

Contact:

Melissa Coley

212.984.6639

Melissa.Coley@cbre.com

CBRE: MANHATTAN LEASING ACTIVITY ACHIEVES HIGHEST QUARTERLY TOTAL SINCE Q2 2011

*Midtown South Average Asking Rent Surpasses Midtown for the First Time;
Downtown Sees Strongest Quarter of Leasing Since Q2 2011*

NEW YORK, NY – July 11, 2018 — CBRE today released three Manhattan Office MarketViews for the second quarter of 2018.

The reports show that leasing activity totaled 8.96 million sq. ft. in Q2 2018 and that year-to-date leasing activity totaled 15.36 million sq. ft., 12% higher than the same period last year. The availability rate during Q2 was 11.8%, virtually unchanged from Q1 2018, and down 20 basis points (bps) from a year ago.

“Across the board, all three Manhattan markets performed well in the second quarter. Overall, Manhattan had its highest quarterly leasing activity total since 2011, with nearly nine million square feet leased,” said Nicole LaRusso, Director of Research and Analysis, CBRE Tri-State. “One big happening last quarter was that average asking rent in Midtown South climbed to \$78.36 per square foot, surpassing the average asking rent in Midtown for the first time.”

In Manhattan, quarterly net absorption registered negative 204,000 sq. ft. The average asking rent, at \$72.20 per sq. ft., declined 1% from last quarter and more than 2% from a year ago. Sublease availability was 2.6%, up 10 bps from Q1 2018, and 20 bps year-over-year.

The **Midtown** market saw 5.18 million sq. ft. of leasing activity during Q2 2018, the strongest quarter since 2015. With mid-year leasing activity standing at 9.5 million sq. ft., Midtown is on pace to have to have its highest year-end total in 12 years. The traditional core of Midtown has driven leasing activity, with Grand Central, Park Avenue and Sixth Avenue/Rock Center combining for 4.96 million sq. ft., their highest mid-year total since 2006.

Despite the addition of several large block availabilities in Midtown, availability only increased 10 bps quarter-over-quarter to 11.3%. Average asking rents decreased for the third consecutive quarter to \$77.13 per sq. ft., as a result of waning rental growth combined with the lease-up of premium-priced space. The

majority of leasing activity in Midtown occurred in the 50,000-sq.-ft.-and-below size segment, which accounted for over 59% of leasing activity year-to-date.

In **Midtown South**, leasing activity totaled 1.88 million sq. ft. in Q2 2018, a 48% increase from Q1 2018, and 42% above the five-year quarterly average. This accounted for the submarket's highest quarterly total since early 2001 and pushed year-to-date leasing activity to its second highest level on record. Midtown South's leasing activity in Q2 2018 received a boost from transactions 25,000 sq. ft. and larger, while leasing in the smaller-sized tranches decelerated.

At 10.7%, the availability rate in Midtown South decreased 30 bps quarter-over-quarter and remained flat from a year ago. Net absorption registered a positive 235,000 sq. ft. in Q2 2018, rebounding from the previous quarter. The average asking rent continued to climb during Q2, reaching a record peak of \$78.36 per sq. ft., up 2% from the prior quarter and 9% year-over-year.

In the **Downtown** market, second-quarter leasing activity totaled 1.9 million sq. ft., an increase of 140% from Q1 2018 and 45% above the five-year quarterly average; Q2 2018 stood as Downtown's strongest quarter since Q2 2011. Large occupiers migrating into the market fueled much of this submarket's Q2 activity, as over one million sq. ft. of leasing activity came from net additions alone.

The availability rate rose 20 bps from Q1 2018, and 150 bps from a year ago, ending the quarter at 14.2%. Quarterly net absorption registered negative 163,000 sq. ft., partly due to the 39% increase in available sublet space over the past three months. Average asking rents, at \$60.99 per sq. ft., decreased 2% since Q1 2018 but are still up 17% since the end of 2014.

The full Manhattan Office MarketViews are attached.

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