

Q1 2024

Manhattan Office Report

Cresa Research



Manhattan Office Market Difficulties Persist As Availabilities Stabilize

As the economy continued to defy expectations heading into the first quarter of 2024, knowledge worker/office-occupying jobs began to soften. This is unwelcome news for the office market that was already struggling with weakened demand. The result will likely be a market that will not significantly improve over the next year.

Manhattan Office Market

Leasing activity was hit with both a reduced number of signed leases and a reduced average deal size (in terms of square footage). While new deals were being signed, occupiers were waiting longer to make decisions, in part because of uncertainty in internal demand/ headcount but also because tenant leverage provides more flexibility and choices in terms of location and lease terms.

Net absorption was negative for 13 of the past 15 quarters, ending the first quarter at -2.98 million square feet. Meanwhile, average asking rents held stable as landlords attempted to hold rates. However, nominal rents trended downward as increased concessions in the form of free rent, TIs, and overall favorable lease terms lowered effective rents.

On the bright side, new office development dropped sharply, with only 2.1 million square feet under construction as of the first quarter, the lowest level in the past 10 years. The lack of new supply may help stabilize demand in the mid- to long-term.

Manhattan Office Highlights

Class A Avg Asking Rate

Q1 2024	Q1 2023
\$79.80	\$79.29

Net Absorption

Q1 2024	Q1 2023
-2.98M	-3.96M

Availability Rate

Q1 2024	Q1 2023
20.5%	20.4%



Manhattan Highlights

Q1 2024

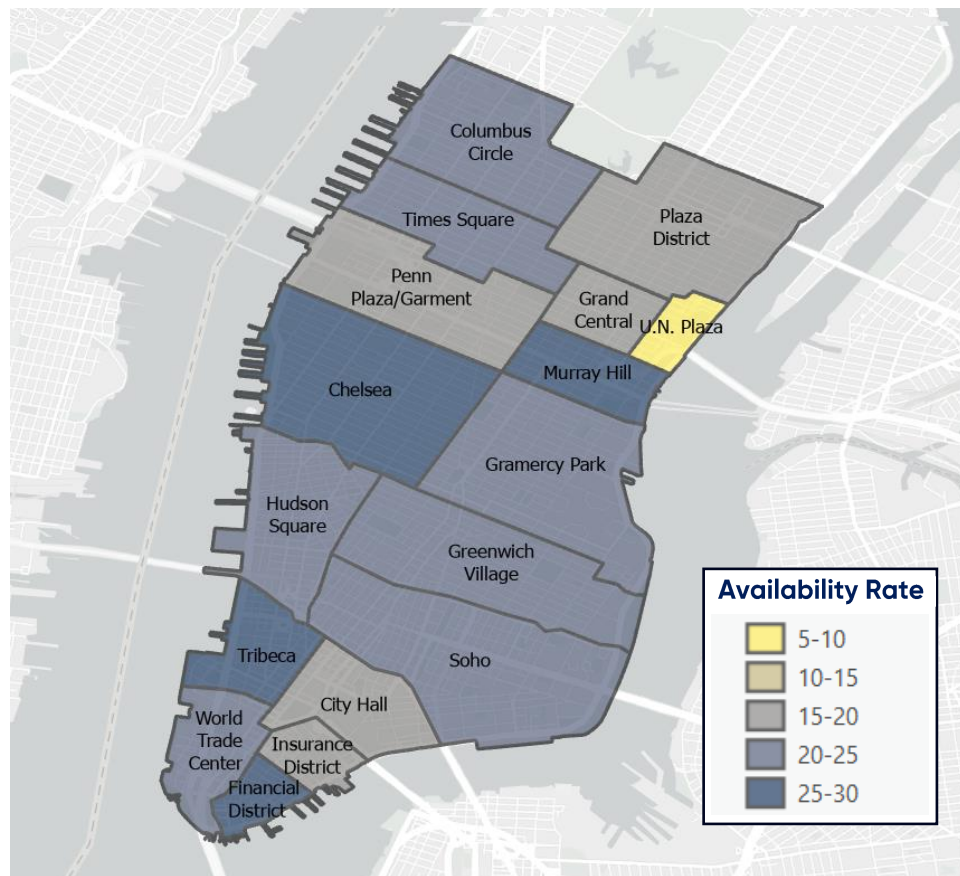
	Q1 2024	Q1 2023	Q1 2022
Average Asking Rate (\$/SF/Yr)	\$72.80	\$72.39	\$73.35
Availability Rate	20.5%	20.4%	20.5%
Net Absorption SF (TTM)	(6,463,038)	(4,008,260)	(5,499,927)
Net Delivered SF (TTM)	2,246,600	6,787,102	2,006,165
Under Construction SF	2,084,213	4,100,815	10,573,917

Source: CoStar, Cresa
 Note: TTM = Trailing Twelve Months
 Data includes Class A & Class B

Several factors led to availability rates ticking higher, including weaknesses in the tech sector, a general softening of the office-related job market, and stabilization of return-to-office. Still, both the financial and law sectors were active in the market, following the national trend of flight-to-quality. This was aided by the availability in first-generation space and well-appointed sublease space.

Paul Weiss chose to relocate from 1285 Avenue of the Americas, a building that has not been renovated in more than a decade, to 1345 Avenue of the Americas, which was renovated in 2020. The law firm signed a 765,000-square-foot lease for a term of 20 years. Opportunistic occupiers have choices, including subleases with attractive lease terms that may have been out of reach before the pandemic.

Office Availabilities by Submarket

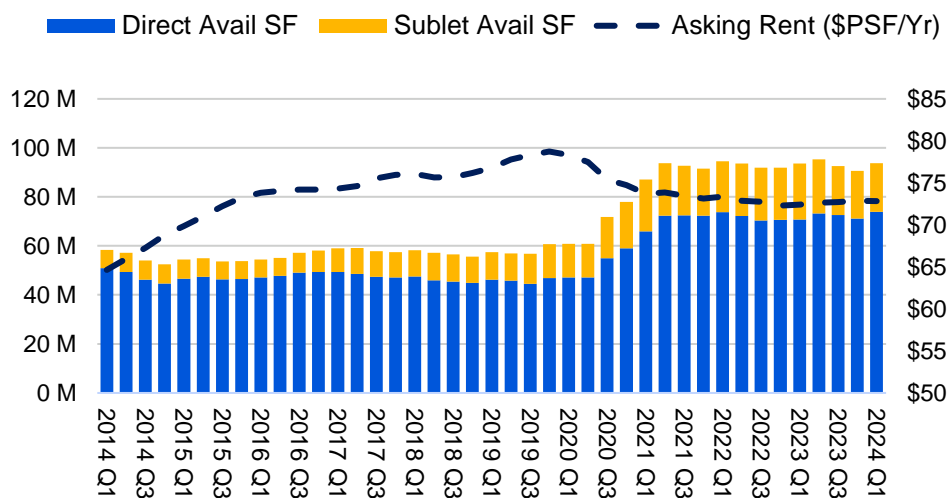


The availability rate includes the amount of space that is being marketed as available for lease, regardless of whether the space is vacant, occupied, available for sublease or available at a future date
 Source: CoStar, Cresa



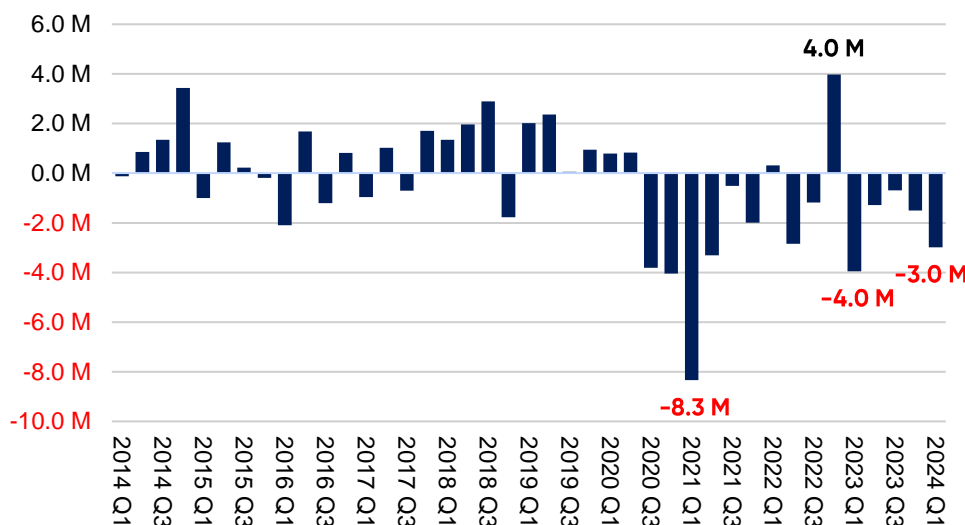
Manhattan Market Data

Asking Rent & Availabilities 2010 – Q1 2024



Asking Rent/Availabilities
Overall average asking rents have been flat since early 2021, after dropping sharply during the first year of the pandemic. Both sublease and direct availabilities remain elevated after ticking higher in 2020 and 2021.

Net Absorption 2014 – Q1 2024

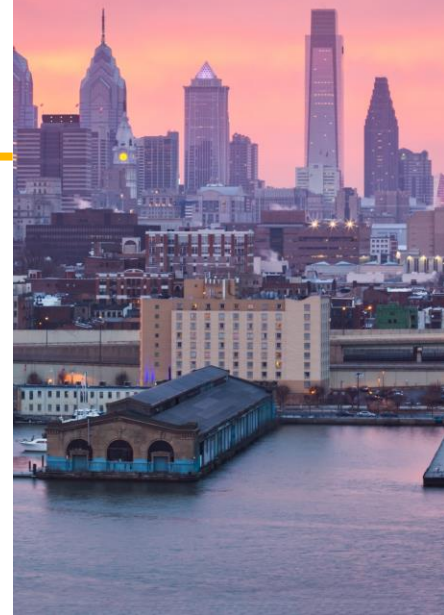


Net Absorption
Tenants exited space at much higher rates than occupying space, which resulted in negative net absorption for 13 of the past 15 quarters. Over this time, the Manhattan office market returned a total of 32.2 million square feet of space. Since 2021, over 11 million square feet of new space was delivered, including 6.47 million during the fourth quarter of 2022. Not surprisingly, this quarter was one of the only recent quarters with significant positive net absorption (4 million square feet). Still, even as tenants fled to first generation space, the vacated space has been backfilled at a much slower pace.

Source: CoStar, Cresa

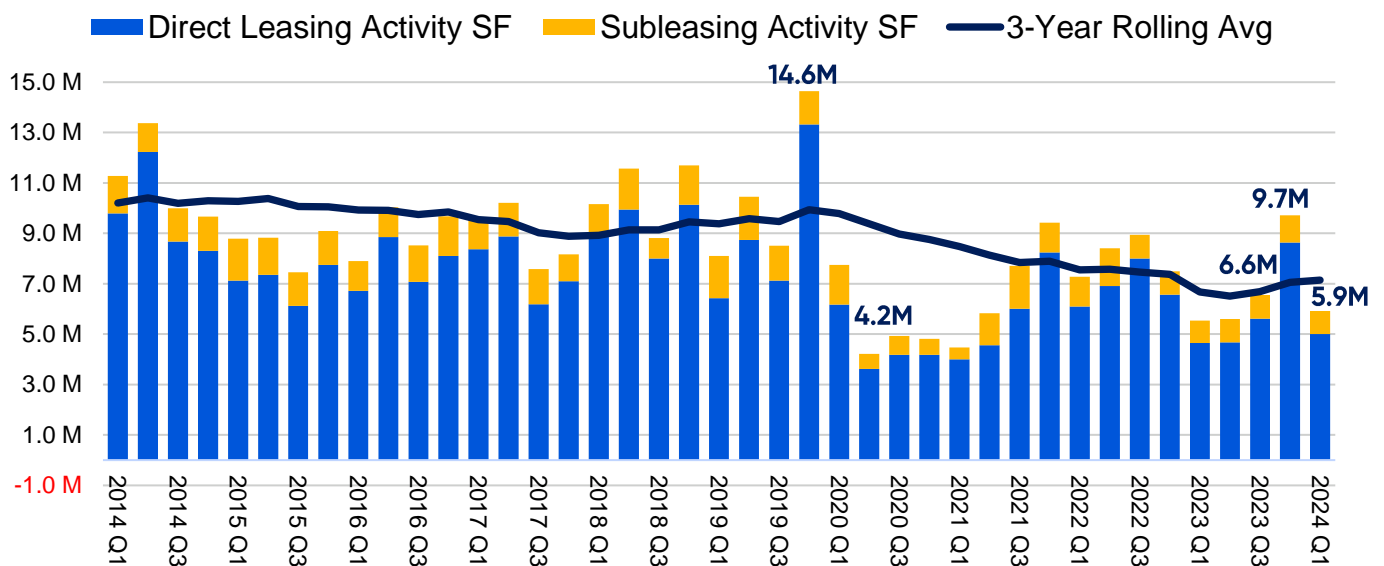
Manhattan Leasing Activity

Overall leasing activity in the Manhattan office submarket dropped from the fourth quarter of 2023, falling more in line with post-Covid levels. Total volume is reduced by about 30 percent compared to pre-Covid levels. Nevertheless, deals are still being inked. Everest signed for more than 66,000 square feet at 1155 Avenue of the Americas during the first quarter, while Antares Capital signed a renewal at 280 Park Avenue in the Plaza submarket for nearly 57,000 square feet.



Tenant	Address	Submarket	Sign Date	Start Date	SF Leased	Floors	Lease Type	Deal Type
Everest	1155 Ave of the Americas	Times Square	Apr-24	Jan-25	66,444	7-9	Direct	New
Antares Capital	280 Park Ave	Plaza District	Apr-24	Jan-25	56,932	21-23	Renewal	Renewal
Coinbase	1 Madison	Grammercy Pk	Mar-24	Oct-24	67,208	24-25	Direct	New
Citizens Bank NA	1301-1315 Ave of the Americas	Columbus Cir.	Mar-24	Oct-24	74,000	Grnd, 2	Direct	New
Betterment	450 W 33rd St	Penn Plaza	Feb-24	Jun-24	113,422	11	Sublease	New
Evermore	55 E 52nd St	Plaza District	Jan-24	Jan-24	94,998	39-41	Direct	New
Archdiocese of NY	488 Madison Ave	Plaza District	Jan-24	May-25	153,667	Grnd, 3-7	Direct	New

Leasing Activity SF (Direct and Sublease) 2014 – Q1 2024



Source: CoStar, Cresa

Manhattan Submarket Snapshot

Q1 2024

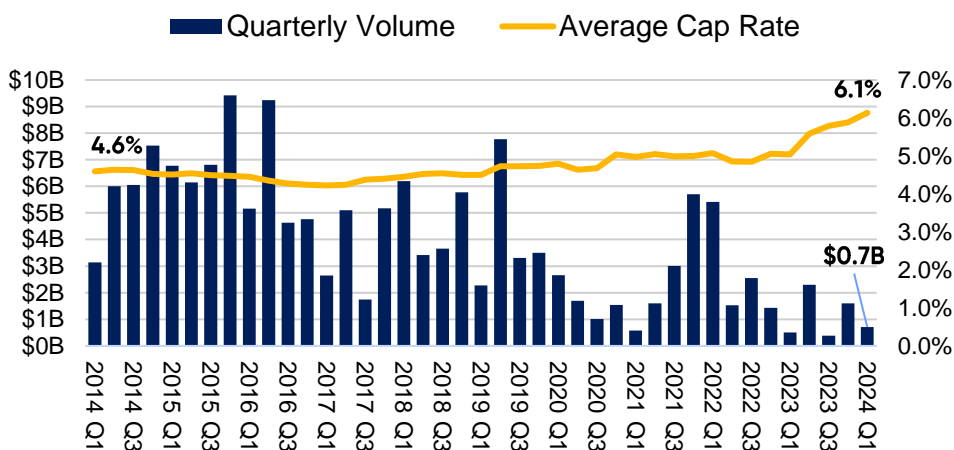
Market	Inventory SF	Avail. Rate	Net Absorp. SF (12-Mo)	Class A Average Asking Rate (PSF/Yr)	Class A 12-Mo. Change	Class B Average Asking Rate (PSF/Yr)	Class B 12-Mo. Change	Net Delivered SF (12-Mo.)	Under Const. SF
Manhattan	455,230,826	20.5%	(6,463,038)	\$79.80	0.6%	\$55.95	0.3%	2,246,602	2,084,213
Downtown	94,324,316	22.7%	(2,895,286)	\$60.21	0.5%	\$49.48	0.4%	0	230,000
City Hall	7,010,965	15.7%	(175,042)	\$58.68	0.4%	\$49.06	0.3%	0	0
Financial District	38,060,013	25.6%	(1,683,318)	\$56.48	0.5%	\$44.10	0.6%	0	0
Insurance District	10,760,246	19.8%	(316,114)	\$59.05	0.5%	\$46.58	0.4%	0	230,000
Tribeca	4,344,795	27.4%	(283,957)	\$73.29	0.5%	\$62.67	0.1%	0	0
World Trade Ctr	34,148,297	21.2%	(436,855)	\$64.32	0.5%	\$48.34	0.4%	0	0
Midtown South	71,270,187	25.0%	(887,049)	\$89.67	0.8%	\$62.20	0.4%	270,000	1,594,213
Chelsea	25,748,424	28.8%	(611,137)	\$88.06	0.8%	\$56.99	0.3%	0	1,422,181
Grammercy Park	23,396,489	21.8%	(333,987)	\$100.37	0.8%	\$62.29	0.4%	0	0
Greenwich Village	5,462,465	23.6%	155,253	\$92.72	0.8%	\$62.50	0.3%	0	172,032
Hudson Square	10,171,051	24.7%	(2,453)	\$75.23	0.7%	\$72.34	0.6%	270,000	0
Soho	6,491,758	22.4%	(94,725)	\$76.57	0.7%	\$69.46	0.6%	0	0
Midtown	289,636,323	18.6%	(2,680,703)	\$85.34	0.7%	\$52.91	0.2%	1,976,602	260,000
Columbus Circle	29,101,670	20.6%	(1,090,967)	\$80.14	0.6%	\$56.24	0.2%	0	260,000
Grand Central	49,658,377	18.4%	(1,061,971)	\$78.24	0.6%	\$54.50	-0.1%	0	0
Murray Hill	13,506,941	26.8%	29,050	\$59.61	-0.9%	\$50.00	0.0%	0	0
Penn Plaza	71,173,478	19.1%	(531,962)	\$87.62	0.7%	\$48.62	0.3%	1,976,602	0
Plaza District	83,735,299	15.6%	253,738	\$94.27	0.6%	\$66.57	0.2%	0	0
Times Square	39,489,380	21.3%	(350,539)	\$80.99	1.1%	\$52.95	0.2%	0	0
UN Plaza	2,971,178	5.3%	71,948	\$71.31	0.3%	\$61.05	0.0%	0	0

Source: CoStar, Cresa

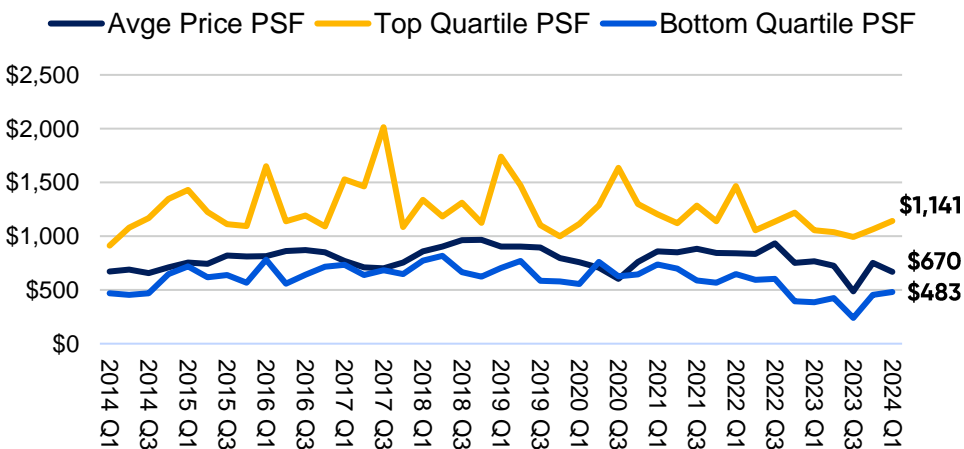


Manhattan Office Capital Markets

Office Sales Volume and Average Cap Rate 2014 – Q1 2024



Office Sales Price Per Square Foot 2014 – Q1 2024



Sales Volume/Cap Rates

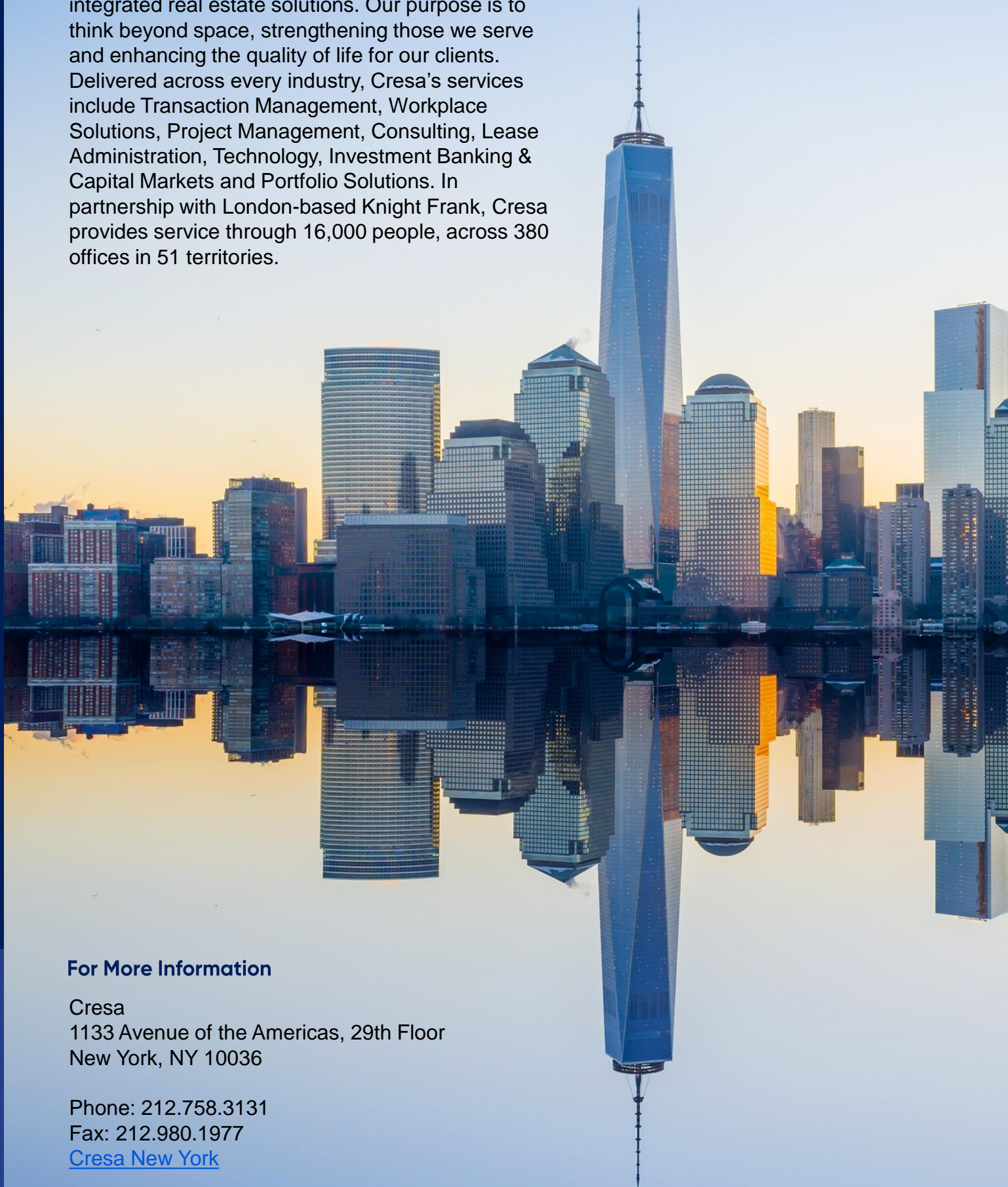
Even gateway cities like New York have not been immune to the slowdown in office capital market activity. The uncertainty in rent growth, high-interest rates, and limited demand have left many investors on the sidelines.

Price Per Square Foot

Prices per square foot for top quartile office assets have been relatively flat for the past 24-months. Generally, all office buildings are trading – on a per square foot basis – below prices realized in 2021 and early 2022.

Source: Real Capital Analytics, Cresa

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For More Information

Cresa
1133 Avenue of the Americas, 29th Floor
New York, NY 10036

Phone: 212.758.3131

Fax: 212.980.1977

[Cresa New York](#)