

# NOMADGROUP

## Chelsea Market Report

### Summary

Before the pandemic, consistent demand from startups and tech companies contributed to a healthy foundation of tenants in Chelsea. Over the past cycle, Chelsea's rent growth ranked among the best in NYC. A sharp uptick in vacancies—primarily due to large sublease listings—have pushed rents down over the last two quarters.

Chelsea has nearly a million square feet of developments set to be delivered over the next two years, which may moderate a rent bounce in the long term as supply increases.

### Pandemic Threatens Coworking

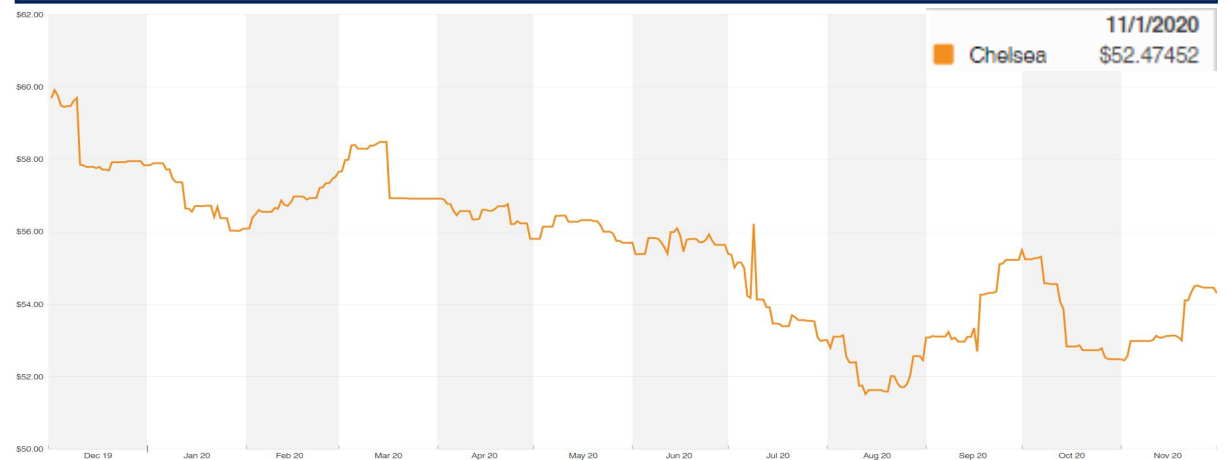
Vacancies continued to rise in 20Q3 due to large blocks of space hitting the market. Furthermore, struggles in the coworking sector offer the potential for more large blocks to become vacant if rent is unable to be paid. Coworking companies were highly active shortly before the pandemic—Convvene took 70,000 SF in 20Q1 and WeWork had the fastest growing portfolio in the world. In 20Q2, WeWork subleased their 150,000 SF Chelsea HQ office.

Despite the potential for large availabilities, Chelsea's strong base of TAMI tenants will insulate the submarket from long term damage.

## Notable Conditions

- 1 **Pandemic Slows Rent Growth**
- 2 **Coworking Companies Face Pandemic Pressure**
- 3 **Construction Projects May Impact Rents In Long Term**

## Daily Asking Rent by Square Foot



# NOMADGROUP

## Chelsea Market Report

### Pandemic Slows Soaring Rents

Rents in Chelsea had roughly doubled over the past ten years peaking at \$66 PSF in 2019. As of November 2020, daily asking rents sat closer to \$52 PSF. Four- and five-star assets are well insulated from rent drops, and still rank among the top in the Metro Area.

Although pandemic vacancies and construction deliveries will moderate rent growth over the next 12-24 months, robust demand is expected to return in 2021.

### Tech Giants Lead the Way

Where tech giants go, startups follow, and Chelsea is no exception. Google has grown its Chelsea footprint to 1.5M square feet and is expected to add another 260,000 SF at the SuperPier in 20Q4. This comes after Google's purchase of the Chelsea Market and the Milk Building in 2018.

Googled was promptly followed by companies such as Yext, which signed a six-figure deal in 20Q2, and Dentsu Aegis, which is looking to move into 340,000 SF in 2022. This continued faith in the office market gives executives confidence in the future health of Chelsea commercial real estate. Leases by Facebook and Amazon in neighboring submarkets also boost confidence in the future of TAMI office leasing.

### YOY Rent Growth

