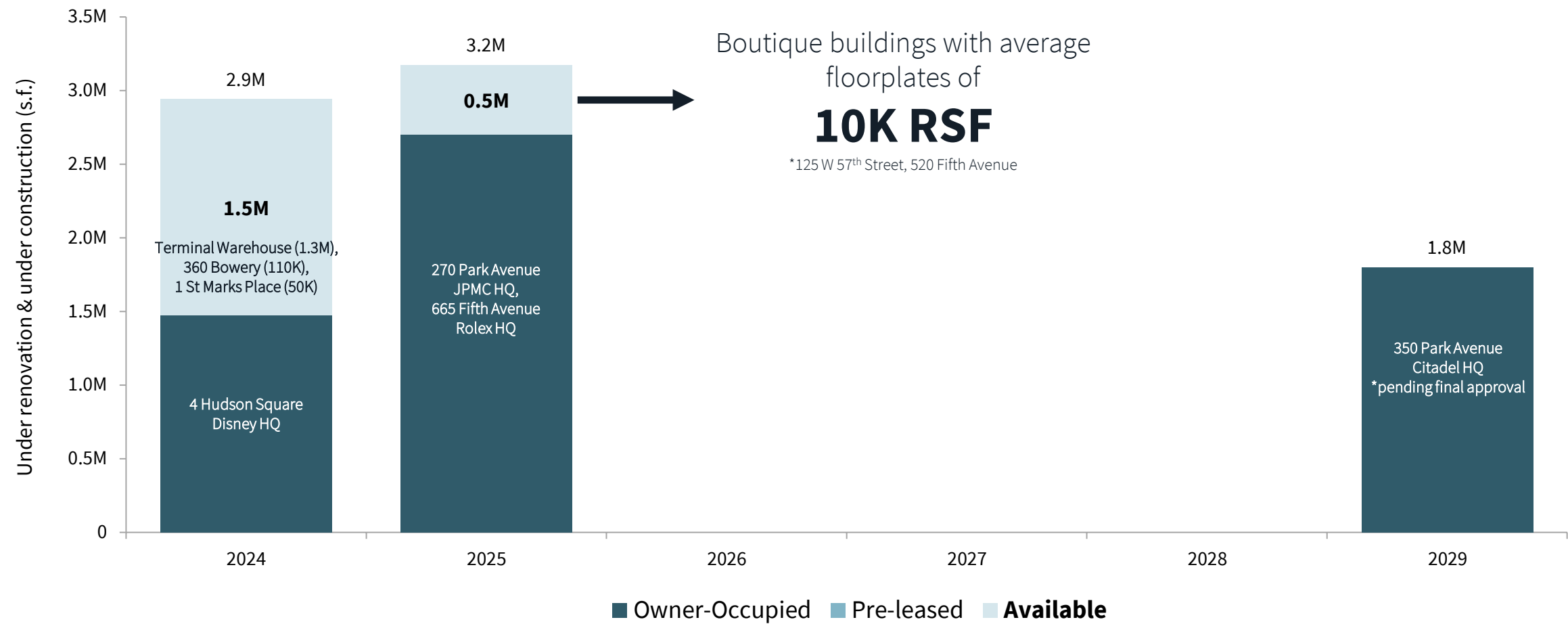
Nearly 40M s.f. has been delivered in the past 5 years, but the pipeline of new supply over the next 5 years is expected to be around one-fifth this amount, as the cost to build continues to rise and projects are put on hold.



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Source: JLL Research

Limited large-block availability in developments currently in progress

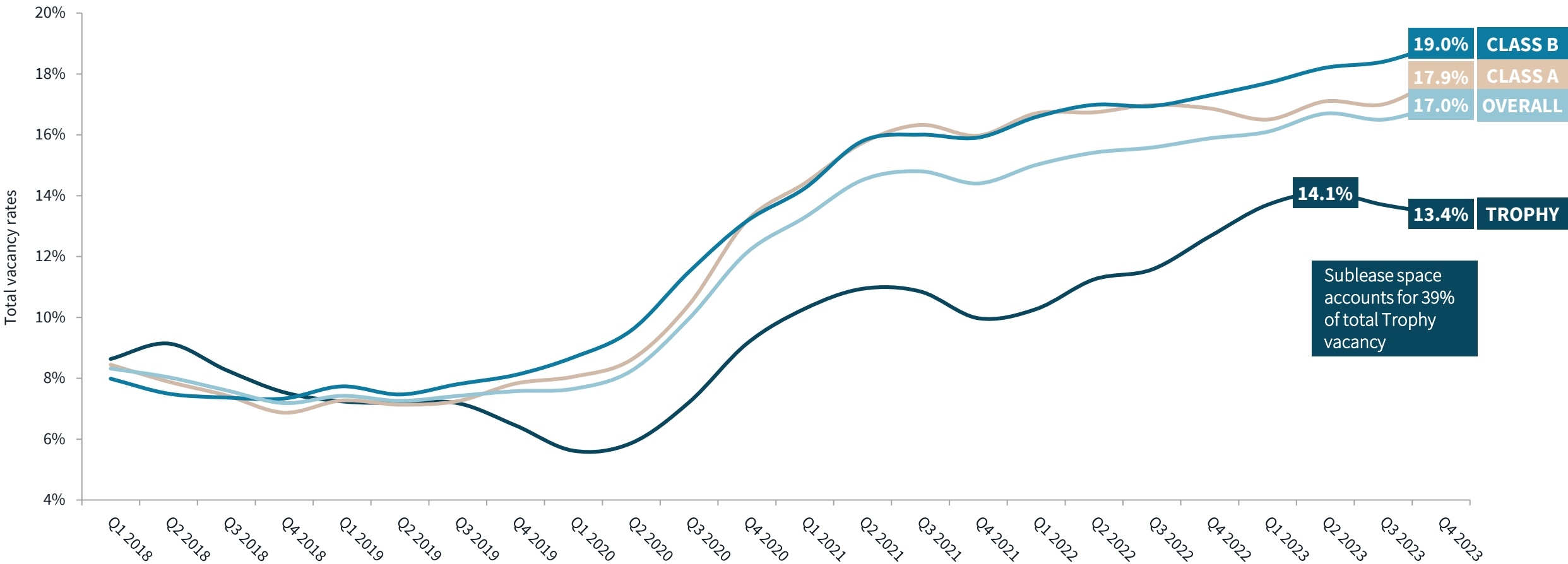
More than 75% of the space in properties that are currently under renovation or construction is owner-occupied.



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Source: JLL Research

Midtown vacancy in Trophy buildings continues to fall

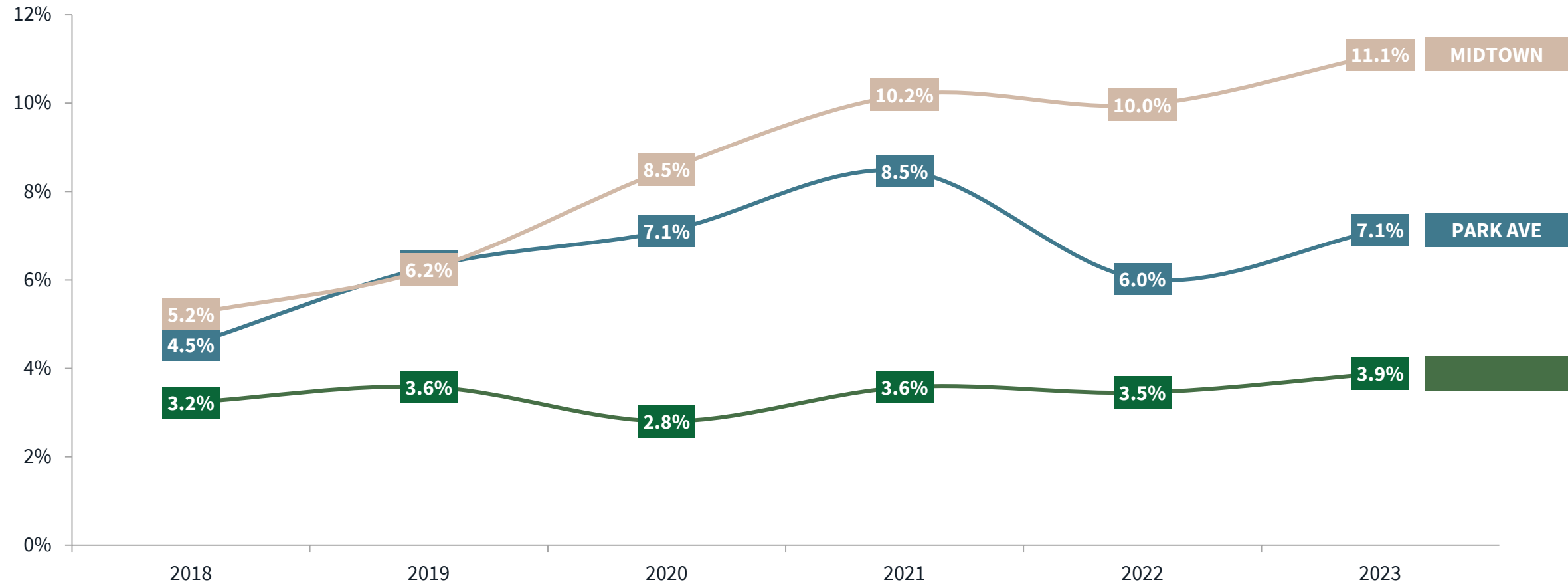
The migration to better quality offices is widening the vacancy gap between high-end Trophy product and the broader market.



Select Midtown submarket Trophy and A properties see lowest vacancy rates

Vacancy in Trophy and Class A properties on Bryant Park have been falling as the flight to quality continues access to regional transit becomes more important.

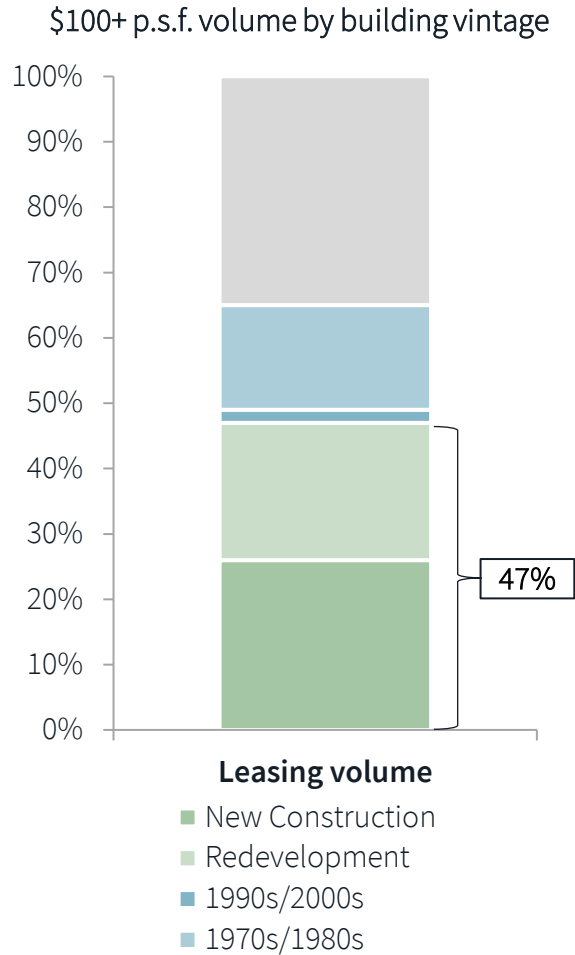
Trophy/A Direct Vacancy by select submarkets



Note: Avenue data reflects properties from 42nd to 59th Streets.
Source: JLL Research
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Top of market activity shows resiliency, supports flight to quality

More than 190 transactions were signed at **\$100+ p.s.f.** in New York., representing a quarter, or more than 5.6M s.f., of total leasing volume this year.



192

Number of \$100+ p.s.f. leases in 2023, an all-time record

29.2k s.f.

Average lease size

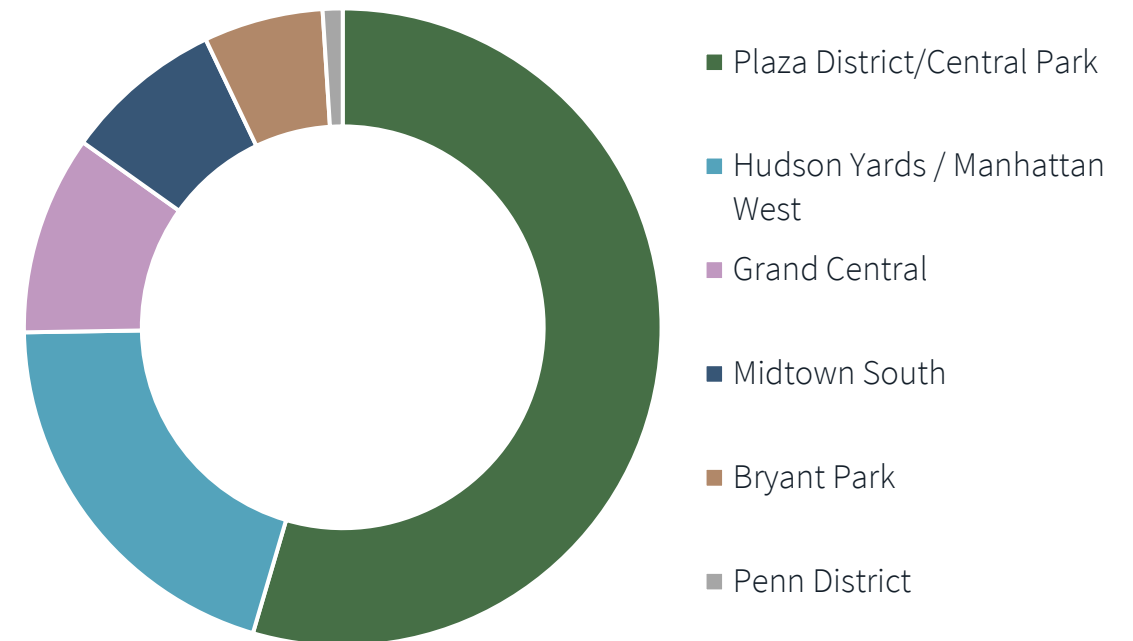
55%

Of transactions were new leases or relocations

50%

of \$100+ p.s.f. leasing activity took place in the Plaza District

Share of \$100+ p.s.f. Leasing Volume



Note: Recent full renovation and New development defined as properties built or fully repositioned post-2010.

Source: JLL Research

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Midtown office submarket statistics

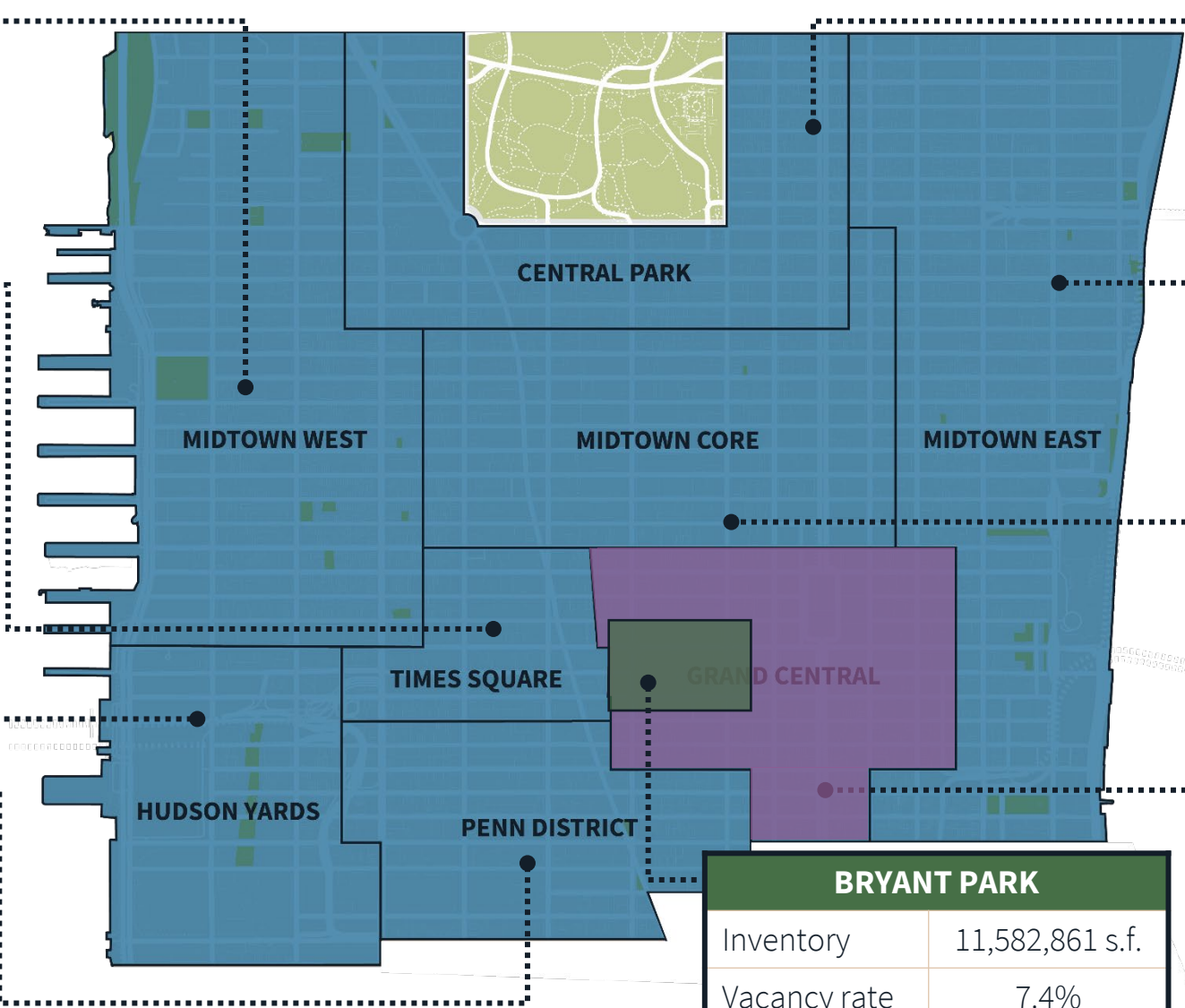
The Bryant Park micromarket has the lowest vacancy rate of any submarket in Midtown, and the fourth highest total asking rent.

MIDTOWN WEST	
Inventory	2,800,999 s.f.
Vacancy rate	36.5%
Asking rent	\$56.91/s.f.

TIMES SQUARE	
Inventory	17,183,049 s.f.
Vacancy rate	20.9%
Asking rent	\$74.82/s.f.

HUDSON YARDS	
Inventory	19,800,149 s.f.
Vacancy rate	17.7%
Asking rent	\$128.36/s.f.

PENN DISTRICT	
Inventory	39,569,654 s.f.
Vacancy rate	20.7%
Asking rent	\$74.34/s.f.



CENTRAL PARK	
Inventory	31,550,810 s.f.
Vacancy rate	14.3%
Asking rent	\$112.79/s.f.

MIDTOWN EAST	
Inventory	21,460,627 s.f.
Vacancy rate	19.1%
Asking rent	\$65.86/s.f.

MIDTOWN CORE	
Inventory	89,449,236 s.f.
Vacancy rate	11.9%
Asking rent	\$89.77/s.f.

GRAND CENTRAL	
Inventory	71,444,233 s.f.
Vacancy rate	15.1%
Asking rent	\$70.25/s.f.

BRYANT PARK	
Inventory	11,582,861 s.f.
Vacancy rate	7.4%
Asking rent	\$87.71/s.f.

Bryant Park office statistics

Office inventory

11.6M s.f.

*inventory across
23 properties*

0M s.f.

*under construction or
near-term proposed*

Office statistics

\$87.71 p.s.f.

*asking rent, an 8.8 percent
increase from Q4 2022*

7.4%

*vacancy rate, a 1.2 pp
increase from Q4 2022*

Office availabilities

0.8M s.f. direct

0.2M s.f. sublet

17.6%

*share of sublease availabilities
to total available space*

Note: 452 5th availability not included as part of statistics.

Source: JLL Research

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Bryant Park micromarket benefits from park and transit access

- *With proximity to transit now a top driver of leasing, the area east of Grand Central close to Bryant Park has few availabilities in high quality buildings.*

The opening of the LIRR service to Grand Central Station saves **160,000** commuters up to **25-40 minutes** of travel time each day.



Almost half—or 45%—of LIRR commuters now benefit from a shorter commute or can commute without the need to transfer to the subway at all. While GCT foot traffic is up **51.5% YoY**.



Number of Trophy/Class A Office Buildings: **12**

Inventory: **10,282,771 s.f.**

Vacancy Rate: **5.2%**

Total Available Space: **533,874 s.f.**

The properties surrounding Bryant Park have relatively few availabilities left

Class A and Trophy properties on Bryant Park have less than 1M s.f. of space available, with the rate for Trophy properties being just 2.3%.

1 Bryant Park

0.0% Vacant
0 s.f. Available

2 Bryant Park

0% Vacant
0 s.f. Available

3 Bryant Park

1.7% Vacant
58,086 s.f. Available

5 Bryant Park

19.0% Vacant
129,599 s.f. Available

7 Bryant Park

9.1% Vacant
43,247 s.f. Available

Grace Building

0% Vacant
19,453 s.f. Available



11 W 42nd St

0.0% Vacant
19,003 s.f. Available

500 5th Ave

9.7% Vacant
77,456 s.f. Available

505 5th Ave

8.1% Vacant
26,307 s.f. Available

475 5th Ave

8.5% Vacant
30,298 s.f. Available

461 5th Ave

13.7% Vacant
29,397 s.f. Available

452 5th Ave

4.5% Vacant
38,000 s.f. Available

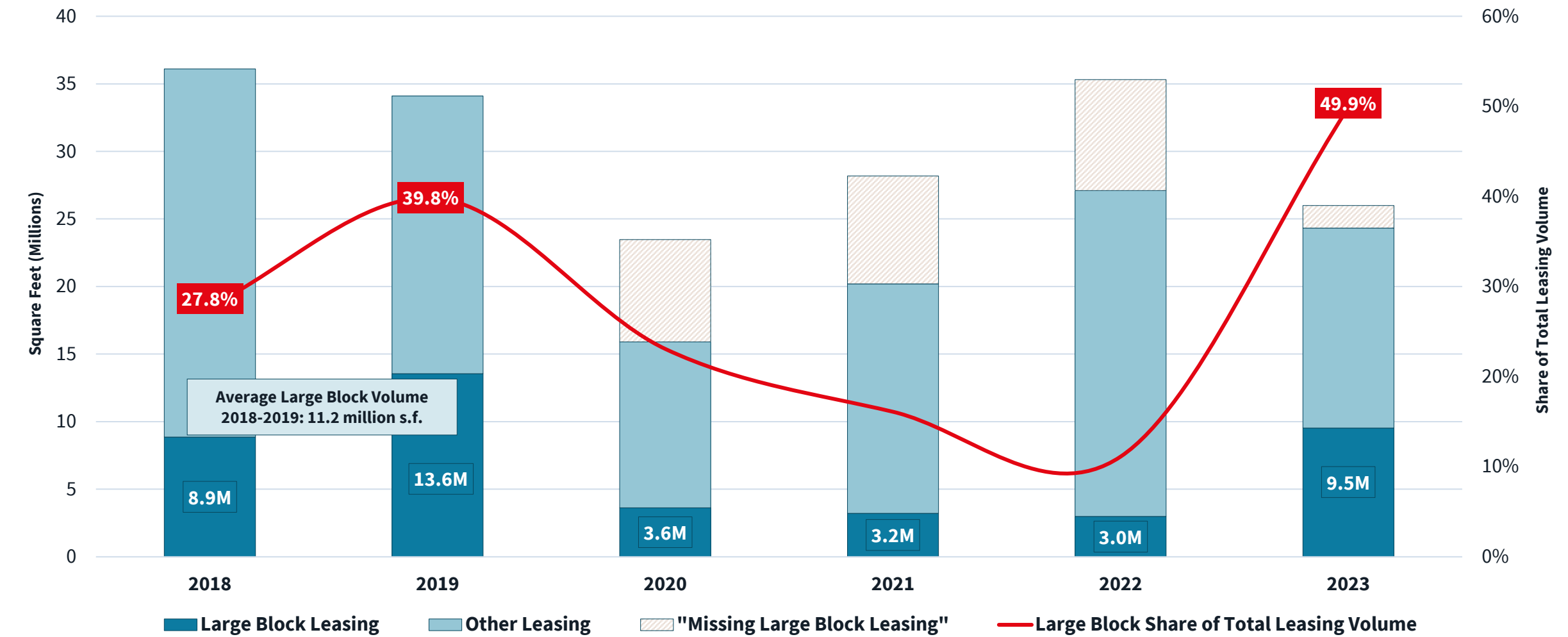
Note: Vacant rates and s.f. available include direct space only.

Source: JLL Research

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Historic Large Block Activity | 2018-2023

Total annual large block leasing volume was on a downward trend through the end of 2022; however, we are seeing a recent uptick as large block occupiers return to the market.



Midtown | Large available blocks

The Midtown market has a substantial amount of available large blocks for tenants to choose from, spanning different locations and asset classes.

Address	Available Block (s.f.)	Address	Available Block (s.f.)
2 Penn Plz	1,374,465	1540 Broadway	223,589
5 Times Sq	664,888	1221 Avenue of the Americas	220,005
330 W 42nd St	603,836	1301-1315 Avenue of the Americas	204,478
522 5th Ave	596,245	330 W 34th St	203,849
30 Hudson Yards*	474,282	22 Vanderbilt Ave	199,650
850 3rd Ave	463,449	22 Vanderbilt Ave	193,838
825 8th Ave	445,687	237 Park Ave	193,431
1290 Avenue of the Americas	407,309	1745 Broadway	187,497
1166 Avenue of the Americas	339,357	100 Park Ave	174,731
The Spiral	333,985	1601-1611 Broadway	174,115
Morgan North	322,260	135 W 50th St	173,537
660 5th Ave	317,070	825 8th Ave	173,436
660 5th Ave	210,397	50 Hudson Yards	171,761
Morgan North	309,258	220 E 42nd St	170,648
554 Eighth Avenue	285,201	1440 Broadway	165,620
1633 Broadway	253,275	7 Times Sq	164,832
135 W 50th St	237,166	340 Madison Ave	161,670
220 W 42nd St	224,713	245 Park Ave	151,375

Total s.f. of large block availability: 11.7M s.f.

Note: Sublet blocks are italicized.

Source: JLL Research and respective developers

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Thank you