



# Manhattan office market report

Q3 2022

**AVISON  
YOUNG**

# Office market trends

## Availability surge has slowed down

Availability has steadily risen for the past several quarters, but the surge is beginning to slow down. The overall availability rate, sitting at 18.4% in Q3 2022, has seen its first quarter-over-quarter decrease in 2022. Sublease availability rate remains at 4.5% (23.3 million square feet), while direct availability rate decreased 20bp to 13.9% (95.8 million square feet) from Q2. There are still 6.2 million square feet (msf) of under-construction and under-renovation office space set to be delivered by the end of the year (3.1 msf pre-leased), which could cause a slight increase in availability in Q4.

## Large transactions continue to bolster leasing activity

Quarterly leasing activity in Q3 2022 reached just over 8.0 msf, up 17.4% from last quarter. Q1-Q3 leasing activity is 19.9% greater than Q1-Q3 2021. This is principally attributed to the volume of large transactions executed in 2022 thus far. From Q1 through Q3 2021, 20 deals over 100,000 square feet (sf) were signed. From Q1 through Q3 2022, 33 deals over 100,000 sf have been signed – substantiating that tenants are more willing to sign large commitments than they were last year. Net absorption demonstrates the same theme: Q3 2022 net absorption has achieved its highest quarterly post-COVID value at positive 641,000 sf but remains negative year-to-date.

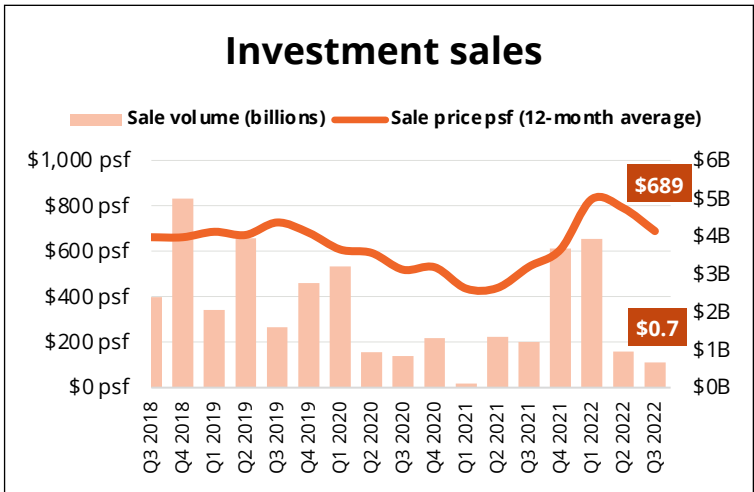
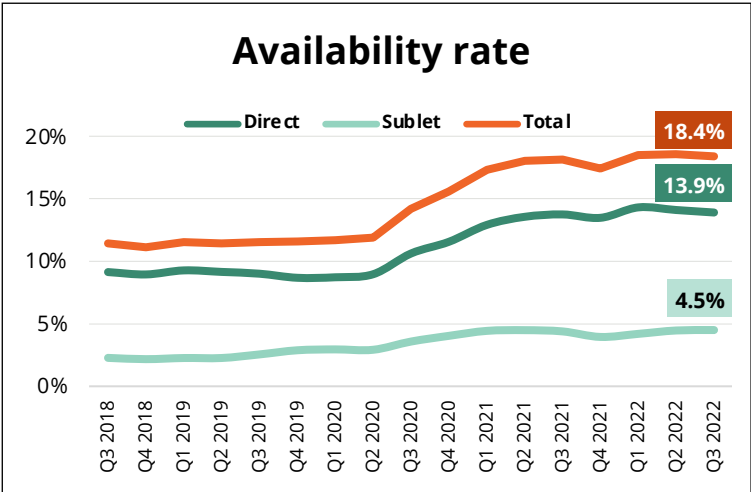
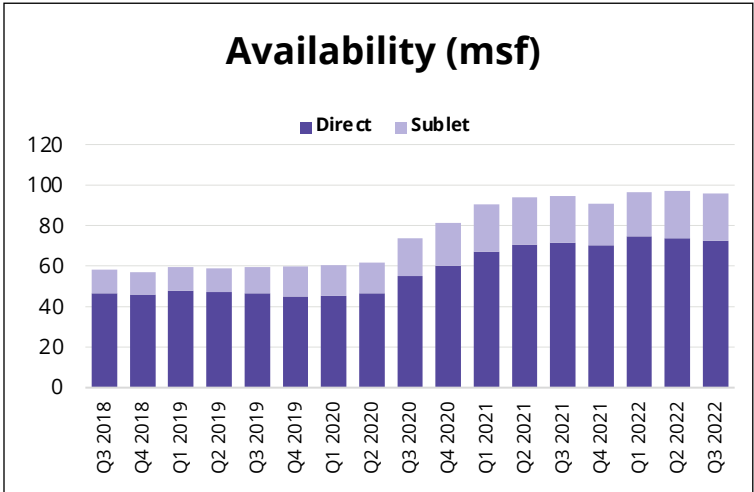
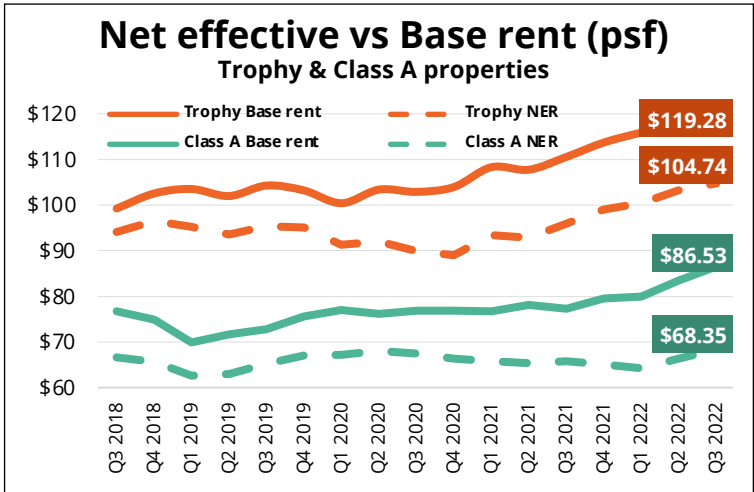
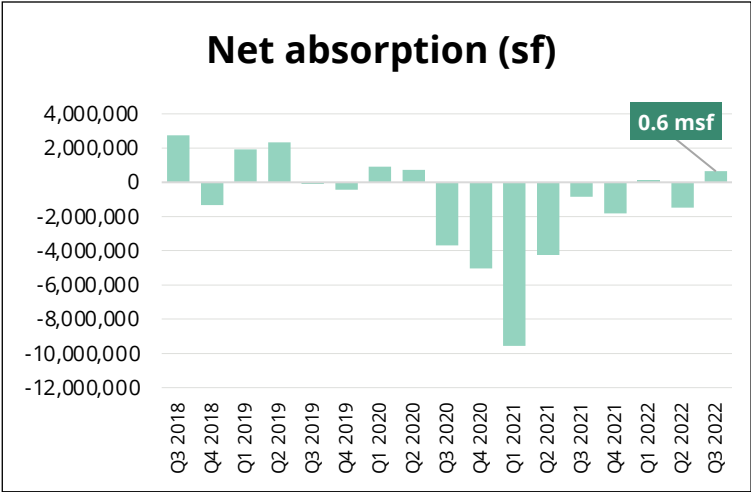
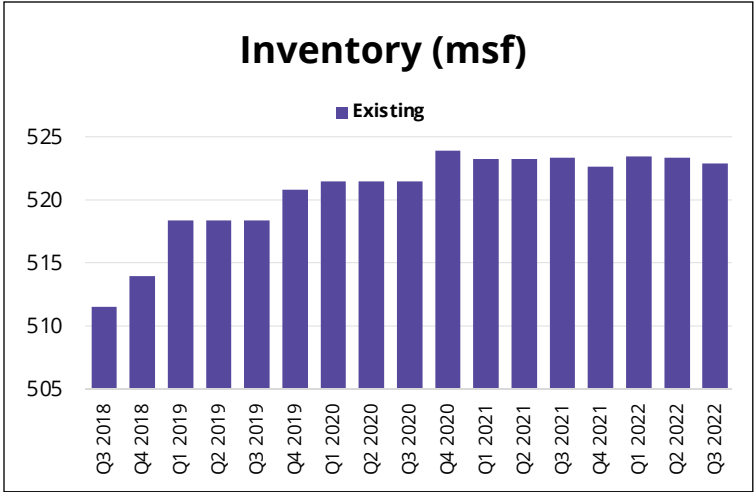
## The gap between class A net effective and base rents widens

Within the class A sector, demand is shifting towards higher quality assets. In an effort to compete with Trophy properties, landlords of these upper quality class A properties are offering historically large concession packages. These outsized concessions are being offered to induce tenant commitments, causing the gap between base and net effective rents to widen from \$9.83 psf to \$18.18 psf (March 2020 to September 2022). Net effective rents have largely leveled out post-COVID due to base rents incrementally trending upward along with continuously growing concessions packages.

Note: Availability rate includes all availabilities, both direct and sublet, for existing, under construction and under renovation properties.



# Office market indicators



Note: Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Class A properties represent the top 25% but not the top 10%.  
Note: Availability rate includes all availabilities, both direct and sublet, for existing, under construction and under renovation properties.



# Office market activity

## Recent leasing activity

Tenant name	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
KPMG	Two Manhattan West	Hudson Yards	Aug 2022	450,000	New	Direct
Franklin Templeton	1 Madison Avenue	Flatiron District/Gramercy Park	Sep 2022	347,474	New	Direct
Datadog	620 Eighth Avenue	Times Square	Jul 2022	331,000	New	Direct
Indeed	1120 Avenue of the Americas	Grand Central	Jul 2022	247,494	Renewal/Expansion	Direct
Freshfields	3 World Trade Center	World Trade Center	Aug 2022	179,724	New	Direct

## Recent sales activity (\$50M+)

Buyer	Address	Sale date	Sale price	Sale price (psf)	Seller(s)
Meadow Partners	95 Morton Street	Jul 2022	\$288,237,723	\$1,310	RFR Holding
Memorial Sloan Kettering	321 East 61 <sup>st</sup> Street	Aug 2022	\$185,000,000	\$1,878	MADDD Equities, Joy Construction
Namdar Realty Group, Empire Capital Holdings	830 Third Avenue	Sep 2022	\$72,000,000	\$456	AEW

## Large contiguous space availabilities added in Q3 2022

Address	Submarket	Space type	Block size (sf)	Date available
770 Broadway	Greenwich Village	Direct	156,341	Mar 2023
32 Avenue of the Americas	Tribeca	Direct	154,441	Jan 2023
488 Madison Avenue	Midtown Core	Direct	110,248	Immediate
551 Fifth Avenue	Grand Central	Direct	104,673	Sep 2023

# Office market stats by submarket

By Submarket	Inventory (sf)	Total %	Availability		Net Absorption (sf)		Average Asking Rent (psf)	
			Direct %	Sublet %	YTD	Q3 2021	Q3 2022	
Central Park	31,529,727	18.4%	16.4%	2.0%	-382,304	\$115.68	\$118.72	
Grand Central	81,496,380	17.9%	14.6%	3.2%	128,332	\$78.34	\$79.11	
Hudson Yards	14,609,035	18.9%	10.3%	8.6%	2,030,742	\$168.78	\$172.06	
Midtown Core	57,779,073	12.2%	8.9%	3.2%	576,593	\$84.72	\$104.17	
Midtown East	24,078,041	21.9%	19.6%	2.3%	76,046	\$84.93	\$88.81	
Midtown West	3,904,684	35.8%	13.0%	22.7%	41,022	\$70.12	\$68.28	
Murray Hill	11,372,525	21.6%	16.6%	5.0%	-73,607	\$69.47	\$68.74	
Penn Station	50,817,075	18.1%	13.3%	4.7%	-55,961	\$63.98	\$65.11	
Times Square	36,637,204	22.5%	17.4%	5.1%	-1,005,849	\$78.33	\$76.62	
<b>Midtown Total</b>	<b>312,223,744</b>	<b>18.2%</b>	<b>14.1%</b>	<b>4.1%</b>	<b>1,335,014</b>	<b>\$81.23</b>	<b>\$84.70</b>	
Chelsea	17,040,777	27.3%	20.7%	6.6%	-338,171	\$60.50	\$59.94	
East Village	776,641	39.1%	21.2%	17.9%	-201,066	\$139.15	\$139.15	
Flatiron District/Gramercy Park	40,336,744	17.6%	12.9%	4.7%	-358,723	\$74.81	\$78.03	
Greenwich Village	7,604,487	16.8%	15.6%	1.2%	-109,158	\$73.44	\$79.64	
Hudson Square	10,530,988	19.1%	13.2%	5.9%	1,420	\$64.87	\$65.63	
Lower East Side	2,572,716	21.4%	20.5%	1.0%	-28,780	\$70.72	\$86.97	
Meatpacking District	8,238,954	6.2%	4.6%	1.5%	9,050	\$126.51	\$121.38	
SoHo	6,908,270	15.1%	11.8%	3.3%	17,733	\$86.28	\$73.03	
West Village	585,244	3.8%	3.2%	0.6%	-1,400	\$67.63	-	
<b>Midtown South Total</b>	<b>94,594,821</b>	<b>18.5%</b>	<b>14.0%</b>	<b>4.5%</b>	<b>-1,009,095</b>	<b>\$73.34</b>	<b>\$74.40</b>	
City Hall	15,125,712	7.8%	6.5%	1.3%	29,178	\$65.42	\$64.03	
Financial District	43,760,895	25.2%	19.6%	5.6%	-672,954	\$62.04	\$62.44	
TriBeCa	9,186,115	15.2%	10.9%	4.2%	-1,125	\$130.91	\$129.10	
Water Street Corridor	18,835,258	24.5%	15.1%	9.4%	-126,572	\$66.37	\$66.58	
World Trade Center	25,867,107	12.8%	6.7%	6.1%	-278,496	\$94.60	\$94.65	
<b>Downtown Total</b>	<b>112,775,087</b>	<b>19.1%</b>	<b>13.4%</b>	<b>5.7%</b>	<b>-1,049,969</b>	<b>\$68.69</b>	<b>\$69.07</b>	
Upper East Side	1,151,541	4.3%	3.2%	1.1%	1,129	-	-	
Upper West Side	2,147,989	3.5%	2.6%	0.9%	-4,900	\$42.84	\$43.84	
<b>Manhattan Total</b>	<b>522,893,182</b>	<b>18.4%</b>	<b>13.9%</b>	<b>4.5%</b>	<b>-727,821</b>	<b>\$77.02</b>	<b>\$79.65</b>	

Note: Availability rate includes all availabilities, both direct and sublet, for existing, under construction and under renovation properties.

Note: Asking rents for some blocks are undisclosed, therefore certain submarkets may not have asking rents.

Note: Direct and sublet availability may not sum to total availability due to rounding.

For more market insights  
and information visit  
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