

Manhattan, New York

Office Market Report | Q4 2022

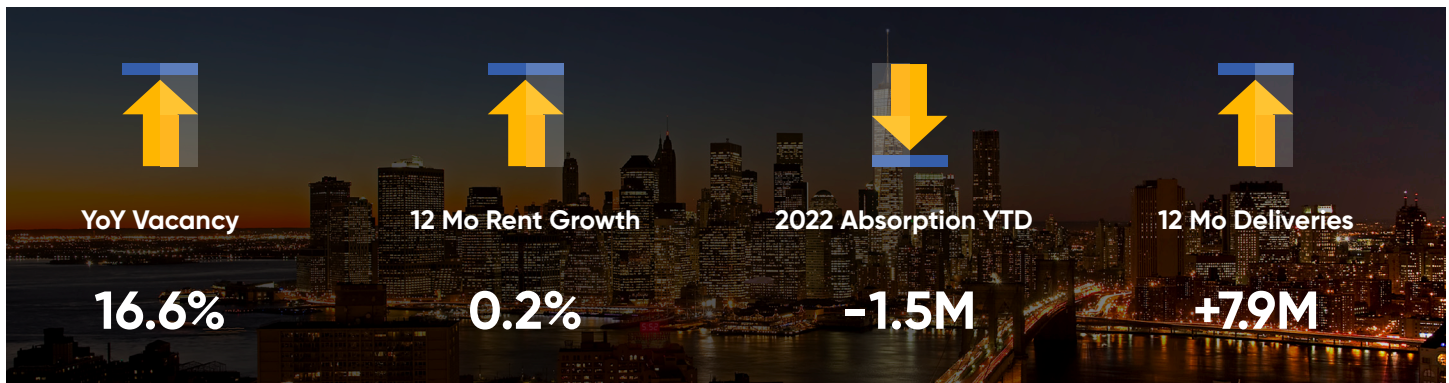
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Market Overview



The New York office market ended 2022 with vacancy increasing to 16.6% as the result of several large deliveries totaling in 6.5m square feet. The delivery of this vacant space to the market overshadowed the positive net absorption which totaled in 3.5m square feet. This brought the year end total for net absorption to negative 1.5m square feet – down significantly from 2021 where near 15 million square feet of space went back to the market. Firms continue to put sublease space on the market which added to the annual total for negative absorption to the tune of 3.3m square feet (q4 totaled 470k square feet of new sublease space coming on the market). The percent of workers in Manhattan returning to the office increased again with 45.6% of workers returning to the office according to Kastle Systems; this jumped the New York metro to 4th amongst the top ten metros.

Sublease continues to increase across Manhattan as firms reevaluate and reimagine their workplace. Currently there is 22.1 million square feet of available sublease space on the market which accounts for 5.3% of total inventory. Annual sublease transaction volume has been below the ten-year average with 4.5 million square feet of activity. However, the average size of each transaction action has increased, 25% - up to just over 12,200 square feet, indicating that users in the market are taking advantage of the discounted price points offered by subleases. With sublease space continuing to rise, landlords have been under pressure to compete with below market rates by providing more concessions and more flexible lease terms to appease tenants.



Market Stats and Trends

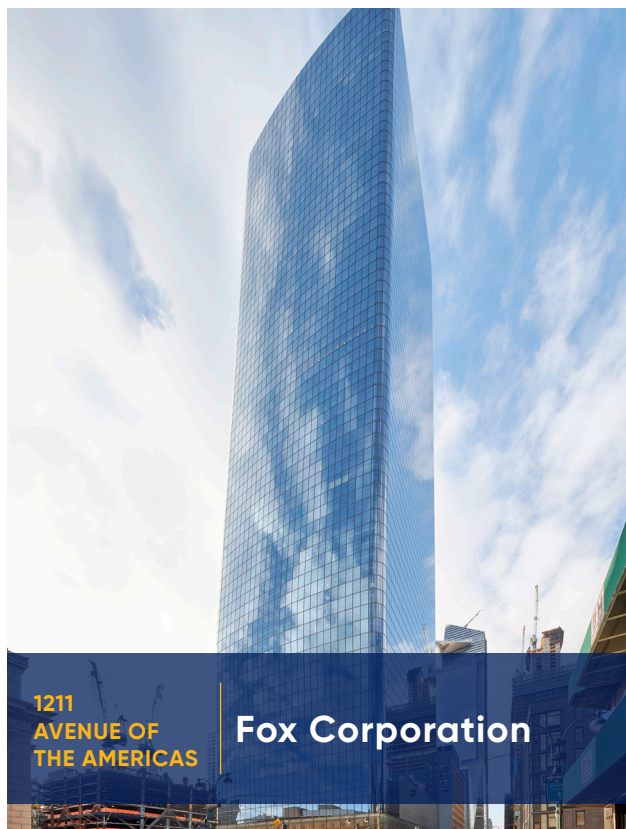
All submarket clusters (Midtown, Midtown South, and Downtown) have seen rental rates increase to end 2022, bringing average rental rates across Manhattan to \$69.47. These increases are due to larger deals being completed in newer, more expensive buildings. Class A leasing volume totaled just over 22.1 million square feet for 2022 – a 31.5% increase from 2021. Transaction action volume for Class B space is up year over year but has not seen the same spike as Class A. Class B volume space is up only 14.8% with 9.3 million square feet of transactions completed in 2022.

Concessions have played a big role in Landlords strategy for attracting and retaining tenants. Since the onset of the pandemic, work allowances have increased nearly 18% across the city, while free rent has increased 21.5%. Concessions and greater lease flexibility, via shorter terms and opt-out clauses, are becoming more common. The prices for new Class A buildings are still lofty enough to rank among the highest in the nation.

Asking rents at newly delivered projects at 1 Vanderbilt easily surpass \$200/SF. The biggest question today is what happens to the asking rents of buildings that are not deemed the highest quality.

Manhattan saw over 6.5 million square feet of new product deliver to the market this quarter, adding high quality product to the market, primarily in Hudson Yards. That leaves just over 2.5 million square feet of Class A & B space under construction. As a result, vacancies are likely to remain elevated over the next several years. Firms looking to relocate to markets with better quality, class A buildings are likely to experience extreme sticker shock as rents in new product buildings are easily above \$100 per RSF.

Source: Cresa Research & CoStar



Top Lease Transaction

Fox Corporation signed a renewal on its office space of more than 650,000 SF at 1211 Avenue of the Americas.

Tenant	Size (RSF)	Address	Submarket	Type
Fox Corporation	665,666	1211 Avenue of the Americas	Times Square	Renewal
News Corp	486,209	1211 Avenue of the Americas	Times Square	Renewal
Ann Taylor	191,258	7 Times Square	Penn Plaza/Garment	New
KBW	156,615	787 Seventh Ave	Columbus Circle	Renewal
KPMG	455,739	Two Manhattan West	Penn Plaza/Garment	Relocation
Datadog	331,112	620 Eighth Ave	Times Square	Renewal/Expansion
indeed	247,494	1120 Avenue of the Americas	Times Square	Renewal/Expansion
Freshfields	179,724	3 World Trade Center	World Trade Center	Relocation
Edelman	173,874	250 Hudson St	Hudson Square	Renewal
Cohen & Steers	160,960	1166 Avenue of the Americas	Times Square	Relocation
O'Melveny	142,222	1301 Avenue of the Americas	Hudson Square	Relocation
Blue Owl	137,660	375 Park Avenue	Plaza District	New
Viking	136,952	660 Fifth Ave.	Plaza District	Relocation
B&H	121,883	440 Ninth Ave	Penn Plaza/Garment	Renewal
District Attorney	112,526	250 Vesey St	World Trade Center	Renewal
The Blackstone Group	329,879	601-625 Lexington Ave.	Plaza District	Renewal/Expansion
Tiffany & Co.	287,393	200 Fifth Ave.	Chelsea	Renewal
HSBC	263,975	55 Hudson Blvd.	Hudson Yards	Relocation
Macquarie	221,764	660 Fifth Ave.	Chelsea	Relocation
PWP	124,626	767 Fifth Ave.	Plaza District	Renewal/Expansion
IBM	328,000	1 Madison	Gramercy Park	New
AlphaSights	236,036	100 Park Ave.	Grand Central	New
Mutual of America Financial Group	221,976	320 Park Ave.	Plaza District	Renewal
Banco Santander	159,594	437 Madison Ave.	Plaza District	Sublease
MJHS	138,374	55 Water Street	Financial District	New
PDT Partners	109,511	One Columbus Circle	Columbus Circle	New
NYU	102,000	627 Broadway	Greenwich Village	Renewal

Source: Cresa Research & CoStar

Manhattan Submarkets



Submarket	Class A	Class B
Columbus Circle	\$83.97	\$59.39
Grand Central	\$81.65	\$56.10
Plaza District	\$93.79	\$70.02
Times Square	\$86.10	\$55.23
UN Plaza	\$78.29	\$73.03
Average	\$84.76	\$62.75

Submarket	Class A	Class B
Chelsea	\$100.02	\$56.12
Gramercy Park	\$103.86	\$62.90
Greenwich Village	\$103.33	\$63.73
Hudson Square	\$82.40	\$70.85
Hudson Yards	\$115.12	\$51.50
Murray Hill	\$60.31	\$51.58
Penn Plaza	\$94.11	\$52.55
SoHo	\$80.35	\$68.28
Average	\$92.44	\$59.69

Submarket	Class A	Class B
City Hall	\$60.32	\$50.54
Financial District	\$57.78	\$45.84
Insurance District	\$61.26	\$53.71
Tribeca	\$74.45	\$66.02
World Trade Center	\$65.96	\$49.99
Average	\$63.95	\$53.22

N/A = Not Available

Source: Cresa Research & CoStar

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