

Q2 2024

# Manhattan Office Report

Cresa Research



# Manhattan Office Market Problems Persist as Availabilities Stabilize

The economic outlook for New York City continues to edge higher, as 58,000 private sector jobs were added, according to the May jobs report. With unemployment at 4.8 percent, slightly higher than the national average of 3.7 percent, tepid economic growth is forecast for the second half of 2024, unwelcome news for office demand in the near-term.

## Manhattan Office Market

Since the onset of the pandemic, the office market has struggled to recover losses resulting in increased availability driven by limited tenant demand. As tenants right-size their office space, well-amenitized buildings in sought after locations have led to a “flight-to-quality” as companies look to entice workers back to the office.

Overall asking rates have remained relatively flat since the start of 2021 as landlords have held firm on asking rates. However, nominal rates have fallen as general concession packages, including free rent, has remained prevalent. There are signs of life in the market, as net absorption increased 1.14 million square feet in the second quarter, marking only the second quarter in the past 16 quarters that net absorption has been positive. Meanwhile, availability rates have been stable, despite their elevated level. Additionally, with new construction at historic lows, supply levels are expected to remain flat for the foreseeable future, giving tenant demand time to rebound.

### Manhattan Highlights

#### Average Asking Rate

**\$73.69** **\$79.29**  
Q2 2024 Q2 2023

#### Net Absorption

**+1.14M** **-1.30M**  
Q2 2024 Q2 2023

#### Availability Rate

**20.5%** **20.7%**  
Q2 2024 Q2 2023

# Manhattan Highlights Q2 2024

	Q2 2024	Q2 2023	Q2 2022
Average Asking Rate (\$/SF/Yr)	\$73.49	\$73.24	\$73.34
Availability Rate	20.50%	20.70%	20.20%
Net Absorption SF (TTM)	(3,945,078)	(2,850,626)	(4,440,841)
Net Delivered SF (TTM)	388,032	8,501,362	2,096,077
Under Construction SF	2,177,770	2,335,802	10,311,575

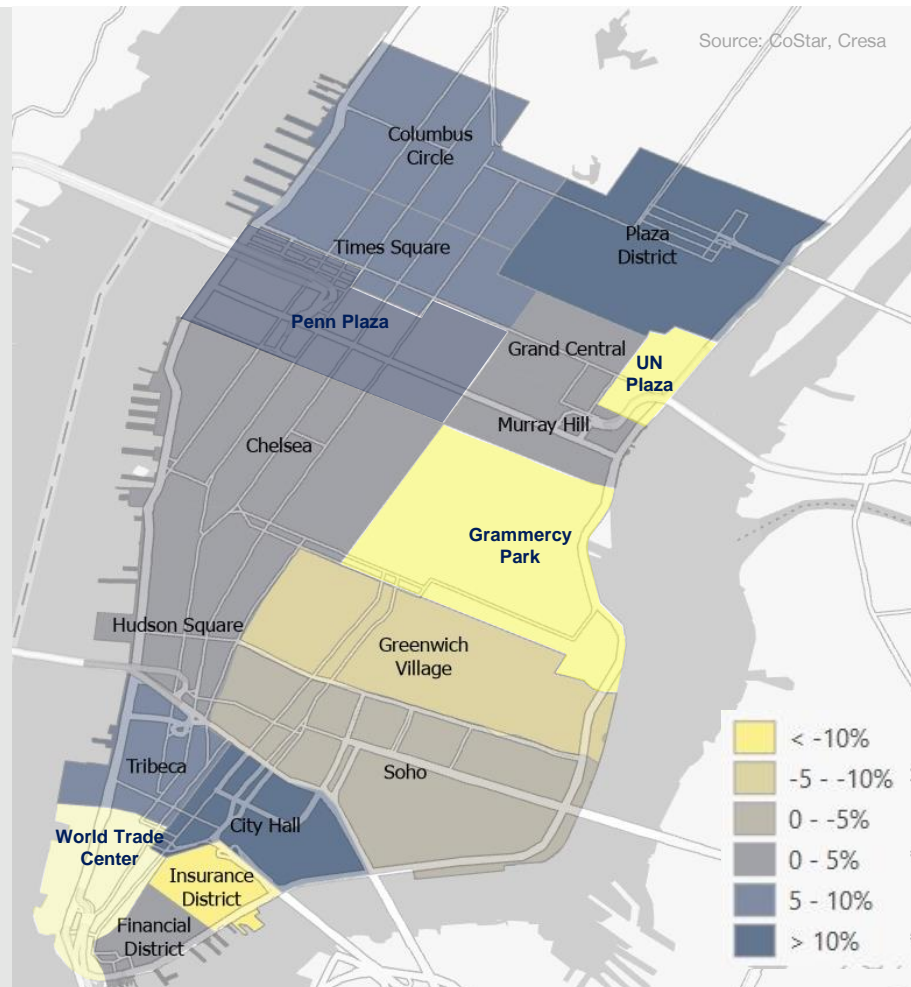
Source: CoStar, Cresa Note: TTM = Trailing Twelve Months, Data includes Class A & Class B

## Office Leasing Activity by Submarket

Change in Leasing Activity Between Q3 2022 – Q2 2023 vs. Q3 2023 – Q2 2024

A difficult 2023 for leasing has slightly improved through the first half of 2024. The core Midtown submarkets, have outperformed other submarkets. Buildings such as One Vanderbilt and other newly constructed towers in Hudson Yards have also performed well, demanding rents well over \$100 per square foot.

The submarkets with the most activity over the past 12 months, include Penn Plaza, Plaza District, and Grand Central submarkets, with 16.2 million square feet of completed deals, with an average deal size of 10,650 square feet. Compared to the 12 months earlier, the average deal size was 9,322 square feet, and 13.0 million square feet of completed deals for these same submarkets. This represents a 25.3 percent increase in leasing volume and 14.3 percent increase in average deal size for the most active submarkets. Other submarkets in Midtown South and Downtown have not fared as well.

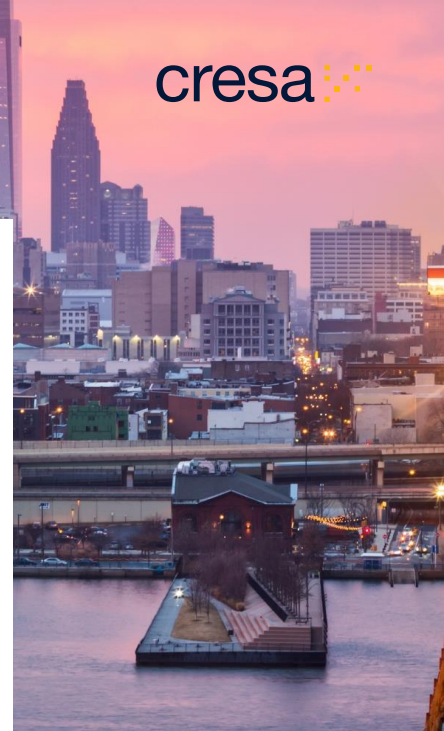


Source: CoStar, Cresa

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

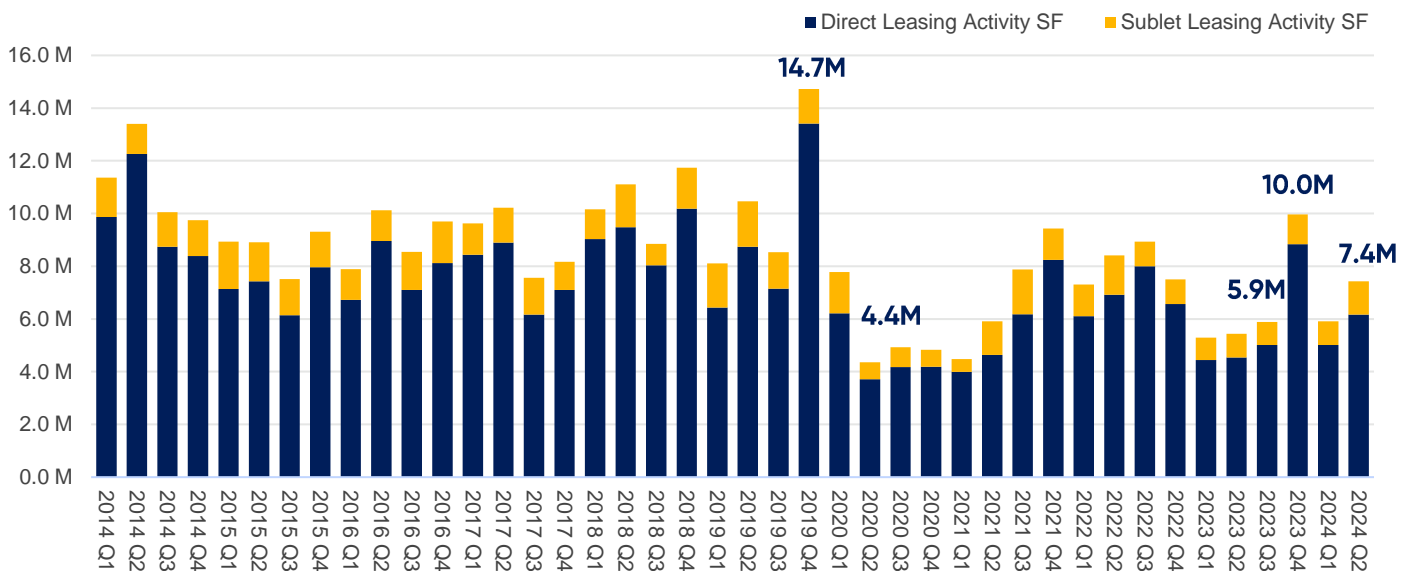
# Manhattan Leasing Activity

Overall leasing activity in the Manhattan office submarket moved higher in the second quarter, falling inline with post-Covid levels. Total volume is down about 30 percent compared to pre-Covid levels. Nevertheless, deals are still being inked with the law and financial sectors being the most active. Bloomberg signed a renewal deal at 731 Lexington Avenue for nearly 950,000 square feet, while law firm Covington & Burling subleased 235,479 square feet at 30 Hudson Yards.



Tenant	Address	Submarket	Sign Date	Start Date	SF Leased	Floors	Lease Type	Deal Type
Bloomberg LP	731 Lexington Ave	Plaza District	May-24	Mar-29	946,815	2-29	Direct	Renewal
Covington & Burling	30 Hudson Yards	Penn Plaza	Jun-24	Mar-25	235,479	46-50	Sublease	New
Bain & Company	22 Vanderbilt Ave	Grand Central	May-24	Jun-25	235,201	8-12,14	Direct	New
American Eagle	63 Madison Ave	Gramercy Park	May-24	Jun-26	175,794	CNCR,7,11	Direct	New
American Eagle	63 Madison Ave	Gramercy Park	Apr-24	Jun-26	162,291	8-10	Direct	New
Stripe	28 Liberty St	Financial District	Jun-24	Sep-24	146,500	45-48	Direct	New
Orrick, Herrington, & Sutcliffe	51 W 52 <sup>nd</sup> St	Plaza District	Jul-24	Jn-27	144,308	20-24	Direct	Renewal

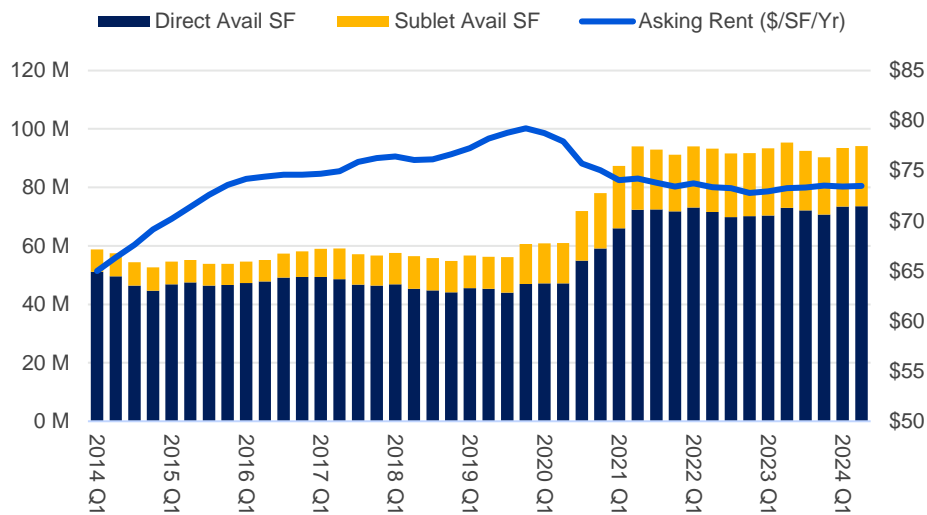
## Leasing Activity SF (Direct and Sublease) 2014 – Q2 2024



Source: CoStar, Cresa

# Manhattan Market Data

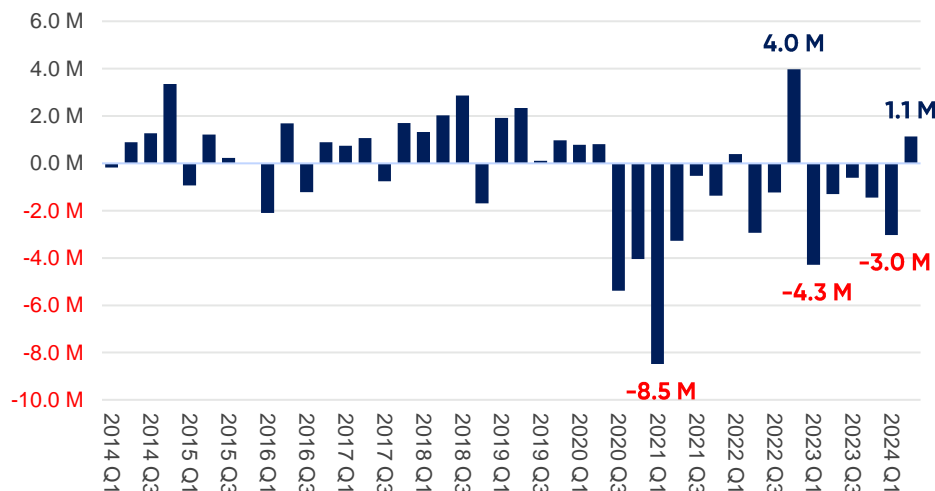
## Asking Rent & Availabilities 2014 – Q2 2024



### Asking Rent / Availabilities

Since the start of 2021, asking rates have fluctuated less than 1 percent. Over this same period both direct and sublet available square footage has remained relatively unchanged, meaning current market conditions have generally stabilized.

## Net Absorption 2014 – Q2 2024



### Net Absorption

Net absorption moved into positive territory in the second quarter, recording 1.1 million square feet of positive net absorption. While net absorption moved out of the red for the quarter, there is still plenty of ground to recover as overall net absorption is still -32.4 million square feet since mid-2022.



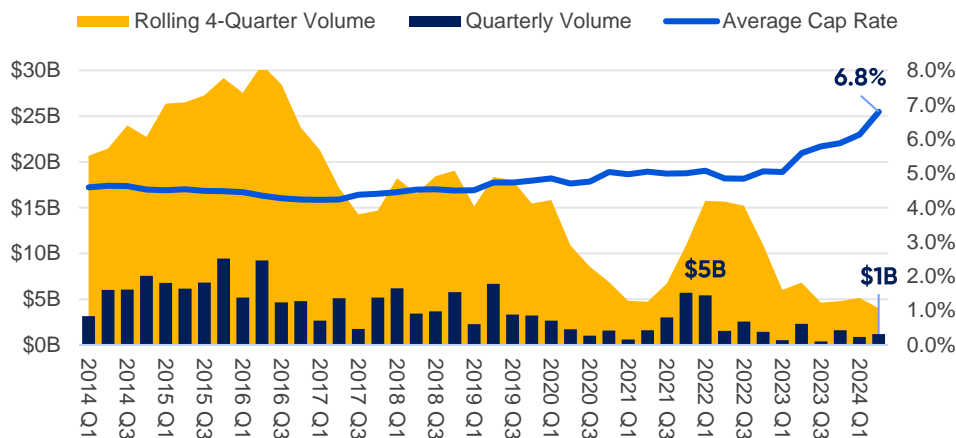
# Manhattan Submarkets Snapshot

## Q2 2024

	Inventory SF	Availability Rate	Net Absorption 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 Construction SF
<b>Manhattan</b>	<b>455,967,626</b>	<b>20.50%</b>	<b>(3,945,078)</b>	<b>\$81.12</b>	<b>0.4%</b>	<b>\$55.94</b>	<b>0.2%</b>	<b>388,032</b>	<b>2,177,770</b>
<b>Downtown</b>	<b>94,432,559</b>	<b>22.6%</b>	<b>217,665</b>	<b>\$60.55</b>	<b>0.3%</b>	<b>\$49.83</b>	<b>0.8%</b>	<b>0</b>	<b>230,000</b>
City Hall	7,035,619	16.5%	(183,523)	\$60.86	0.5%	\$47.01	0.7%	0	0
Financial District	37,659,083	25.5%	964,400	\$56.51	0.3%	\$43.35	1.0%	0	0
Insurance District	10,714,804	19.4%	(84,676)	\$59.22	0.3%	\$46.20	0.9%	0	230,000
Tribeca	4,052,370	30.3%	(213,451)	\$73.13	0.4%	\$59.80	0.8%	0	0
World Trade Ctr	34,970,683	20.7%	(265,085)	\$65.05	0.4%	\$53.69	0.6%	0	0
<b>Midtown South</b>	<b>70,027,637</b>	<b>25.5%</b>	<b>(931,663)</b>	<b>\$90.19</b>	<b>0.4%</b>	<b>\$62.04</b>	<b>0.4%</b>	<b>388,032</b>	<b>1,476,181</b>
Chelsea	24,062,812	30.2%	(662,756)	\$89.75	0.4%	\$56.08	0.3%	0	1,422,181
Grammercy Park	23,390,246	20.0%	(54,517)	\$100.31	0.4%	\$62.40	0.1%	0	0
Greenwich Village	5,580,497	27.4%	(77,473)	\$92.91	0.4%	\$63.52	-1.3%	118,032	54,000
Hudson Square	10,561,024	26.9%	(168,124)	\$74.36	0.5%	\$72.17	-0.2%	270,000	0
Soho	6,433,058	22.9%	31,207	\$76.94	0.4%	\$67.50	-1.2%	0	0
<b>Midtown</b>	<b>291,507,430</b>	<b>18.6%</b>	<b>(3,231,080)</b>	<b>\$86.91</b>	<b>0.4%</b>	<b>\$53.40</b>	<b>-0.2%</b>	<b>0</b>	<b>471,589</b>
Columbus Circle	29,145,244	21.0%	(1,079,527)	\$81.15	0.3%	\$56.63	-0.2%	0	260,703
Grand Central	49,895,139	16.9%	(664,261)	\$81.61	0.6%	\$55.12	0.0%	0	0
Murray Hill	13,609,741	28.7%	217,746	\$59.92	-1.2%	\$50.11	-0.3%	0	0
Penn Plaza	71,391,732	19.2%	(2,048,198)	\$89.36	0.4%	\$48.89	-0.3%	0	0
Plaza District	83,366,670	15.9%	151,593	\$94.94	0.5%	\$67.31	-0.4%	0	0
Times Square	41,127,726	21.2%	27,985	\$82.66	0.3%	\$53.20	-1.8%	0	210,886
UN Plaza	2,971,178	5.4%	163,582	\$72.09	0.1%	\$61.48	-2.7%	0	0

# Manhattan Office Capital Markets

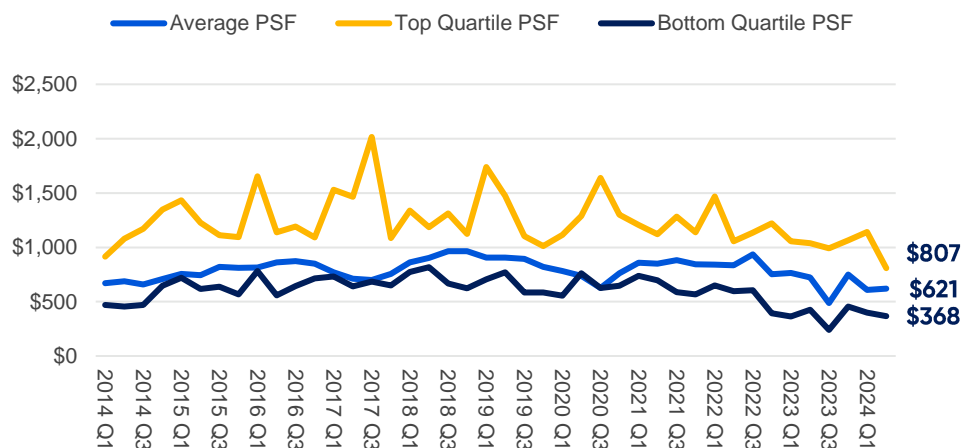
Office Sales Volume and Average Cap Rate 2014 – Q2 2024



## Sales Volume / Cap Rates

The uncertainty surrounding rent growth and tenant demand has negatively impacted New York's investment market. Sales volume from the past 12 months is less than one-third of historic levels, increasing risk and pushing cap rates higher.

Office Sales Price Per Square Foot 2014 – Q2 2024



## Price Per Square Foot

Prices per square foot for top quartile office assets dropped in the past quarter, but this is likely an anomaly due to the low number of overall sales. Nevertheless, both top quartile and bottom quartile sales are drifting lower.



## Contact

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