



Manhattan office market report

Q1 2024

**AVISON
YOUNG**

Manhattan office market trends

6.1 msf

of Manhattan leasing activity in Q1 2024 falls slightly below Q1 last year

Leasing activity for Q1 2024 in Manhattan reached 6.1 million square feet (msf), marking a decrease of 40.5% compared to the pre-COVID Q1 average from 2000 to 2019. This figure also reflects a 3.4% decrease from 2023 and a 27.6% drop compared to 2022. Despite slightly exceeding last quarter's amount of 100,000+ square foot leases, this marks the lowest level of first-quarter leasing activity since 2021.

On the other hand, 66.6% of overall leasing in Q1 comprised either new leases or relocations, signaling a promising start to the year after renewal activity dominated in 2023.

19.7%

Manhattan availability rate jumps 50 basis points to start the year

The overall availability rate in Manhattan has seen a significant spike at the beginning of 2024. By year-end 2023, the overall availability rate was at 19.2%, a figure that rose by 50 basis points in just one quarter.

This increase in overall availability was primarily attributed to direct available space, which rose by 2.4% from 78.6 msf to 80.5 msf – the highest level since Q1 2022. This quarter also witnessed the introduction of 13 blocks of 100,000+ square feet to the market. Additionally, sublet available space increased by 1.3% from 20.8 msf to 21.0 msf.

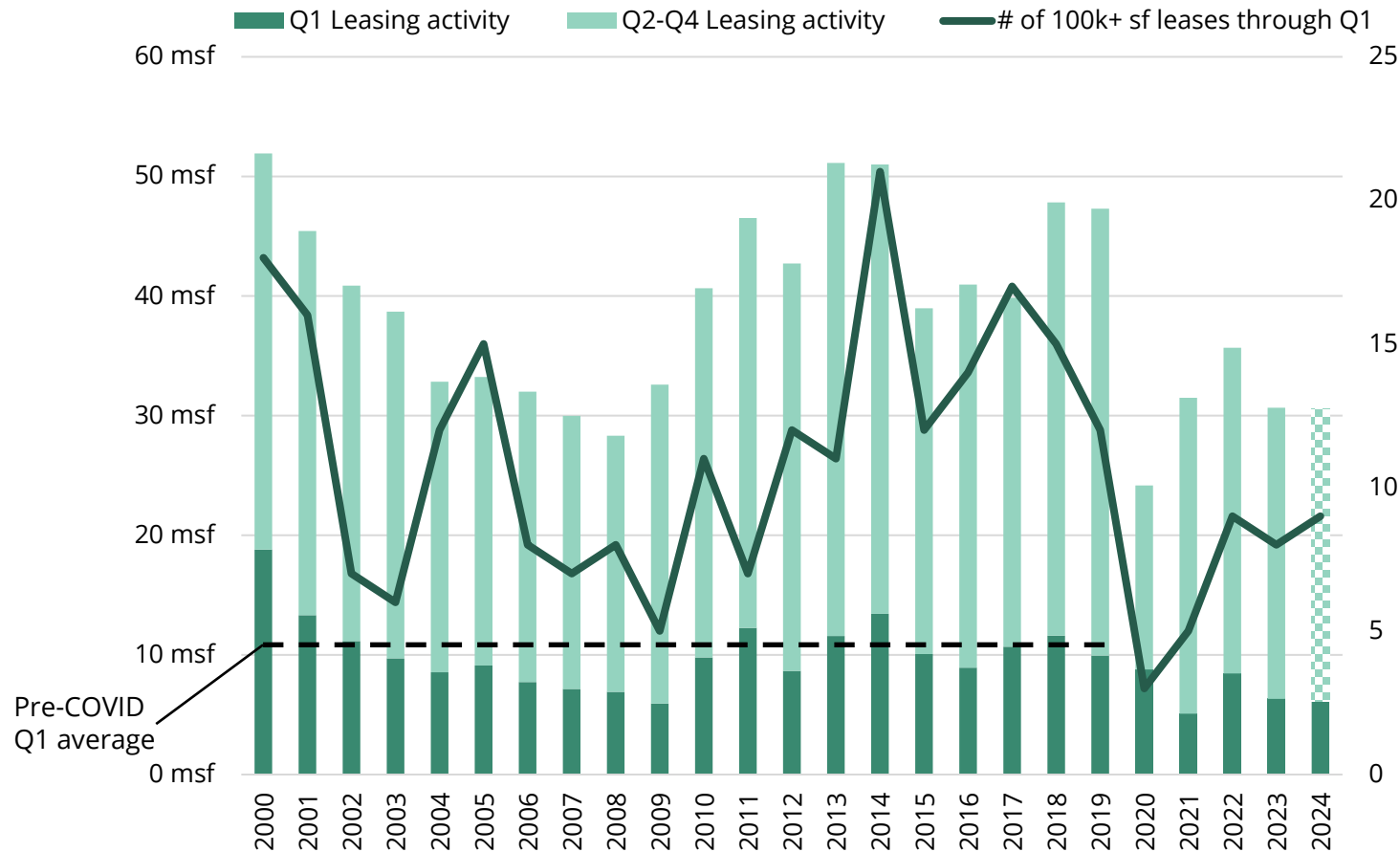
+14.9%

increase in Class A length of lease terms, Q1 2024 vs. Q1 2023

Over the past 12 months, there has been a convergence in the average length of Trophy and Class A lease terms. From Q1 2023 to Q1 2024, the length of Trophy lease terms decreased by 13.0%, going from 128 months to 111 months, whereas the length of Class A lease terms increased by 14.9%, rising from 97 months to 112 months.

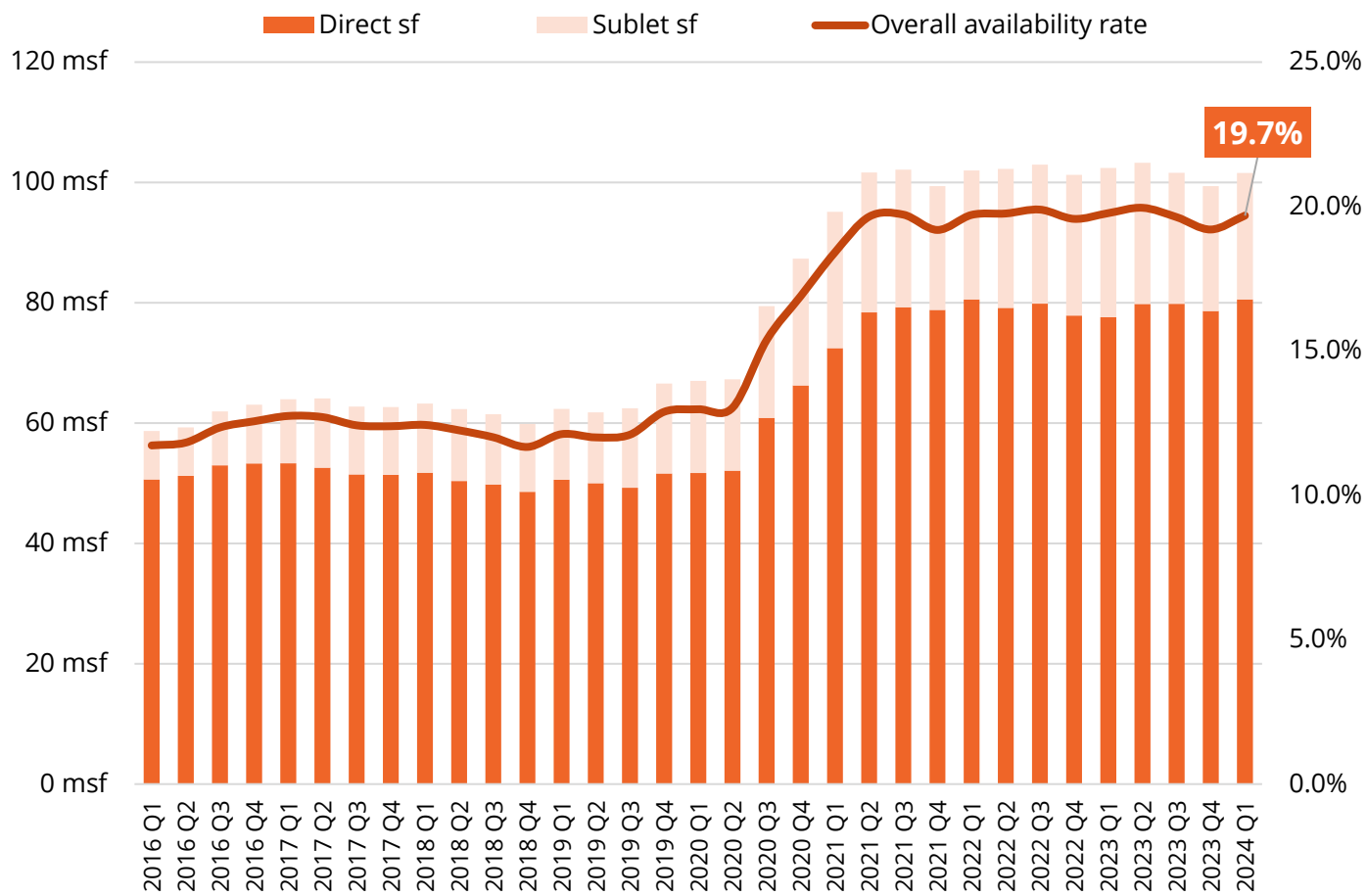
The increase in Class A lease term lengths can be largely attributed to landlords offering record-level concession packages, enticing occupiers to sign longer-term leases.

Leasing activity



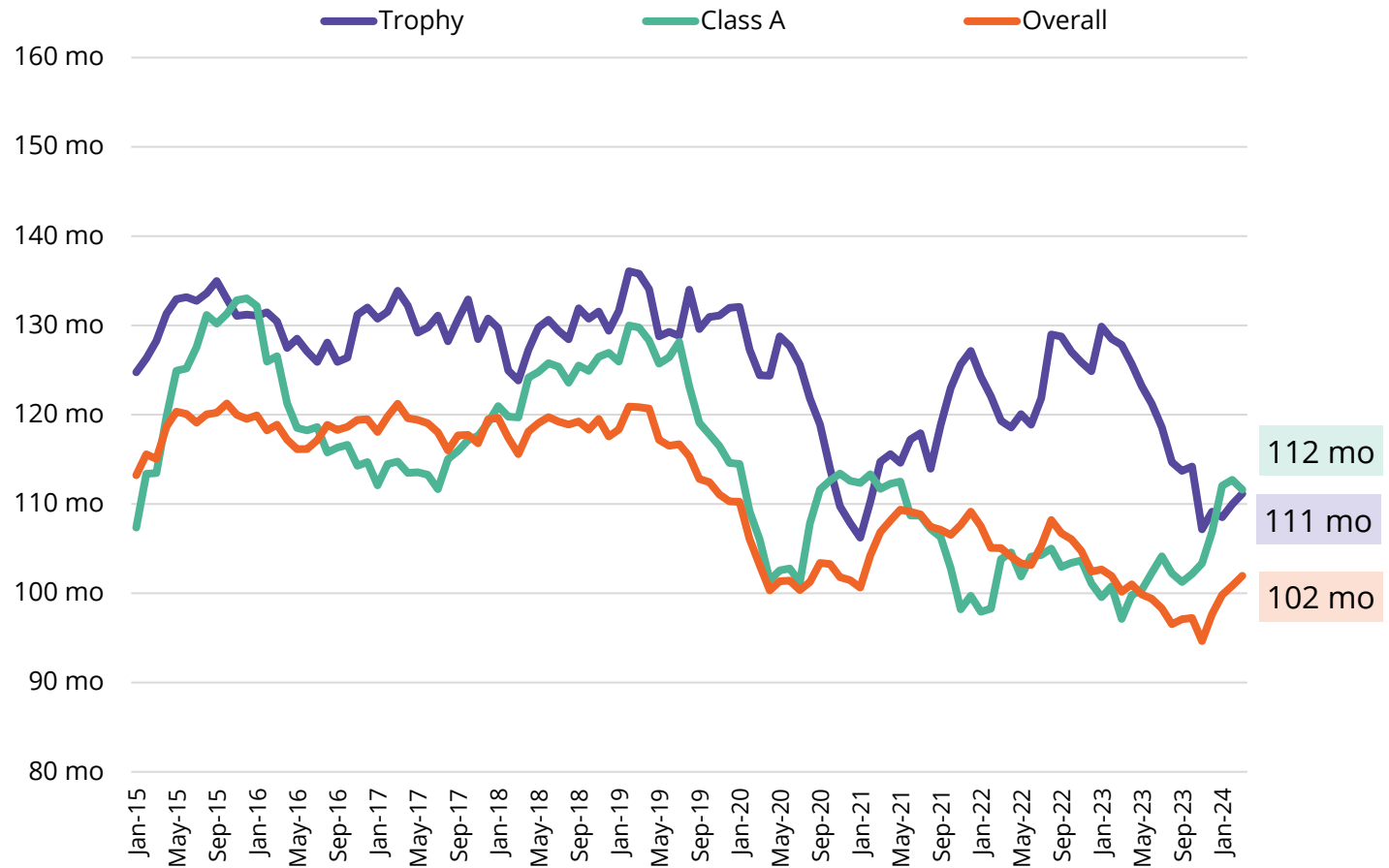
Leasing activity in Q1 2024, totaling 6.1 msf, dropped 40.5% below the pre-COVID average (2000-2019) for Q1 leasing. Year to date, there have been only 9 leases exceeding 100,000 square feet, slightly exceeding the figure for Q1 2023.

Available space



The overall availability rate has increased by 50 basis points to 19.7% from last quarter's 19.2%. Both direct and sublet available space witnessed quarter-over-quarter increases.

Length of lease terms by class

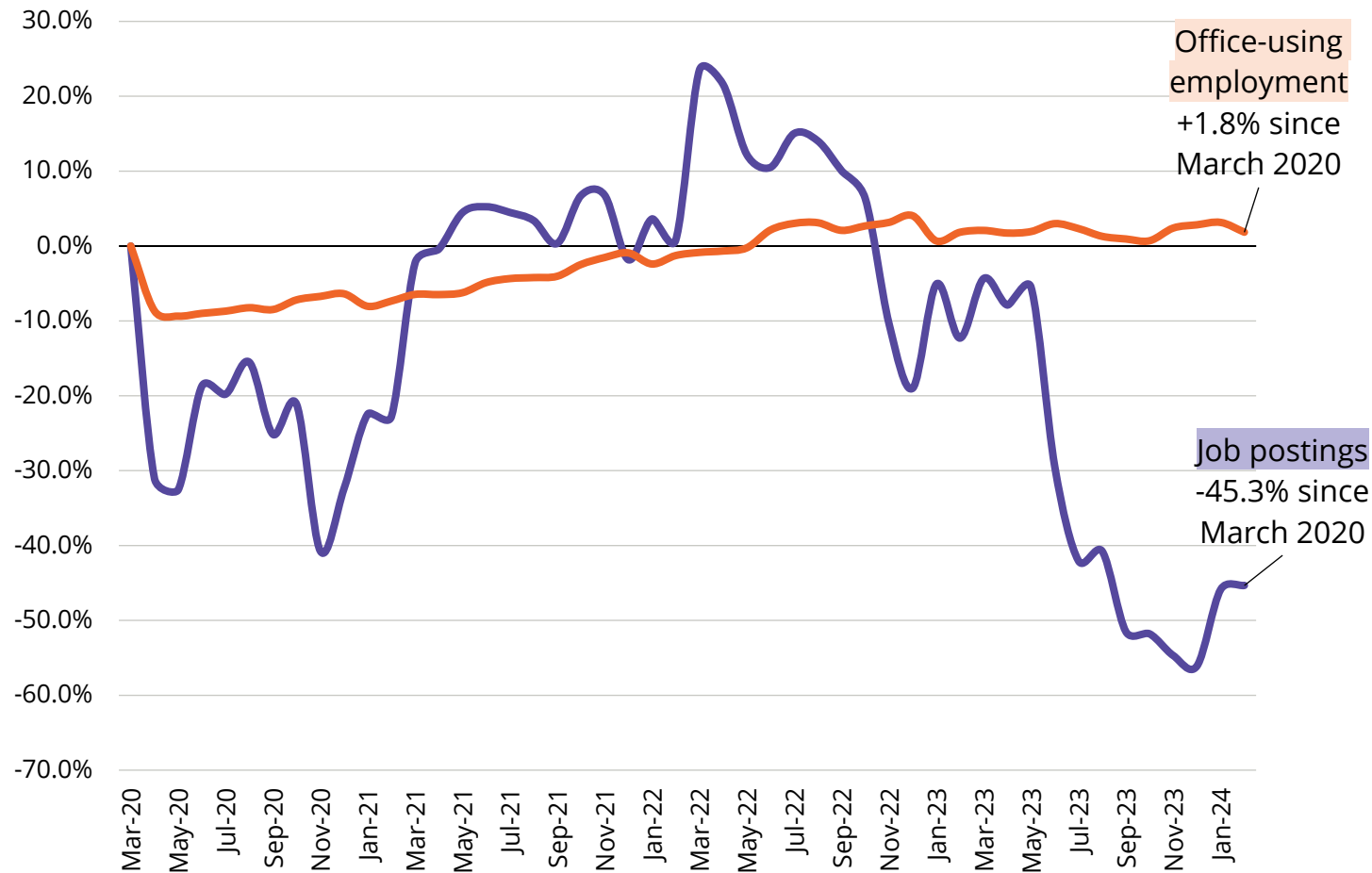


Since Q1 2023, Trophy lease terms have decreased by 13% to an average of 111 months, while Class A lease terms have increased by 14.9% to an average of 112 months over the same period.

Occupier trends

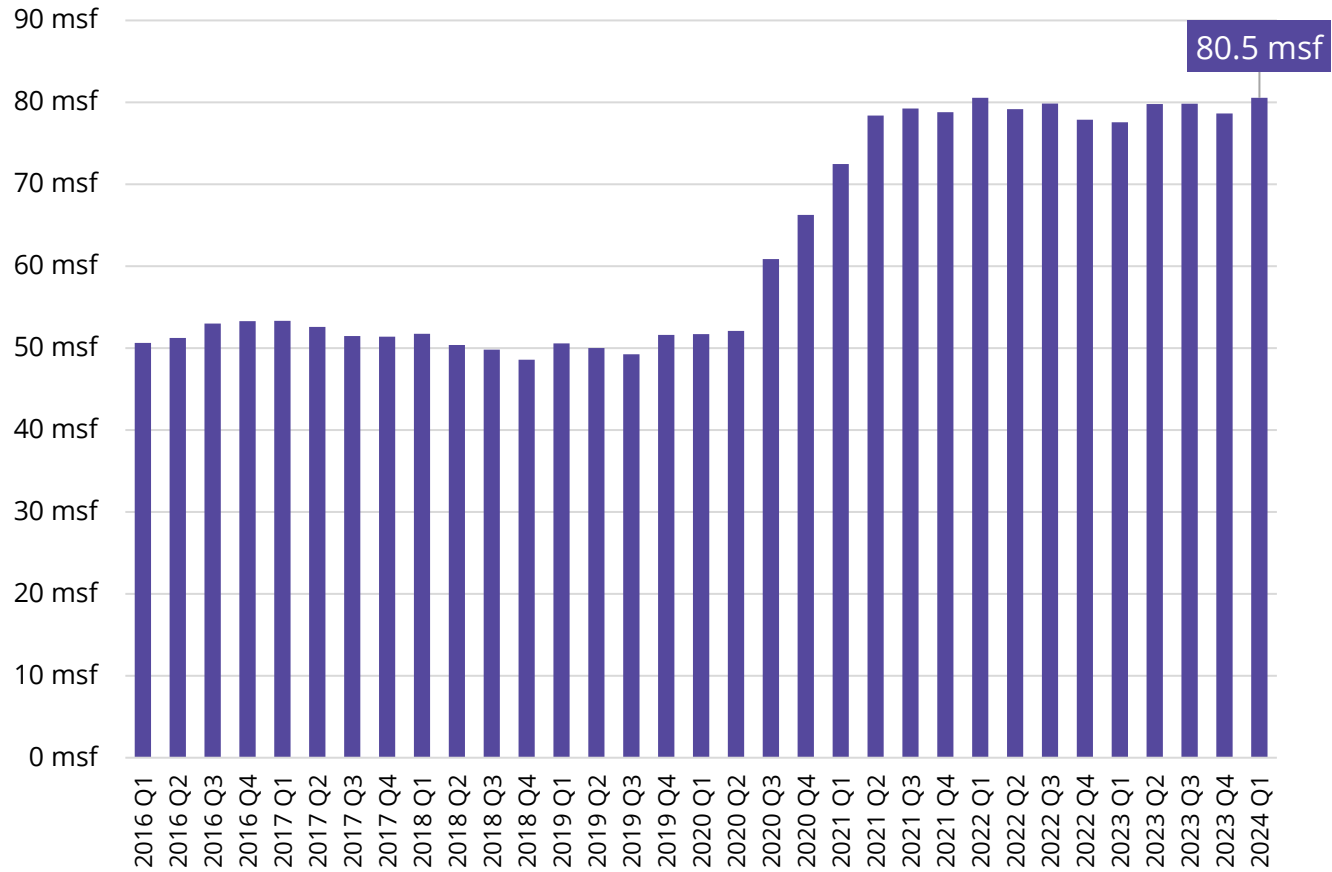


Office-using employment and job postings



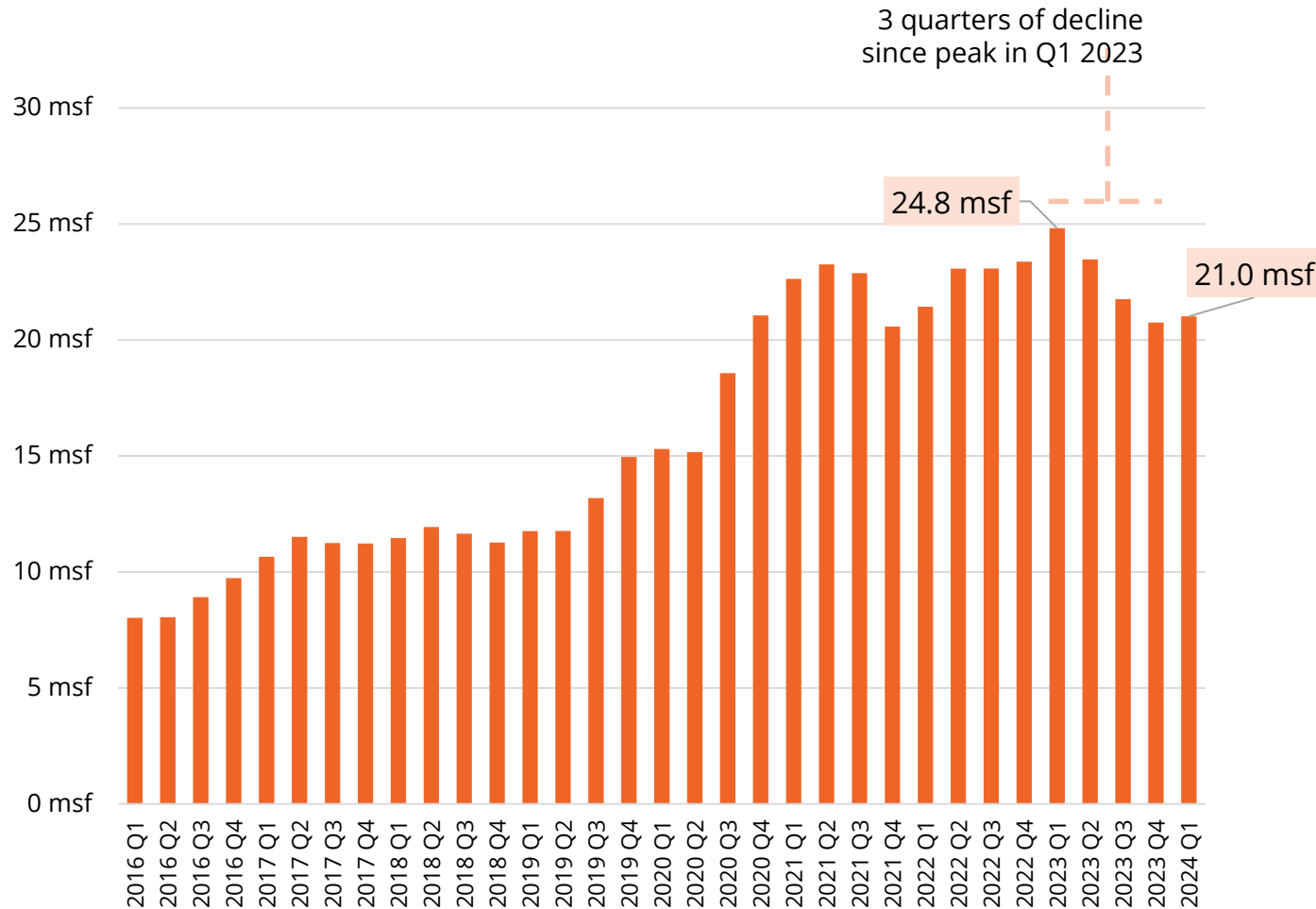
Employment for office-using positions is slightly above the levels observed in March 2020, despite a slight decrease year to date. However, job postings still sit 45.3% below the levels recorded in March 2020.

Available direct space



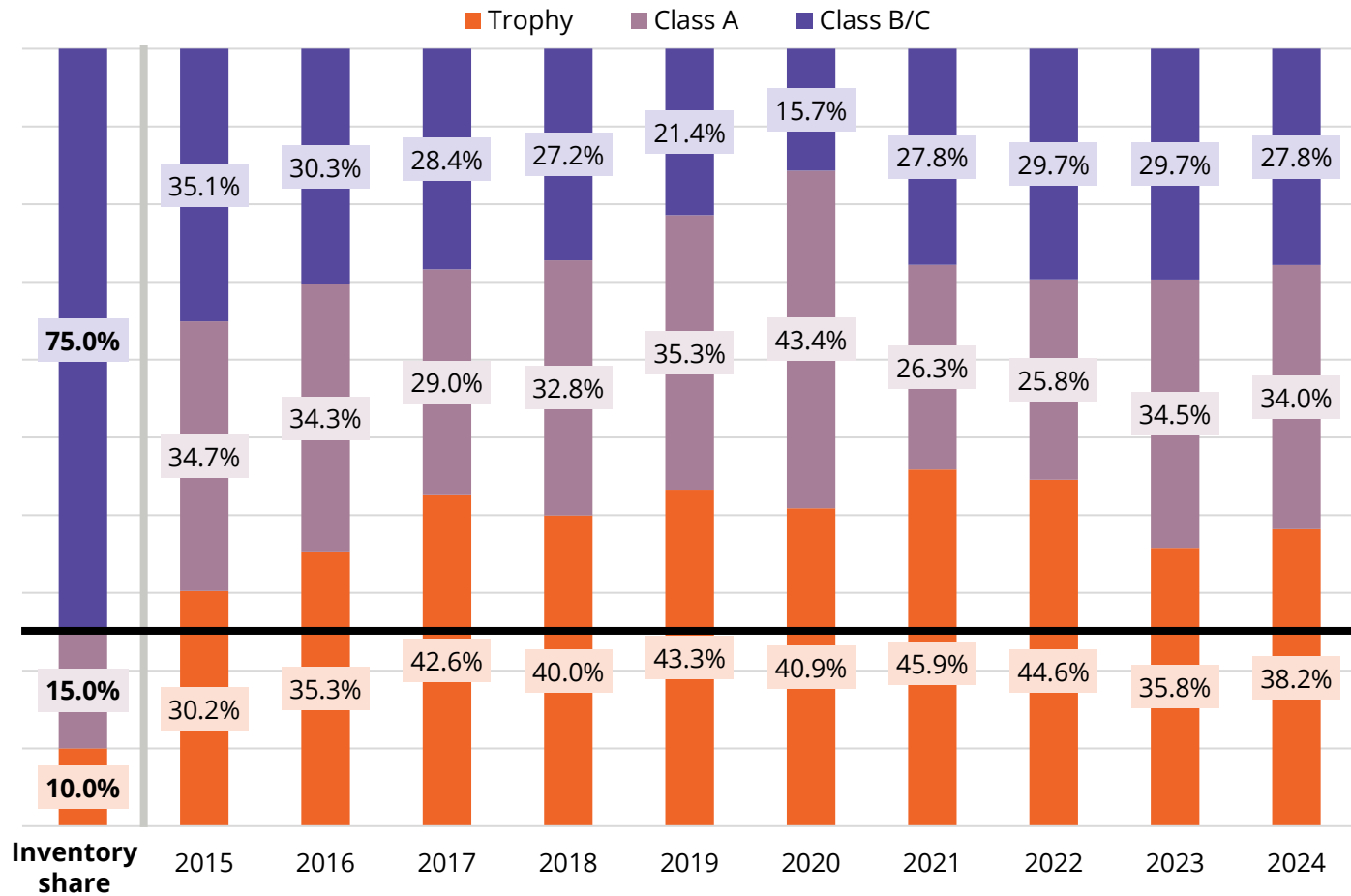
Direct available space in Manhattan has remained relatively consistent, though historically elevated, since early 2021, and currently sits at 80.5 msf. This marks the largest amount of direct available space since Q1 2022.

Available sublet space



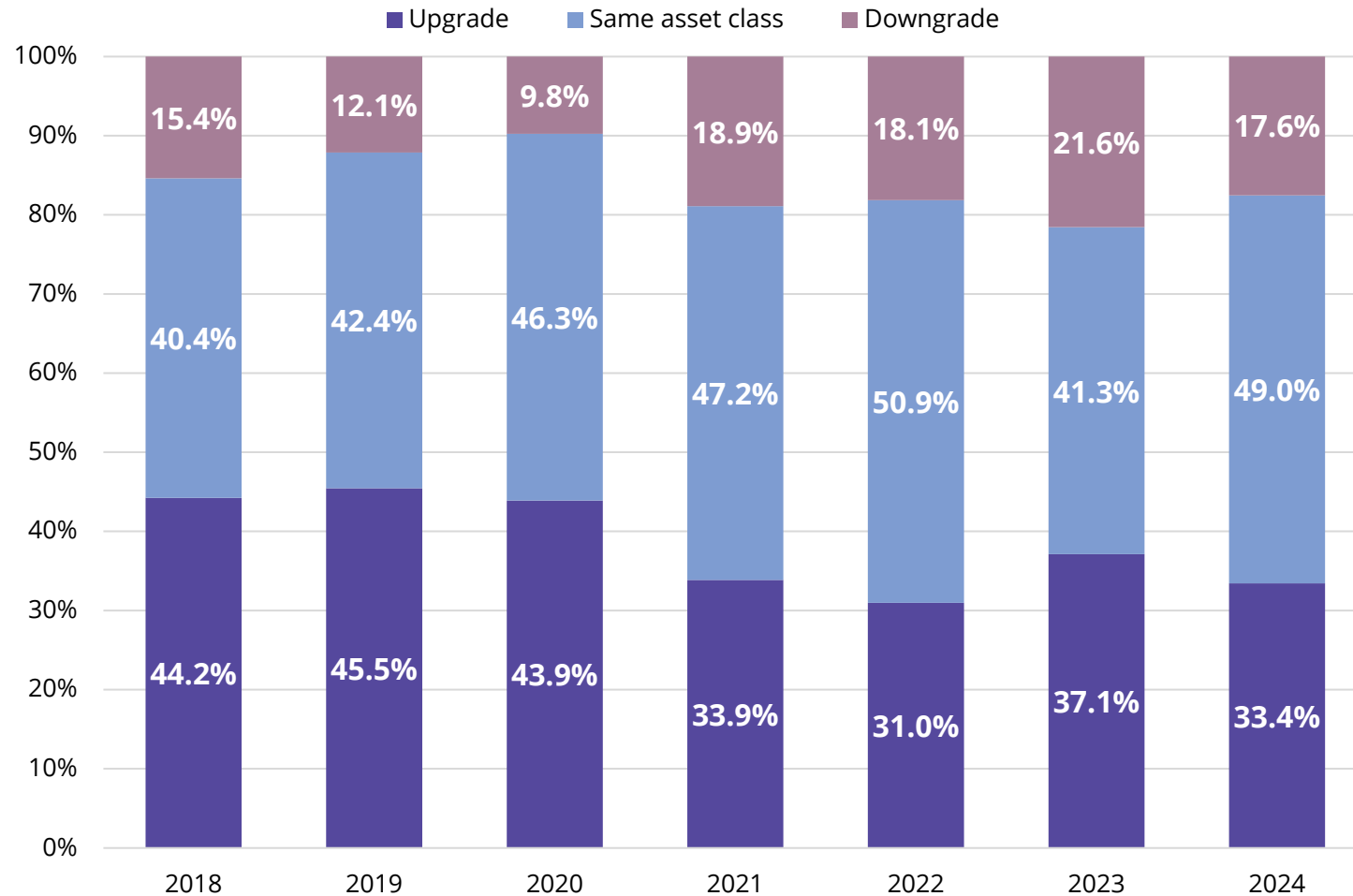
Following three consecutive quarters of decline, available sublet space in Manhattan has seen a slight quarter-over-quarter increase to 21.0 msf.

Transaction activity by asset class



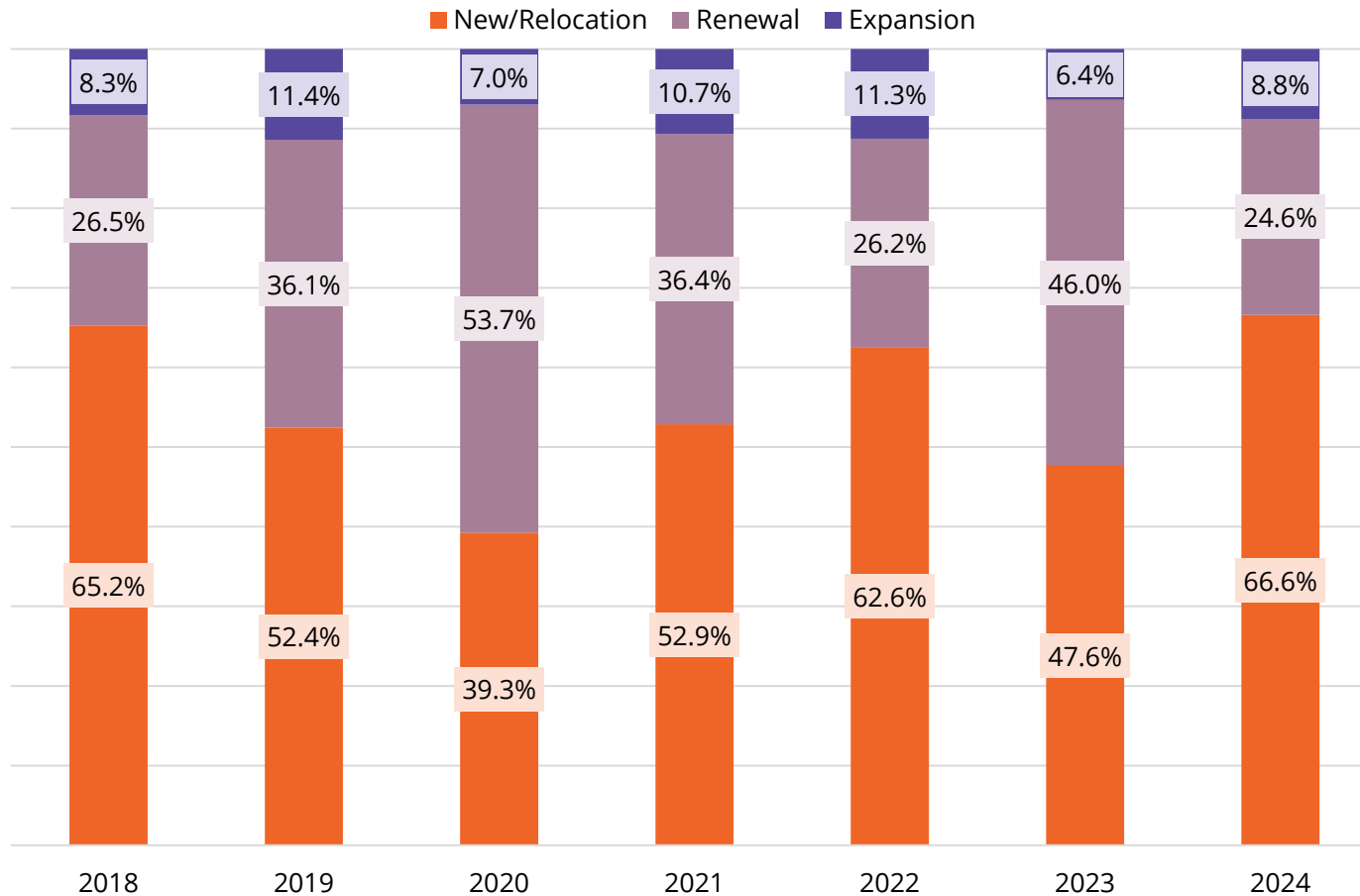
Trophy and Class A properties, comprising only the top 25% of office inventory in terms of rents and build date, have accounted for a significant 72.2% of demand in Q1 2024, closely aligning with the figures from 2023.

Relocations by year



From 2018 to 2022, less than 20% of annual relocations involved a downgrade to space in lower-quality buildings. In 2023, downgrades surpassed 20%, but have since regressed towards historical levels, while there has been an increase in relocations within the same asset class.

Transaction activity by lease type



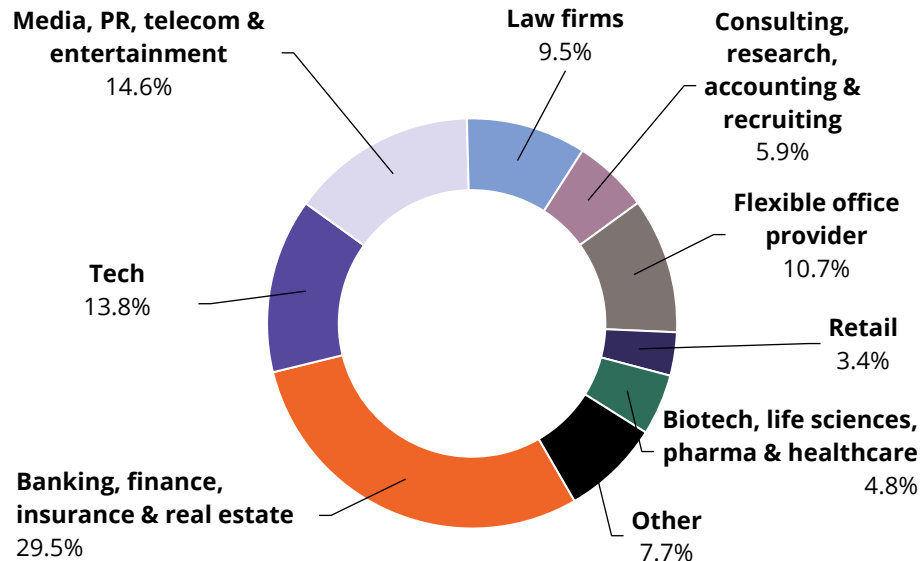
In 2023, there was a historically oversized share of renewals, reaching the highest level since the start of the pandemic in 2020. However, year-to-date leasing activity has since normalized back to historical levels, with new leases and relocations dominating the landscape.

Leasing activity share by industry

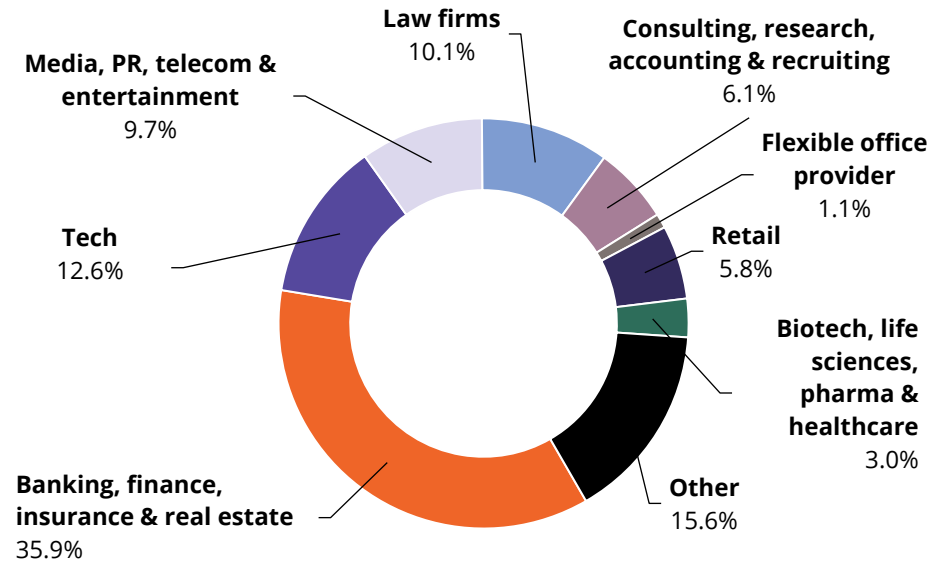
+21.7%

increase in banking, finance, insurance, & real estate as a share of total leasing activity, post-COVID vs. pre-COVID

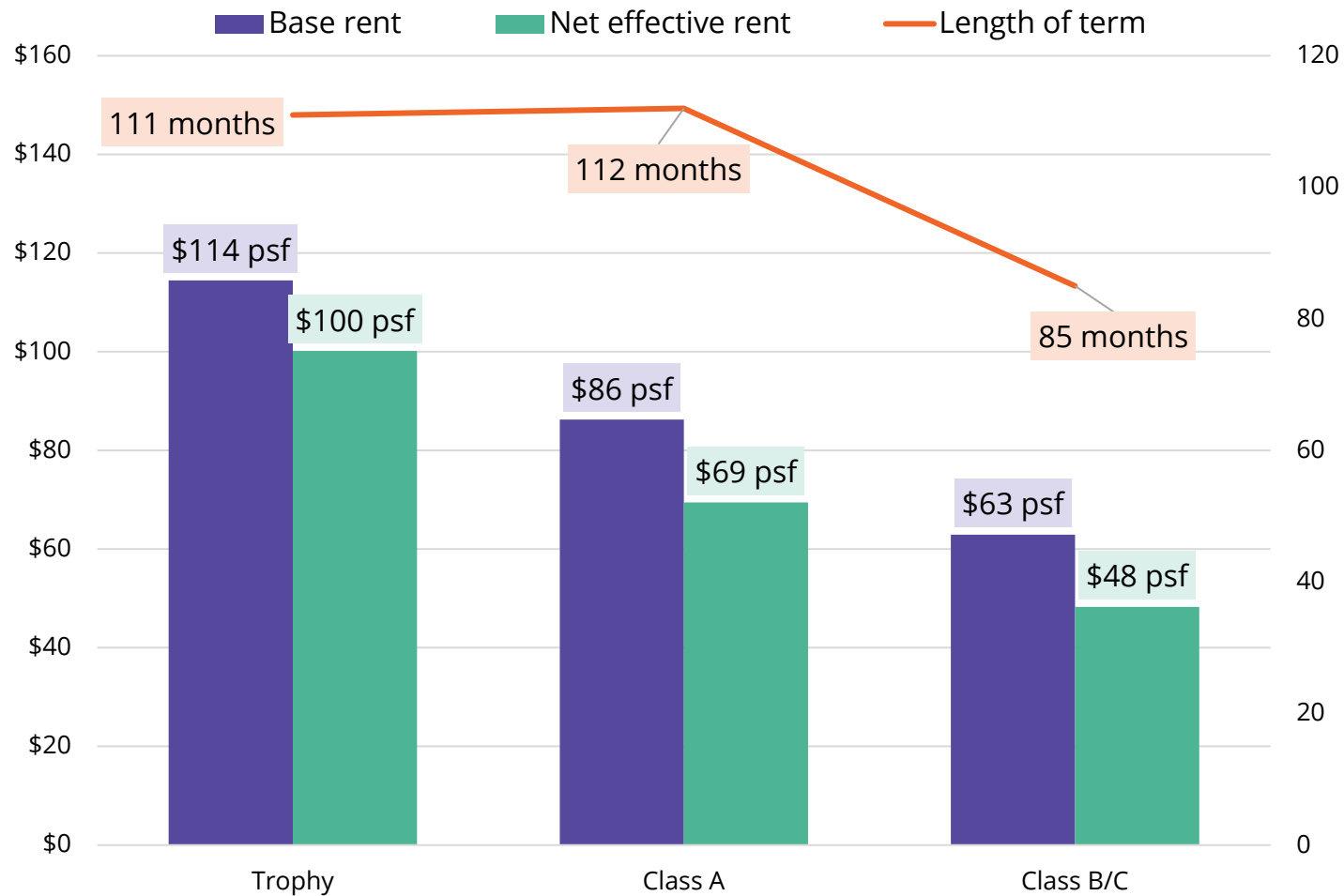
Pre-COVID 2018 to March 2020



Post-COVID April 2020 to Present

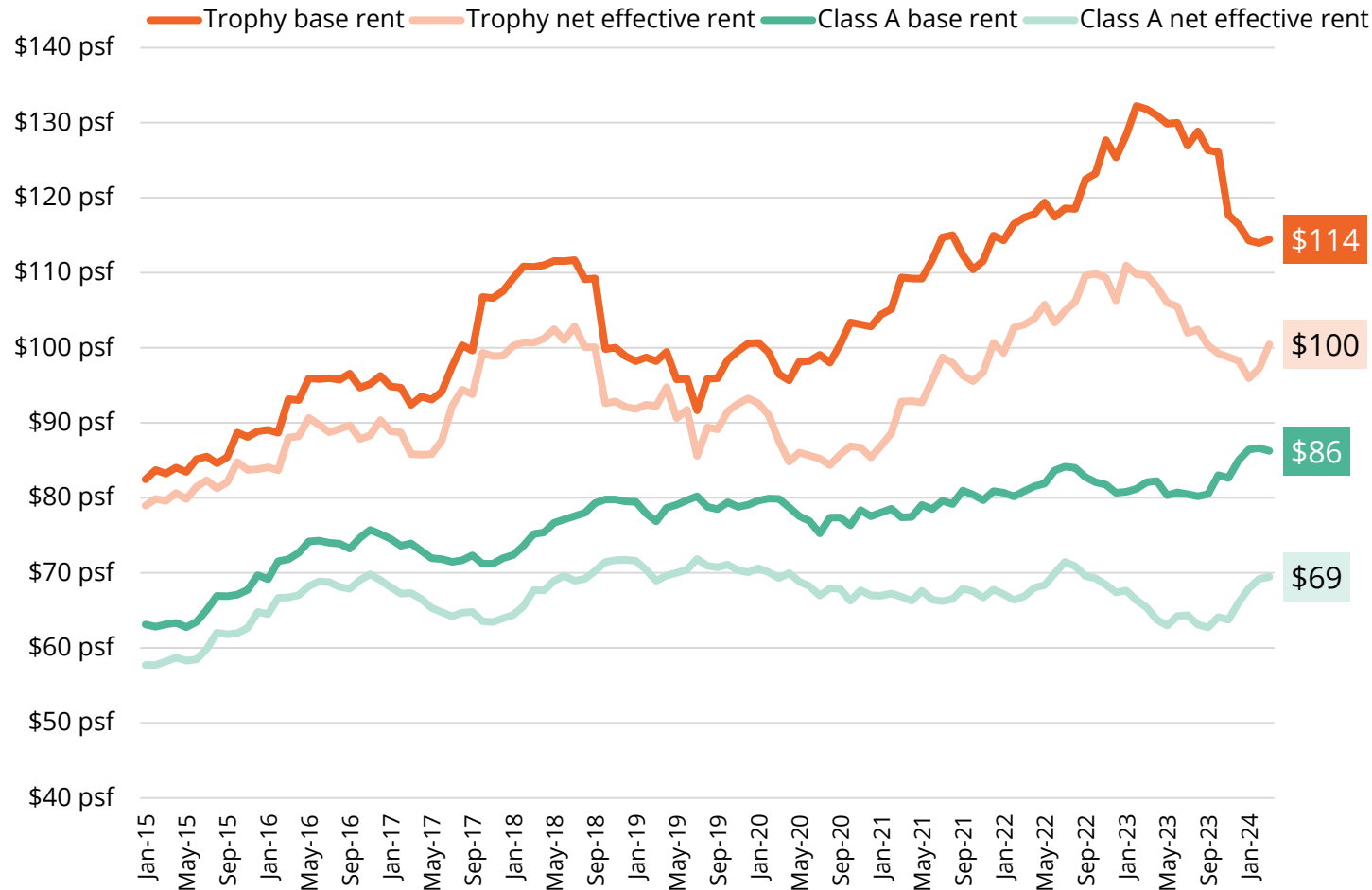


Lease economics by class



The gaps between base and net effective rents are very similar across all asset classes, ranging between \$14 and \$17 per square foot. However, lease terms remain significantly higher for trophy and Class A buildings compared to Class B/C buildings.

Base and net effective rents by class

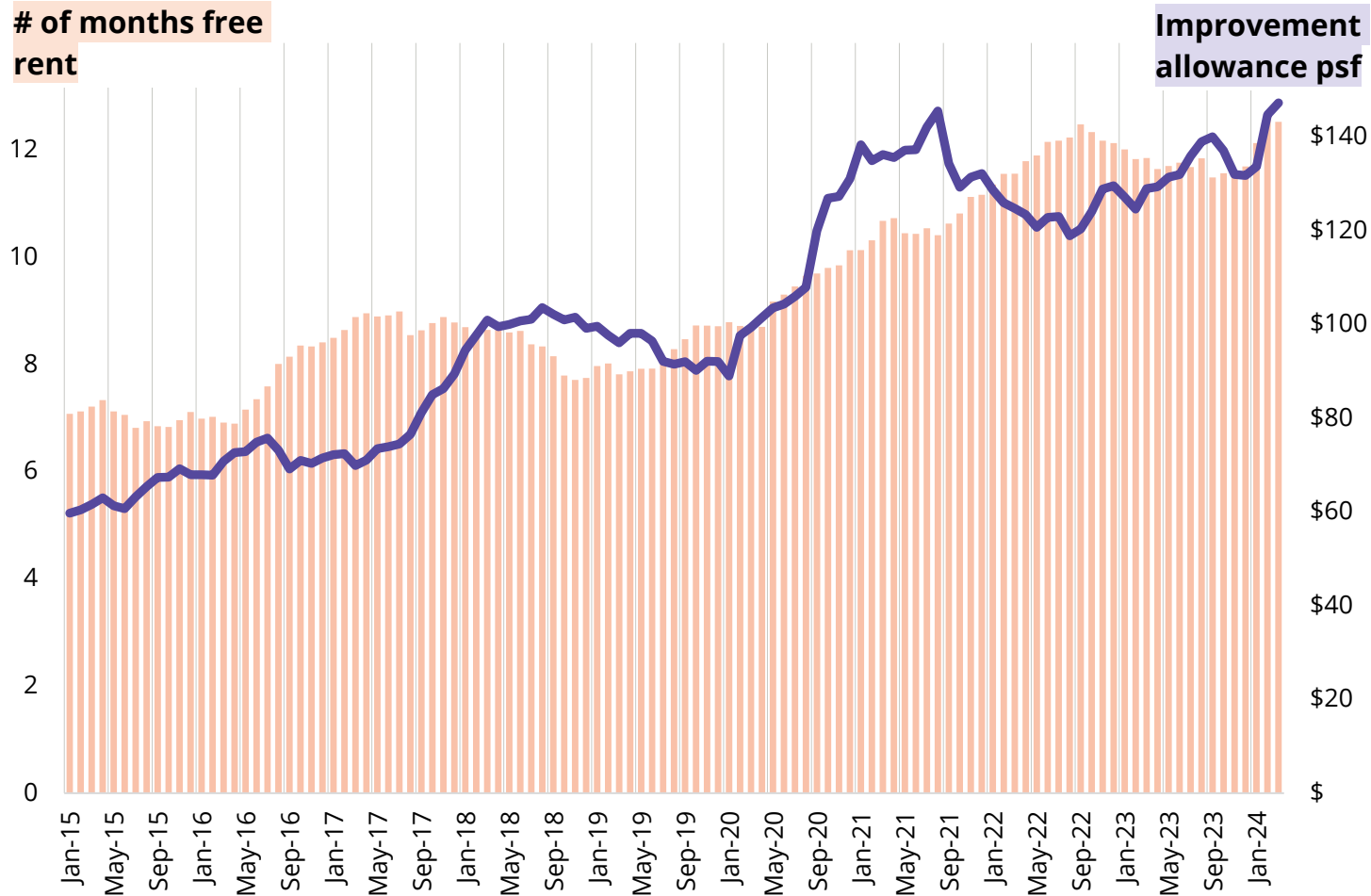


Trophy base and net effective rents have experienced a slight uptick in Q1 2024 due to an increase in Trophy+ leasing.

Meanwhile, Class A base and net effective rents continue their slow and steady upward trend.

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

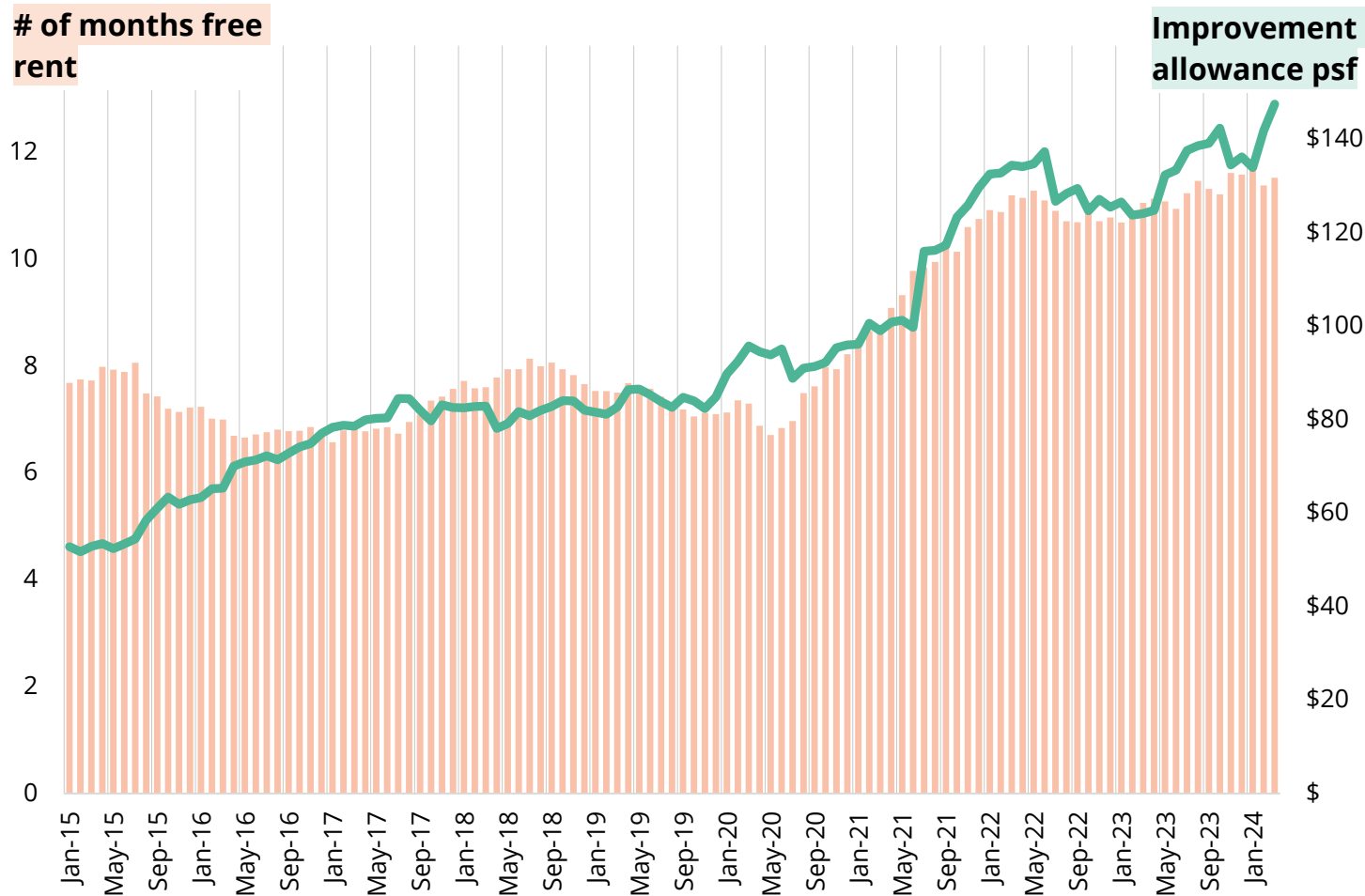
Trophy office concession packages



Tenant improvement allowances for trophy properties have experienced a sharp increase early in 2024. They currently stand 11.8% higher than at year-end 2023, reaching \$147 per square foot.

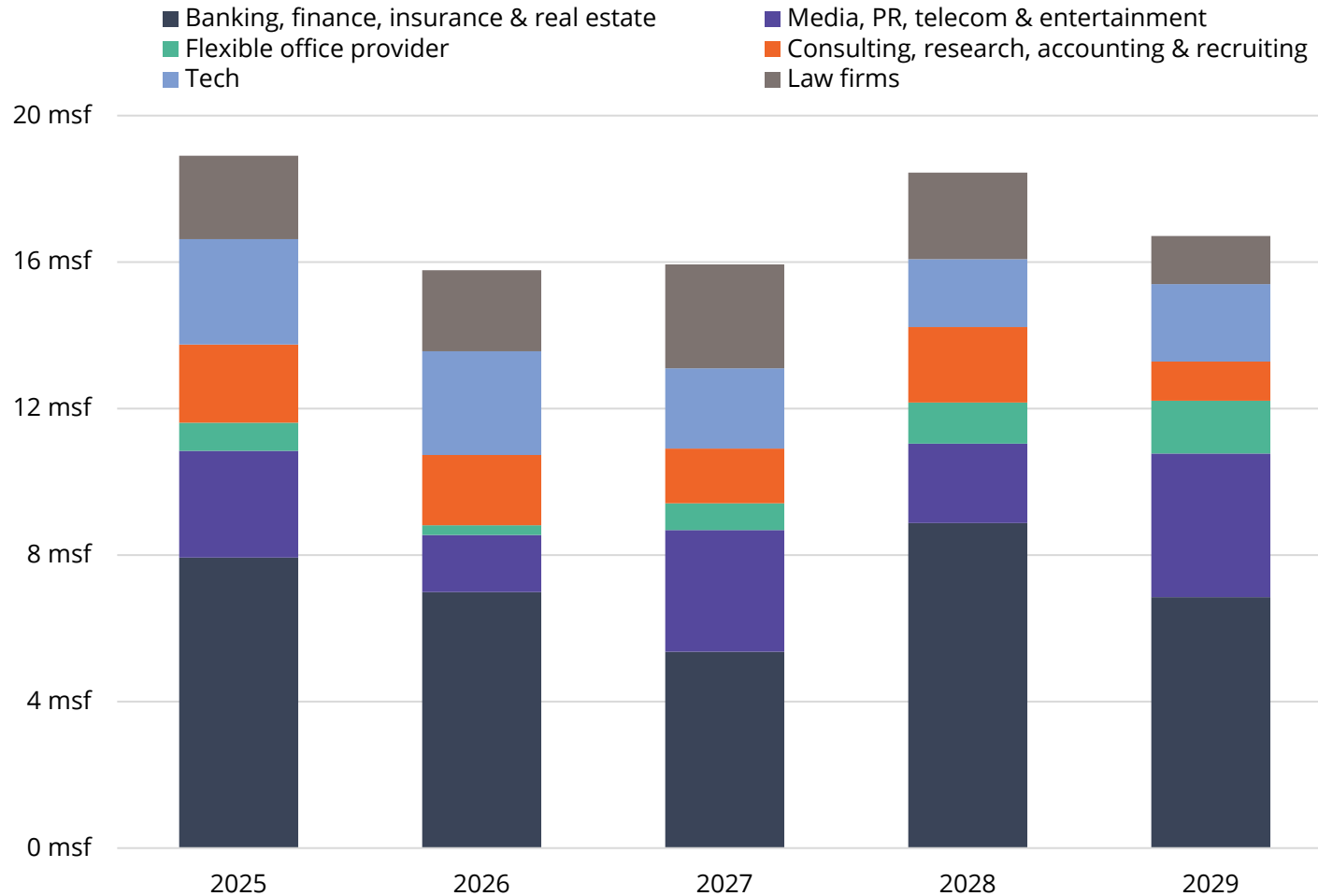
Note: Direct relocations only. Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Normalized to 10-year lease terms. Source: AVANT by Avison Young

Class A office concession packages



Similar to Trophy properties, Class A properties have experienced an uptick at the beginning of 2024 and are currently 8.3% higher than at year-end 2023, reaching \$147 per square foot – the same as Trophy.

Upcoming lease expirations by major industry

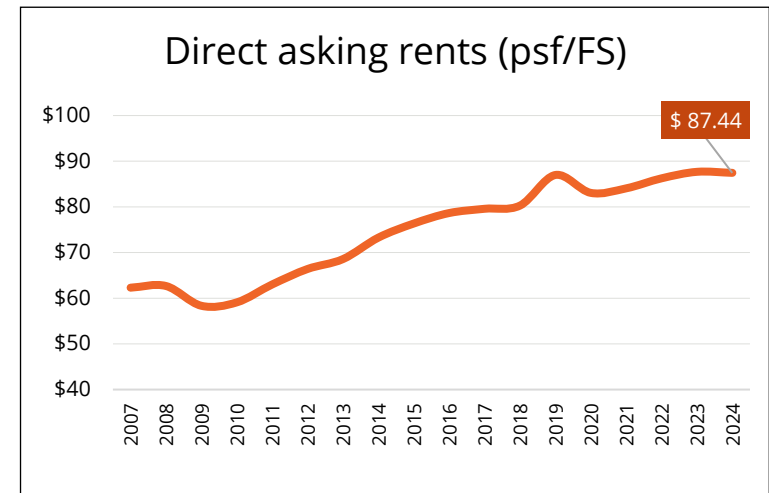
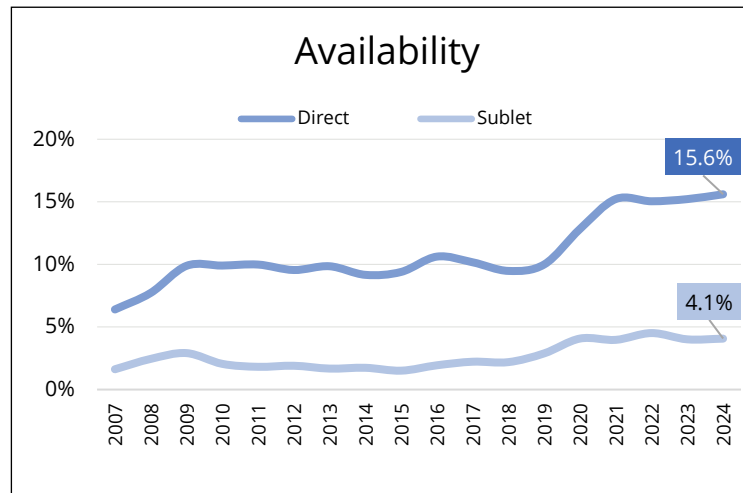
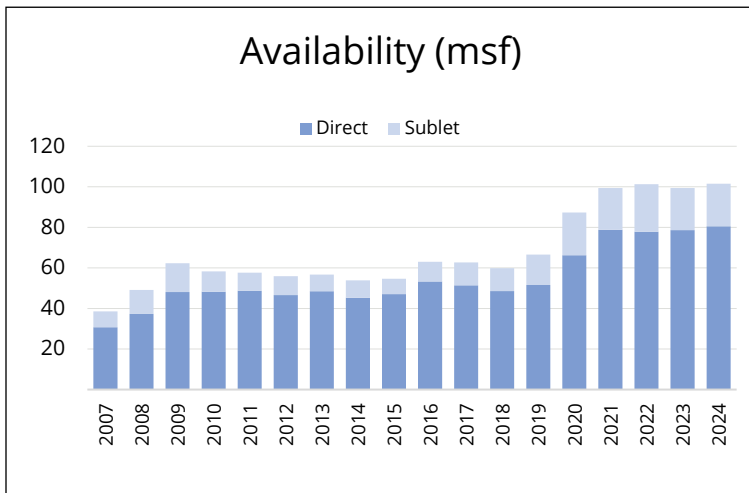
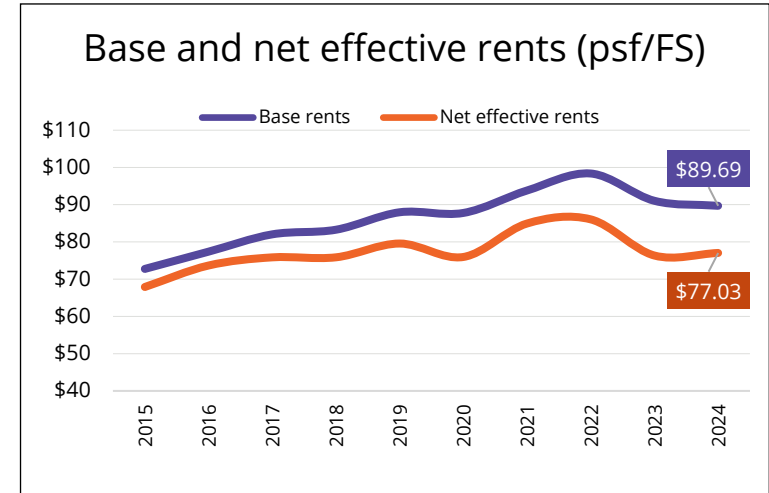
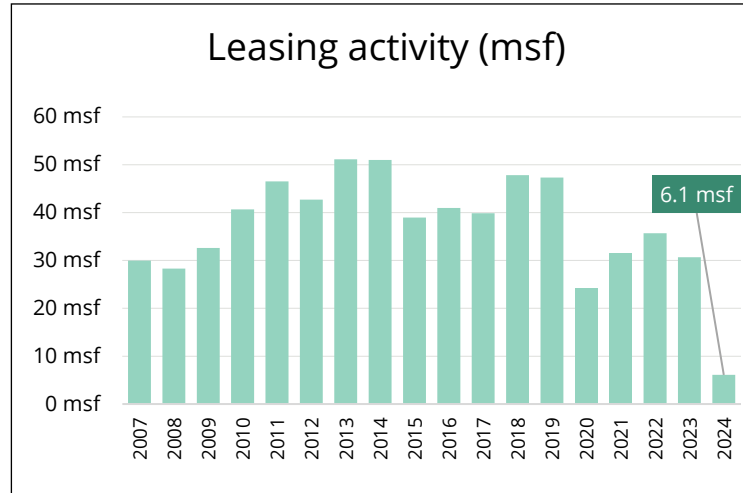
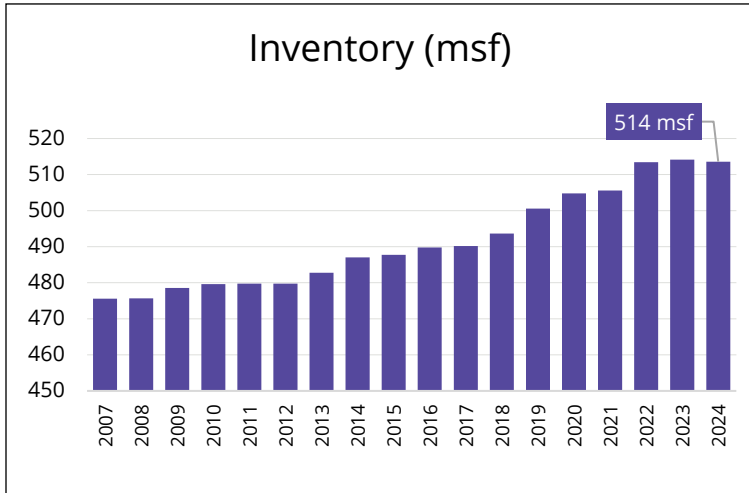


Banking, finance, insurance, and real estate tenants make up 42% of expiring leases by square footage among major industries from 2025 to 2029, totaling 36 msf.

Appendix



Manhattan office market indicators



Manhattan office market activity

Q1 2024 leasing activity (100,000+ sf)

Tenant	Address	Submarket	Sign date	Size sf	Transaction type	Lease type
Michael Kors	11 West 42nd Street	Grand Central	Mar 2024	203,064	Renewal	Direct
King & Spalding	1290 Avenue of the Americas	Midtown Core	Jan 2024	175,000	New	Direct
David Yurman	200 Hudson Street	Tribeca	Jan 2024	150,703	Renewal	Direct
Intercontinental Exchange	1345 Avenue of the Americas	Midtown Core	Feb 2024	142,946	New	Direct
Archdiocese Of New York	488 Madison Avenue	Midtown Core	Jan 2024	142,308	New	Direct
Major League Soccer	2 Penn Plaza	Penn Station	Mar 2024	126,000	New	Direct
DoorDash	200 Fifth Avenue	Flatiron District/Gramercy Park	Jan 2024	115,382	New	Direct
Betterment	5 Manhattan West	Hudson Yards	Feb 2024	113,422	New	Sublease
Burlington	1400 Broadway	Penn Station	Feb 2024	102,898	Renewal	Direct

Large contiguous space availabilities added in Q1 2024

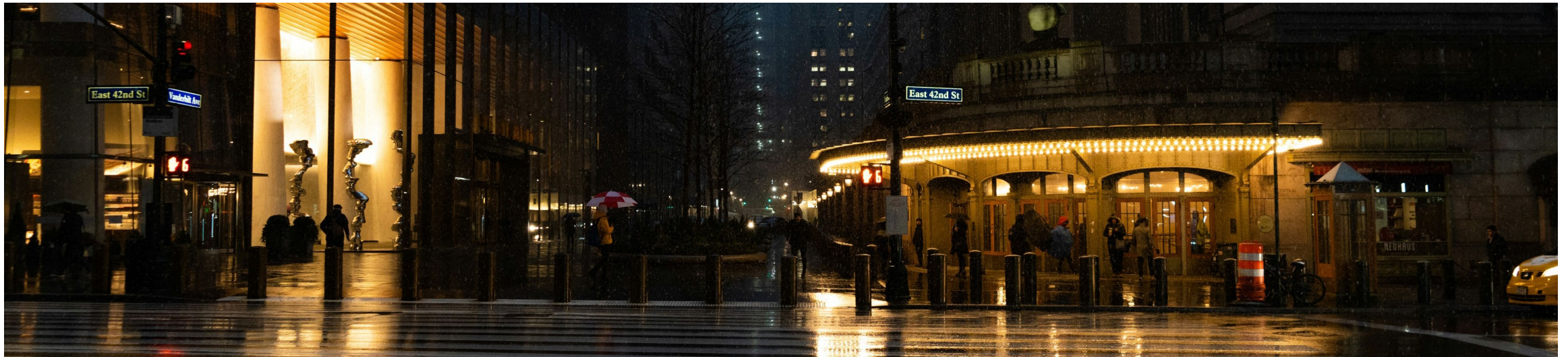
Address	Submarket	Space type	Block size sf	Date available
1675 Broadway	Times Square	Sublet	472,267	Immediate
One Grand Street*	Hudson Square	Direct	410,271	Jan 2025
200 Fifth Avenue	Flatiron District/Gramercy Park	Direct	336,096	Mar 2025
3 Columbus Circle	Central Park	Sublet	283,640	Immediate
1633 Broadway	Times Square	Direct	253,581	Feb 2026
1285 Avenue of the Americas	Midtown Core	Sublet	226,491	Immediate

Manhattan office market stats

Submarket	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Annual direct asking rent psf FS
Central Park	30,823,726	-	11.8%	3.6%	15.4%	\$ 137.24
Grand Central	80,192,319	-	13.2%	3.5%	16.8%	\$ 83.92
Hudson Yards	17,510,495	1,950,140	10.0%	6.2%	16.1%	\$ 176.01
Midtown Core	59,260,282	-	10.6%	2.1%	12.8%	\$ 117.48
Midtown East	23,511,516	-	16.7%	1.8%	18.5%	\$ 85.15
Midtown West	3,572,812	-	17.2%	9.2%	26.4%	\$ 61.69
Murray Hill	11,057,084	-	20.9%	3.5%	24.4%	\$ 70.96
Penn Station	52,837,484	-	16.6%	3.4%	20.1%	\$ 83.75
Times Square	35,269,902	-	22.8%	5.0%	27.8%	\$ 78.81
Midtown Total	314,035,620	1,950,140	14.6%	3.5%	18.1%	\$ 95.26
Chelsea	18,570,672	299,672	23.0%	4.8%	27.8%	\$ 66.85
East Village	744,085	-	21.0%	8.8%	29.8%	-
Flatiron District/Gramercy Park	40,472,533	-	19.7%	3.7%	23.4%	\$ 107.19
Greenwich Village	7,296,312	112,617	18.4%	0.2%	18.6%	\$ 122.78
Hudson Square	11,124,544	-	15.5%	6.1%	21.6%	\$ 86.04
Lower East Side	2,680,266	-	25.6%	6.4%	32.0%	\$ 82.96
Meatpacking District	8,295,936	-	4.8%	1.1%	5.9%	\$ 74.40
SoHo	6,579,510	-	16.2%	3.6%	19.8%	\$ 77.69
West Village	293,542	60,674	20.5%	0.0%	20.5%	\$ 64.82
Midtown South Total	96,057,400	472,963	18.4%	3.8%	22.2%	\$ 91.00
City Hall	8,025,249	-	14.5%	1.1%	15.6%	\$ 54.80
Financial District	44,311,430	-	21.6%	5.5%	27.0%	\$ 67.11
Tribeca	7,630,681	-	17.4%	3.2%	20.6%	\$ 73.11
Water Street Corridor	18,270,530	-	15.4%	9.6%	25.1%	\$ 61.17
World Trade Center	22,769,692	-	6.8%	7.4%	14.2%	\$ 85.91
Downtown Total	101,007,582	-	16.3%	6.1%	22.4%	\$ 67.65
Upper East Side	535,947	-	3.7%	0.0%	3.7%	-
Upper West Side	1,603,866	-	6.3%	1.5%	7.9%	-
Manhattan Total	513,561,415	2,423,103	15.6%	4.1%	19.7%	\$ 87.44

Manhattan office market stats by class

Class	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Annual direct asking rent psf FS
Trophy	136,152,855	2,149,812	13.8%	4.5%	18.3%	\$ 133.88
Class A	159,160,217	273,291	16.8%	4.9%	21.7%	\$ 80.92
Class B/C	218,248,343	-	15.9%	3.2%	19.1%	\$ 61.07
Market Total	513,561,415	2,423,103	15.6%	4.1%	19.7%	\$ 87.44



Manhattan submarket map

Midtown



Midtown South



Downtown



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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**

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