

LSL ADVISORS
COMMERCIAL REAL ESTATE

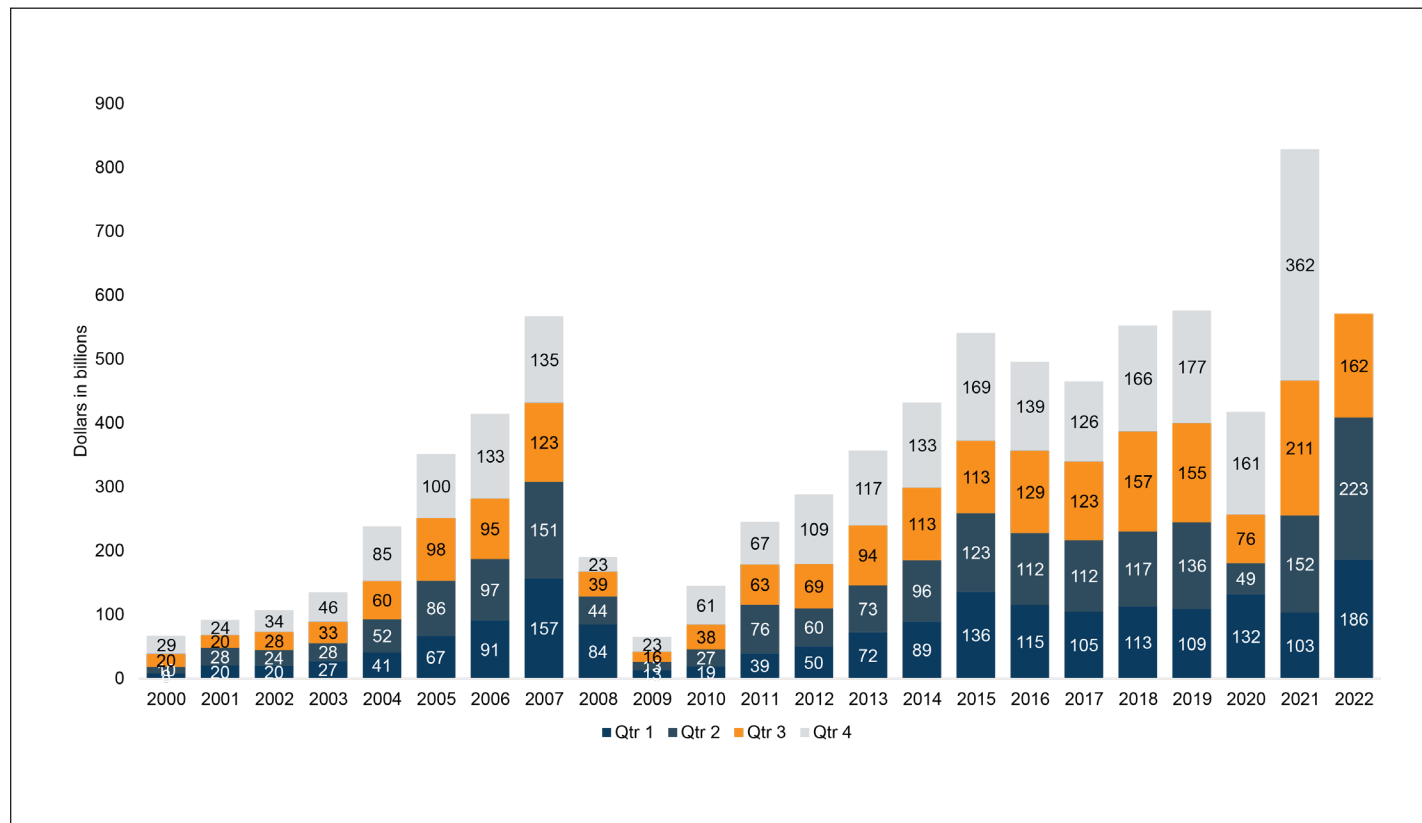
4Q22

MARKET OVERVIEW

MARKET OBSERVATIONS

The U.S. economy continues to grow—but with an increasingly fraught outlook. Labor markets are extremely tight with around 1.7 jobs available for every unemployed person. As a result, wages are growing at their fastest pace in decades, especially for lower-skilled jobs in services industries. The result is high inflation, which has prompted the Federal Reserve to rapidly increase rates. Tightening financial conditions and still-high inflation have pummeled consumer confidence, which is now weighing on consumer spending, the primary engine of the U.S. economy. A recession is widely expected across surveys of business managers, economists and the populace at large. Additionally, market-based indicators, such as the yield curve, suggest an imminent recession is highly likely.

UNITED STATES INVESTMENT SALES VOLUME



Investment sales volumes have outpaced the record set in 2021, though this has been driven by an extremely strong first half.

Tightening financial conditions, combined with weaker macroeconomic and property forecasts, began to have a strong effect on deal pipelines in early summer which, by August/September, translated to sharp deceleration in closings.

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)
MIDTOWN TOTALS	258,416,457	44,237,214	12,764,440	22.1%	-38,893
MIDTOWN SOUTH TOTALS	68,945,893	11,909,263	3,414,053	22.2%	-143,651
DOWNTOWN TOTALS	87,215,489	13,609,376	6,146,693	22.7%	-704,936
MANHATTAN TOTALS	414,577,839	69,755,853	22,325,186	22.2%	-887,480

SUBMARKET	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
MIDTOWN TOTALS	1,018,465	16,491,484	5,077,705	\$76.25	\$82.93
MIDTOWN SOUTH TOTALS	-716,356	4,629,631	4,441,814	\$76.70	\$95.23
DOWNTOWN TOTALS	-1,118,206	3,151,839	48,077	\$55.87	\$58.98
MANHATTAN TOTALS	-816,097	24,272,954	9,567,596	\$71.62	\$78.72

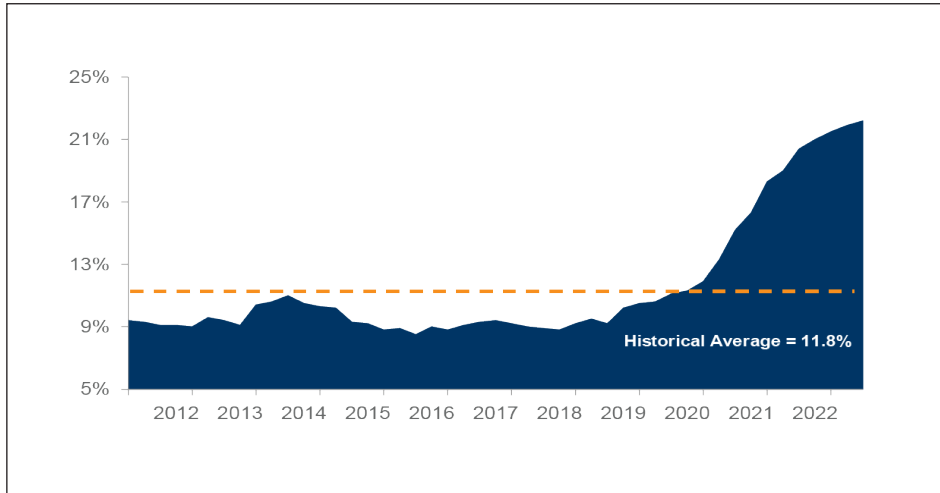
New York City's Economy Continued to Grow in the Fourth Quarter

New York City continued to record healthy employment growth in the fourth quarter of 2022, adding 7,000 jobs in October and November for a total of nearly 4.6 million jobs. Professional business services recovered 14,700 jobs, bringing total employment in the industry to a historic high of 804,100. Leisure & hospitality added 77,700 jobs, while education & health services gained 33,800 workers. New York City office-using employment added 18,400 jobs, surpassing the December 2019 peak with more than 1.5 million jobs.

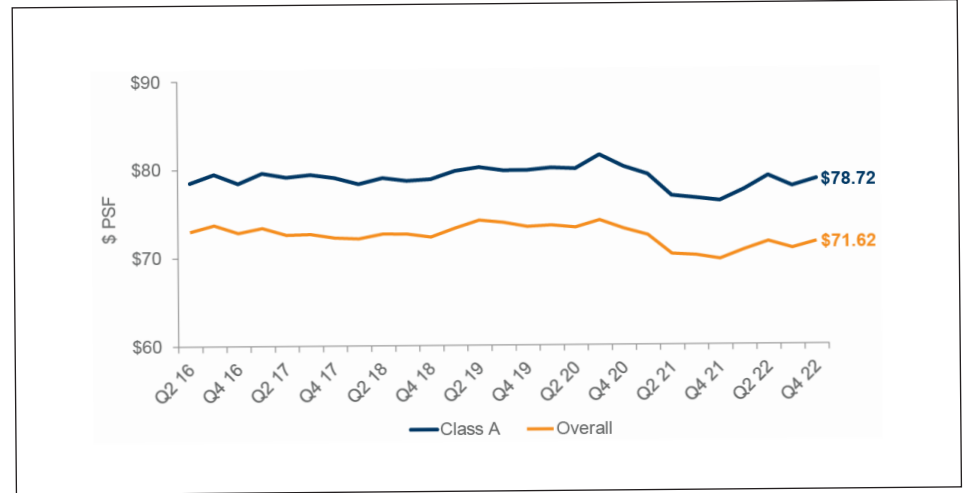
Midtown

The pace of leasing slowed in the fourth quarter, falling by 41.1% to 2.6 msf. Despite the lower quarterly volume, leasing for the year reached 16.5 msf—a 36.5% YOY increase and comparable to the long-term historical average. Apart from Sixth Avenue/Rock Center, all Midtown submarkets registered a YOY boost in activity, led by Penn Station, Grand Central, and Park Avenue, accounting for 45.3% of the Midtown annual total. Overall vacancy climbed by 30 bps to 22.1% as eight blocks, each greater than 100,000 sf, entered the market, five of which were sublease additions, including the former 308,115-sf VNS Health space at 220 East 42nd Street. Penn Station vacancy jumped by 440 bps during the quarter to a historic high of 22.6% as the completion of 66 Hudson Boulevard added 1.0 msf of vacant space to the market. Overall absorption registered positive 1.0 msf at the end of 2022, as companies continued to gravitate towards new amenity-rich Class A product.

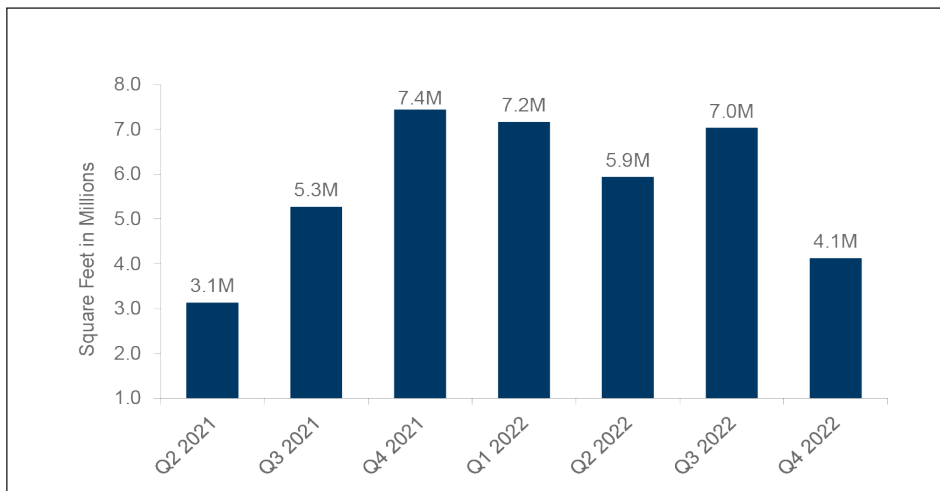
OVERALL VACANCY



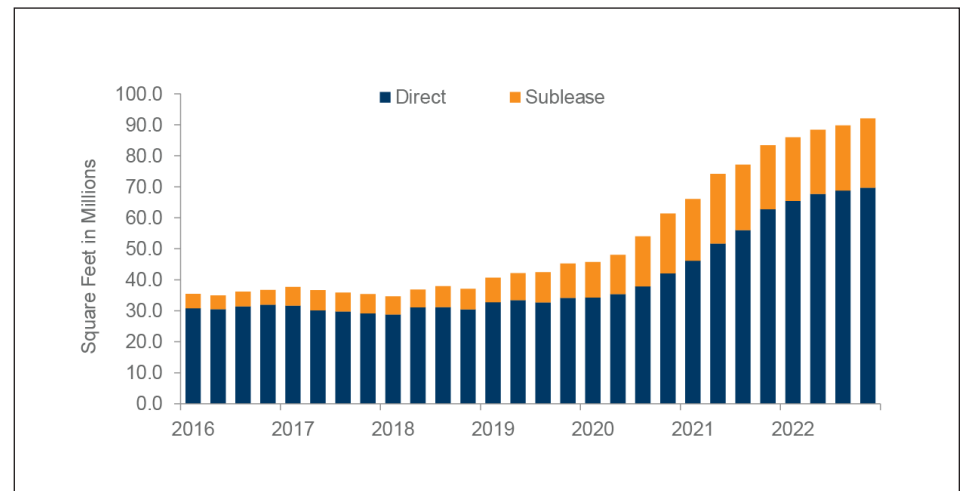
ASKING RENT COMPARISON



LEASING REACHES POST-PANDEMIC QUARTERLY HIGH



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



For more information, please contact us below:

HEADQUARTERS

53 West 36th Street
New York, NY 10018

PHONE NUMBER

212.221.0005

EMAIL

Info@LSLadvisors.com



All information contained in this publication is derived from sources that are deemed to be reliable. However, LSL Advisors has not verified any such information, and the same constitutes the statements and representations only of the source thereof, and not of LSL Advisors. Any recipient of this publication should independently verify such information and all other information that may be material to any decision that recipient may make in response to this publication, and should consult with professionals of the recipient's choice with regard to all aspects of that decision, including its legal, financial, and tax aspects and implications.

Any recipient of this publication may not, without the prior written approval of LSL Advisors, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains.