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Strong TAMI Demand Propels Manhattan Office Leasing to New Record High in 2019, Avison Young report shows

*TAMI as a Percentage of Total Leasing Volume for 2019 Versus 2018
Strongest in Midtown South and Doubles for Manhattan*

New York City, NY – Manhattan office leasing volume for the full year of 2019 soared to 39.1 million square feet, up nearly 5.0 percent from 37.4 million square feet in 2018 and the highest level since 2001 when 39.0 square feet was reached, according to **Avison Young's Fourth Quarter 2019 / New York City Office Leasing Report**.

"Last year saw strong TAMI tenant demand, which doubled to 32.0 percent or 12.3 million square feet of total leasing volume in 2019 compared to only 16.0 percent or 5.9 million square feet a year ago," said Mitti Liebersohn, President and Managing Director, NYC Operations.

Liebersohn noted that the strong tenant demand was driven by three deals each over 1.0 million square feet--Warner Media's 1.5-million-square-foot sale/leaseback at 30 Hudson Yards, Facebook's 1.2-million square-foot new lease at 50 Hudson Yards and Google's 1.3-million-square-foot new lease at 550 Washington Street – aka St. John's Terminal.

"The significant transactions by TAMI and healthcare services tenants offset weakness in the co-working sector in Midtown South and helped drive leasing velocity higher in the Downtown market," said Marisha Clinton, Senior Director of Research, Tri-State. "Many of the large tenants favored newer product and committed to relocations, in some cases on a prelease basis."

At the end of the fourth quarter, overall office asking rents in Manhattan rose 4.0 percent year-over-year to an average of \$82.06 per square foot (PSF), driven largely by new product being delivered at higher pricing. In addition, vacancy rose marginally by 30 basis points to 10.0 percent. The Manhattan office leasing market remained in equilibrium at year-end.

Midtown: Fewer and Smaller Significant Financial Services Transactions Drive Vacancy Higher

Midtown leasing activity of 22.6 million square feet in 2019 represented a 7.0 percent year-over-year decline, due in part to a pullback in sizable financial services leases signed. Some of these large companies, Deutsche Bank, Alliance Bernstein and JP Morgan Chase to name a few, have announced downsizing or job relocations out of New York City over the past year.

The overall softer leasing activity in Midtown, resulted in a 100-basis point increase in the vacancy rate to 10.5 percent from the previous year. Average asking rents of \$89.32 were up 4.0 percent from one year ago at year-end.

Midtown South: Sizable Tech Leasing Transactions Offset Co-Working Weakness

Technology maintained its dominance in Midtown South and provided an uptick in leasing velocity within this market. Leasing volume of 7.5 million square feet in Midtown South increased 4.0 percent year-over-year. Of the total, 60.0 percent or 4.5 million square feet of leasing activity was from TAMI tenants versus 37.0 percent or 2.7 million square feet a year ago.

TAMI leases helped offset the decline in co-working tenant activity, which contracted from 28.0 percent of volume a year ago to 11.0 percent. Although the Midtown South market has historically garnered the most co-working volume across Manhattan, there was clear second half of the year weakness by some operators within the sector.

Although leasing velocity was up year-over-year, space added to the market resulted in a 60-basis point increase in vacancy in Midtown South to 8.3 percent by the end of the quarter, up from 7.7 percent a year ago. Avison Young's report attributed the increase in part to the Essex Crossing space put on the market during the year (174,623 SF at 145 Delancey Street – Office West and 177,969 SF at 155 Delancey Street – Office East).

Average asking rents in Midtown South were relatively stable compared to the prior year and were up 1.0 percent from the prior quarter, coming in at \$81.31 per square foot.

Downtown: Healthcare and TAMI Tenants Help Drive Strong Leasing Velocity and Vacancy Declines

Downtown leasing volume of 9.0 million square feet was up 55.0 percent year-over-year, due in part by the commitment of many of the larger healthcare and TAMI tenants to occupy new or renovated space.

Historically, traditional financial services activity has been a prominent part of leasing in the Downtown market. However, the combined demand from occupiers within the healthcare and TAMI sectors is now on par with the traditional financial services sector, each accounting for 30.0 percent of total leasing volume for the year.

As a result of the diversity in leasing, the Downtown overall vacancy rate hit a three-year low, dropping to 10.0 percent by the end of the fourth quarter, down from 11.8 percent a year ago. Average asking rents of \$60.57 fell 2.0 percent from one year ago.

To read the full report, please click [here](#).

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