



Manhattan office market report

Q4 2023

**AVISON
YOUNG**

Manhattan office market trends

27.5 msf

of Manhattan leasing activity in 2023, the lowest total since 2020

Total leasing activity for 2023 in Manhattan reached 27.5 million square feet (msf), reflecting a 21.1% decrease compared to 2022 and a 9.2% drop from 2021. This marks the lowest level of leasing activity since 2020, largely fueled by a lack of large deals; 2023 witnessed the fewest leases exceeding 100,000 sf since 2008, totaling only 33 leases.

In Q4 2023, the signing of several notably large leases propelled this quarter to exceed expectations to 8.6 msf. However, among the 10 largest leases inked during this period, eight were renewals. Large occupiers are persisting in their protectionist approach, opting for renewals rather than relocation.

-16.4%

decrease in available sublease space since Q1 2023

As of Q4 2023, the available sublease space in Manhattan decreased to 20.8 msf, comprising 20.9% of the total available space in Manhattan (99.4 msf). While sublease availability remains higher than historical levels, it has experienced notable declines in three consecutive quarters from its peak in Q1 2023.

Consequently, the total availability rate has decreased by 70 basis points (bps) since its peak in Q2 2023 (19.9%), now at 19.2%. Although this figure is still historically elevated, it represents the lowest total since Q4 2021.

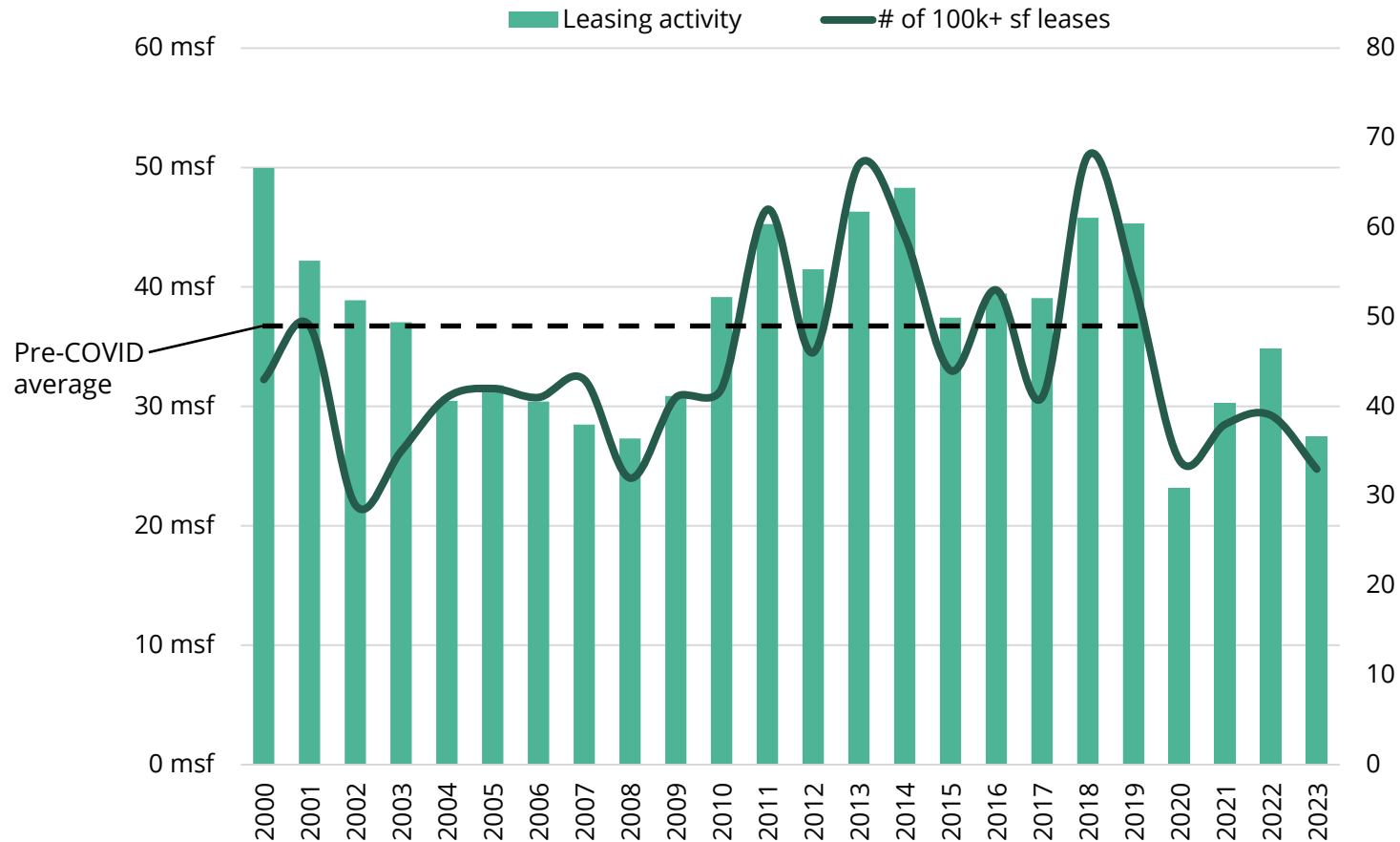
+34.8%

increase in Class A subleasing vs. total subleasing activity pre to post-COVID

From the beginning of 2018 until the onset of the pandemic in March 2020, Class A subleases represented 24.1% of sublease activity by square footage. However, from April 2020 to the present day, Class A subleases represented 32.5% of all sublease activity — reflecting a 34.8% increase.

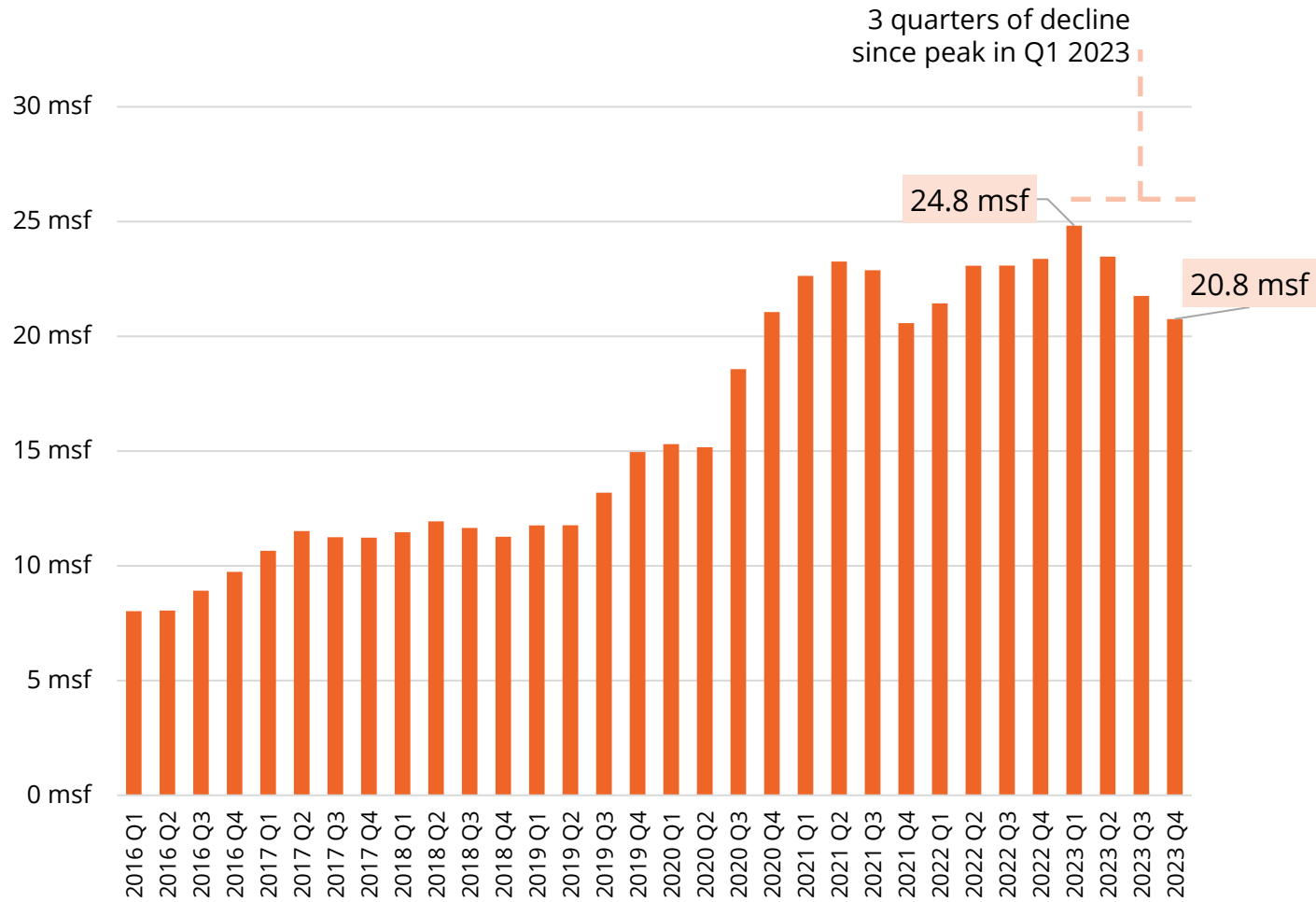
In 2023, both Trophy and Class A subleases together constituted 74.3% of all subleasing activity, as occupiers continued to actively seek high-end and built sublease spaces.

Leasing activity



2023 marks the lowest year of leasing activity since 2020, primarily driven by a scarcity of significant deals. There were only 33 leases exceeding 100,000 square feet this year - the lowest number since 2008.

Available sublet space



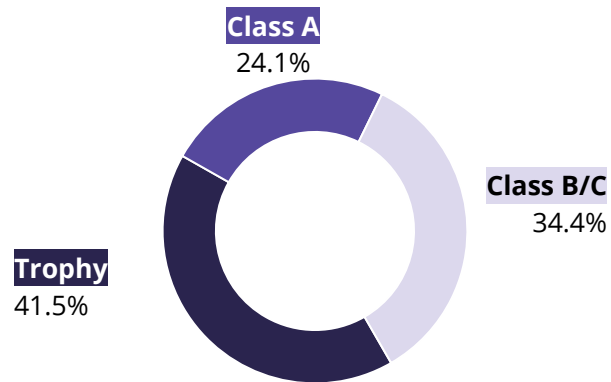
Available sublet space, currently standing at 20.8 million square feet, has experienced a continuous decline in each quarter since Q1 2023 - marking a 16.4% decrease from that period.

Sublease activity by asset class

+34.8%

increase in Class A subleasing as a share of total subleasing activity, post-COVID vs. pre-COVID

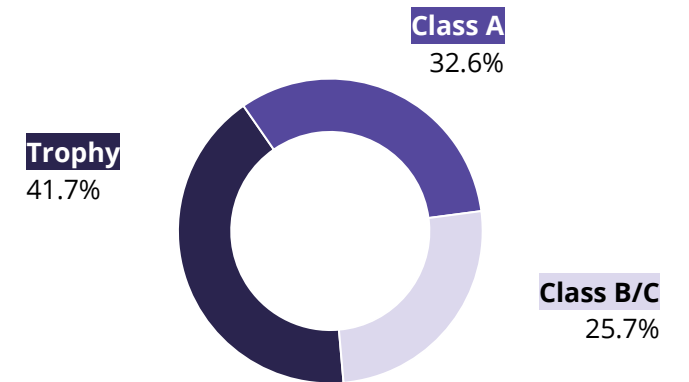
Pre-COVID 2018 to March 2020



Post-COVID April 2020 to Present



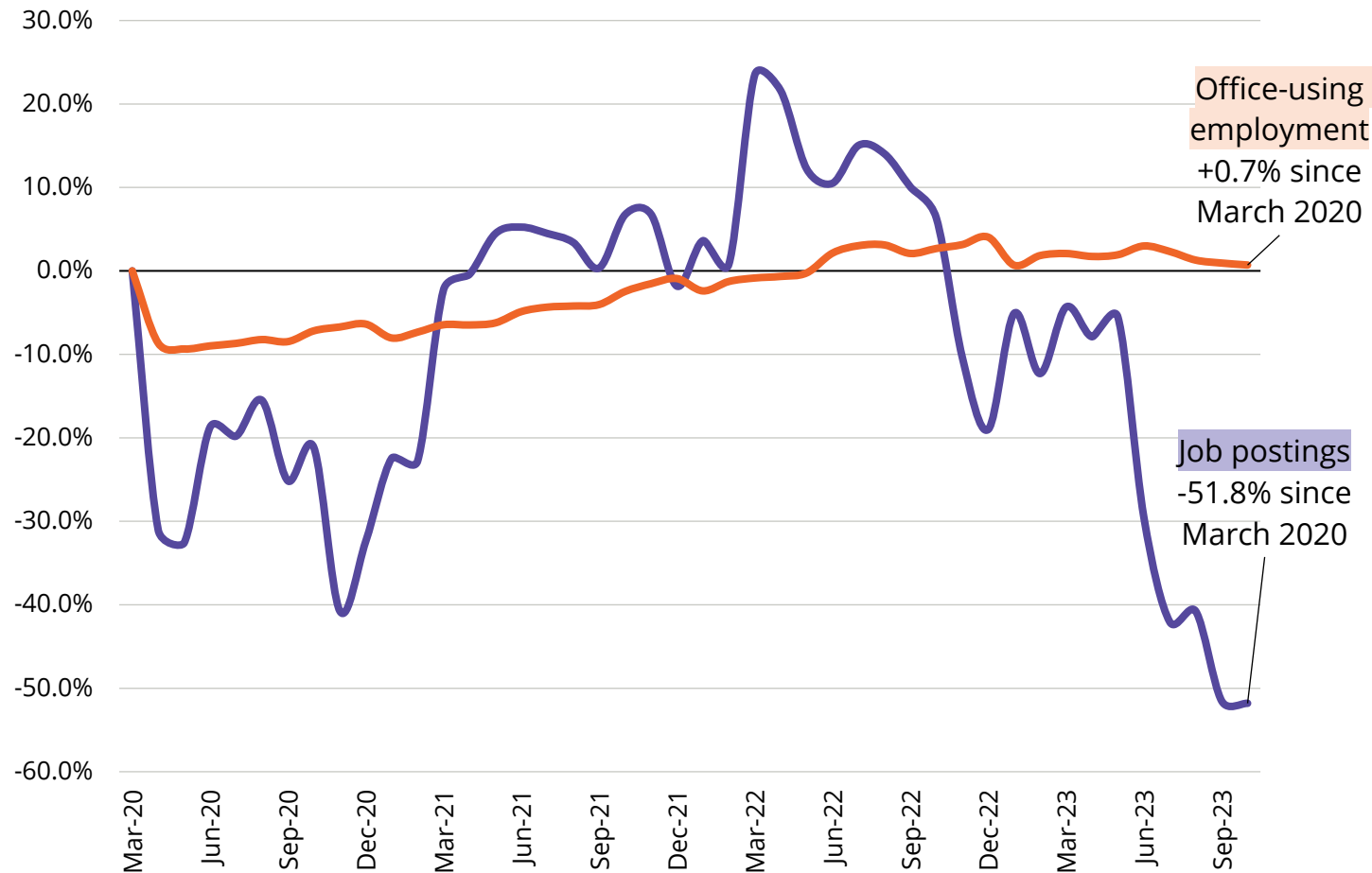
2023



Occupier trends

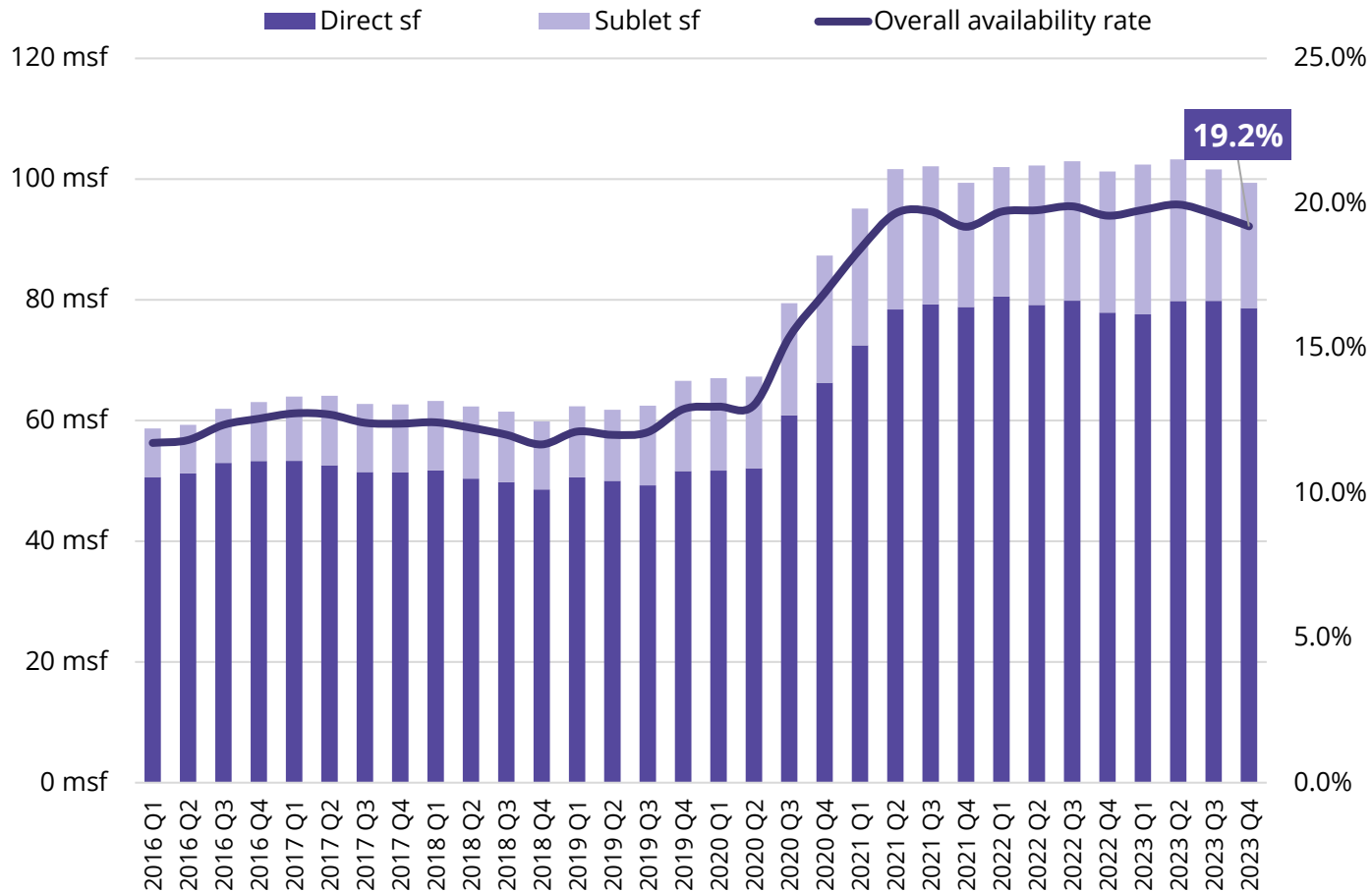


Office-using employment and job postings



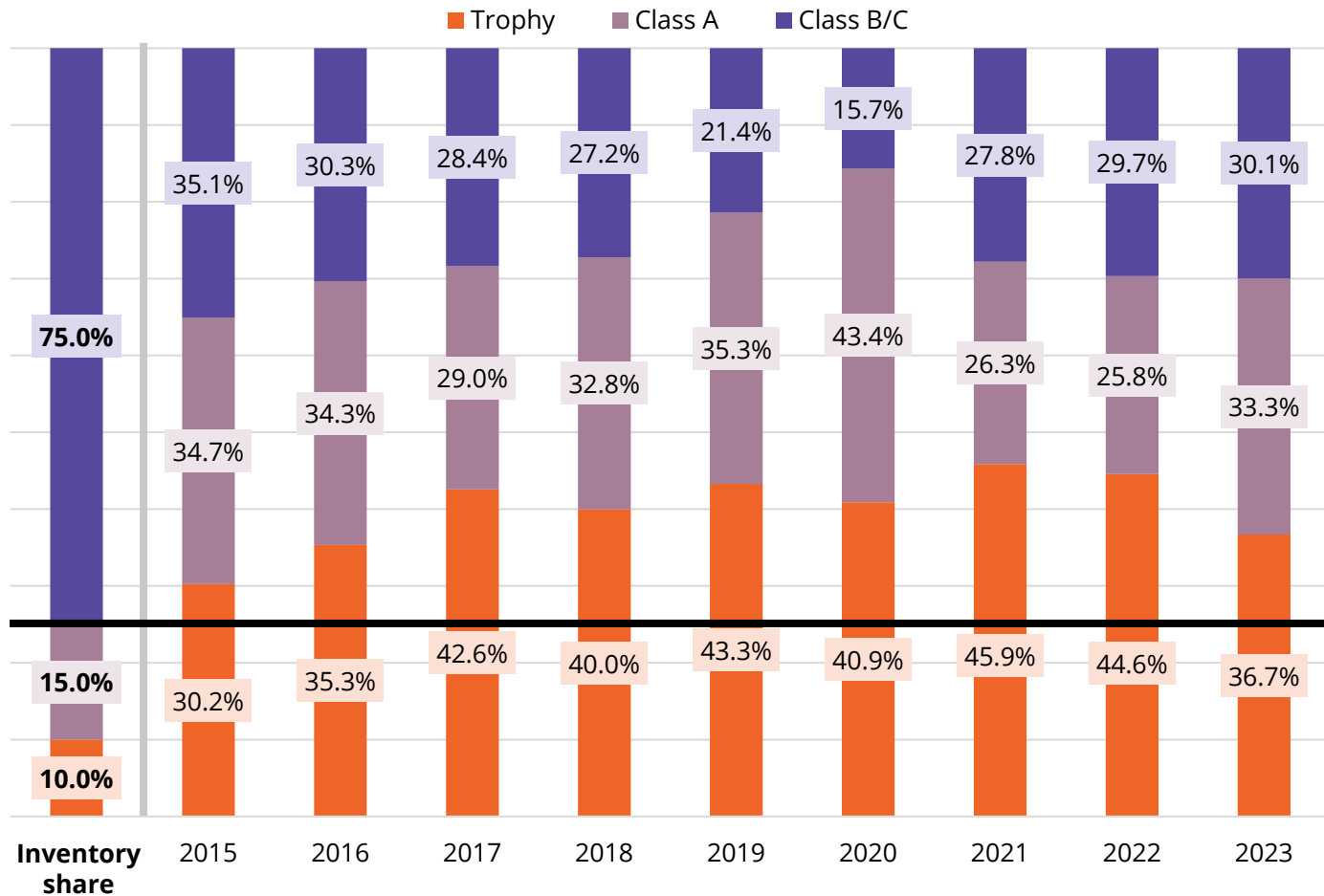
Hiring efforts for office-using positions are slightly above the levels observed in March 2020, whereas job postings have experienced a sharp decline in late 2023.

Available space



The overall availability rate has decreased over the last two quarters, mostly due to a decrease in available sublease space.

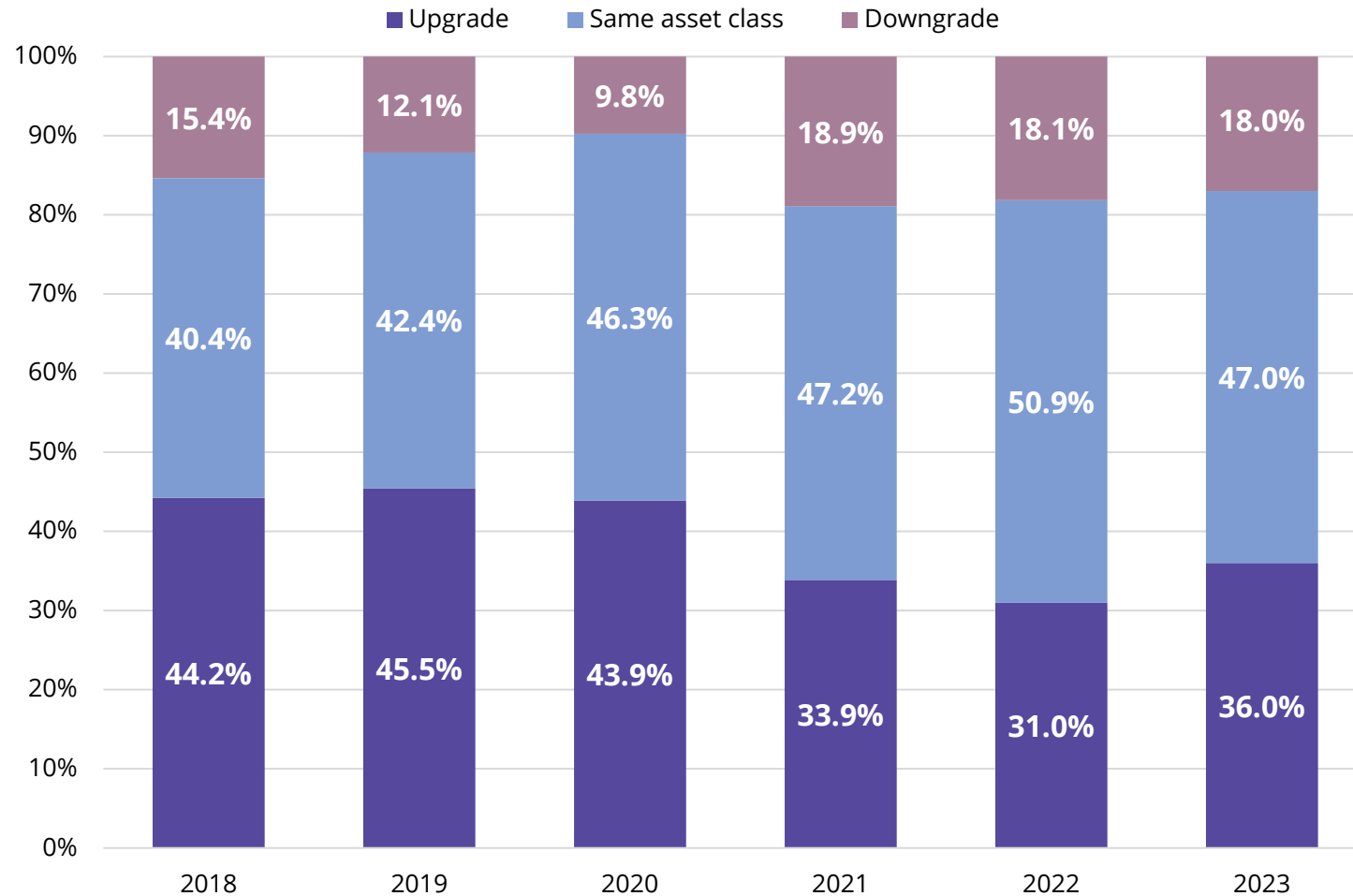
Transaction activity by asset class



Trophy and Class A properties, despite comprising only the top 25% of office inventory, have accounted for a significant 70.0% of demand in 2023.

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%. Source: AVANT by Avison Young, CoStar

Relocations by year



Since 2018, less than 20% of annual relocations have involved a downgrade to space in lower-quality buildings. 2023 has followed the same trend as the previous five-years, with a slight increase in upgrades from the previous year.

Transaction activity by lease type

+50.5%

increase in renewals as a share of total leasing activity, 2023 vs. pre-COVID

The distribution of transaction activity by lease type witnessed a notable rise in the share of renewals, leading to a decline in the share of relocations. In 2023, renewals constituted 47.1% of direct leasing by square footage, slightly larger than direct relocations at 46.2%.

Pre-COVID

2018 to March 2020

New leases, direct relocations
58.8%



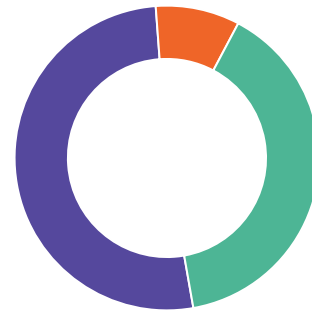
Expansions
9.9%

Direct renewals
31.3%

Post-COVID

April 2020 to Present

New leases, direct relocations
51.6%

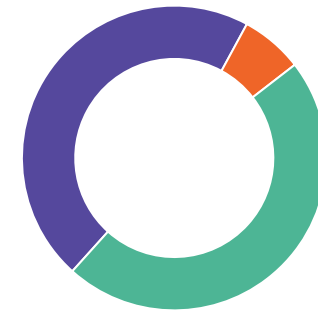


Expansions
8.9%

Direct renewals
39.5%

2023

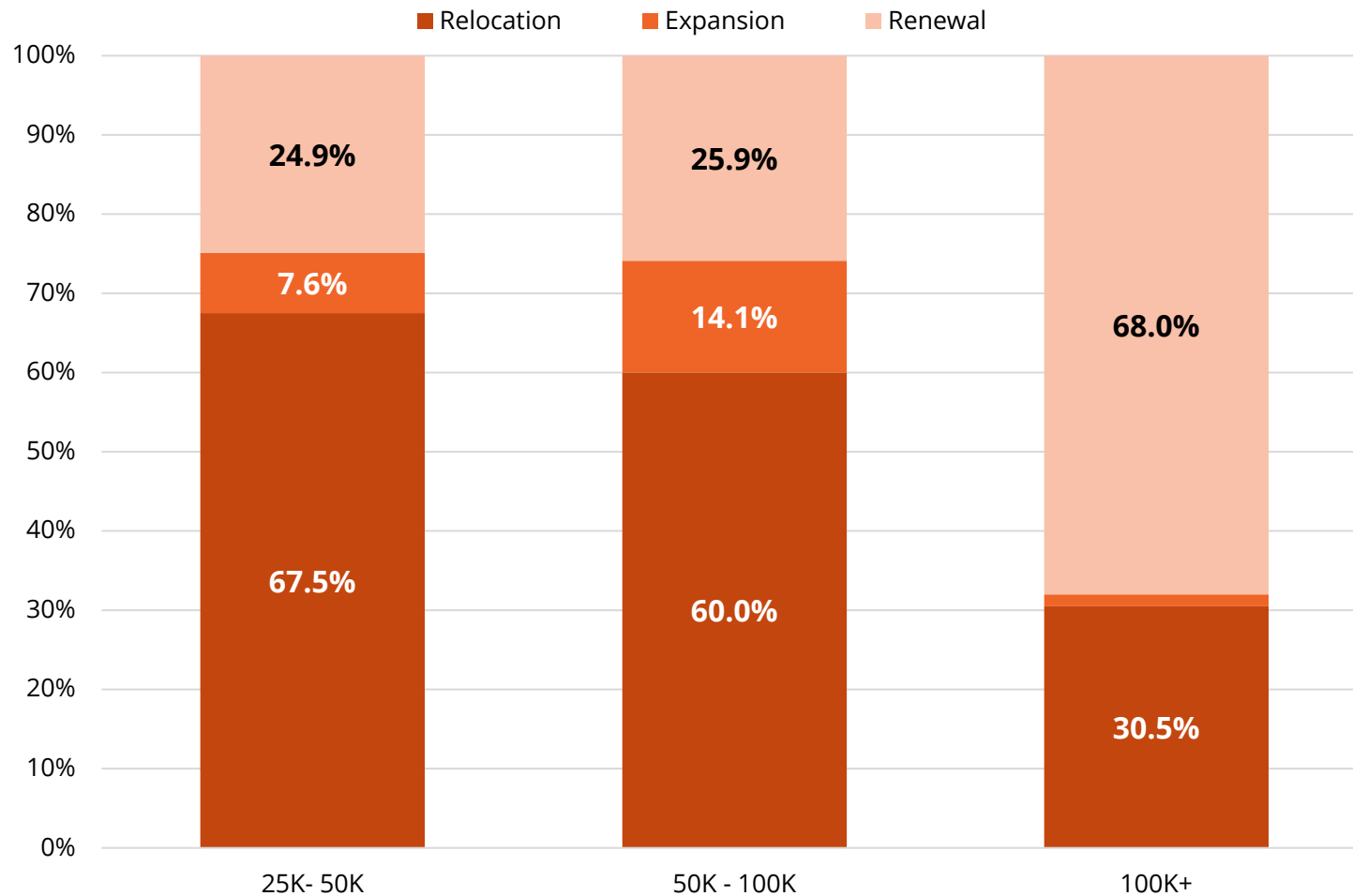
New leases, direct relocations
46.2%



Expansions
6.6%

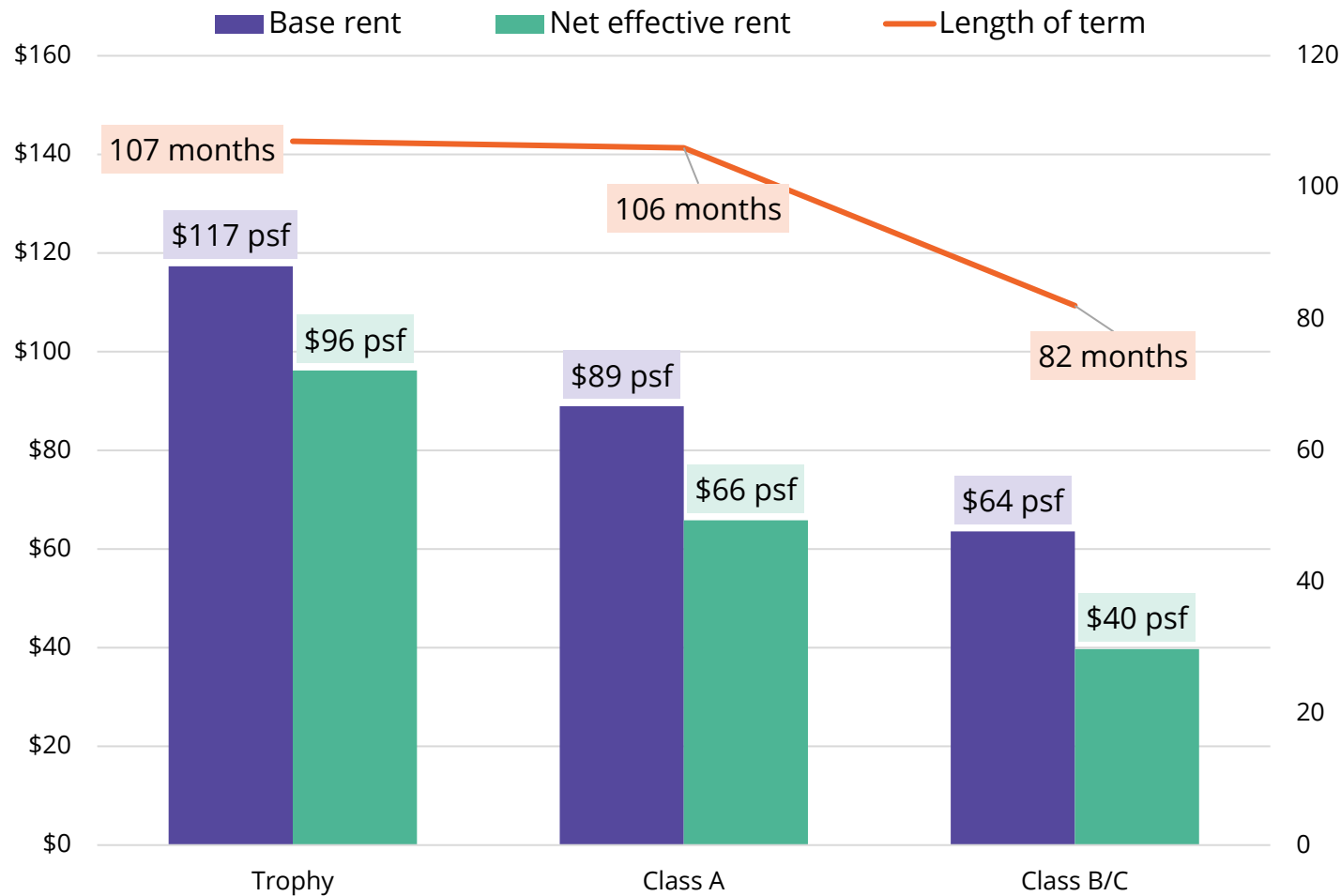
Direct renewals
47.1%

2023 transaction activity by lease size



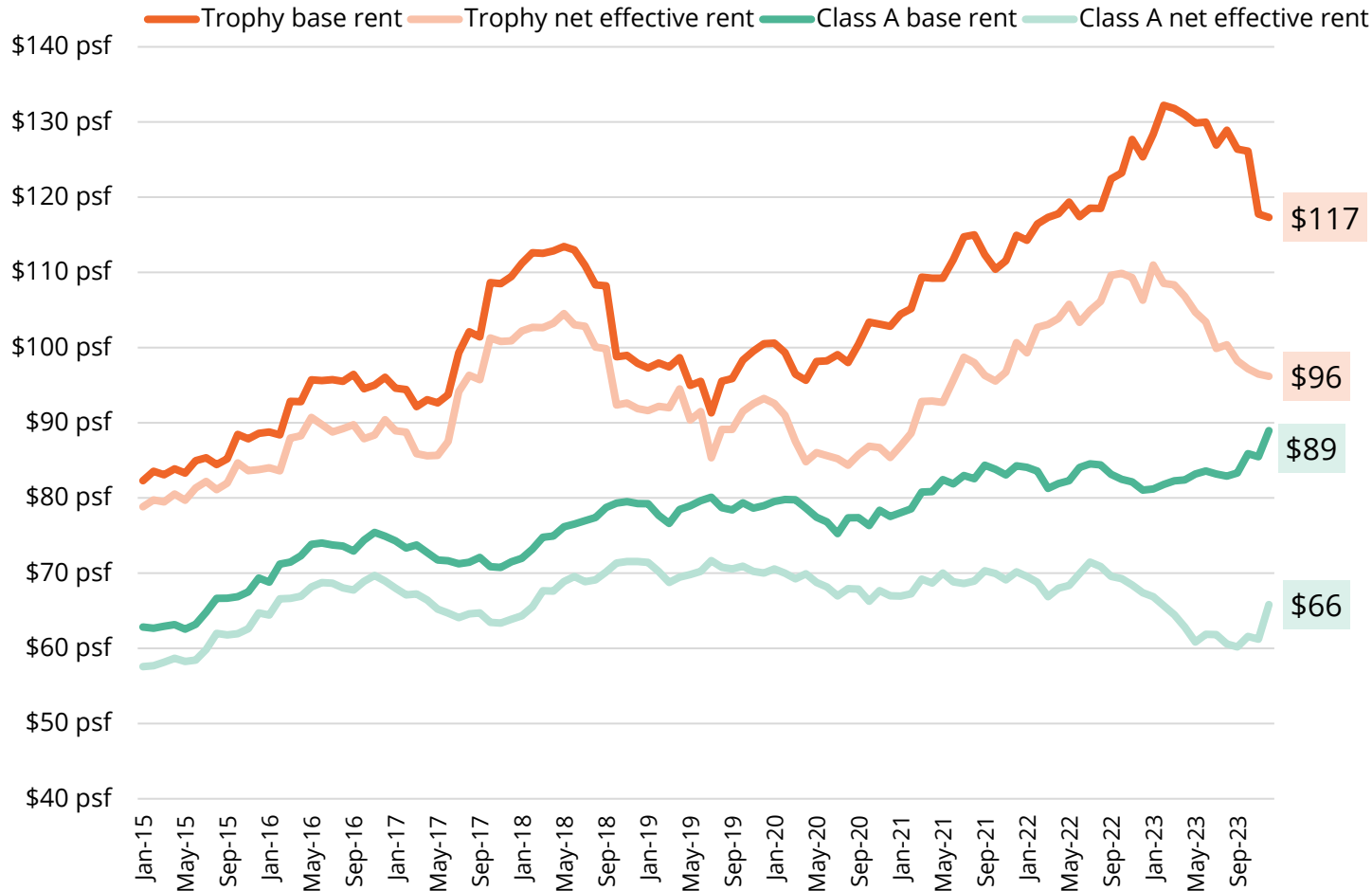
In 2023, large occupiers have consistently favored a higher percentage of renewals, while mid-size occupiers persist in their trend of relocation.

Lease economics by class



Higher-quality assets continue to witness broader gaps between base and net effective rents, along with extended lease terms, further reinforcing the flight-to-quality trend.

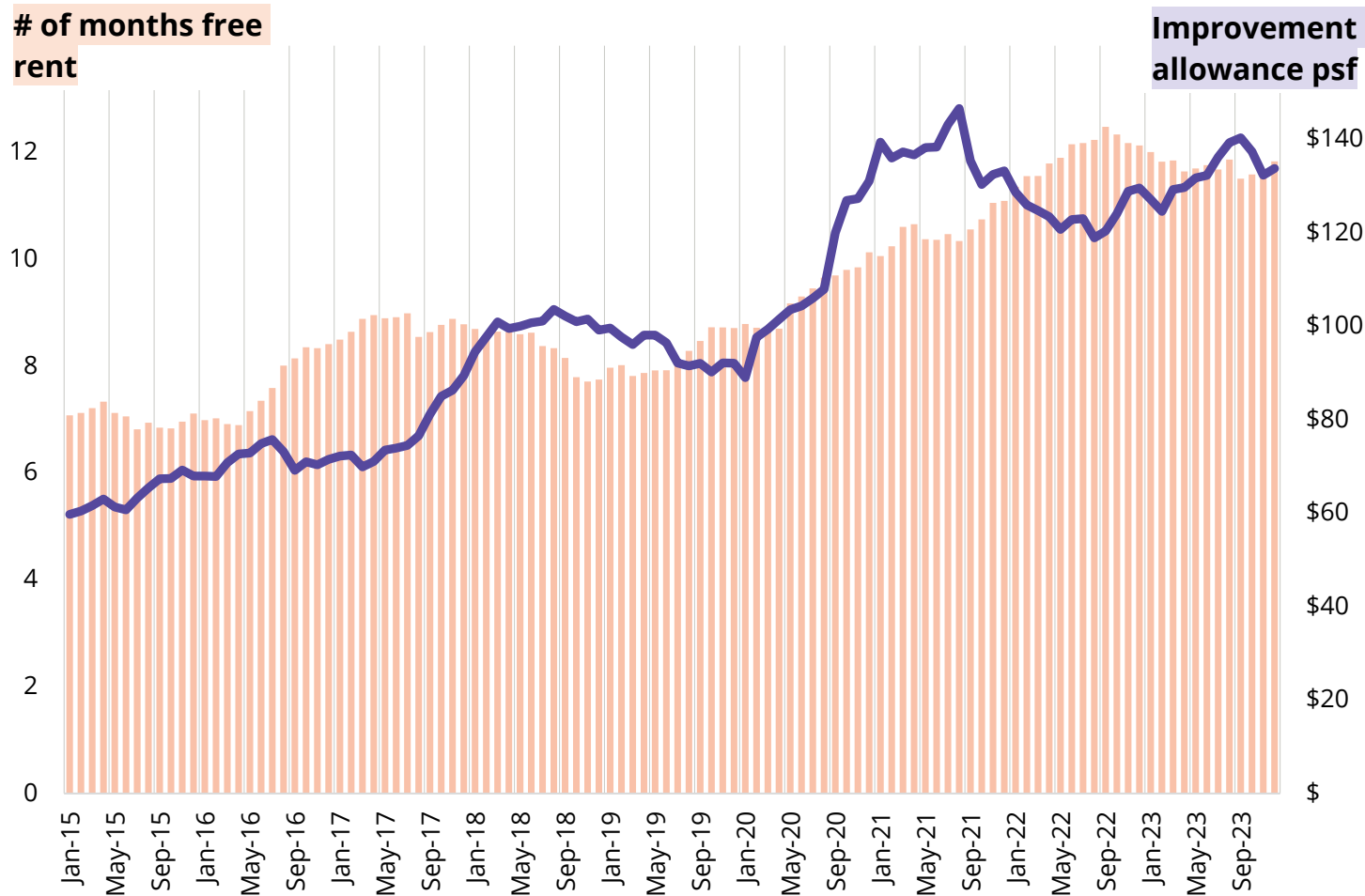
Base and net effective rents by class



Trophy base and net effective rents have been declining due to a decrease in Trophy+ leasing, while Class A base and net effective rents have ticked upwards.

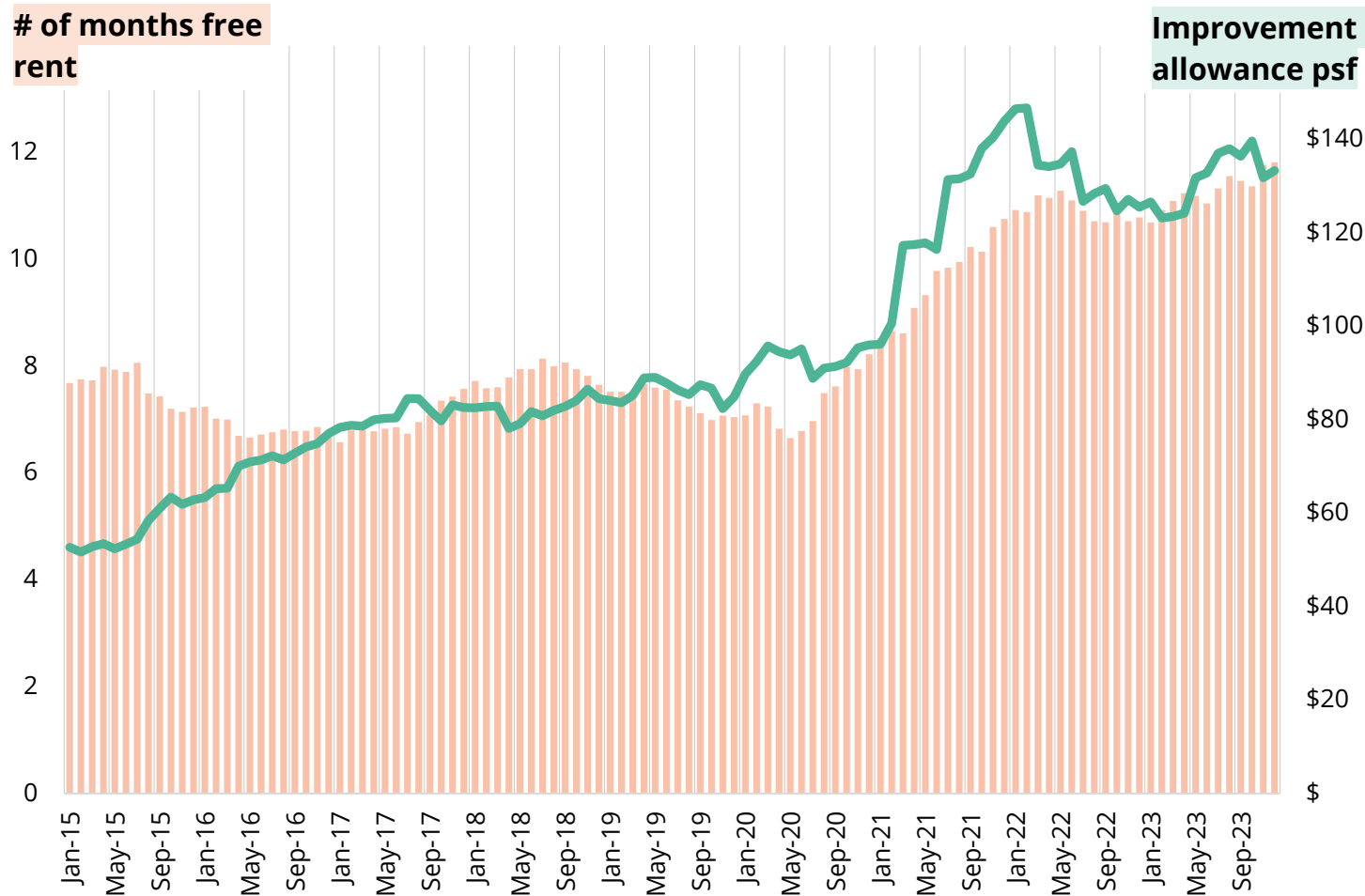
Note: Direct relocations only. Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Class A properties represent the top 25% but not the top 10%. Source: AVANT by Avison Young

Trophy office concession packages



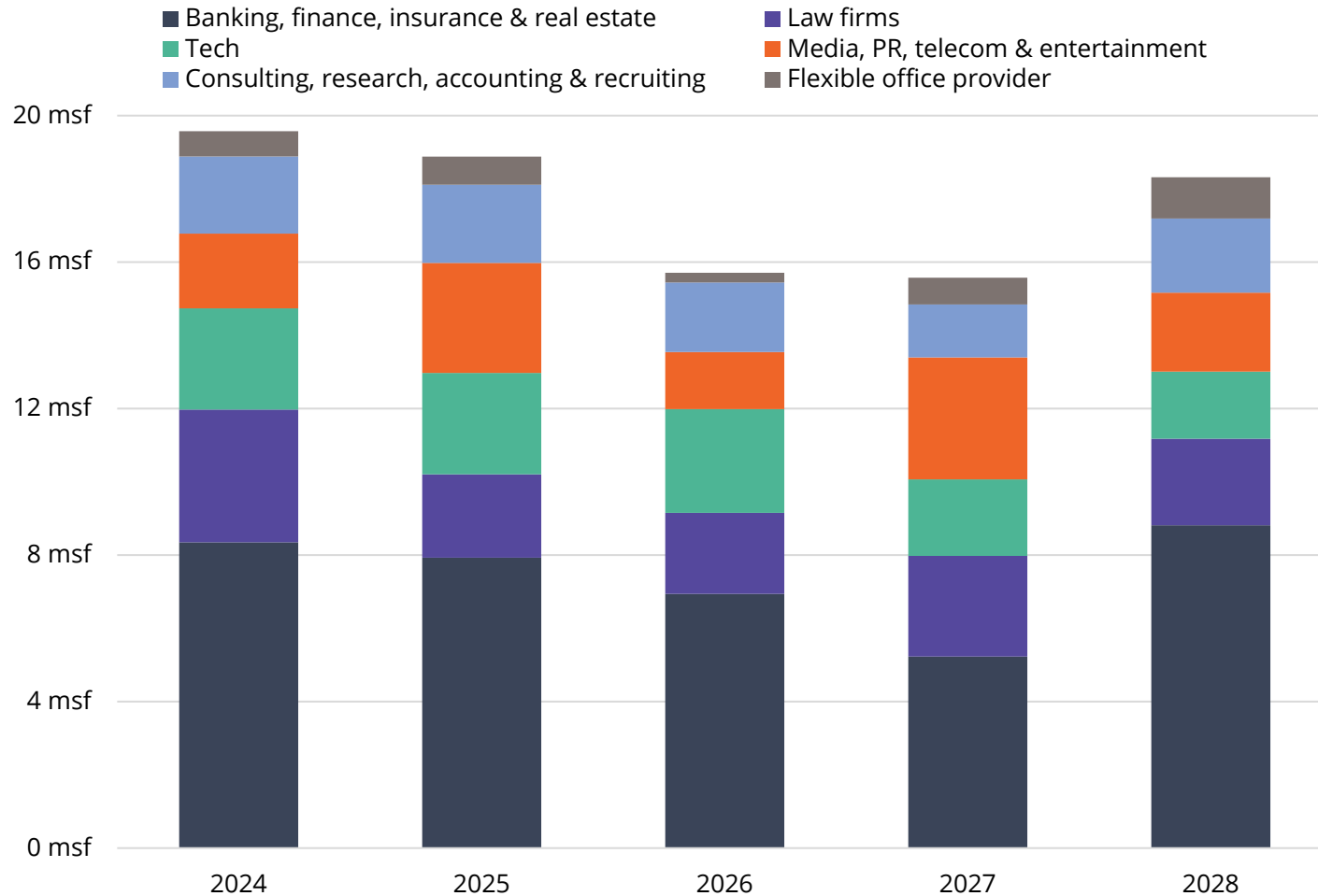
Tenant improvement allowances for Trophy properties saw consistent increases throughout 2023 with a slight dip towards the end of the year. Yet, they still stand **3.2% higher than year-end 2022 at \$134 per square foot.**

Class A office concession packages



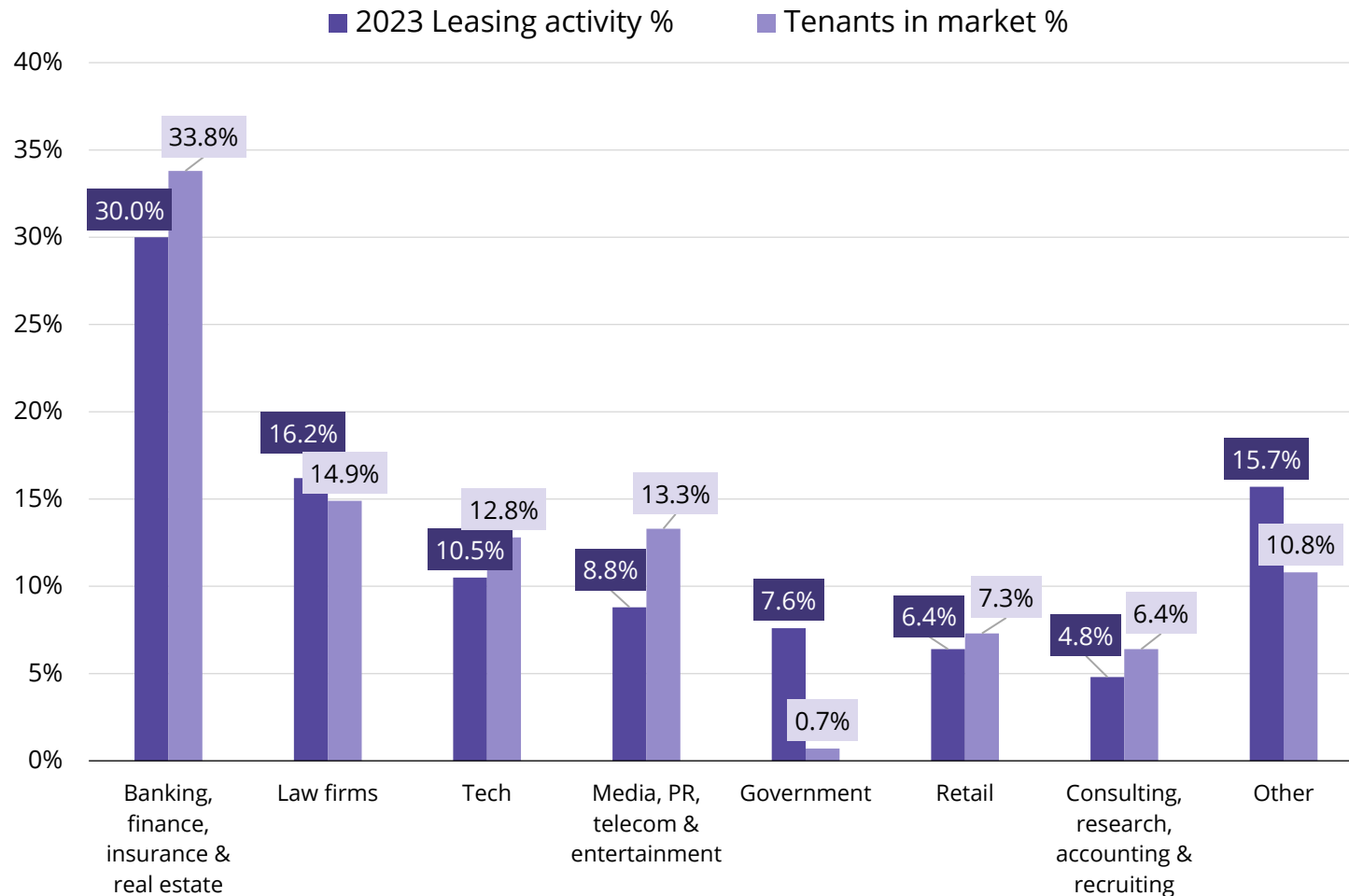
Much like Trophy properties, Class A properties also experienced rises in tenant improvement allowances throughout 2023 and are currently 6.7% higher than the year-end 2022, reaching \$133 per square foot.

Upcoming lease expirations by major industry



Among major industries, FIRE (Finance, Insurance, and Real Estate) tenants make up 42.3% of expiring leases by square footage through 2028 with 37.3 msf.

Leasing activity and tenants in the market

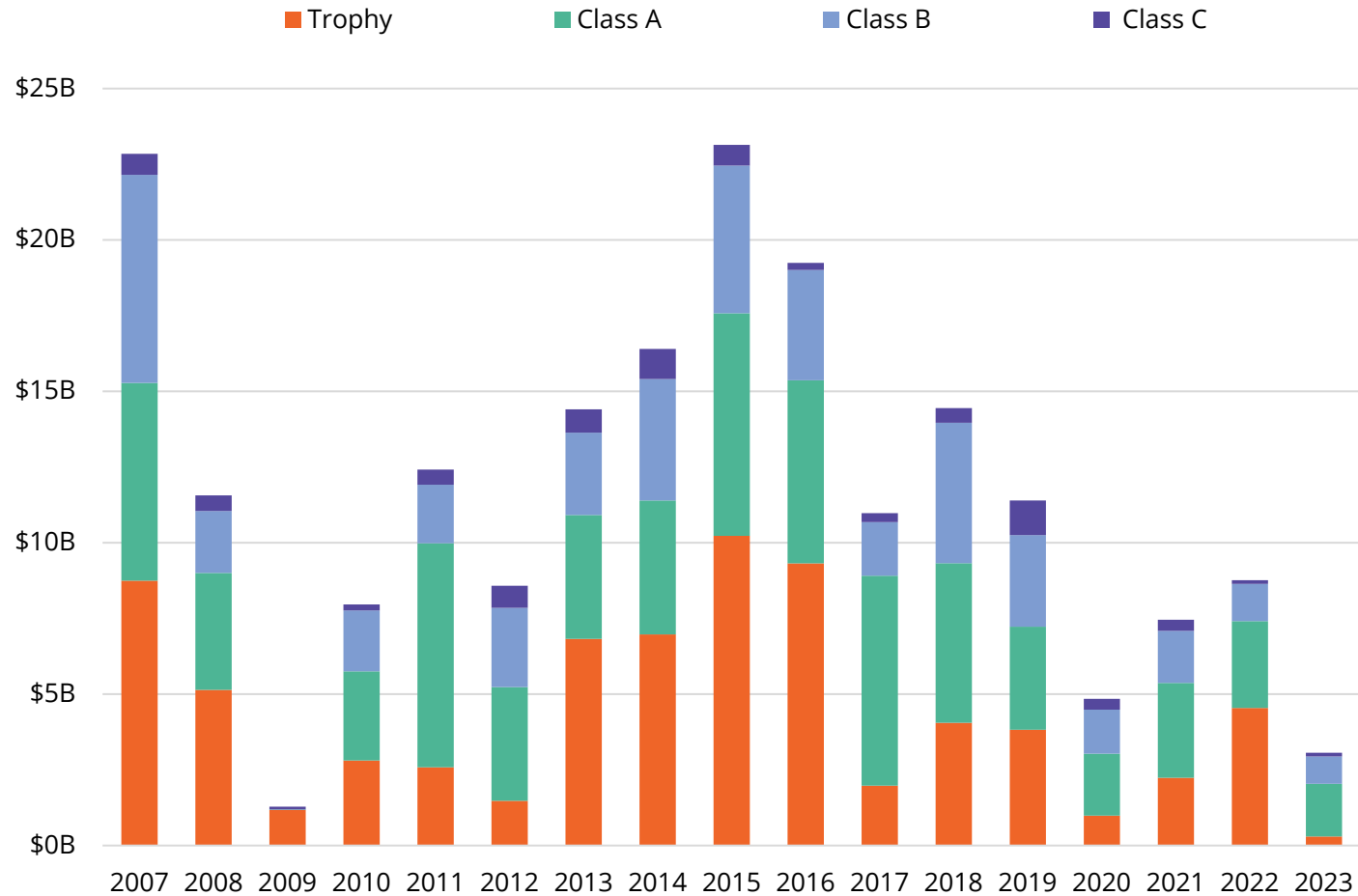


Tenants in the FIRE sector comprised almost a third of the total leasing activity in 2023, accounting for 30.0%. Furthermore, they make up 33.8% of the current active requirements in Manhattan.

Investment sales

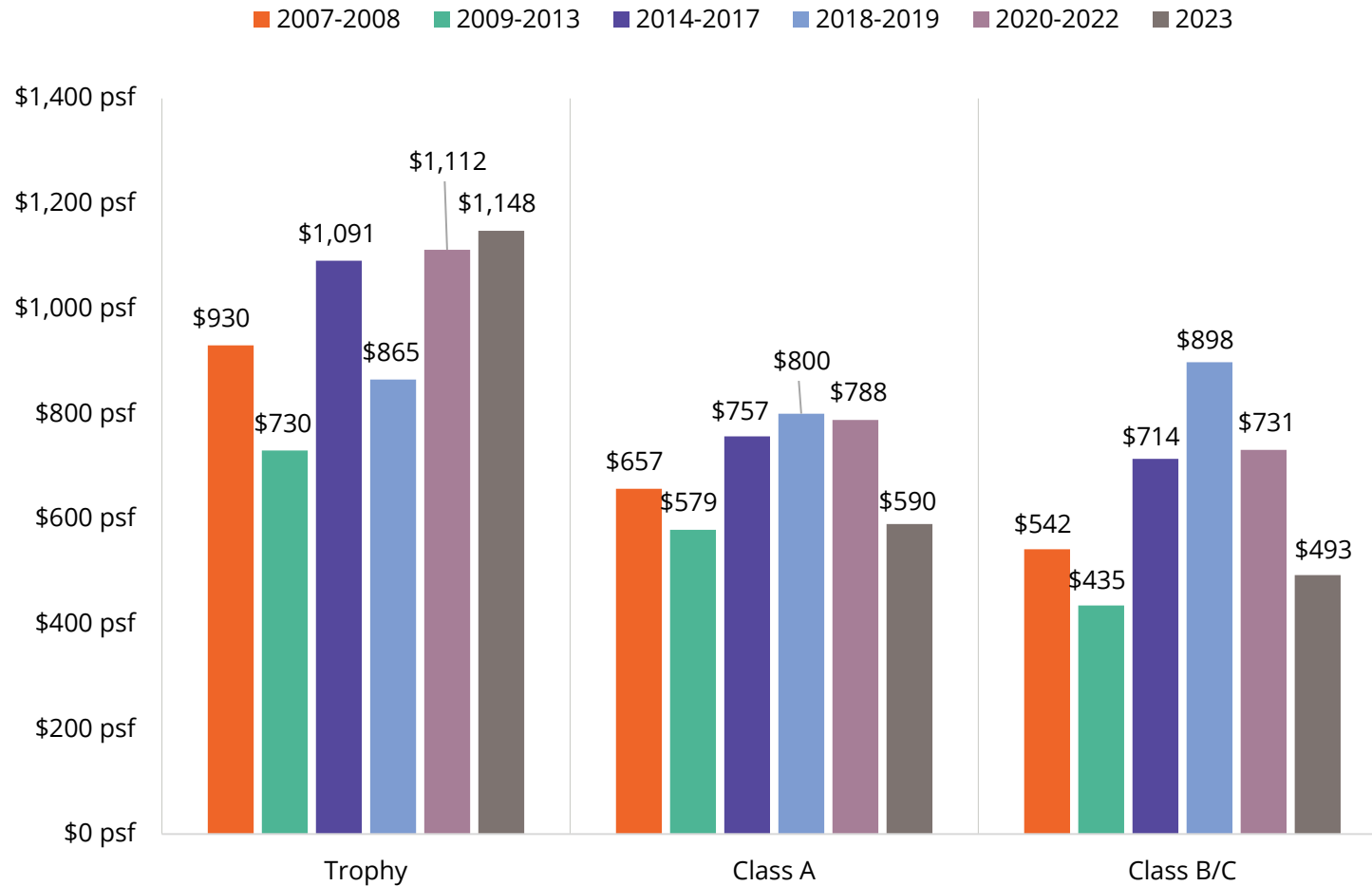


Office investment dollar volume



2023 office investment sales amounted to \$3.1 billion due to a lack of substantial dollar volume Trophy sales. Dollar volume is down 65.0% compared to 2022 and down 75.0% compared to the yearly average from 2007 to 2022.

Investment sales pricing trends

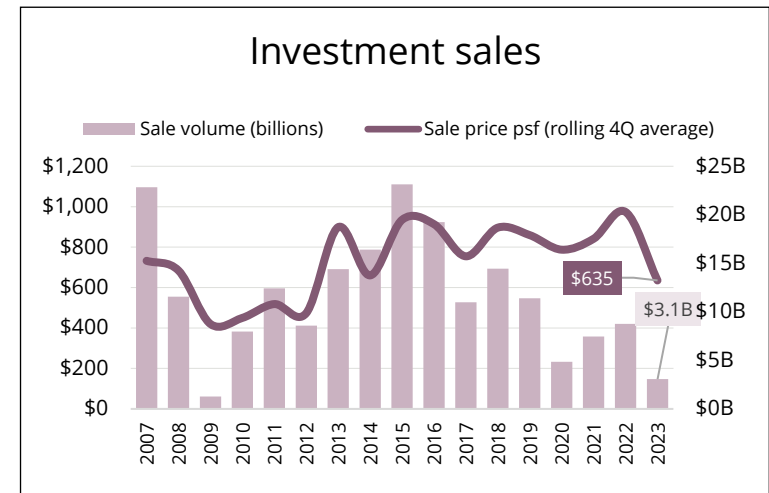
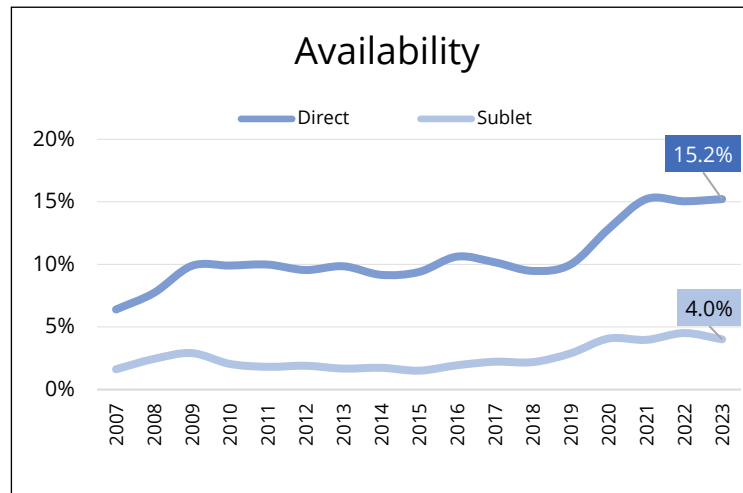
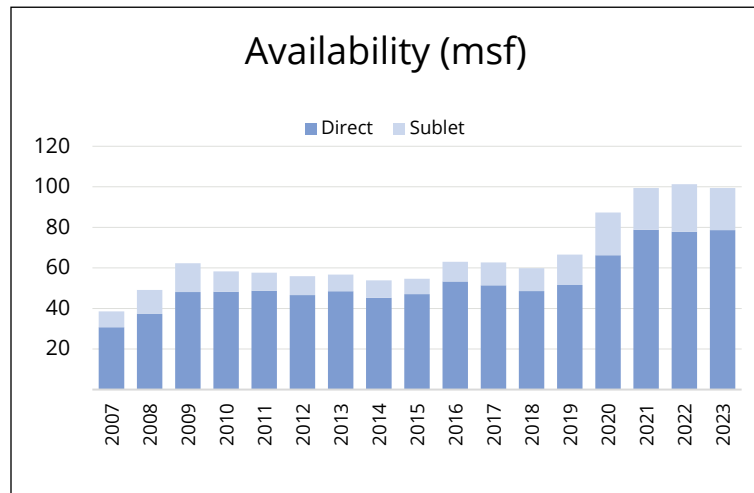
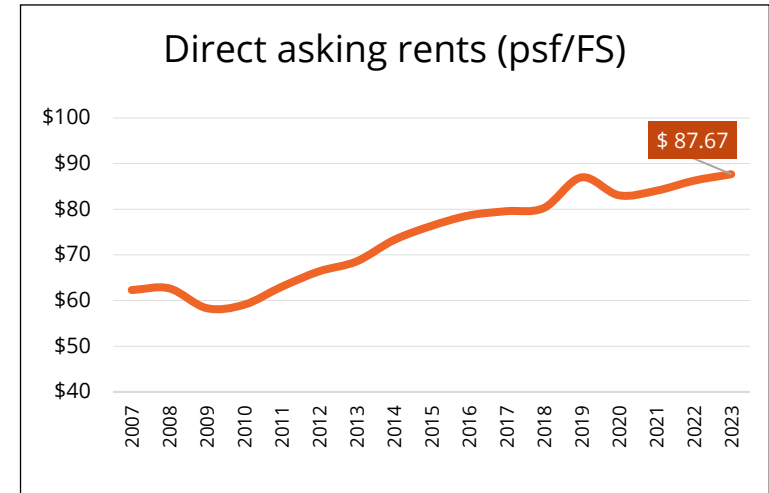
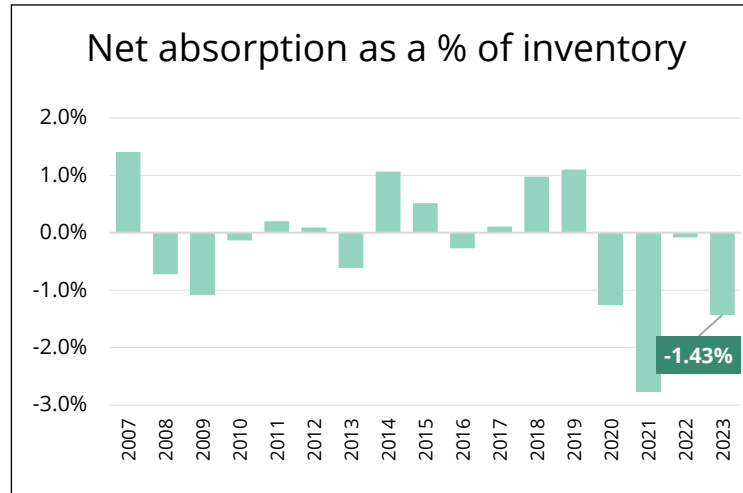
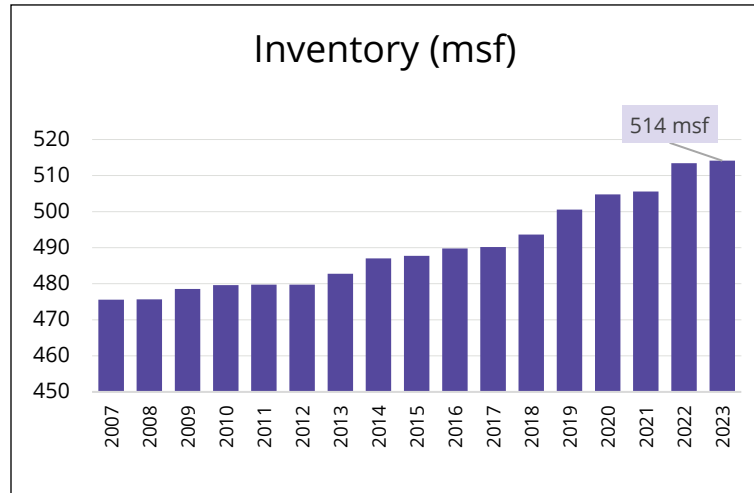


Since the period from 2018-2019, Trophy asset pricing has remained steady due to lack of significant transactions. Asset values for Class A and Class B/C have declined by 26.3% and 45.1%, respectively.

Appendix



Manhattan office market indicators



Manhattan office market activity

Q4 2023 leasing activity (250,000+ sf)

Tenant	Address	Submarket	Sign date	Size sf	Transaction type	Lease type
Paul Weiss	1345 Avenue of the Americas	Midtown Core	Dec 2023	765,000	Direct	New
New York City Administration for Children's Services	150 William Street	Financial District	Oct 2023	530,000	Direct	Renewal
MetLife	200 Park Avenue	Grand Central	Dec 2023	384,986	Direct	Renewal
WeWork	1440 Broadway	Times Square	Dec 2023	292,635	Direct	Renewal
PJT Partners	280 Park Avenue	Midtown Core	Dec 2023	279,089	Direct	Renewal/Expansion
Ralph Lauren	601 West 26 th Street	Chelsea	Oct 2023	254,000	Direct	Renewal

Large contiguous space availabilities added in Q4 2023

Address	Submarket	Space type	Block size sf	Date available
11 East 26 th Street	Flatiron District/Gramercy Park	Direct	500,000	Immediate
1633 Broadway	Times Square	Sublease	253,275	Immediate
1745 Broadway	Central Park	Sublease	187,497	Jan 2024

Q4 2023 sales activity (\$30M+)

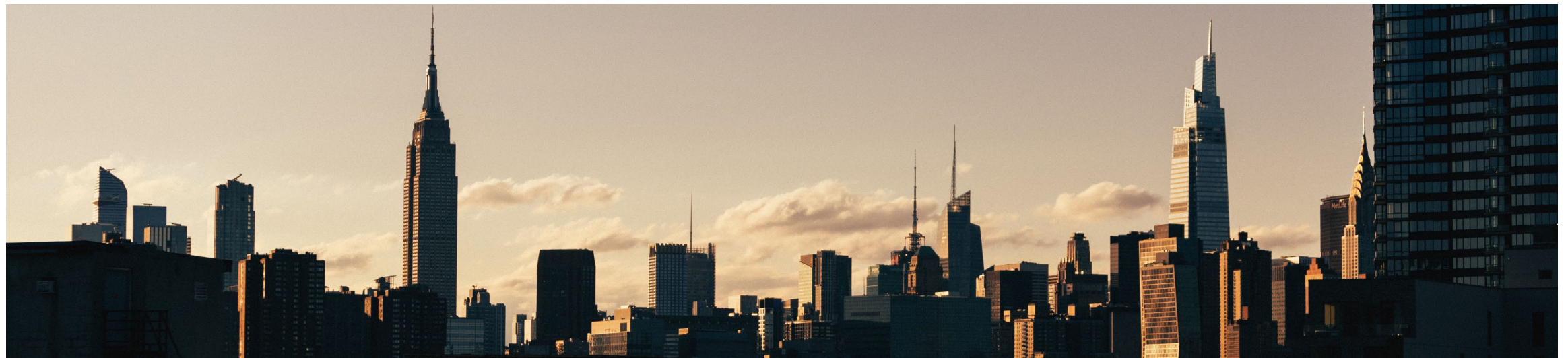
Buyer(s)	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Sovereign Partners	100 Fifth Avenue*	Oct 2023	277,412	\$126,500,000	\$456	Clarion Partners
Spear Street Capital	2 Crosby Street	Oct 2023	42,407	\$48,100,000	\$1,134	K Property Group, Intercontinental Real Estate
Brodsky Organization	175 Fifth Avenue**	Oct 2023	255,000	\$40,250,000	\$631	Nathan Royce Silverstein, ABS Partners
Elo Realty	6 West 48 th Street	Nov 2023	60,500	\$34,700,000	\$574	Charter Management Group

Manhattan office market stats

Submarket	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Central Park	31,144,726	-	10.5%	1.4%	11.9%	1.6%	\$142.11
Grand Central	80,388,589	-	13.3%	3.4%	16.7%	(0.4%)	\$83.69
Hudson Yards	17,510,495	1,950,140	9.1%	7.7%	16.8%	(1.3%)	\$172.82
Midtown Core	59,393,047	-	11.1%	1.7%	12.8%	0.4%	\$112.80
Midtown East	23,511,516	-	17.6%	1.9%	19.6%	(2.0%)	\$83.60
Midtown West	3,645,380	-	17.6%	9.0%	26.6%	1.1%	\$72.06
Murray Hill	11,057,084	-	21.5%	3.5%	25.0%	1.5%	\$72.15
Penn Station	52,837,484	-	16.5%	4.1%	20.6%	(4.2%)	\$83.97
Times Square	35,269,902	-	21.8%	4.4%	26.2%	(2.4%)	\$82.10
Midtown Total	314,758,223	1,950,140	14.5%	3.3%	17.8%	(1.0%)	\$93.64
Chelsea	18,665,172	299,672	20.8%	5.1%	26.0%	(10.6%)	\$75.49
East Village	744,085	-	21.0%	13.3%	34.0%	(7.8%)	\$131.67
Flatiron District/Gramercy Park	40,515,077	-	19.1%	3.7%	22.6%	(1.9%)	\$104.69
Greenwich Village	7,296,312	112,617	19.1%	0.6%	19.7%	(2.5%)	\$130.17
Hudson Square	11,124,544	-	15.5%	6.5%	22.0%	3.3%	\$87.28
Lower East Side	2,680,266	-	24.2%	5.9%	30.1%	2.4%	\$82.57
Meatpacking District	8,295,936	-	4.6%	1.6%	6.1%	(0.3%)	\$79.60
SoHo	6,579,510	-	16.6%	2.6%	19.2%	(2.3%)	\$78.43
West Village	293,542	60,674	21.4%	0.0%	21.4%	10.2%	\$64.65
Midtown South Total	96,194,444	472,963	17.8%	3.9%	21.8%	(2.8%)	\$93.45
City Hall	8,048,874	-	13.4%	1.3%	14.7%	(1.9%)	\$53.68
Financial District	44,311,430	-	20.2%	6.4%	26.6%	(1.6%)	\$68.19
Tribeca	7,630,681	-	15.1%	4.2%	19.3%	(2.7%)	\$73.51
Water Street Corridor	18,270,530	-	16.3%	6.9%	23.2%	(0.5%)	\$61.97
World Trade Center	22,769,692	-	5.8%	8.2%	14.0%	(1.7%)	\$86.27
Downtown Total	101,031,207	-	15.3%	6.3%	21.6%	(1.6%)	\$68.15
Upper East Side	535,947	-	3.7%	0.0%	3.7%	7.7%	-
Upper West Side	1,603,866	-	1.1%	1.5%	2.6%	2.3%	-
Manhattan Total	514,123,687	2,423,103	15.2%	4.0%	19.2%	(1.4%)	\$87.67

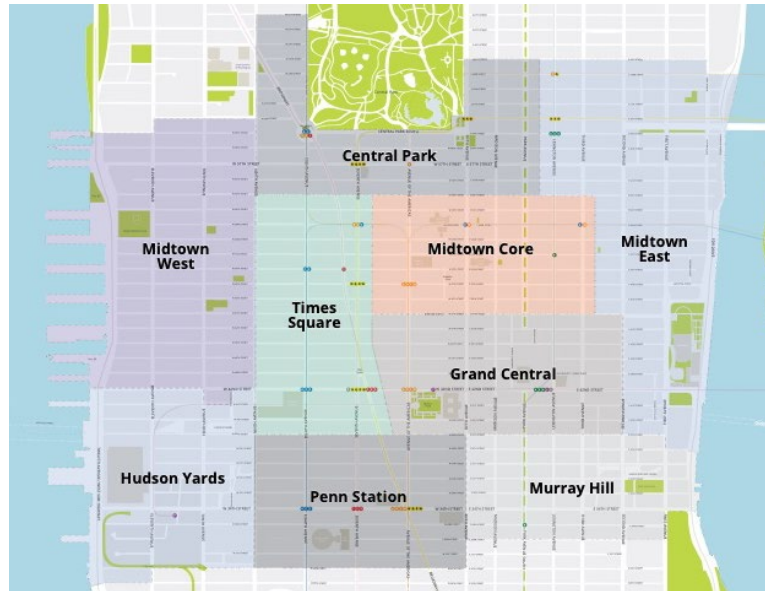
Manhattan office market stats by class

Class	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	136,152,855	2,149,812	13.4%	4.2%	17.6%	0.2%	\$129.60
Class A	159,089,217	273,291	16.2%	4.6%	20.8%	(1.9%)	\$80.77
Class B/C	218,881,615	-	15.7%	3.5%	19.1%	(2.1%)	\$62.95
Market Total	514,123,687	2,423,103	15.2%	4.0%	19.2%	(1.4%)	\$87.67



Manhattan submarket map

Midtown



Midtown South



Downtown



[Click here to download larger maps](#)

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
information visit **avisonyoung.com**

Danny Mangru

U.S. Office Lead & Tri-State Regional Manager
Market Intelligence
+ 1 212 729 4560
danny.mangru@avisonyoung.com

Jeremy Antenberg

Analyst
Market Intelligence
+ 1 212 858 0128
jeremy.antenberg@avisonyoung.com

Parker Nusim

Analyst
Market Intelligence
+ 1 212 277 5556
parker.nusim@avisonyoung.com