



# Manhattan office market report

Q1 2023

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**AVISON  
YOUNG**

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# Manhattan office market trends

## 24.3%

### Sublease share of availability reaches new heights

Sublease share of availability had been climbing in the years leading up to COVID. By year-end 2021, sublease share of availability was 20.8% (20.7 msf out of 99.6 msf available).

In Q1 2023, sublease share of availability reached a new high of 24.3% (24.9 msf out of 102.4 msf available). In this period, sublease available space increased by 4.2 msf while total available space only increased by 2.8 msf, demonstrating how strongly sublease space is driving total availability.

This steep increase in available sublease space has pushed the overall availability rate up to 19.7%.

## 5.9 msf

### Q1 leasing activity sees slowest quarter since Q1 2021

2023 leasing activity is off to a historically slow start at 5.9 msf. From the years 2000 to 2019, average Q1 leasing activity was 9.2 msf – placing Q1 2023 35.9% below pre-COVID average leasing activity.

Without a handful of large renewals, including Fox Television and News Corp. accounting for over 1 msf, this quarter of leasing activity would be even weaker and is predictive of the coming quarters as occupiers tighten budgets for a potential recessionary period.

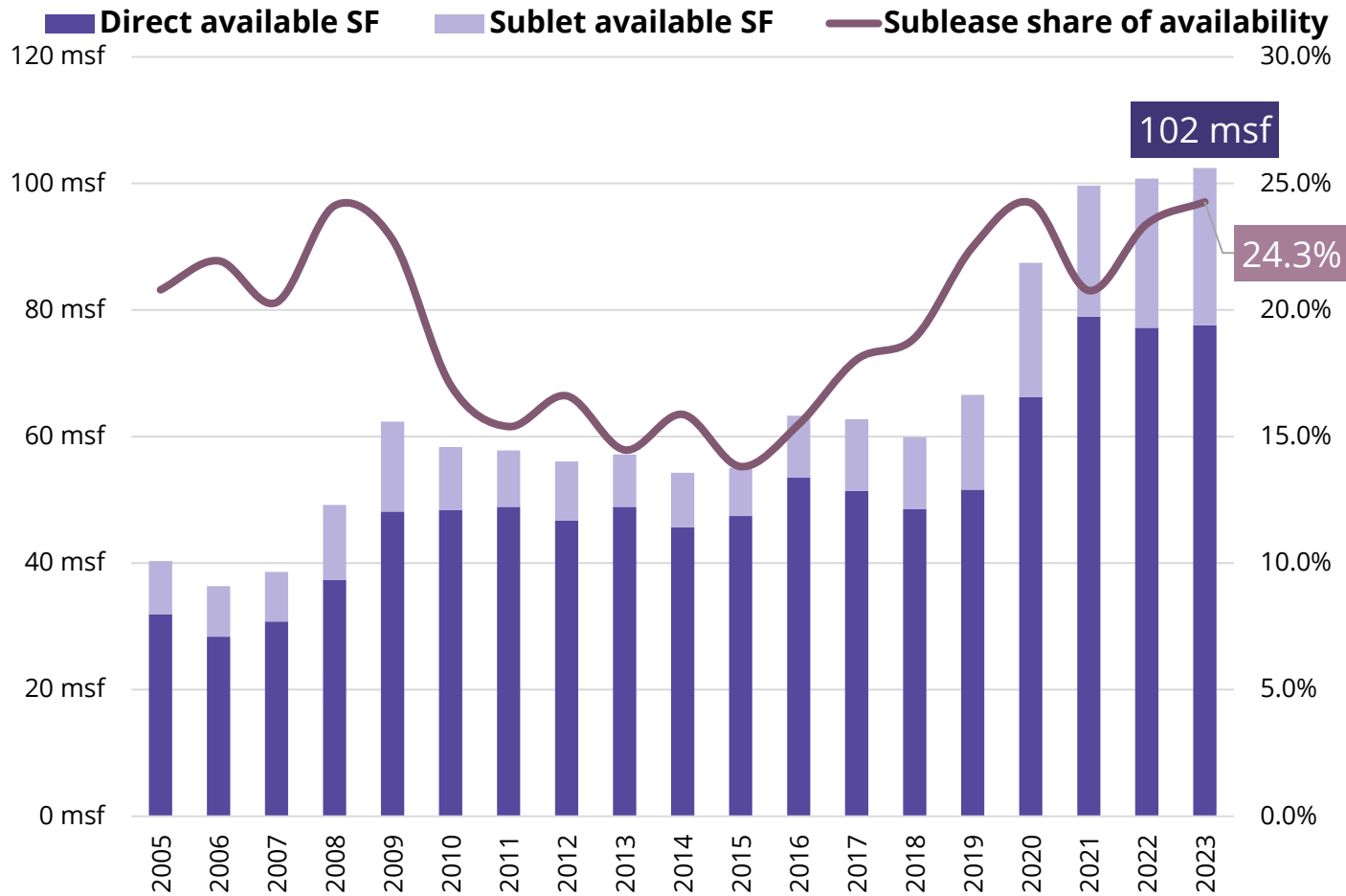
## \$1111.77

### Trophy net effective rents reach decade high levels

Trophy net effective rents have seen consistent growth since the pandemic, now reaching \$1111.77 psf – 28.4% above its pre-COVID value. Class A at \$67.33 psf has decreased 2.8% from pre-COVID levels, and Class B & C at \$56.97 has decreased 2.7% from pre-COVID levels.

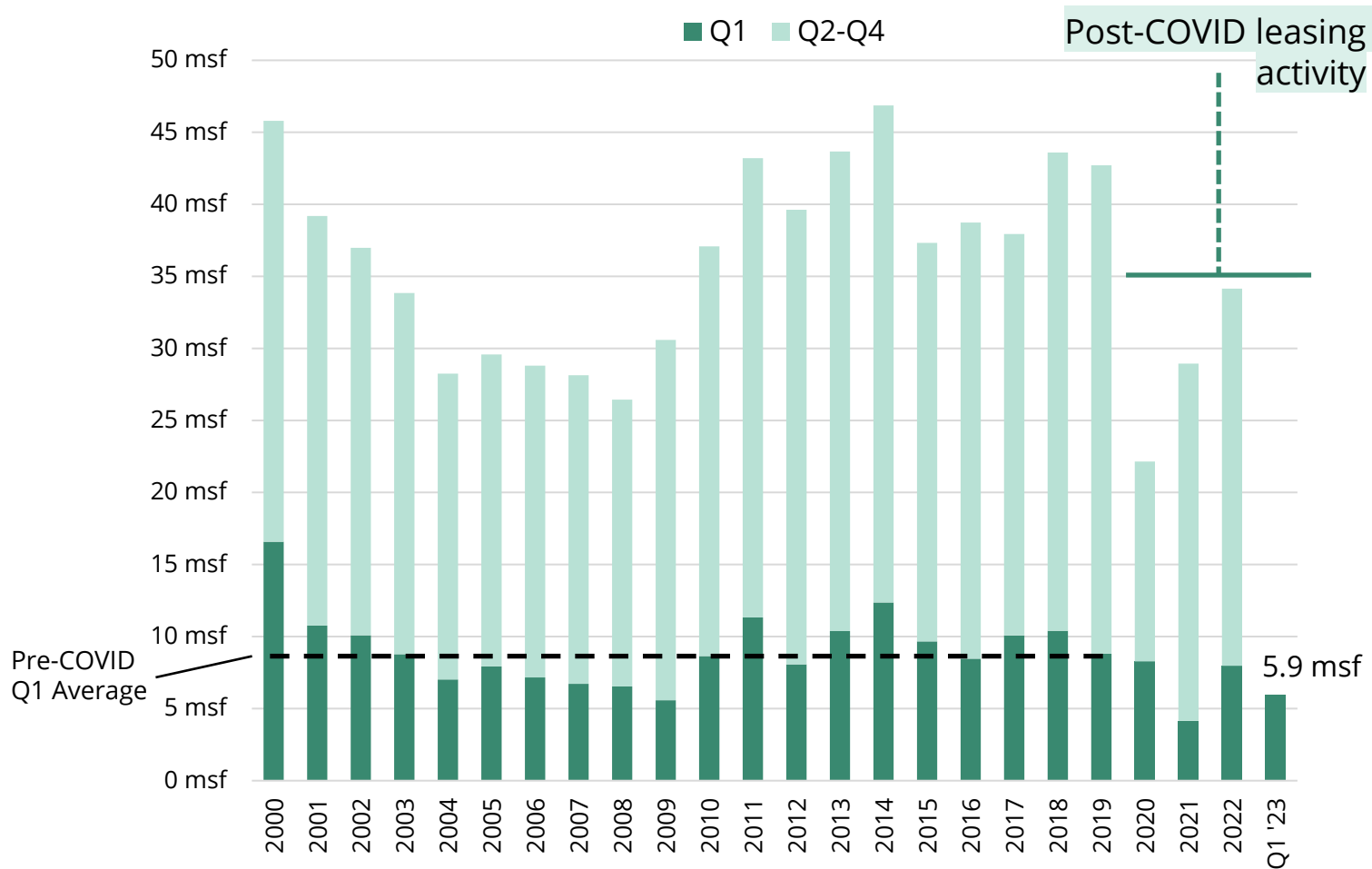
Trophy properties, the top 10% of the market, are significantly outperforming the other asset classes and accounted for 29.6% of leasing activity in Q1 2023. Top tier product continues to receive an outsized share of demand, leaving vintage product struggling for activity.

# Total available space



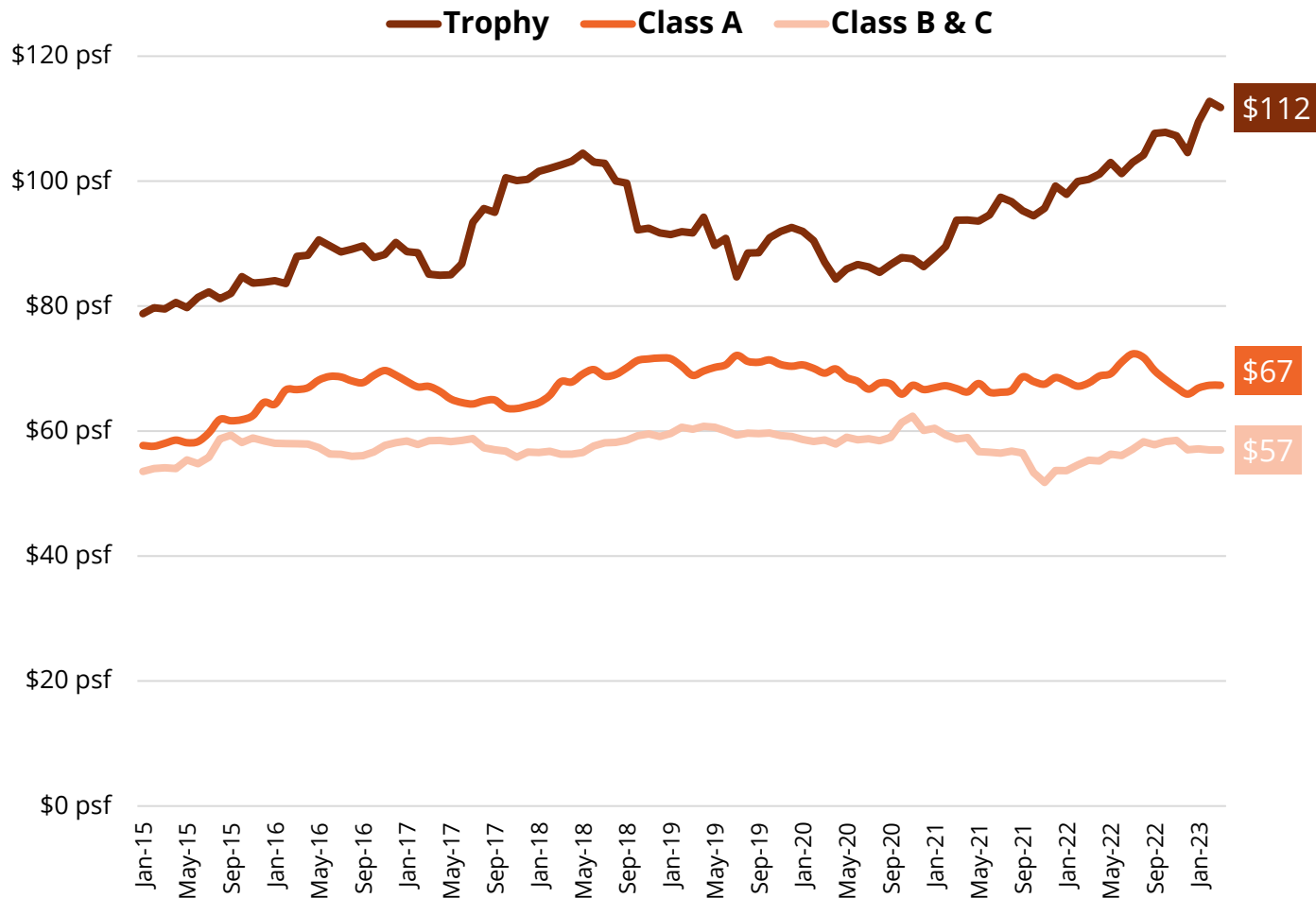
**Total available space in Manhattan has reached 102 msf in Q1 2023 – 24.3% of which is sublease space.**

# Leasing activity



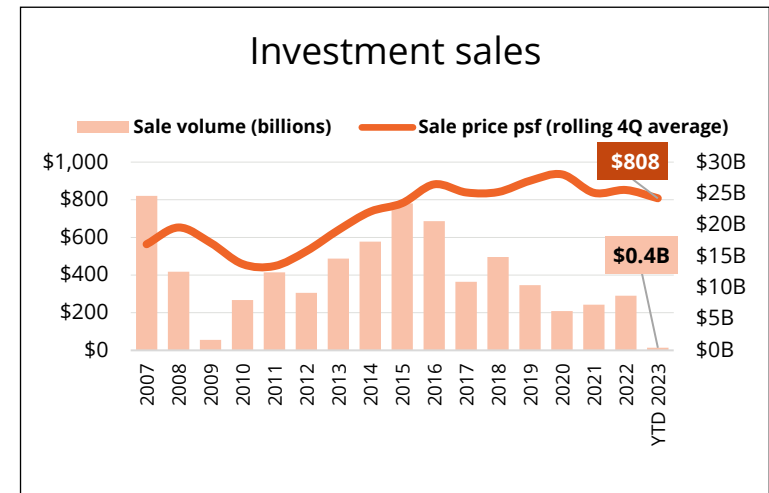
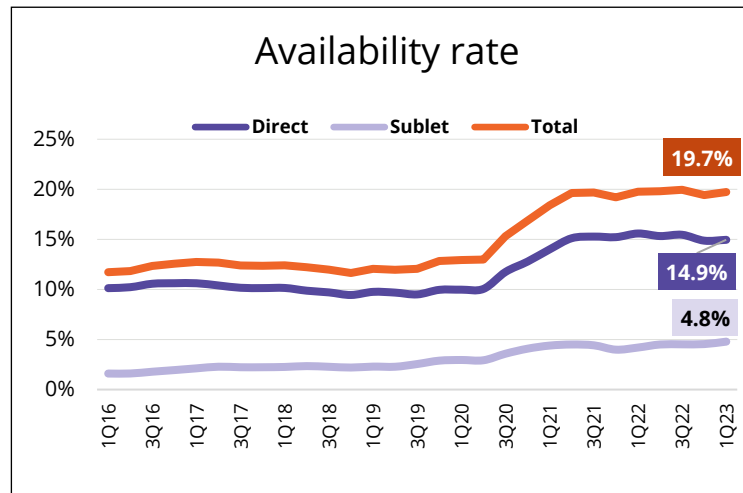
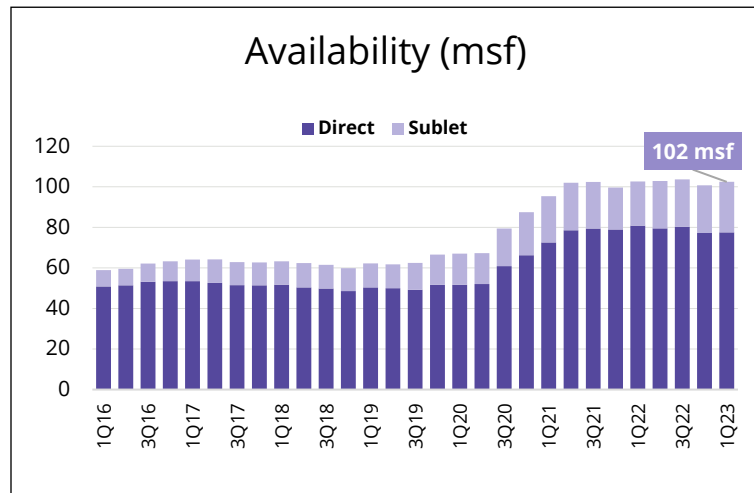
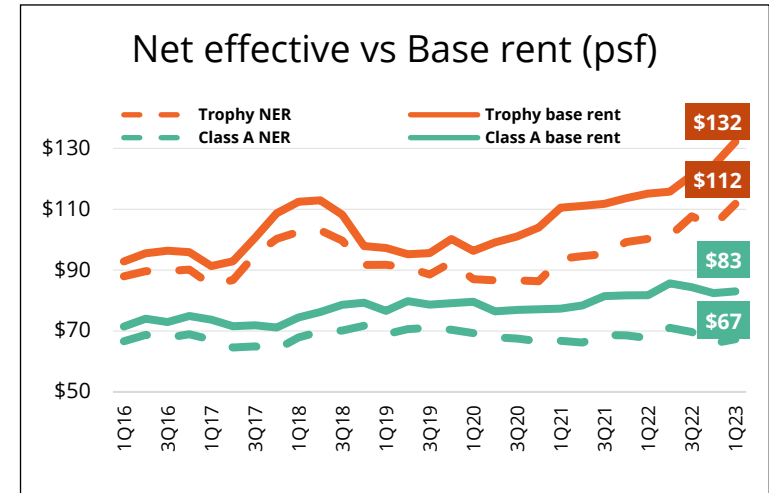
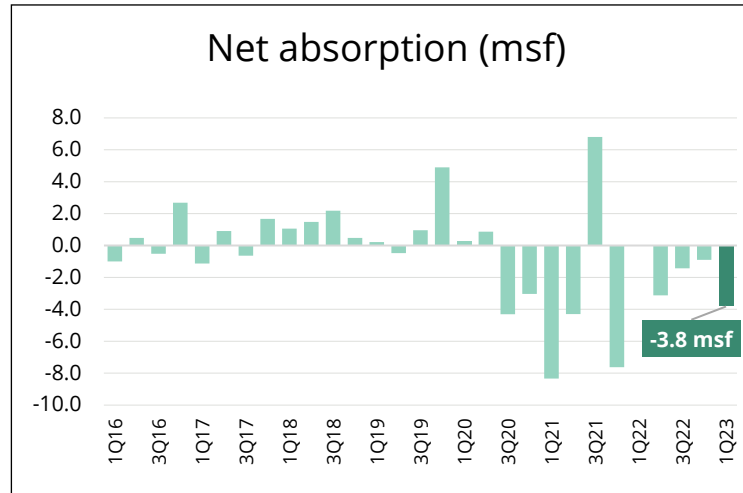
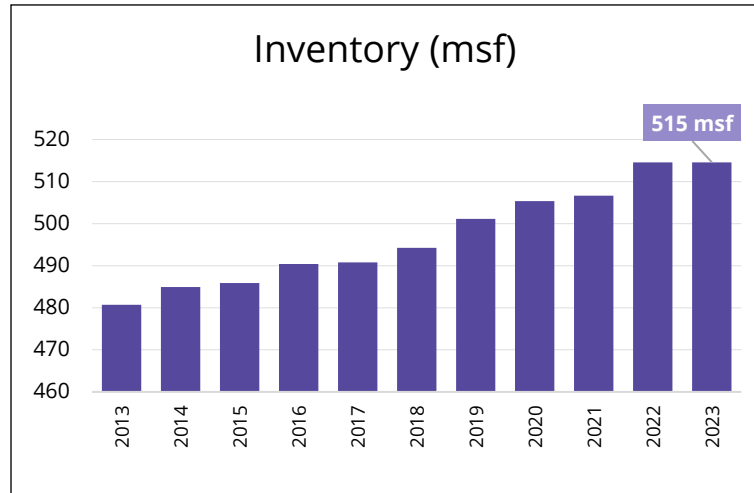
**Q1 2023 leasing activity at 5.9 msf falls well below the pre-COVID Q1 average of 9.2 msf.**

# Net effective rents by class



**Trophy net effective rents have grown +28.4% from pre-COVID levels (March 2020), while Class A and B/C have remained relatively flat.**

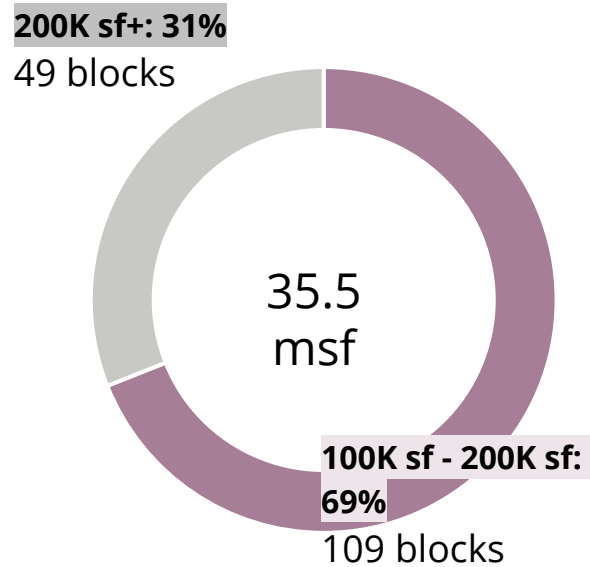
# Manhattan office market indicators



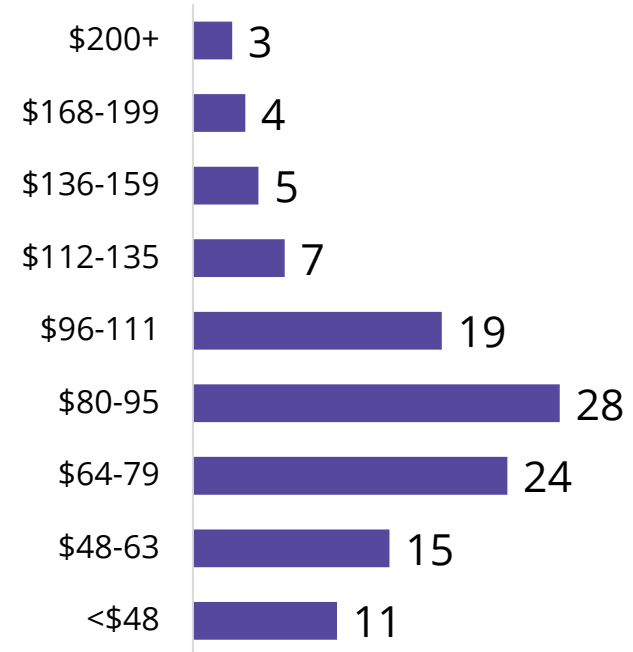
Source: AVANT by Avison Young, CoStar  
 Note: Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Class A properties represent the top 25% but not the top 10%.

# Office large block availability - 100,000 sf+

## Number of blocks by size



## Asking rents (psf)



# Transaction activity by lease type

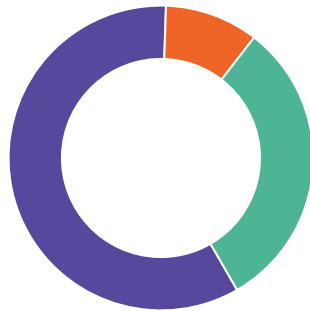
# +22.1%

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

Renewals' share of leasing activity has increased from pre-COVID to post-COVID, largely as a result of tenants' hesitancy to make impactful real estate decisions given the current economic climate. Q1 2023 saw a large spike in renewal share directly caused by Fox and News Corp's renewals at 1211 Avenue of the Americas.

## From 2018 to March 2020

New leases, direct relocations  
58.9%

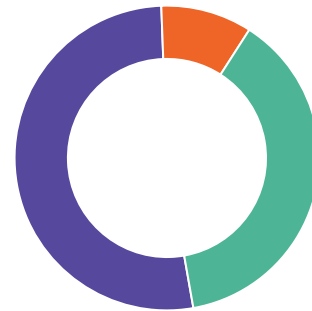


Expansions  
9.9%

Direct renewals  
31.2%

## Post COVID lease activity

New leases, direct relocations  
52.2%

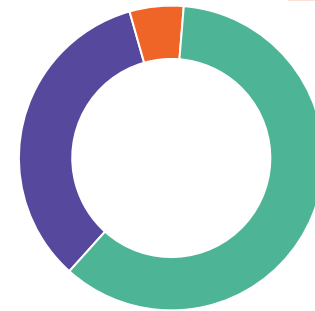


Expansions  
9.7%

Direct renewals  
38.1%

## Q1 2023

New leases, direct relocations  
33.9%



Expansions  
5.7%

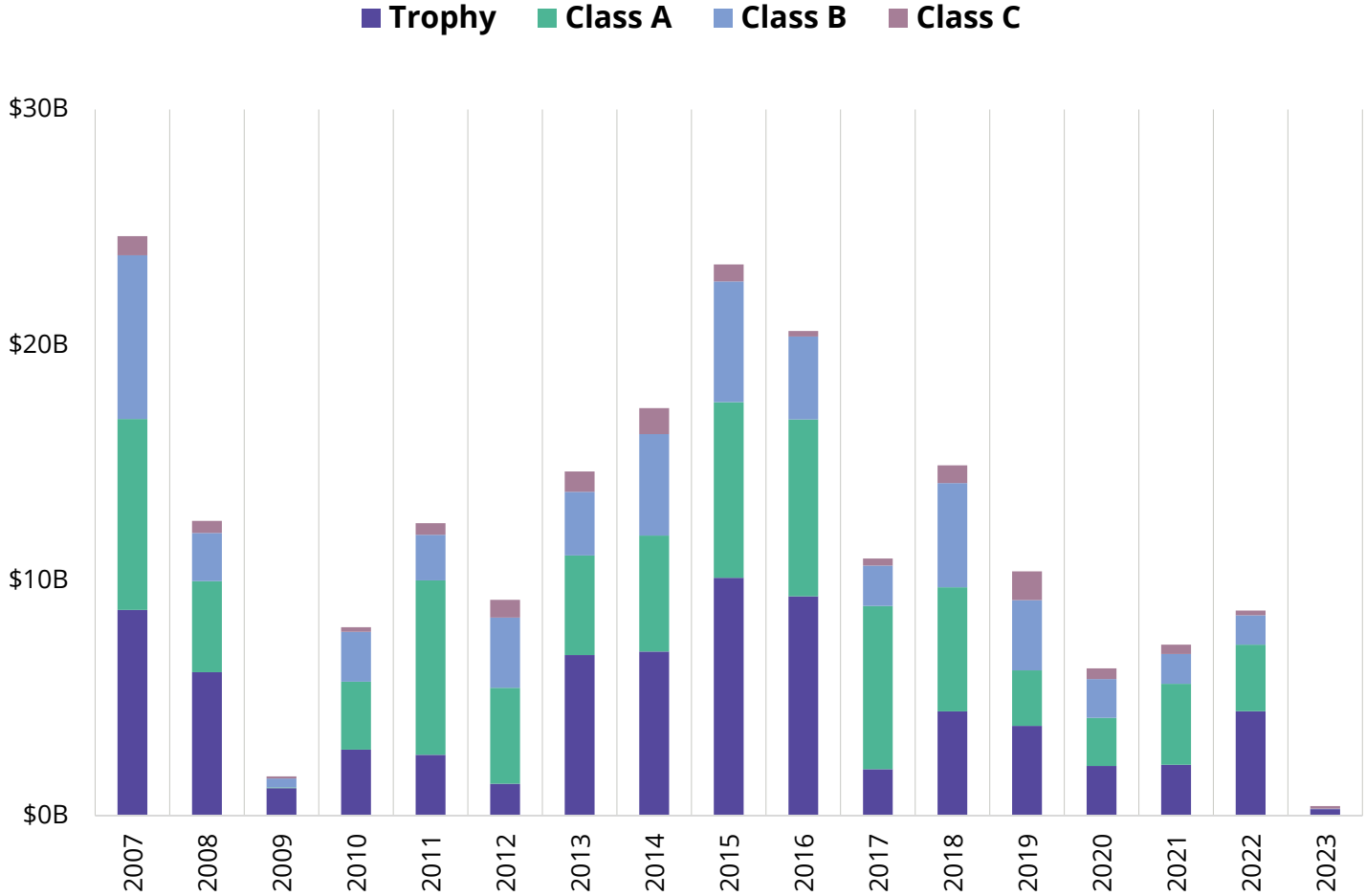
Direct renewals  
60.4%



# Manhattan office investment sales



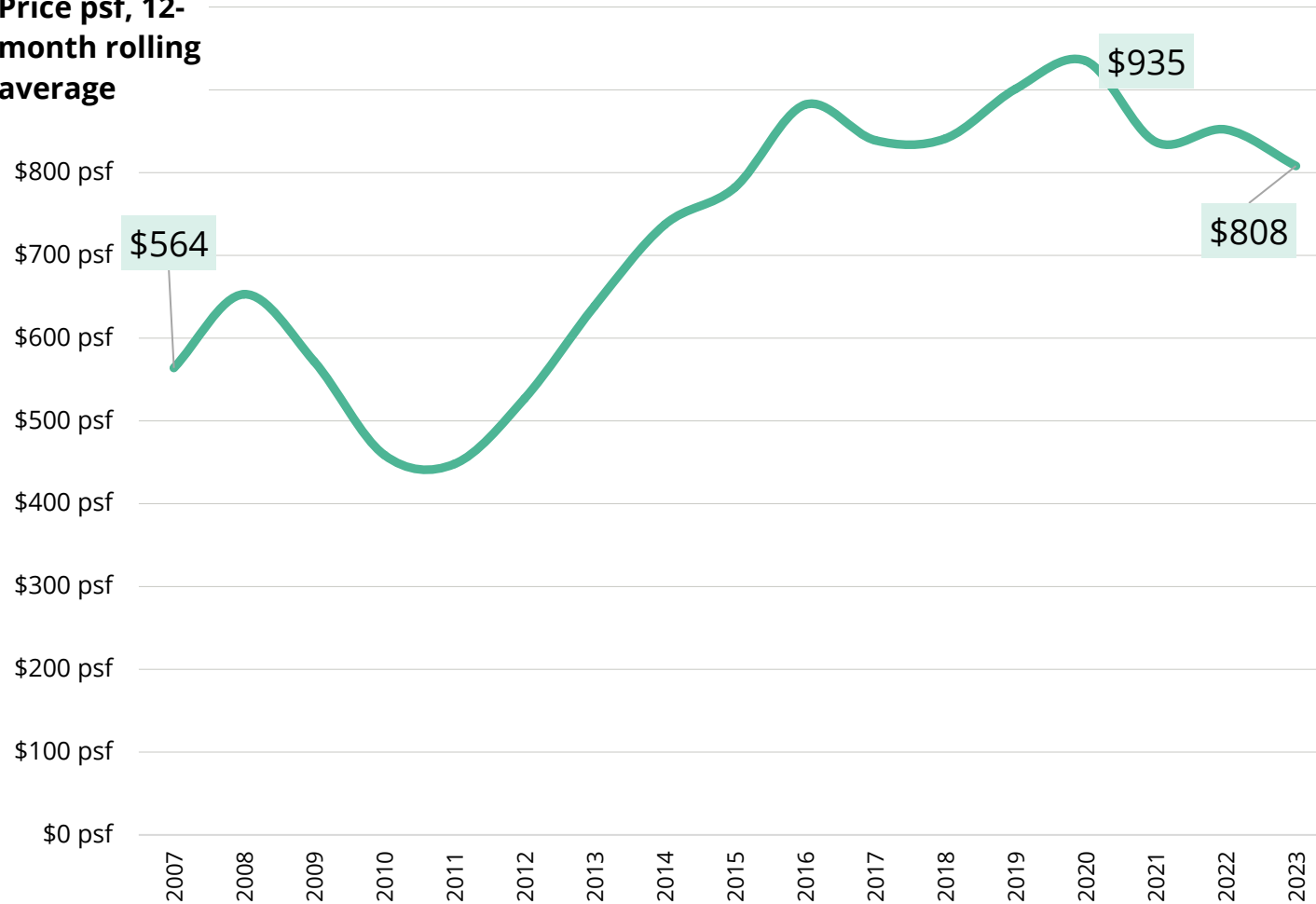
# Manhattan office investment dollar volume



The Manhattan office sales market has had a slow start to 2023, with only \$407 million in sales for Q1, partly due to rising interest rates and increased difficulty to secure capital.

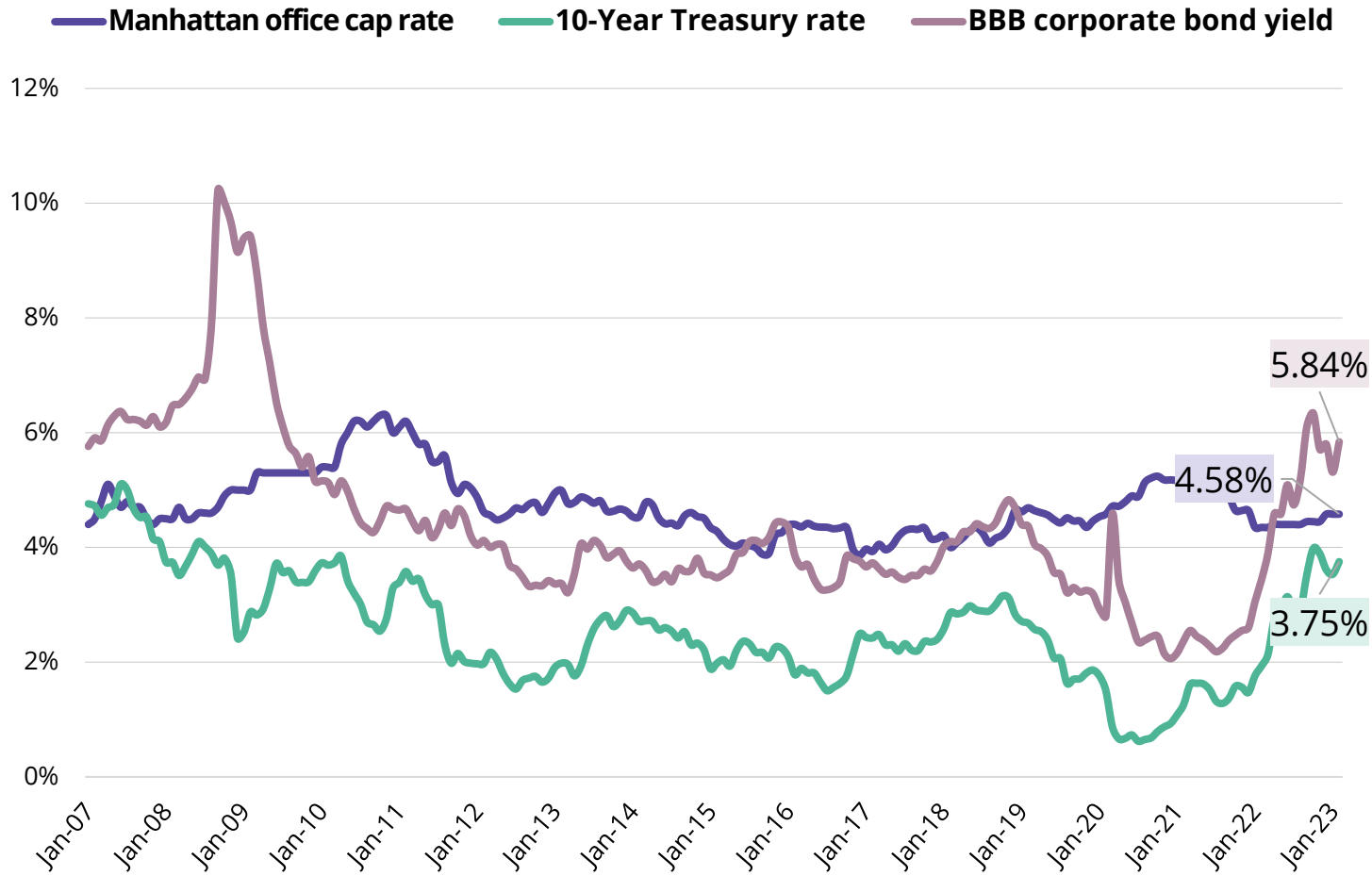
# Manhattan investment sales pricing

Price psf, 12-month rolling average



**Average price per square foot has fallen 13.6% from pre-COVID levels to \$808 in Q1 as a result of limited sales activity.**

# Office cap rates versus benchmark yields

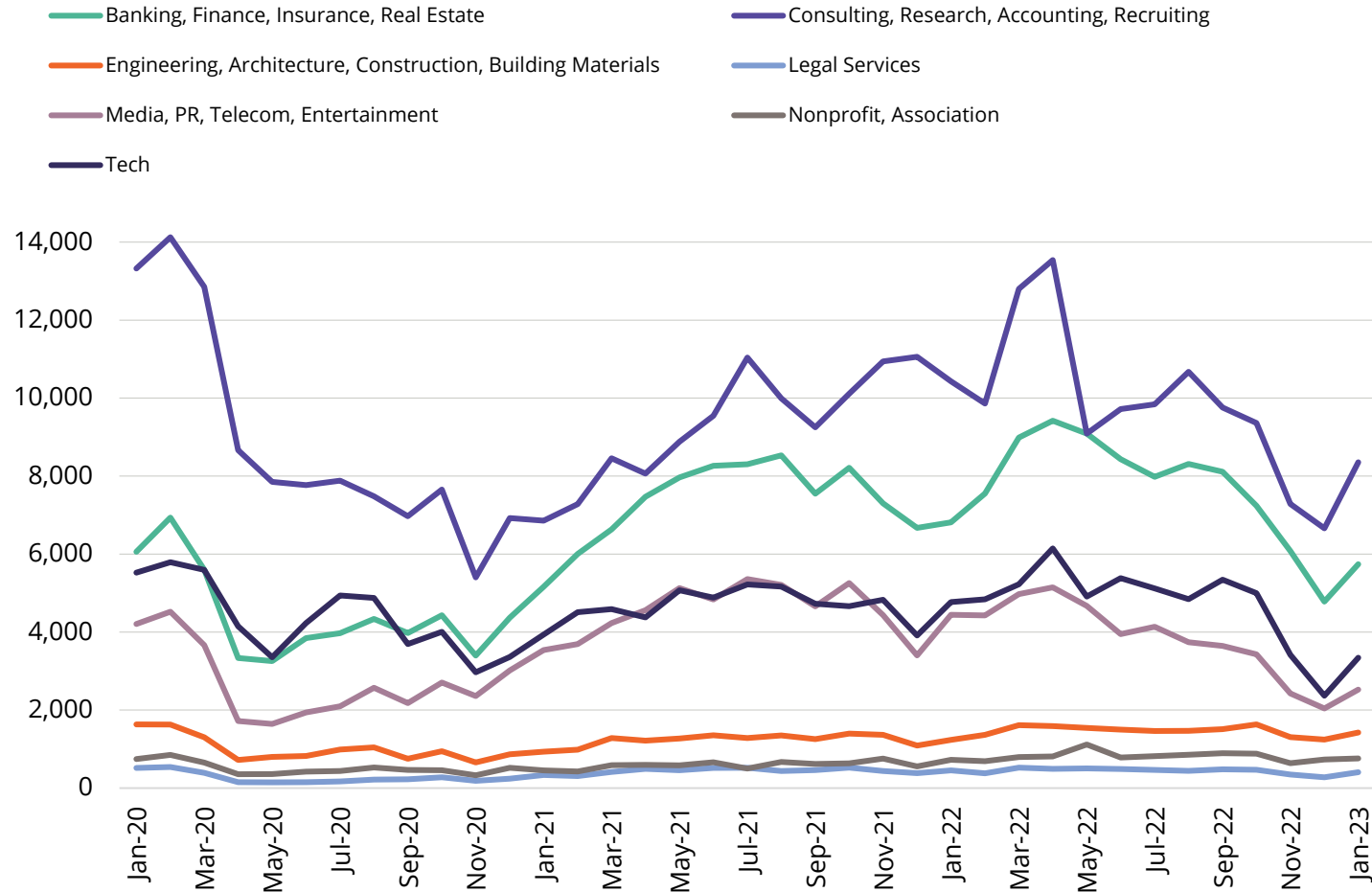


The gap between office yields and the benchmark 10-year Treasury rate has widened to 83 bps, signaling towards higher cap rates and lower valuations.

# Manhattan employment trends

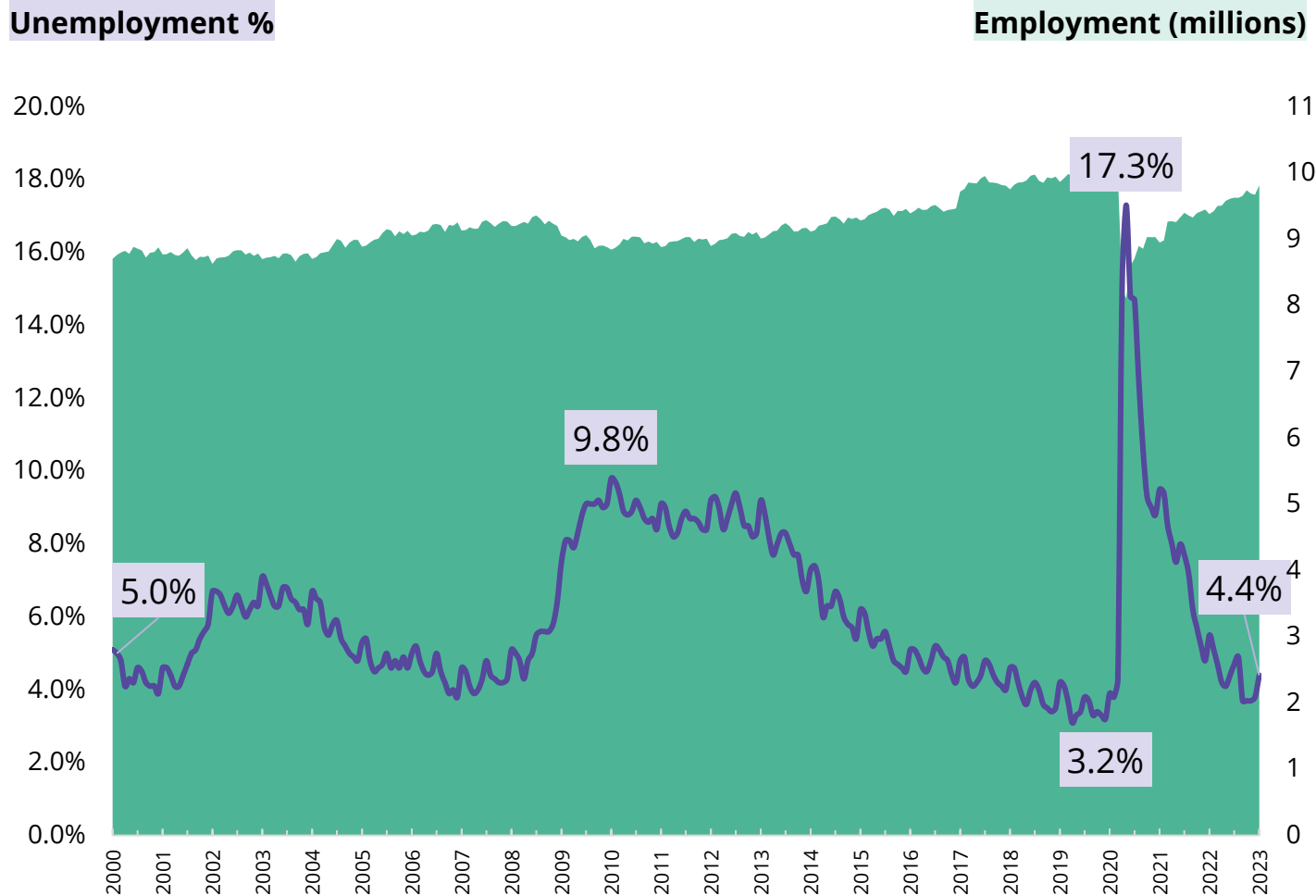


# Manhattan job postings



**Job postings in Manhattan have slightly risen in Q1 2023, but still sit 29.7% below its recent peak in April 2022.**

# Employment and unemployment rate



**Employment in Manhattan has seen steady increases post-COVID, now reaching 9.8 million in Q1 2023. However, this number is expected to drop given the market's dependency on the banking sector.**

# Manhattan office market activity

## Recent leasing activity

Tenant name	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Fox Television	1211 Avenue of the Americas	Midtown Core	Jan 2023	665,666	Renewal	Direct
News Corp.	1211 Avenue of the Americas	Midtown Core	Jan 2023	286,000	Renewal	Direct
Two Sigma	100 Avenue of the Americas	Soho	Jan 2023	265,217	Renewal	Direct
KKR	30 Hudson Yards	Hudson Yards	Jan 2023	240,100	New	Direct
Cadwalader Wickersham & Taft	200 Liberty Street	World Trade Center	Mar 2023	225,000	Renewal	Direct

## Large contiguous space availabilities added in Q1 2023

Address	Submarket	Space type	Block size (sf)	Date available
1290 Avenue of the Americas	Midtown Core	Direct	509,437	Mar 2025
7 Times Square	Times Square	Direct	247,296	Jul 2024
77 Water Street	Water Street Corridor	Direct	147,056	Oct 2023
51 Astor Place	East Village	Direct	143,836	Oct 2023

## Recent sales activity (\$25M+)

Buyer	Address	Sale date	Sale price	Sale price (psf)	Seller(s)
Hyundai	13-17 Laight Street	Feb 2023	\$273,500,000	\$2,532	Vanbarton Group
Enchante Accessories	149 Madison Avenue	Feb 2023	\$77,000,000	\$589	PIMCO
Albert Malekan	419 Lafayette Street	Jan 2023	\$29,366,292	\$384	Susan Bunning



# Manhattan office market stats

By Submarket	Inventory (sf)	Under development (sf)	Total %	Availability		Direct Asking Rent (psf)
				Direct %	Sublet %	
Central Park	31,144,726	-	14.2%	12.3%	1.9%	\$143.52
Grand Central	80,399,299	-	18.0%	14.3%	3.7%	\$85.18
Hudson Yards	17,510,495	1,950,140	18.5%	9.7%	8.8%	\$147.25
Midtown Core	59,580,392	-	13.7%	11.0%	2.7%	\$123.76
Midtown East	23,511,516	-	20.1%	17.6%	2.5%	\$85.30
Midtown West	3,654,584	-	38.9%	14.5%	24.4%	\$69.64
Murray Hill	11,057,084	-	24.9%	19.5%	5.4%	\$67.85
Penn Station	53,018,102	-	20.7%	15.9%	4.8%	\$86.40
Times Square	35,269,902	-	26.8%	21.3%	5.7%	\$80.46
<b>Midtown Total</b>	<b>315,146,100</b>	<b>1,950,140</b>	<b>18.9%</b>	<b>14.7%</b>	<b>4.3%</b>	<b>\$96.17</b>
Chelsea	18,530,587	258,180	26.8%	20.2%	6.7%	\$55.09
East Village	750,881	-	43.7%	25.2%	18.5%	-
Flatiron District/Gramercy Park	40,673,121	-	21.3%	16.3%	5.0%	\$105.92
Greenwich Village	7,260,590	112,617	18.8%	18.1%	0.6%	\$96.38
Hudson Square	9,597,917	1,567,227	18.4%	12.8%	5.6%	\$96.10
Lower East Side	2,680,266	-	23.3%	22.1%	1.3%	\$88.79
Meatpacking District	8,238,954	-	5.9%	4.3%	1.5%	\$100.82
SoHo	6,803,125	-	17.0%	13.4%	3.5%	\$71.52
West Village	256,542	97,674	23.7%	22.4%	1.3%	\$64.65
<b>Midtown South Total</b>	<b>94,791,983</b>	<b>2,035,698</b>	<b>20.4%</b>	<b>15.8%</b>	<b>4.7%</b>	<b>\$88.03</b>
City Hall	8,048,874	-	14.7%	13.3%	1.5%	\$56.85
Financial District	44,736,430	-	26.5%	19.9%	6.5%	\$67.04
TriBeCa	7,652,681	-	20.5%	13.2%	7.2%	\$73.79
Water Street Corridor	19,275,395	-	25.9%	17.5%	8.4%	\$63.27
World Trade Center	22,769,692	-	12.8%	6.0%	6.8%	\$85.53
<b>Downtown Total</b>	<b>102,483,072</b>	<b>-</b>	<b>22.0%</b>	<b>15.4%</b>	<b>6.6%</b>	<b>\$67.86</b>
Upper East Side	535,947	-	5.8%	5.8%	0.0%	-
Upper West Side	1,603,866	-	3.7%	1.0%	2.8%	-
<b>Manhattan Total</b>	<b>514,560,968</b>	<b>3,985,838</b>	<b>19.7%</b>	<b>14.9%</b>	<b>4.8%</b>	<b>\$87.31</b>

# 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  
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