

Manhattan, New York

Office Market Report | Q1 2023

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Market Overview



The New York office market start 2023 with vacancy increasing to 17.6%, up from 16.6% from the end of 2022 as over 2.75 million square feet of direct space hit the market in addition to 1.49 million square feet of sublease space. With record high deliveries in terms of square footage last quarter, this quarter was notably down with just 48,000 in new space delivering. Still, there are just over 2.5 million square feet of new space under construction. 46.8% of New York office workers are returning to the office according to Kastle Systems; this put the New York metro to 6th amongst the top ten metros. The busiest day of the week continues to be Tuesday where occupancy rates top out at 59.5%.

Subleases continue to increase across Manhattan as firms reevaluate and reimagine their workplace. Currently there is 23.8 million square feet of available sublease space on the market which accounts for 5.7% of total market inventory. Quarterly sublease transaction volume has been below the ten-year average with 984,000 square feet of activity. However, the average size of each transaction action has increased, 25% - up to just over 10,000 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.



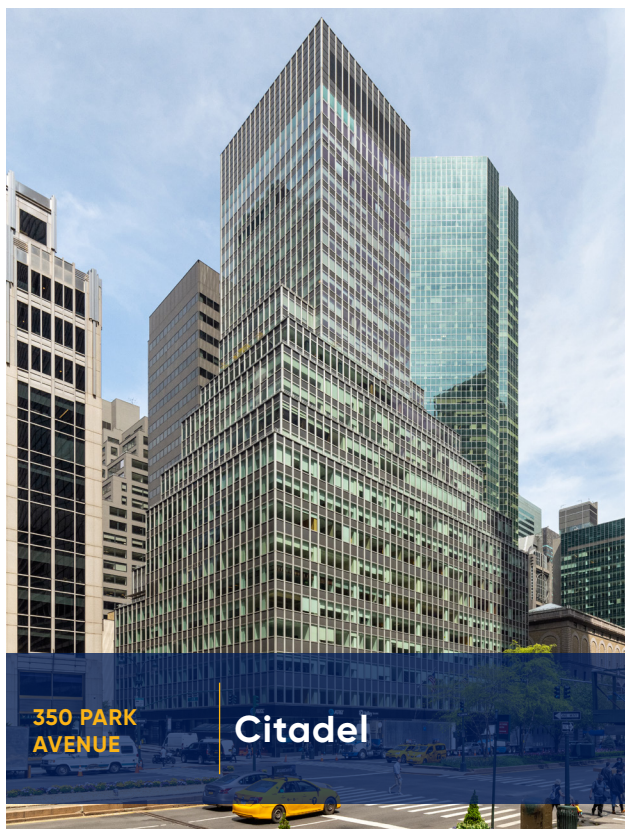
Market Stats and Trends

All submarket clusters (Midtown, Midtown South, and Downtown) have seen rental rates decrease to start 2023, bringing average rental rates across Manhattan to \$68.56. Class A leasing volume totaled just over 3.2 million square feet for the first quarter – a 35.5% decrease from a year ago. Transaction action volume for Class B space is also down year over year, dropping 18.6% to just 1.8 million square feet of transactions.

Manhattan saw over 6.5 million square feet of new product deliver to the market over the past 12 months, 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.

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.

Source: Cresa Research & CoStar



Top Lease Transaction

Citadel signed a renewal expansion on its office space of more than 585,000 SF at 350 Park Avenue.

Tenant	Size (RSF)	Address	Submarket	Type
Citadel	585,460	350 Park Ave	Plaza District	Renewal Expansion
Citadel	393,154	40 E 52nd St	Plaza District	New Location
Two Sigma	265,217	100 Avenue of the Americas	SoHo	Renewal
CBS	186,882	555 W 57th St	Columbus Circle	Renewal
Braze	92,306	63 Madison Ave	Gramercy Park	New Location
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.		Renewal/Expansion

Source: Cresa Research & CoStar

Manhattan Submarkets



Submarket	Class A	Class B
Columbus Circle	\$83.27	\$59.26
Grand Central	\$76.30	\$55.89
Plaza District	\$93.02	\$70.00
Times Square	\$85.50	\$54.86
UN Plaza	\$77.77	\$72.59
Average	\$83.17	\$62.52



Submarket	Class A	Class B
Chelsea	\$96.61	\$55.68
Gramercy Park	\$102.53	\$63.15
Greenwich Village	\$101.39	\$65.08
Hudson Square	\$80.78	\$69.95
Hudson Yards	\$106.26	\$50.98
Murray Hill	\$59.86	\$51.87
Penn Plaza	\$89.76	\$52.30
SoHo	\$81.86	\$67.62
Average	\$89.88	\$59.58

Submarket	Class A	Class B
City Hall	\$59.81	\$50.06
Financial District	\$57.27	\$44.91
Insurance District	\$59.65	\$53.08
Tribeca	\$75.21	\$65.45
World Trade Center	\$65.76	\$49.78
Average	\$63.54	\$52.66

N/A = Not Available

Source: Cresa Research & CoStar

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About Cresa

For more than 25 years, Cresa has served as an objective, stable business partner to commercial tenants. We join our clients' teams, working to align their business plans and their real estate needs, increase their productivity, and consistently save them money — results that have earned us numerous industry awards along the way. Our team of real estate advisors, project managers, strategic planners, analysts, and space planners listen to occupiers' needs, meticulously research market conditions, firmly negotiate terms, and manage the design and construction of projects to customize the best possible occupancy solutions.

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