

Manhattan Office Market Sales Volume and Buying Trends – November 2020

The global COVID-19 pandemic surfaced in the United States in Mid-March. Federal, State, and local governments responded by issuing strict social distancing orders to curb the spread of the virus. There has been a rise in new cases over the past few months, and with the timeline of the vaccine in question, there are still a lot of questions for the near term.

Market fundamentals were healthy going into the crisis; however, the first eight full months of the pandemic reflect a drop off in sales compared to previous year's figures. July and August 2020 results demonstrated an increase in transaction dollar volume; however, this trend reversed, with November 2020 results showing zero sales. This report analyzes trends in investment sales in the Manhattan Class A and B office market from January 2019 through November 2020.

Leasing activity in November 2020 is in stark contrast to November 2019. The number of deals is down considerably compared to this time last year, and along with that, so is the amount of space leased, down a staggering 284%. The graph on the right demonstrates the effects of the crisis on leasing activity in the Manhattan office market.

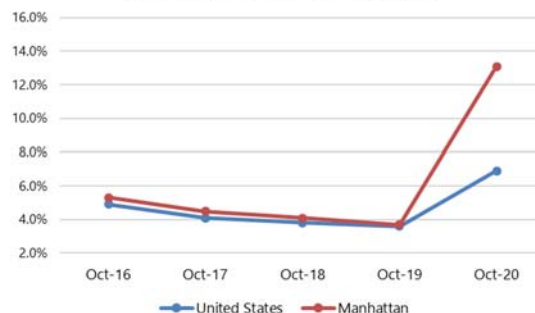
| LEASING ACTIVITY - NOVEMBER | | | |
|-----------------------------|---------|-----------|------------------|
| YEAR | Deals | SF Leased | Starting Rent SF |
| NOVEMBER 2019 | 328 | 5,685,731 | \$121.92 |
| NOVEMBER 2020 | 144 | 1,479,442 | \$52.23 |
| YOY CHANGE | -127.8% | -284.3% | -133.4% |

| POPULATION | | |
|-----------------------|-------------|-----------|
| YEAR | US | Manhattan |
| 2000 Total Population | 281,421,906 | 1,537,195 |
| 2010 Total Population | 308,745,538 | 1,585,873 |
| 2020 Total Population | 333,793,107 | 1,650,033 |
| 2025 Total Population | 346,021,282 | 1,676,284 |
| 10-20 CAGR | 0.8% | 0.4% |
| 20-25 CAGR | 0.7% | 0.3% |

| HOME OWNERSHIP | | |
|----------------|-------|-----------|
| YEAR | US | Manhattan |
| 2010 | 57.7% | 20.5% |
| 2020 | 56.4% | 21.4% |
| 2025 | 56.2% | 21.2% |

| MEDIAN HH INCOME | | |
|------------------|----------|-----------|
| YEAR | US | Manhattan |
| 2020 | \$62,203 | \$88,043 |
| 2025 | \$67,325 | \$99,415 |
| CAGR | 1.60% | 2.46% |

Unemployment Rate - Five Year Trend



NOTE: November 2020 unemployment statistics for Manhattan were not available as of the date this report was written.

The Manhattan Office Market in Context

To understand current conditions, it is helpful to have a benchmark for comparison purposes. 2015 was considered, by most, the peak of Manhattan Investment Sales activity. In that year, there were a total of 112 transactions, yielding an aggregate volume of \$21.6 billion. On average, there were nine transactions per month, averaging \$1.8 billion. Since 2015, sales activity has been steadily declining both in number of transactions, and in transaction volume. For 2019, there were only 53 transactions, reflecting a decline of 53% from 2015 levels, and total volume was \$12.4 billion, roughly 42% below levels seen in 2015.

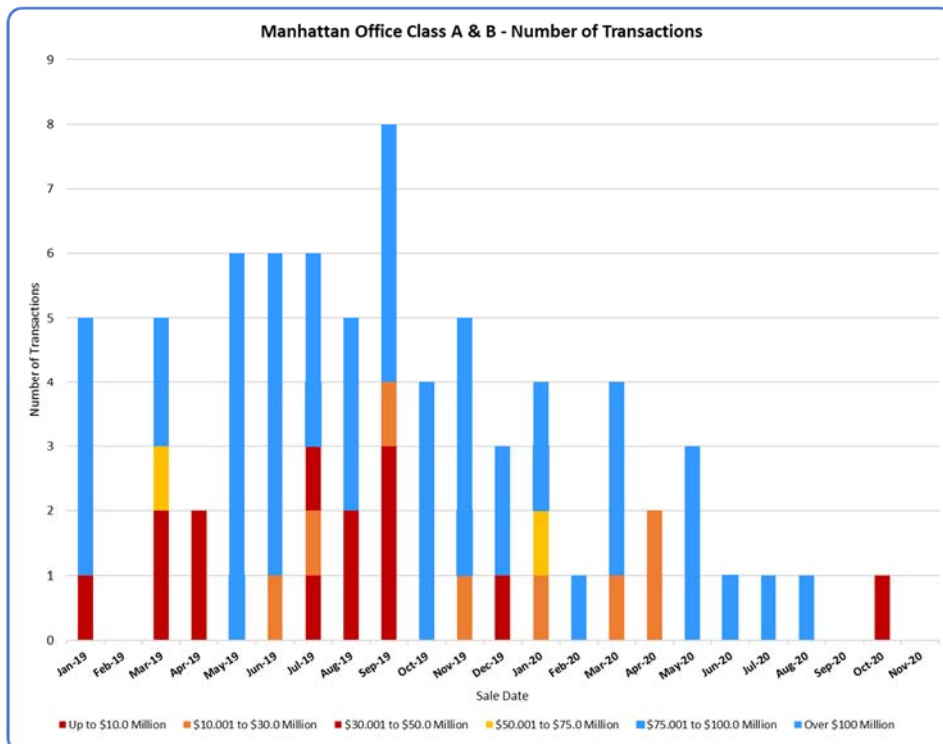
| Manhattan Office Class A & B | | | | |
|------------------------------|------------|-------------------------|-----------|-------------------------|
| Investment Tranche | 2015 | | 2019 | |
| | Number | Volume | Number | Volume |
| Up to \$10.0 Million | 22 | \$97,450,988 | 9 | \$33,000,000 |
| \$10.001 to \$30.0 Million | 11 | \$196,911,312 | 4 | \$75,650,000 |
| \$30.001 to \$50.0 Million | 13 | \$557,589,825 | 3 | \$120,050,000 |
| \$50.001 to \$75.0 Million | 11 | \$716,039,151 | 1 | \$75,000,000 |
| \$75.001 to \$100.0 Million | 9 | \$802,500,000 | 2 | \$186,460,207 |
| Over \$100 Million | 46 | \$19,236,711,500 | 34 | \$11,939,992,329 |
| Total # Transactions | 112 | \$21,607,202,776 | 53 | \$12,430,152,536 |
| Monthly Average | 9 | \$1,800,600,231 | 4 | \$1,035,846,045 |

Number of Sales Transactions

We tracked the number of monthly Class A and B office sales recorded in Manhattan (excluding the Uptown submarket), segmented into tranches as seen below. Over the 23-month period, there have been a total of 73 transactions. Nearly 14% of these transactions were below \$10 million, 26% were between \$10 and \$100 million, and approximately 60% were above \$100 million.

| Historical Transaction Volume - Manhattan Office Class A & B | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|---------------|-------|
| Number of Transactions | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Total | % of Total | |
| Up to \$10.0 Million | 1 | 0 | 1 | 2 | 0 | 0 | 1 | 1 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 10 | 13.7% | |
| \$10.001 to \$30.0 Million | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | 11.0% |
| \$30.001 to \$50.0 Million | 0 | 0 | 1 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 5.5% |
| \$50.001 to \$75.0 Million | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2.7% |
| \$75.001 to \$100.0 Million | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 6.8% |
| Over \$100 Million | 4 | 0 | 2 | 0 | 5 | 5 | 2 | 3 | 4 | 4 | 3 | 2 | 1 | 1 | 3 | 0 | 3 | 0 | 1 | 1 | 0 | 0 | 0 | 44 | 60.3% | |
| Total # Transactions | 5 | 0 | 5 | 2 | 6 | 6 | 6 | 5 | 8 | 4 | 5 | 3 | 4 | 1 | 4 | 2 | 3 | 1 | 1 | 1 | 0 | 1 | 0 | 73 | 100.0% | |
| % Change from Prior Month | - | -100.0% | N/A | -60.0% | 200.0% | 0.0% | 0.0% | -16.7% | 60.0% | -50.0% | 25.0% | -40.0% | 33.3% | -75.0% | 300.0% | -50.0% | 50.0% | -66.7% | 0.0% | 0.0% | -100.0% | N/A | -100.0% | - | - | |

The largest number of monthly transactions occurred in September 2019, which represented a 60% increase from the prior month. Compared to the peak of eight sales in September 2019, the results for the months following the start of the crisis were significantly lower. May 2020 was marked by an increase in the number of sales and dollar sales volume compared to April, and more notably they were all in the "Over \$100 Million" category. June, July and August figures demonstrated a drop off from May figures, containing only one transaction in each month. Following this, September, October, and November demonstrated only one total sale, which occurred in October. The figures are portrayed graphically below.



Dollar Volume of Sales Transactions

In 2019, the average monthly sales volume was over \$1.0 billion, with the peak occurring in June 2019 at over \$3 billion.

| Historical Transaction Volume - Manhattan Office Class A & B (in Millions) - 2019 | | | | | | | | | | | | | | |
|--|------------------|--------------|----------------|--------------|------------------|------------------|----------------|------------------|------------------|----------------|----------------|----------------|-------------------|---------------|
| Dollar Volume of Transactions | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Total | % of Total |
| Up to \$10.0 Million | \$5.8 | \$0.0 | \$2.1 | \$9.9 | \$0.0 | \$0.0 | \$1.6 | \$4.2 | \$9.5 | \$0.0 | \$0.0 | \$0.0 | \$33.0 | 0.3% |
| \$10.001 to \$30.0 Million | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$18.0 | \$25.7 | \$0.0 | \$20.5 | \$0.0 | \$11.5 | \$0.0 | \$75.7 | 0.6% |
| \$30.001 to \$50.0 Million | \$0.0 | \$0.0 | \$43.3 | \$0.0 | \$0.0 | \$0.0 | \$37.3 | \$39.5 | \$0.0 | \$0.0 | \$0.0 | \$34.8 | \$154.9 | 1.2% |
| \$50.001 to \$75.0 Million | \$0.0 | \$0.0 | \$75.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$75.0 | 0.6% |
| \$75.001 to \$100.0 Million | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$89.0 | \$0.0 | \$97.5 | \$0.0 | \$0.0 | \$0.0 | \$92.0 | \$0.0 | \$278.5 | 2.2% |
| Over \$100 Million | \$1,224.1 | \$0.0 | \$715.6 | \$0.0 | \$1,058.3 | \$3,106.6 | \$430.7 | \$1,211.8 | \$1,935.2 | \$982.5 | \$798.5 | \$476.8 | \$11,940.0 | 95.1% |
| Total Dollar Volume | \$1,229.8 | \$0.0 | \$836.0 | \$9.9 | \$1,147.3 | \$3,124.6 | \$592.7 | \$1,255.5 | \$1,965.2 | \$982.5 | \$902.0 | \$511.6 | \$12,557.0 | 100.0% |
| % Change from Prior Month | - | -100.0% | N/A | -98.8% | 11548.1% | 172.3% | -81.0% | 111.8% | 56.5% | -50.0% | -8.2% | -43.3% | - | - |

Comparatively, the average monthly sales volume in 2020 was approximately \$0.36 billion as of November 2020, reflecting a decrease of approximately 66%. We tracked the dollar volume of monthly sales by tranche as seen below.

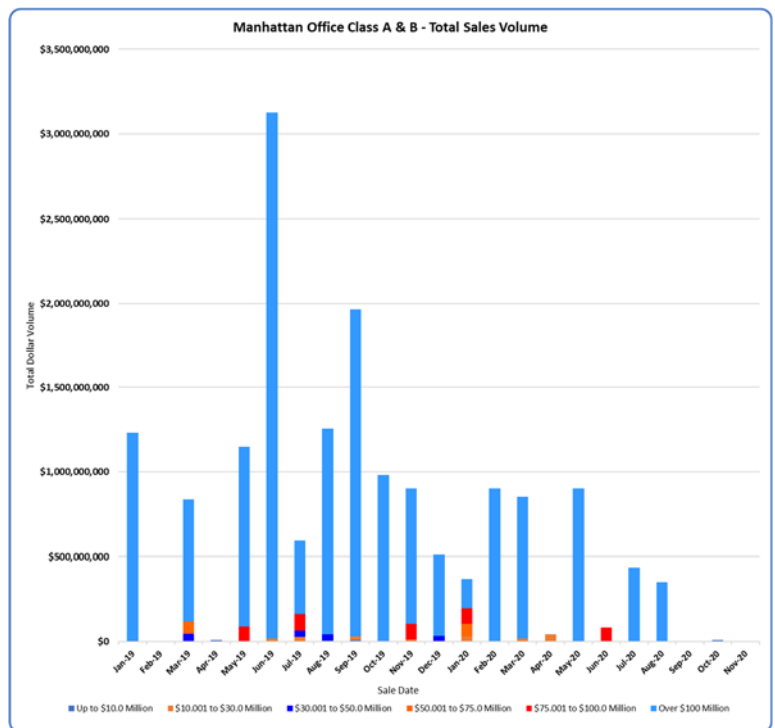
| Historical Transaction Volume - Manhattan Office Class A & B (in Millions) - 2020 | | | | | | | | | | | | | |
|--|----------------|----------------|----------------|---------------|----------------|---------------|----------------|----------------|--------------|--------------|--------------|------------------|---------------|
| Dollar Volume of Transactions | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Total | % of Total |
| Up to \$10.0 Million | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$9.5 | \$9.5 | 0.2% |
| \$10.001 to \$30.0 Million | \$30.0 | \$0.0 | \$16.8 | \$41.1 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$87.9 | 2.2% |
| \$30.001 to \$50.0 Million | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | 0.0% |
| \$50.001 to \$75.0 Million | \$75.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$75.0 | 1.9% |
| \$75.001 to \$100.0 Million | \$90.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$82.5 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$172.5 | 4.4% |
| Over \$100 Million | \$175.0 | \$900.0 | \$833.8 | \$0.0 | \$900.2 | \$0.0 | \$435.0 | \$350.0 | \$0.0 | \$0.0 | \$0.0 | \$3,594.0 | 91.2% |
| Total Dollar Volume | \$370.0 | \$900.0 | \$850.5 | \$41.1 | \$900.2 | \$82.5 | \$435.0 | \$350.0 | \$0.0 | \$9.5 | \$0.0 | \$3,938.7 | 100.0% |
| % Change from Prior Month | N/A | 143.2% | -5.5% | -95.2% | 2090.3% | -90.8% | 427.5% | -19.5% | -100.0% | N/A | -100.0% | - | - |

Over the analysis period, the category with the highest transaction volume is in the "Over \$100 Million" category, for both 2019 and 2020 figures, which comprises nearly 94% of all dollar volume. The category that recorded the second highest level of transactions was the "\$75.001 to \$100.0 Million" category, for both 2019 and 2020 figures, which comprises only 2.7% of all dollar volume.

Over the analysis period, the total sales volume in the Manhattan Class A and B office market has been characterized by high priced deals, with a lower amount of dollar volume being attributed to smaller deals.

Compared to June, July demonstrated an uptick in total dollar volume, up to \$435 million. This number declined slightly in August, down to \$350 million, and declined even further in September. October demonstrated a small increase in total dollar volume, at a stark \$9.5 million; however, this number declined over the past month, with November showing no sales. Investors could be wary of this asset type given the changing dynamics of demand for office space.

| Total Dollar Volume - Manhattan Office | |
|---|-----------------|
| Jan-19 | \$1,229,804,370 |
| Feb-19 | \$0 |
| Mar-19 | \$836,000,000 |
| Apr-19 | \$9,850,000 |
| May-19 | \$1,147,338,580 |
| Jun-19 | \$3,124,550,888 |
| Jul-19 | \$592,660,207 |
| Aug-19 | \$1,255,467,500 |
| Sep-19 | \$1,965,230,991 |
| Oct-19 | \$982,500,000 |
| Nov-19 | \$902,000,000 |
| Dec-19 | \$511,582,330 |
| Jan-20 | \$370,000,000 |
| Feb-20 | \$900,000,000 |
| Mar-20 | \$850,500,000 |
| Apr-20 | \$41,100,000 |
| May-20 | \$900,200,000 |
| Jun-20 | \$82,466,668 |
| Jul-20 | \$435,000,000 |
| Aug-20 | \$350,000,000 |
| Sep-20 | \$0 |
| Oct-20 | \$9,457,283 |
| Nov-20 | \$0 |
| Min | \$0 |
| Max | \$3,124,550,888 |
| 2019 Ave | \$1,046,415,406 |
| 2020 Ave | \$358,065,814 |



SALES (2019-2020): Volume

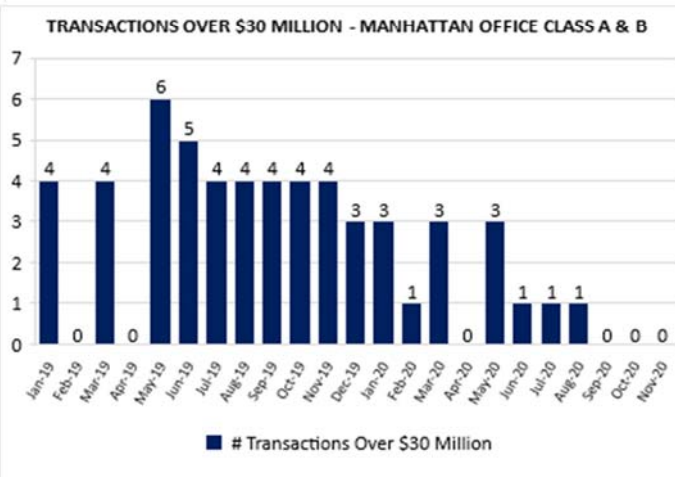
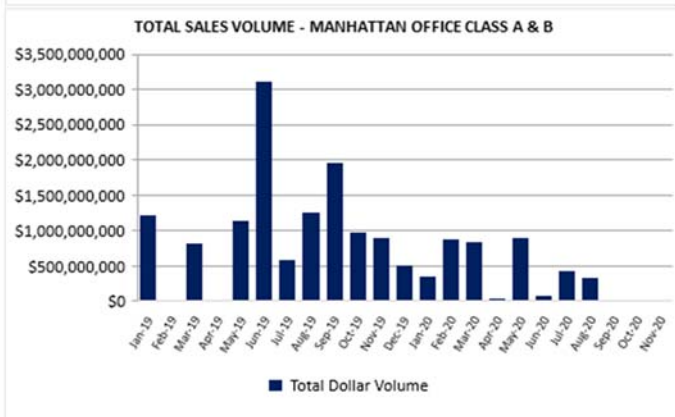
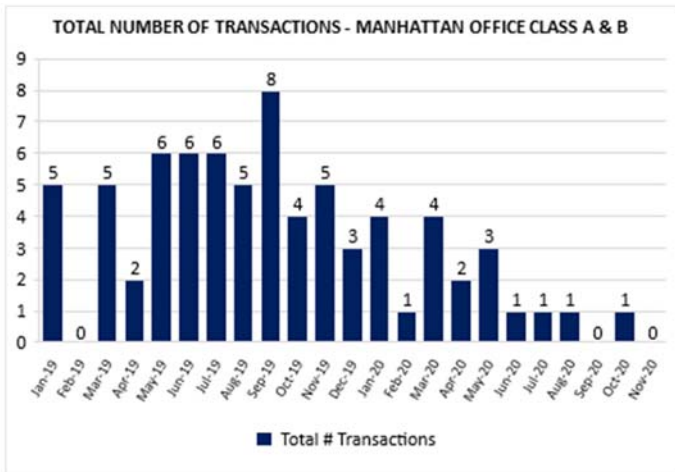
Pre-COVID-19, sales volume fluctuated, ranging from zero to eight sales per month from January 2019 through March 2020. In the first eight months following the COVID-19 outbreak, there were nine total transactions, with three of them occurring in May, and zero in September and November. Comparing November 2019 to November 2020, the decline in the number of transactions was 100%. It is no surprise to see the number of transactions drop to zero, although market watchers will be anxiously awaiting the results for December 2020.

Dollar Volume of Sales

The number of transactions increased from April to May 2020, and dollar volume followed, with an increase from April at \$41 million to \$900 million in May. Compared to the healthy figures demonstrated in May, July transactions figures were lower but still in line with the average seen in 2020, at \$435 million. Following the summer, September, October, and November figures have been trending downwards, to \$0 in November. The first half of 2020 tallied \$3.1 billion in sales volume, which is significantly lower than the \$6.3 billion recorded in the same period in 2019. From January 2019 through March 2020, the average deal size was \$258 million. In November 2020, there were no deals.

Transactions over \$30M

Market participants were hesitant to pursue higher priced deals in April 2020, as there were no sales exceeding \$30 million. The four months following April turned this trend around slightly, with six deals exceeding \$30 million. This trend stopped in September, October, and November, when zero sales above \$30 million occurred. Between January 2019 and March 2020, the average number of sales over \$30 million was 3.1 per month, which is significantly higher than the number of transactions in this category since May. Market participants will continue to track these metrics as the effects of the crisis continue to unfold.



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