

Financial District Market Report

Summary

Despite securing some of the largest transactions in Manhattan during 20Q3, the downtown market saw demand shrink by just over a million square feet. This drop was pushed by a slew of large space blocks that became available. In total, nine blocks of 50,000 SF or more became available. Available space now represents 14% of total space in the submarket, with sublets making a third of those availabilities.

Due to increased vacancies in recent months, rents have continued to drop following a peak in Q1 of this year. Rents fell an additional 2% in 20Q3 but sit less than a percent below their 19Q1 levels when the area began to see dramatic rent increases.

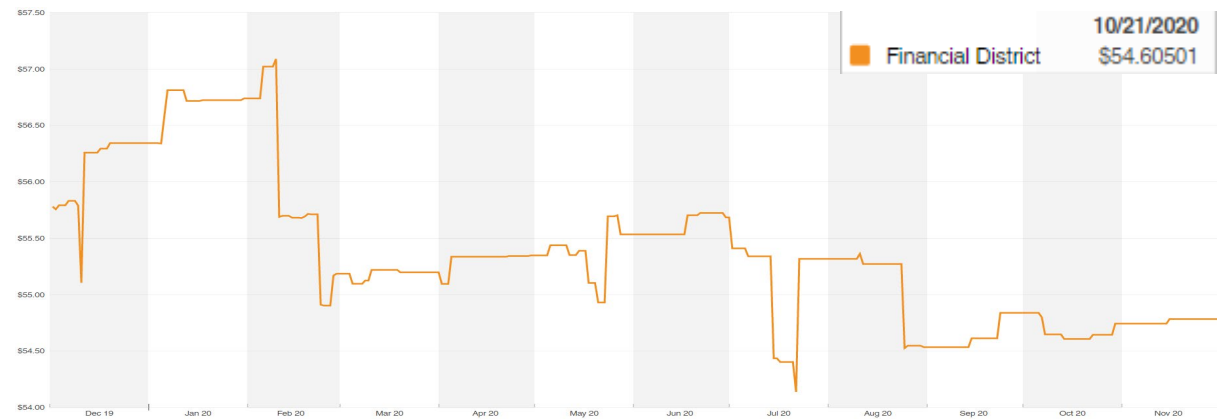
'Wait and See' Mindset

2019 and early 2020 saw the demand in Downtown Manhattan increase thanks to TAMI companies relocating from Midtown and Midtown South to take advantage of more desirable pricing. Companies have largely put these relocations on hold as they await more certainty on a vaccine timeline and a safe return to the workplace. The area benefited from a number of smaller leases signed by opportunistic tenants looking to secure below-market deals before demand returns, but these transactions were outpaced by a steady increase of sublets.

Notable Conditions

- 1 Large Blocks of Space Inflate Vacancies
- 2 Sublets Make Up 30% of Total Availabilities
- 3 Largest Lease of 20Q3 Signed in FiDi

Daily Asking Rent by Square Foot



NOMADGROUP

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Biggest Deal of 20Q3

AIG's 217,600 SF lease at 28 Liberty Street was New York City's largest in the third quarter. As a market leader, AIG's transaction represents a level of faith in the of the Downtown market, as well as New York's office market as a whole. The insurance giant's FiDi lease was the only six-figure transaction of the quarter but was complemented by Remarkable Foods' 69,000 SF relocation to 4 World Trade and Network Capital's 20,500 SF transaction at 1 World Trade.

Our Outlook

The Financial District and WTC will continue to benefit from large transactions by the world's leading financial, insurance, and law firms who have been less-impacted by the pandemic. Likewise, the submarket has become a hub for biotech companies that have grown significantly over the past 8-10 months. Although FiDi maintains a strong foundation of clientele, underperforming coworking locations, and tech companies downsizing their offices will threaten future performance.

We don't expect the submarket's performance to improve until mid-2021. The increase in large space blocks and sublets coming to market will make it difficult for new leasing activity to catch up in the near-term.

Notable Lease Transactions

AIG	28 Liberty	217,600 SF	\$70 PSF	Insurance
Remarkable Foods	4 WTC	69,000 SF	\$80 PSF	Consumer Goods
Network Capital Funding	1 WTC	20,500 SF	\$75 PSF	Financial Services
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The Downtown market has certainly felt the effects of the pandemic, but its setbacks have been less impactful than some of Manhattan's other submarkets. This can be attributed to strong anchor tenants, and a peak in activity shortly before stay-at-home orders were put into place that helped cushion the blow.

Going into the final quarter of 2020, we expect rents to drop another 1-2 percentage points as availabilities continue to outpace demand. Despite this outlook, we expect tenant inquiries to increase as companies in need of space test the market in hopes of moving quickly once return timelines become more concrete.