Manhattan office market report

Q4 2024

AVISON YOUNG

Manhattan office market trends

35.9 msf

Manhattan leasing activity in 2024 hits post-Covid high

2024 leasing activity in Manhattan has reached 35.9 million square feet (msf) – 17.2% higher than that of 2023.

The number of 100k+ sf transactions in 2024 has reached the highest annual amount since 2019 with 44 large transactions. This increase in large-block leasing activity is a positive sign going into 2025.

17.9%

Manhattan availability rate hits lowest value since 2020

Manhattan's overall availability rate of 17.9% in Q4 2024 marks the lowest availability rate in the last four years. Over the course of 2024, the overall availability rate dropped by 180 basis points (bps) from 19.7%. This drop came from a decrease in both direct and sublet available space, 7.6 msf and 1.9 msf, respectively.

This major decrease in available space, coupled with leasing activity for the year, shows the current strength of the Manhattan office market.

38.9%

Class A's share of Manhattan leasing activity by class

In 2024, class A properties accounted for its largest share of leasing activity in over a decade. Increasing demand for higher tier class A product led to a 12.8% increase year-over-year.

Almost half of the large block leasing transactions (100k+ sf) in 2024 occurred in class A product. Media, PR, telecom & entertainment, banking, finance, insurance & real estate, and law firm companies were the most active in seeking class A space, representing 60.1% of demand.

Source: AVANT by Avison Young, CoStar

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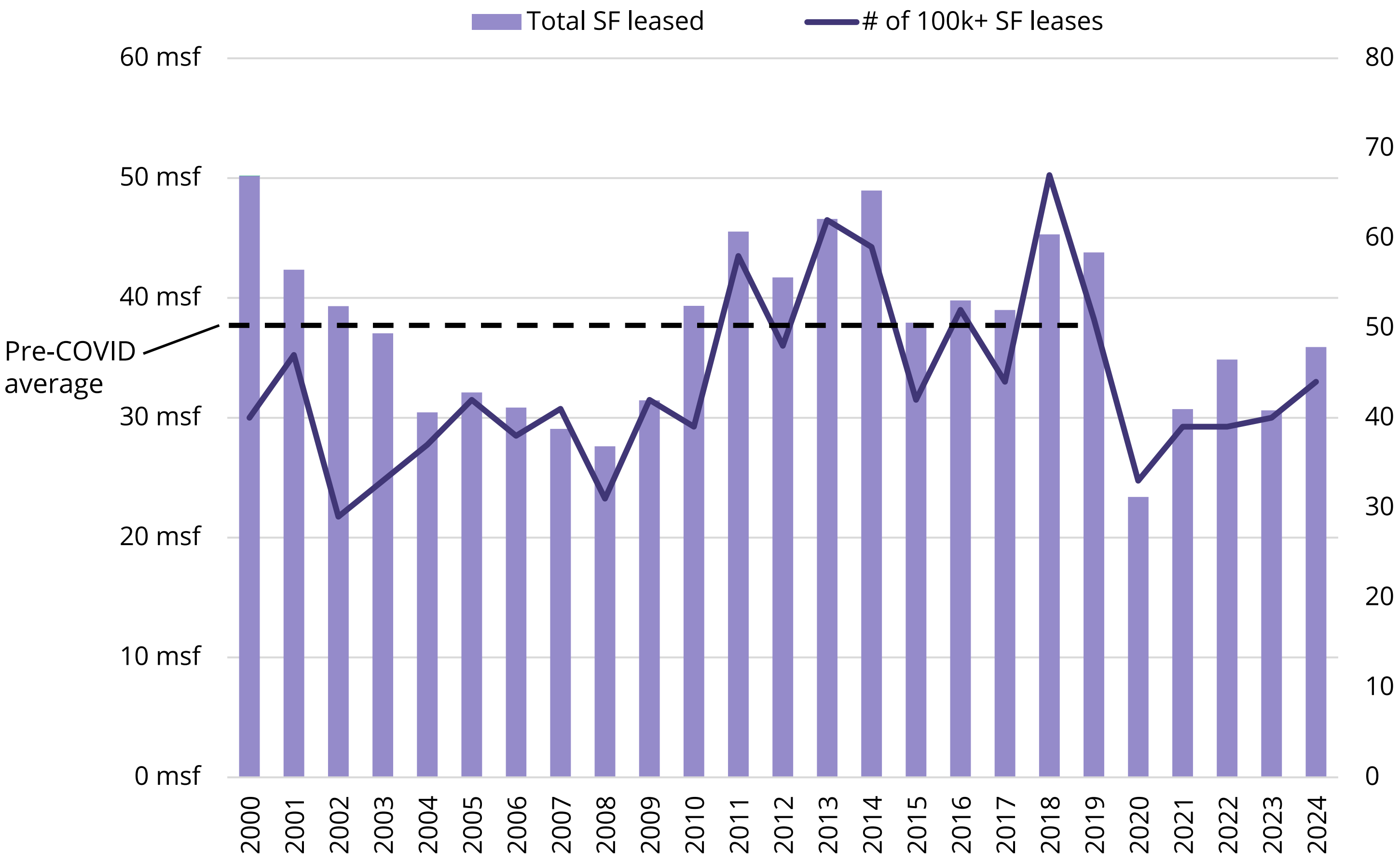
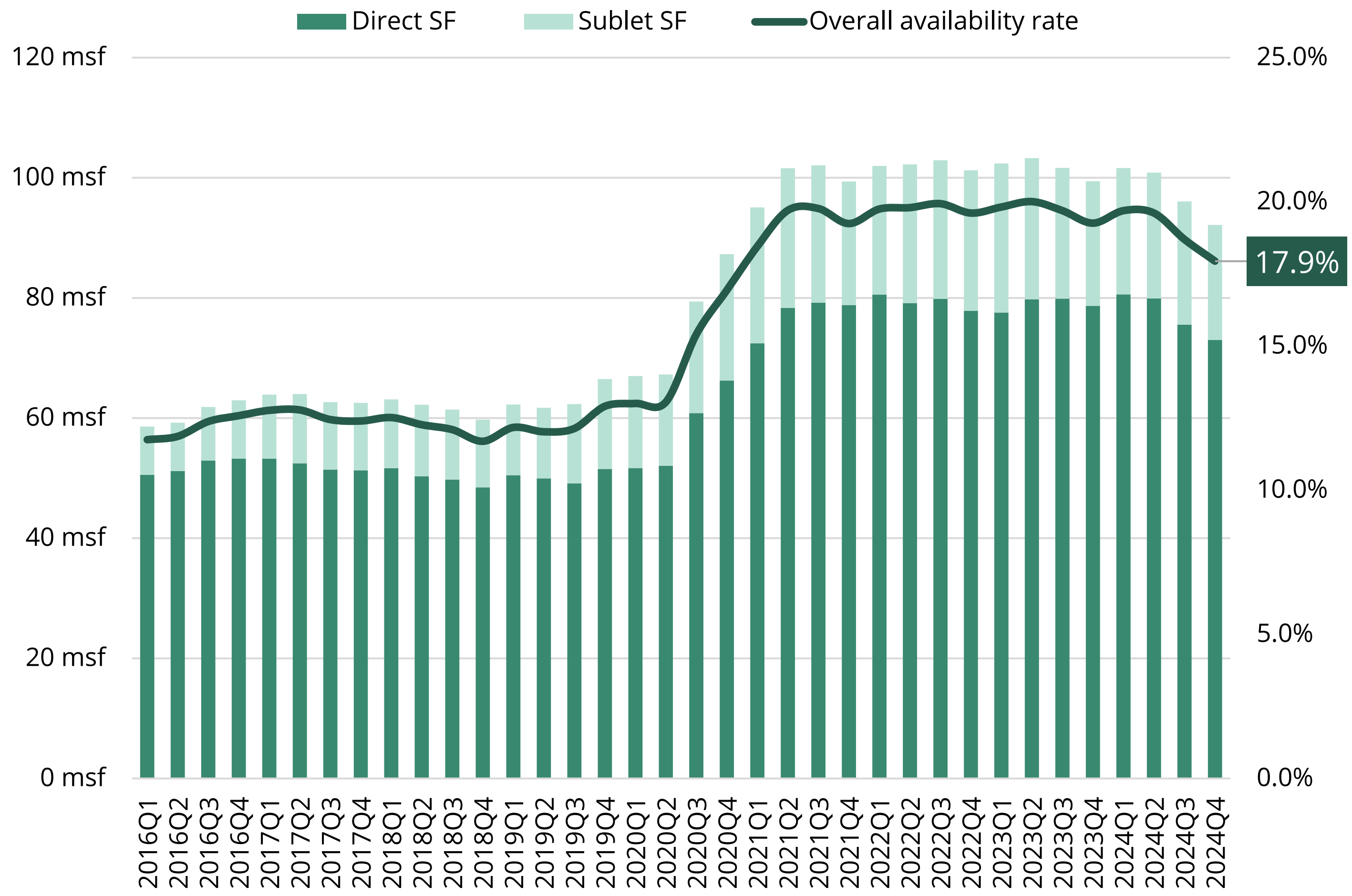
Leasing activity



At 35.9 msf, 2024 leasing activity is up 17.2% from 2023 and is the highest value since 2019. 2024 has also seen the highest volume of 100k+ sf leases since 2019, with 44 signed.

Source: AVANT by Avison Young, CoStar

Available space

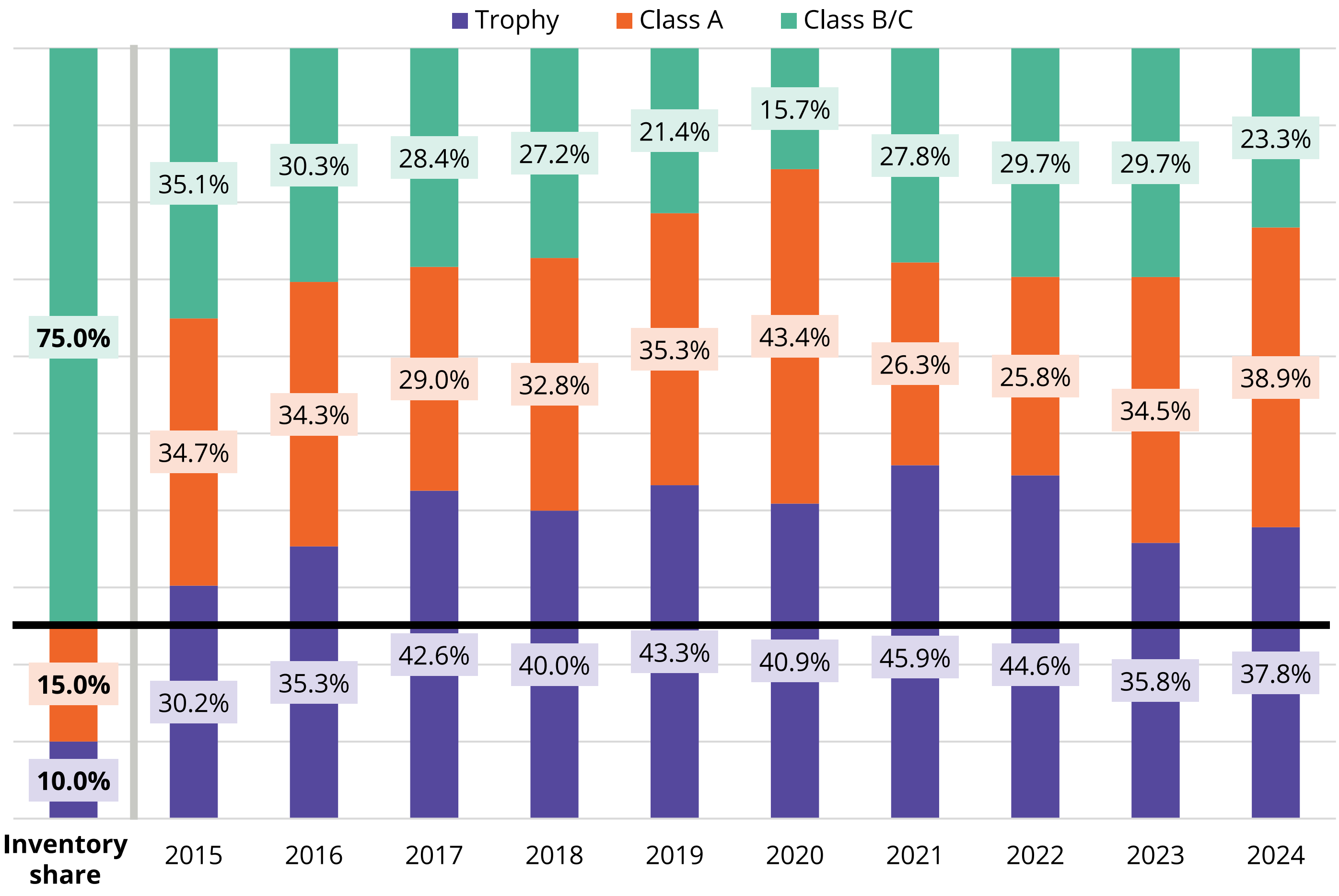


Source: AVANT by Avison Young, CoStar

The overall availability rate has dropped every quarter throughout 2024, and currently sits at 17.9%, the lowest value since Q4 2020.

The significant decrease in availability rate can be attributed to direct and sublet available space respectively decreasing by 3.4% and 6.7% quarter-over-quarter.

Transaction activity by asset class, by square footage



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

In 2024, class A properties have captured their largest share of Manhattan leasing activity by class at 38.9%. This represents a 12.8% increase year-over-year and is the highest value in a decade, outside of the outlier year 2020.

Additionally, trophy and class A's share remains oversized relative to its proportion of the market. Together, trophy and class A – the top 25% of inventory – have accounted for 76.7% of leasing activity in 2024.

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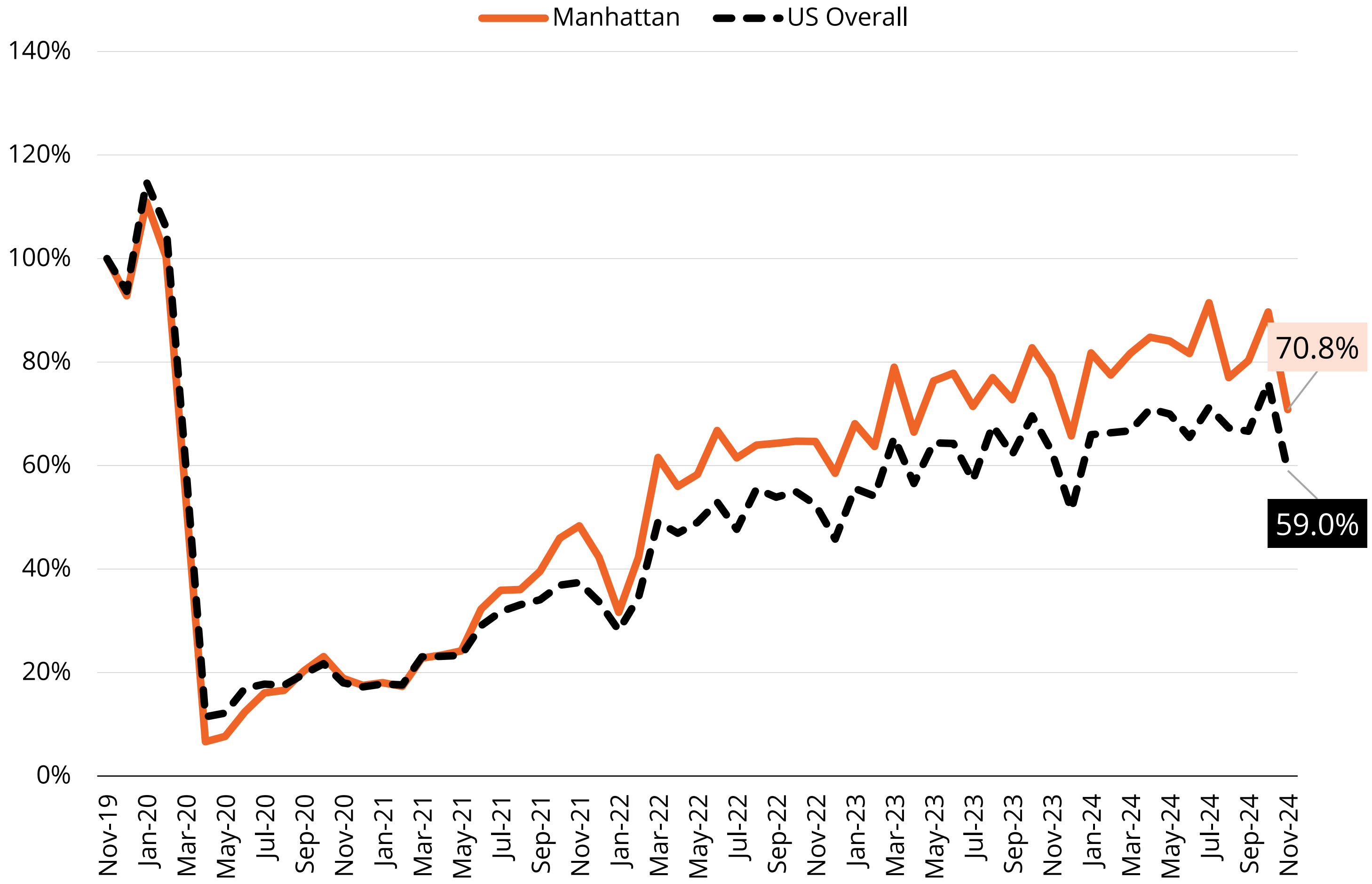
Market drivers

Manhattan office busyness, November 2024 vs. November 2019



Source: AVANT by Avison Young, Placer.ai

As of November 2024, office buildings in Manhattan are 70.8% as busy as they were in November 2019.

Seeing as Manhattan is one of the strongest office markets in the nation, it's no surprise that it has a higher office busyness rate than the U.S. average of 59.0%.

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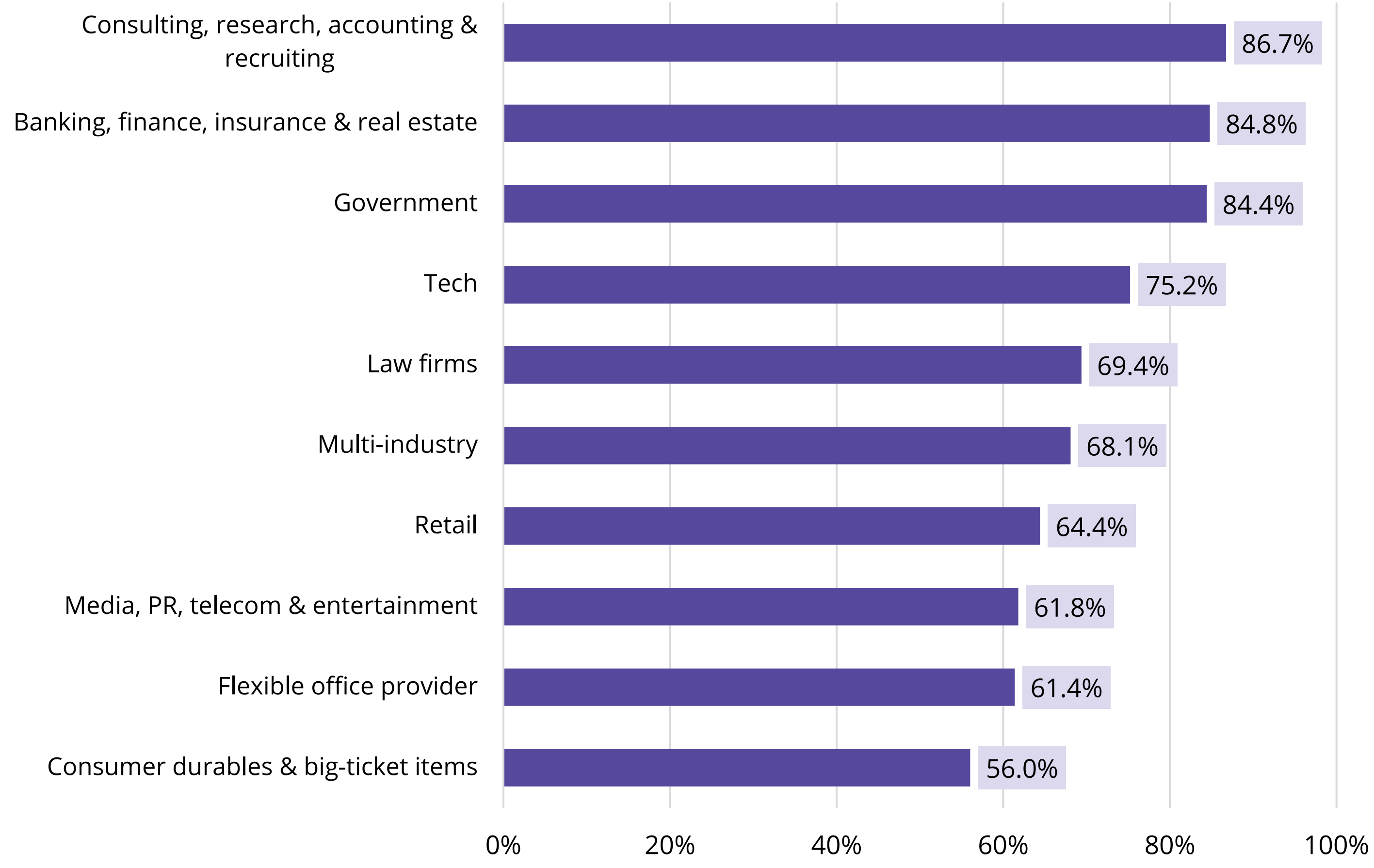
Manhattan office busyness by major industry, November 2024 vs. November 2019



Certain industries across Manhattan have seen stronger office busyness than others. For example, the consulting, research, accounting & recruiting industry was 86.7% as busy in November 2024 compared to November 2019.

Other major industries like banking, finance, insurance & real estate, and government have seen strong office busyness figures close to 85.0% due to their industries' return to office requirements.

Source: AVANT by Avison Young, Placer.ai

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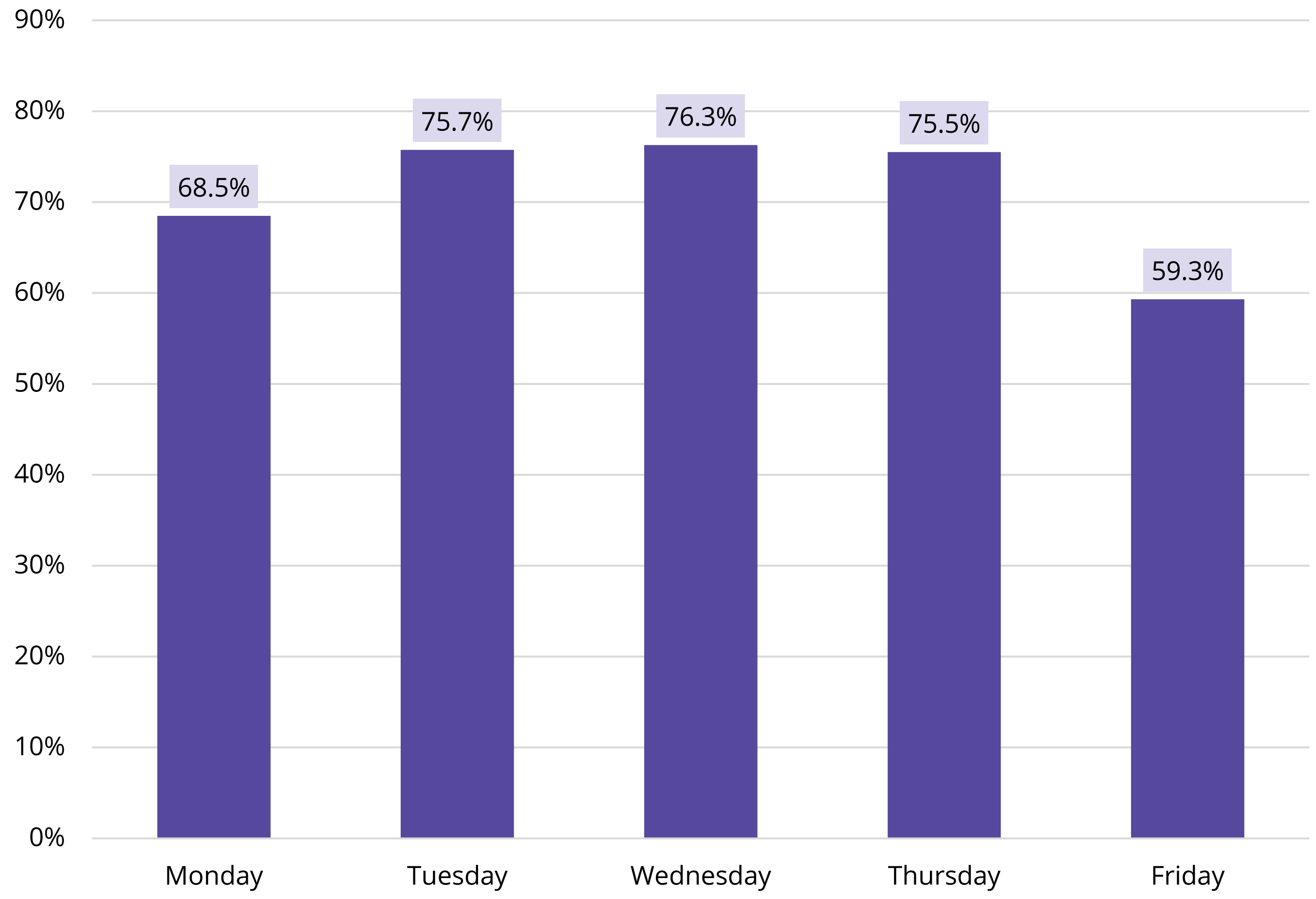
Manhattan office busyness by day of week, November 2024 vs. November 2019



Looking at office busyness in Manhattan by day of the week, it is no surprise that Tuesday – Thursday led the way. Given the hybrid structure of many companies, most employees seem to be adopting a Tuesday, Wednesday, & Thursday office schedule with some Mondays & Fridays remote.

Source: AVANT by Avison Young, Placer.ai

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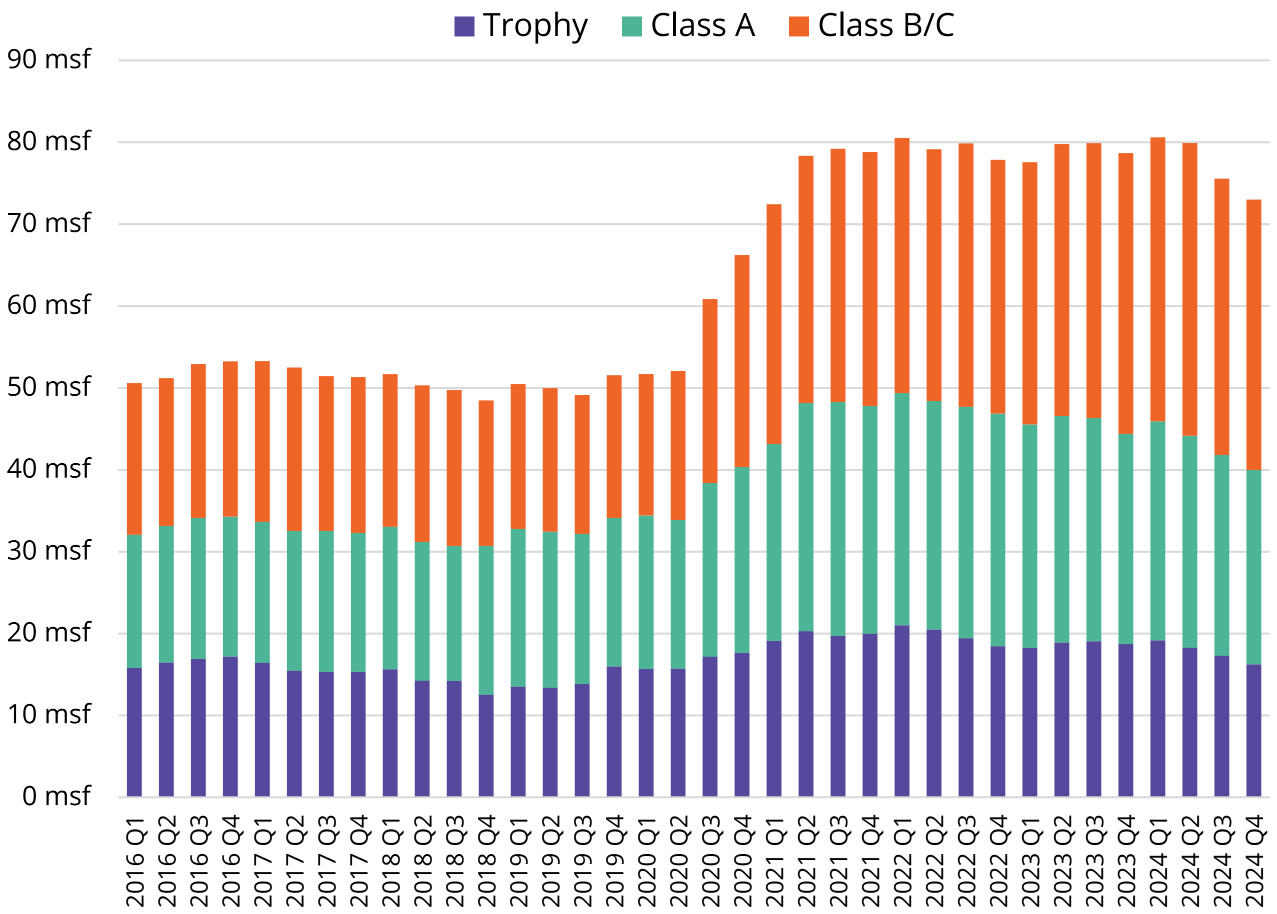
Available direct space



Source: AVANT by Avison Young, CoStar

Direct available space sits at 73.0 msf, the lowest value since Q1 2021. All asset classes saw significant quarter-over-quarter decreases, with trophy direct space dropping by 6.0%.

Trophy and class A direct available space both hit post-Covid lows, sitting at 16.2 msf and 23.7 msf, respectively.

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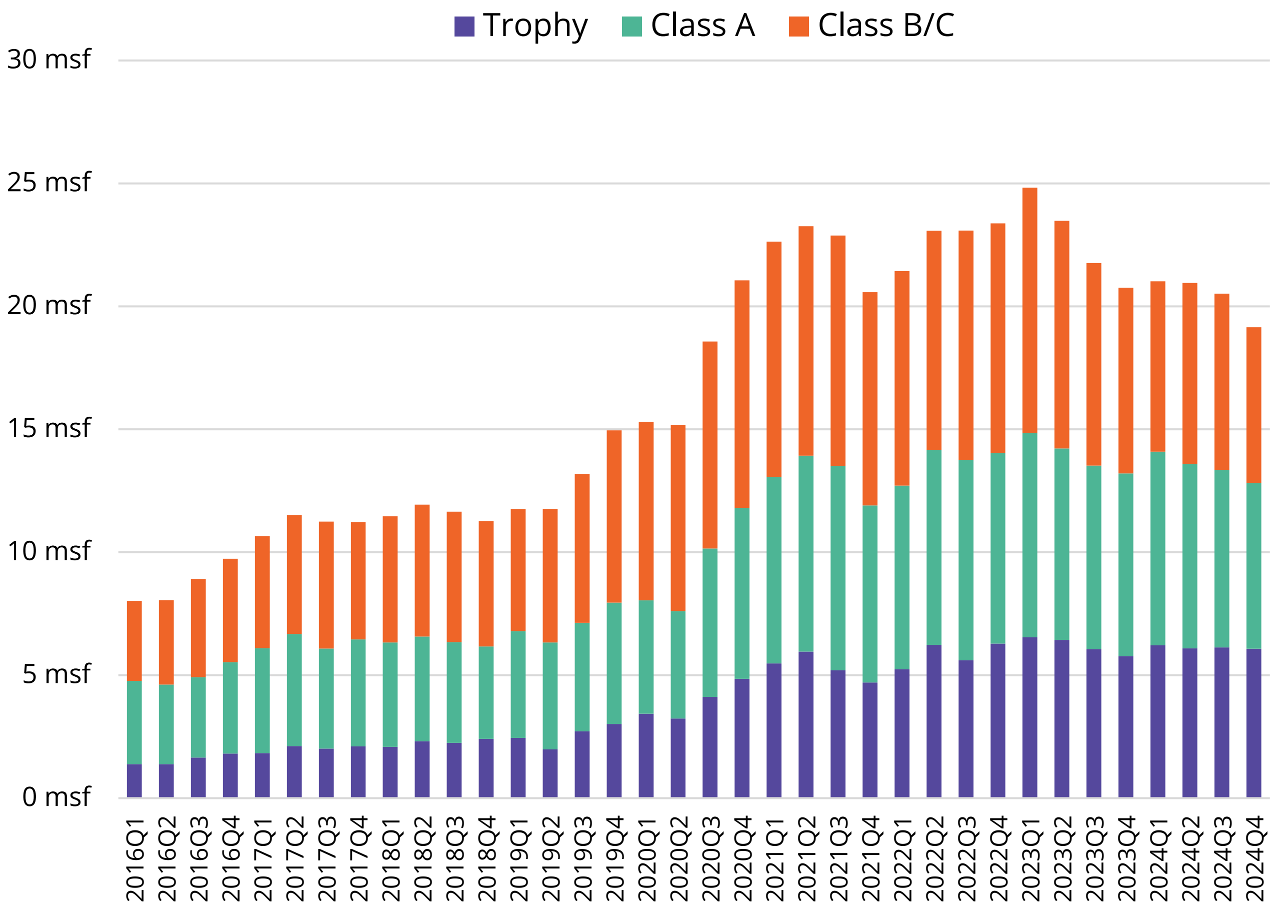
Available sublet space

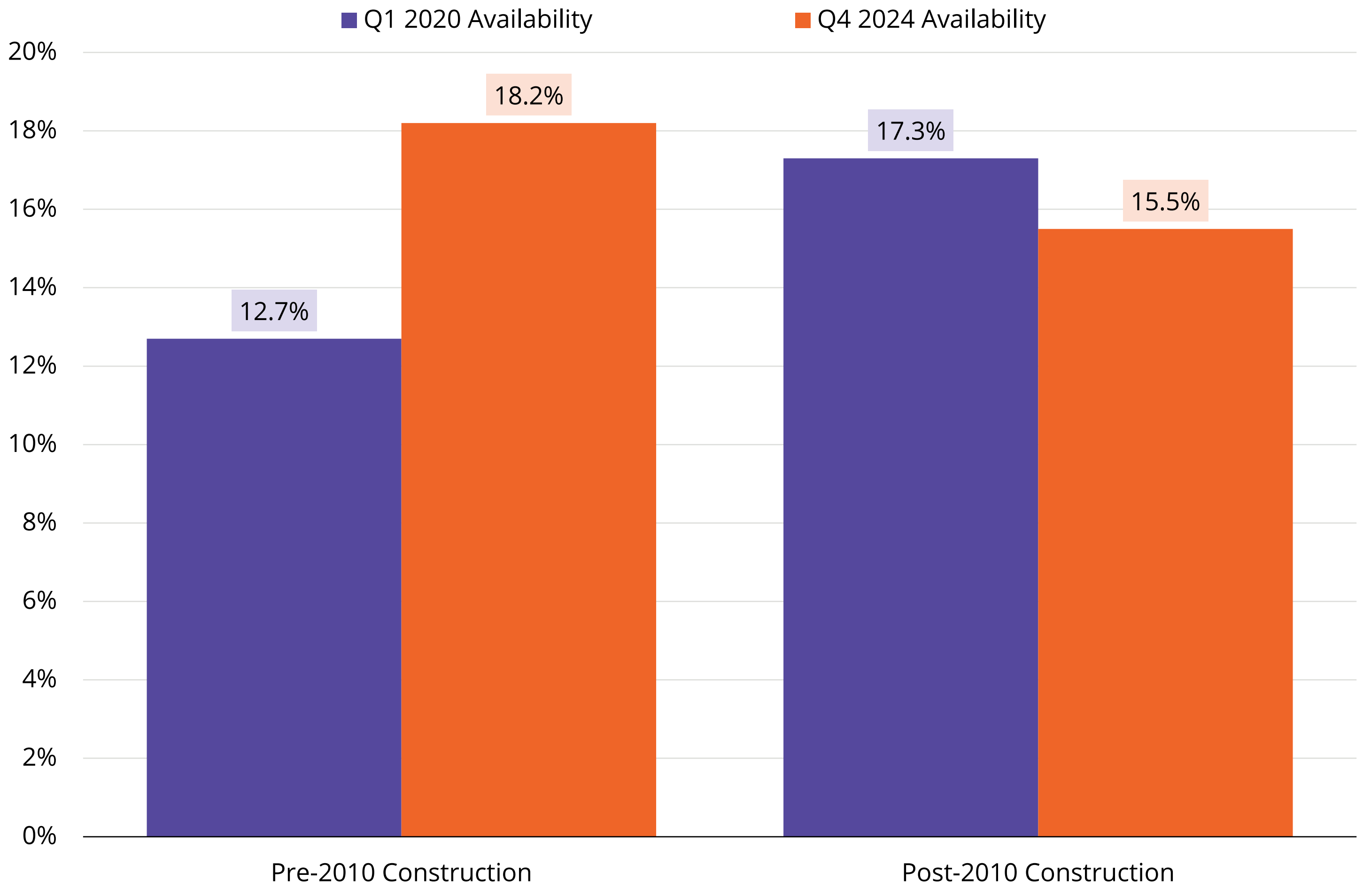


Sublet available space is currently at 19.1 msf. This is the lowest value since Q3 2020, with class B/C experiencing a 11.8% quarter-over-quarter decrease.

This decrease in supply is a positive sign for the Manhattan office market, signaling its return to pre-Covid numbers.

Source: AVANT by Avison Young, CoStar

Availability by build year, Q4 2024 vs. Q1 2020



Manhattan buildings constructed before 2010 have experienced an increase in availability from 12.7% in Q1 2020 to 18.2% in Q4 2024. In contrast, availability in newly constructed Manhattan buildings (post-2010) has decreased from 17.3% in Q1 2020 to 15.5% in Q4 2024.

Source: AVANT by Avison Young

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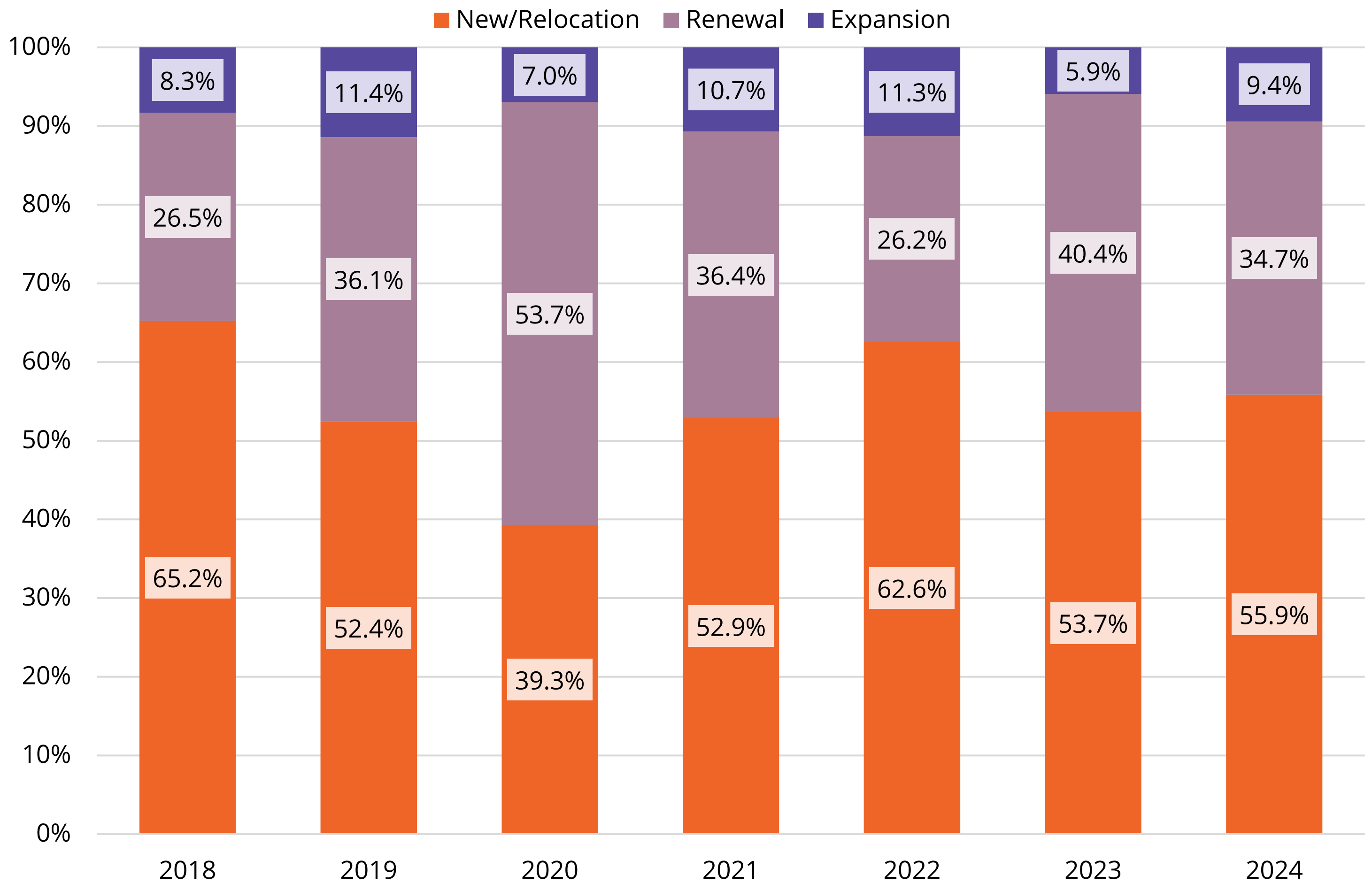
Transaction activity by lease type

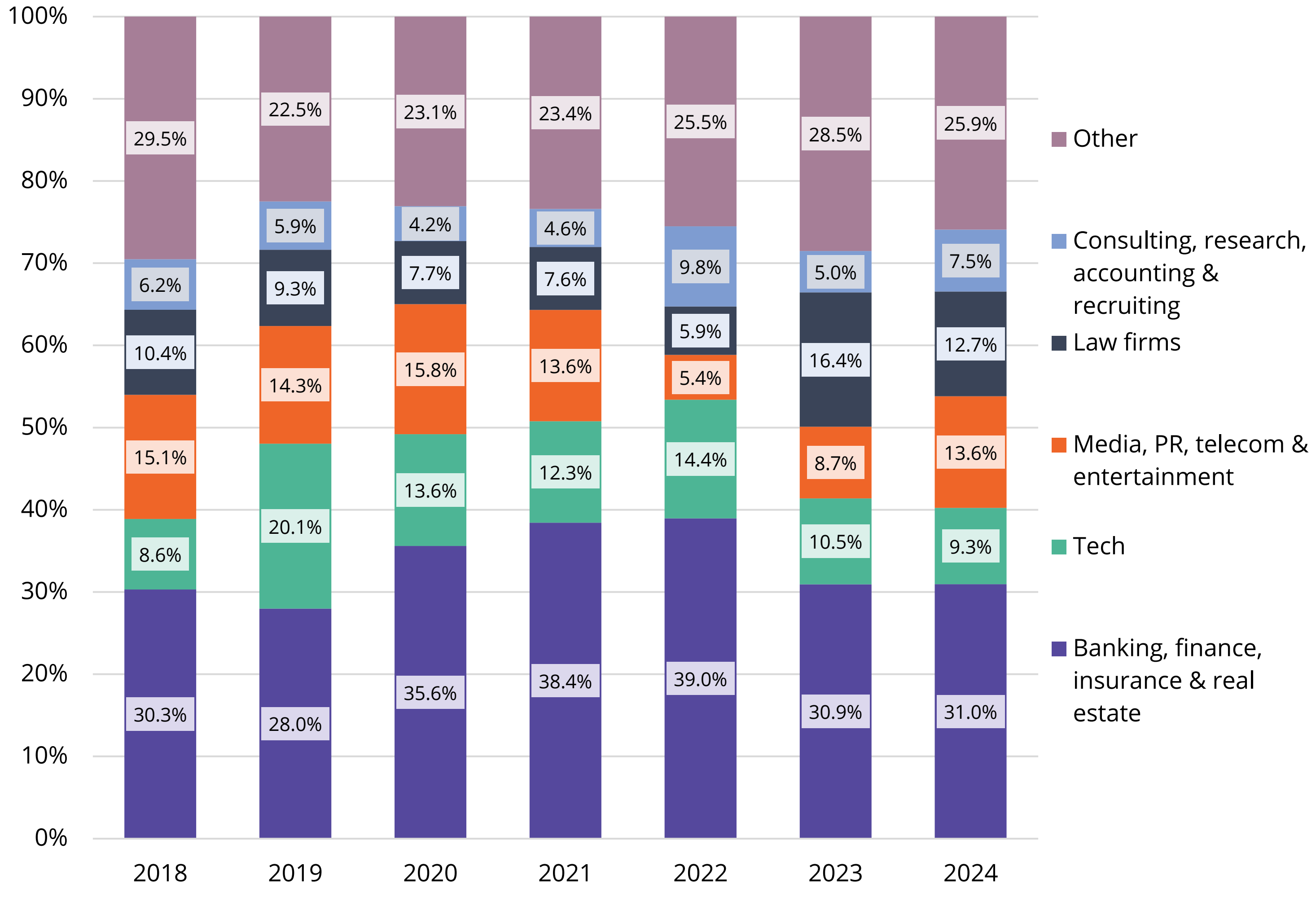


New/relocation leases continued to account for the majority of transaction activity in 2024, sitting at 55.9%.

Despite experiencing an oversized share of renewals in 2023, the amount has returned to normalcy in 2024. Meanwhile, expansions saw an increase year-over-year.

Source: AVANT by Avison Young.

Leasing activity share by industry



Of the major office-using industries across Manhattan, banking, finance, insurance & real estate continues to dominate market share due to their large footprint in the city.

In 2024, there was a shift among other office-using industries. Media, PR, telecom & entertainment companies saw a significant increase in their share of leasing activity, while law firms saw a year-over-year decrease.

Source: AVANT by Avison Young.

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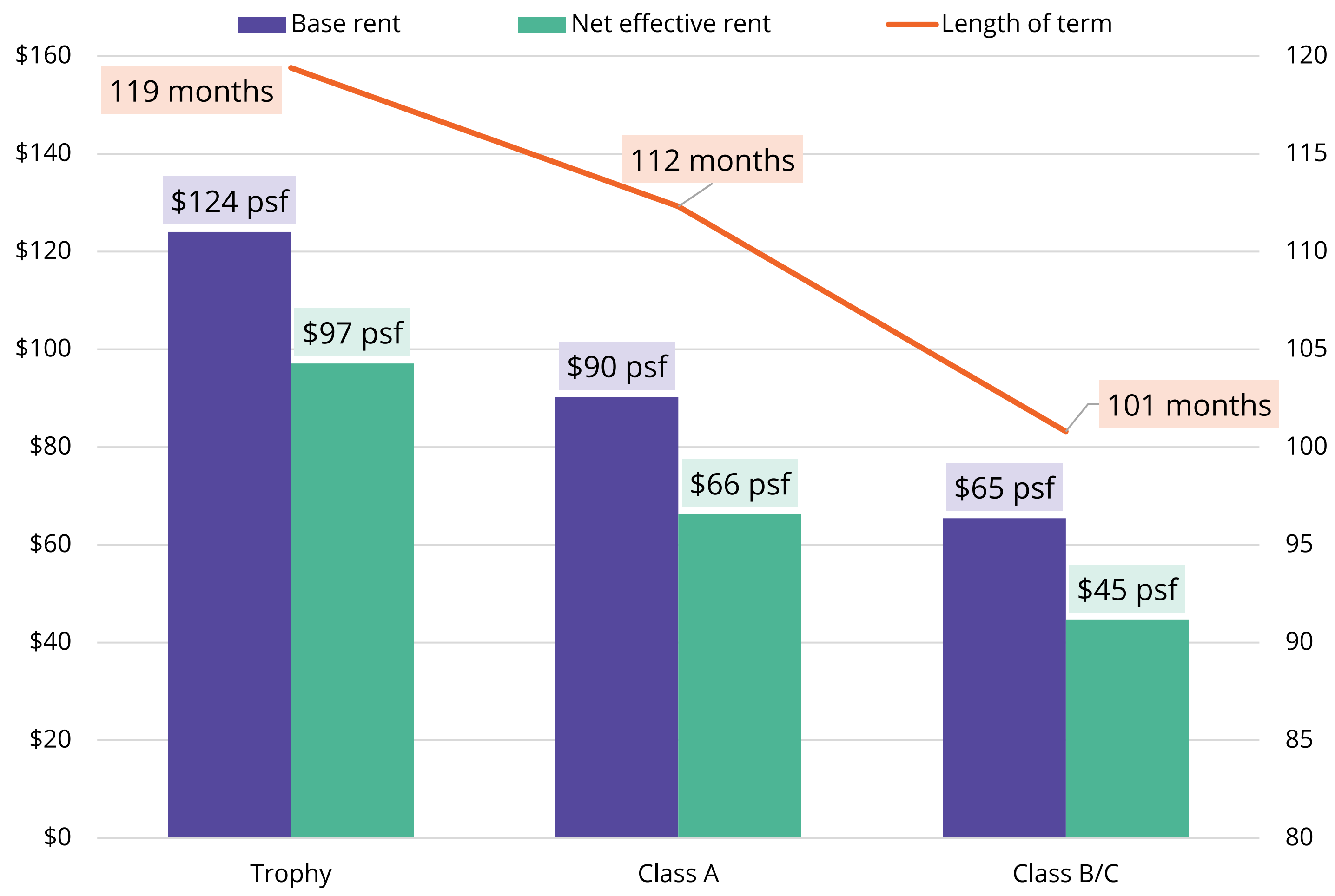
Lease economics by class



Trophy leases continue to average the longest lease terms of all the asset classes at 119 months, as well as the highest base and net effective rents at $124 and $97, respectively.

The gaps between base and net effective rents continue to grow for all asset classes, with trophy leases seeing the largest difference.

Direct relocations only. 12-month average, weighted by lease size.
Source: AVANT by Avison Young

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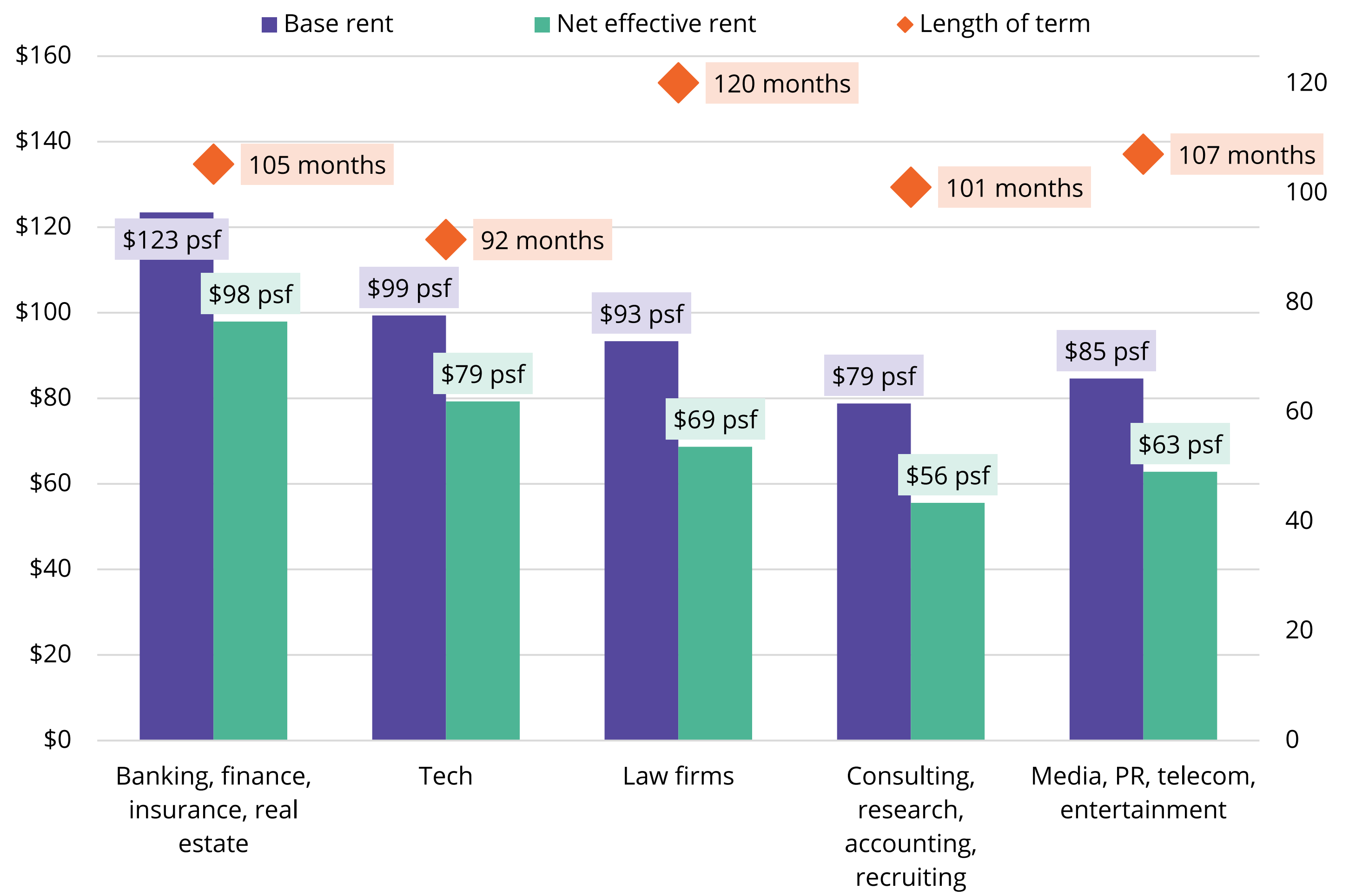
Lease economics by industry



Direct relocations only. 12-month average, weighted by lease size.
Source: AVANT by Avison Young

Over the past 12 months, banking, finance, insurance & real estate tenants have seen the highest average base rent of $123 psf and law firms continue to sign the longest lease terms on average at 120 months.

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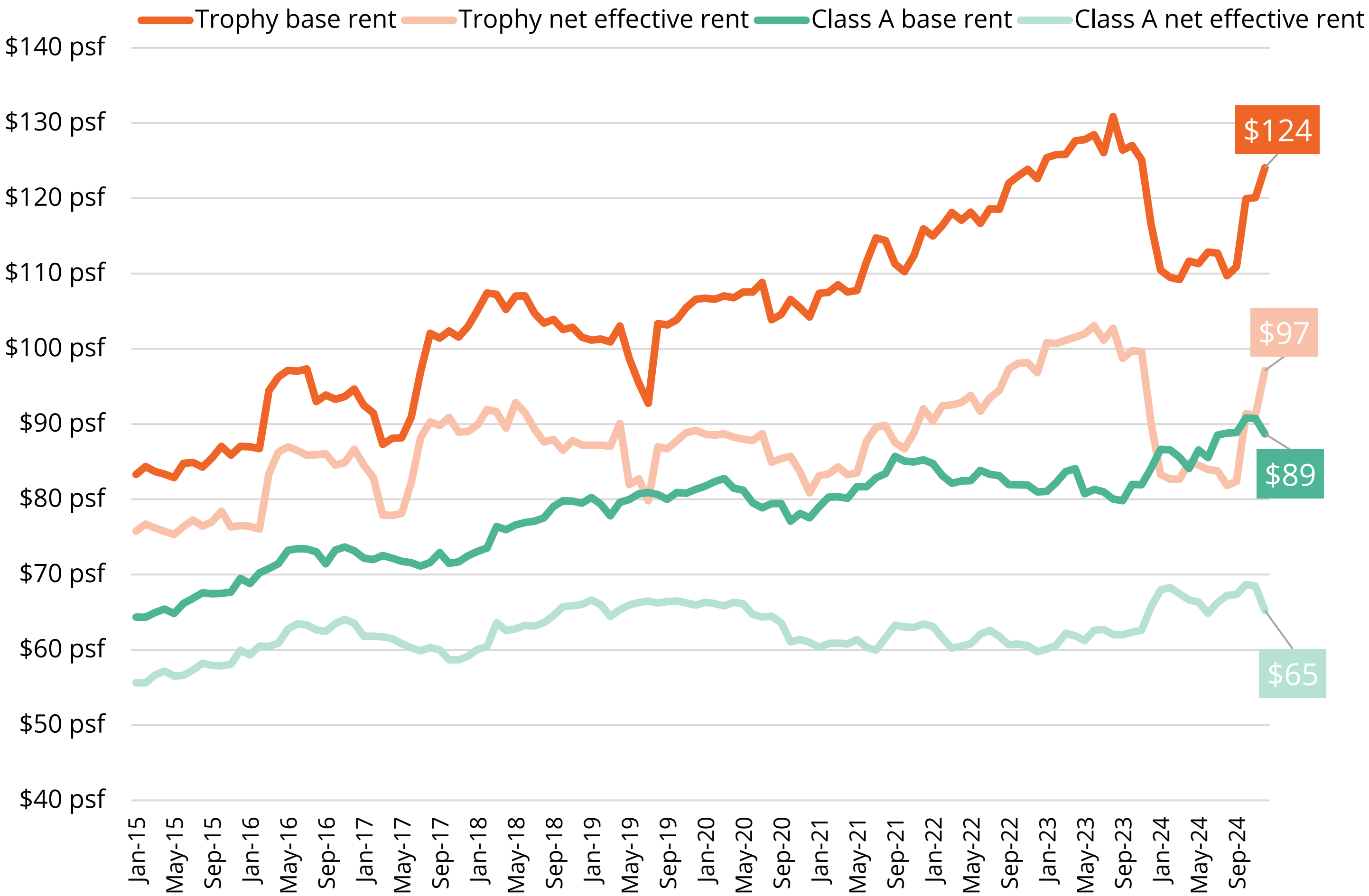
Base and net effective rents by class



Trophy base and net effective rents saw large jumps in Q4 2024 due to increased activity in trophy+ buildings.

Meanwhile, class A base and net effective rents saw slight dips in Q4, decreasing back to historical values.

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

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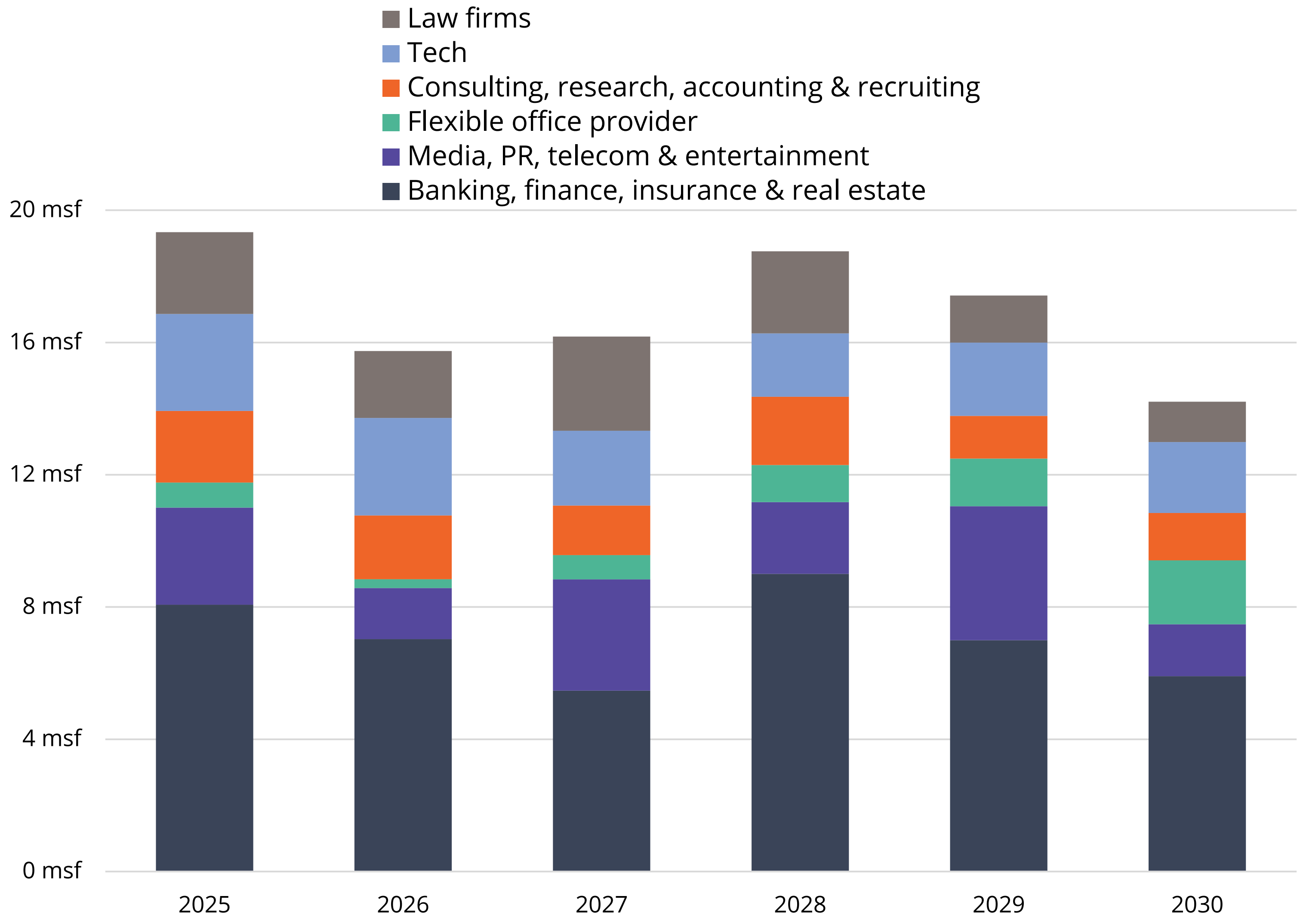
Upcoming lease expirations by major industry



Banking, finance, insurance & real estate tenants make up 41.8% of expiring leases by square footage among major office-using industries from 2025 to 2030, totaling 42.5 msf. The next largest share of lease expirations is Media & PR at 15.4%, totaling 15.6 msf.

Source: AVANT by Avison Young

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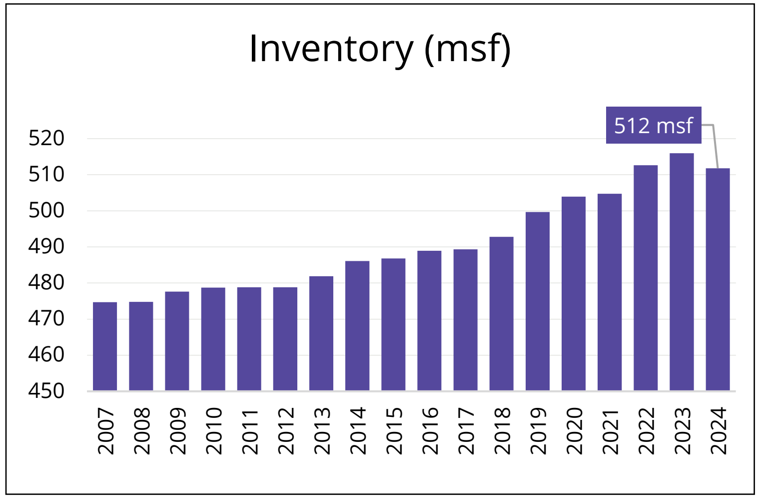
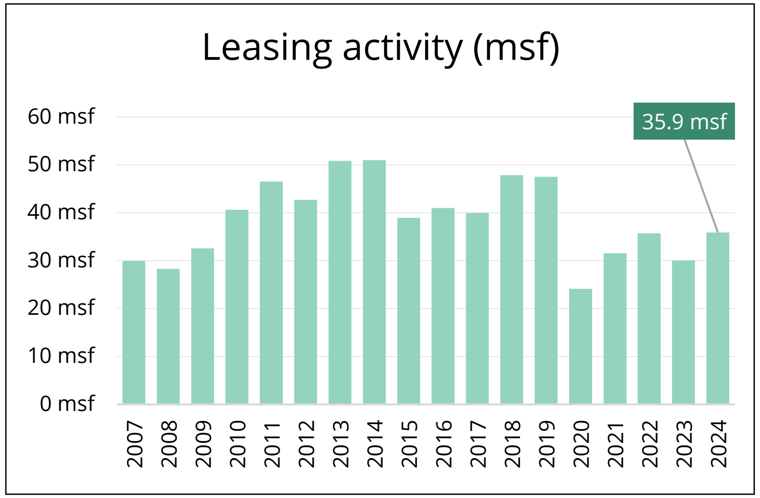
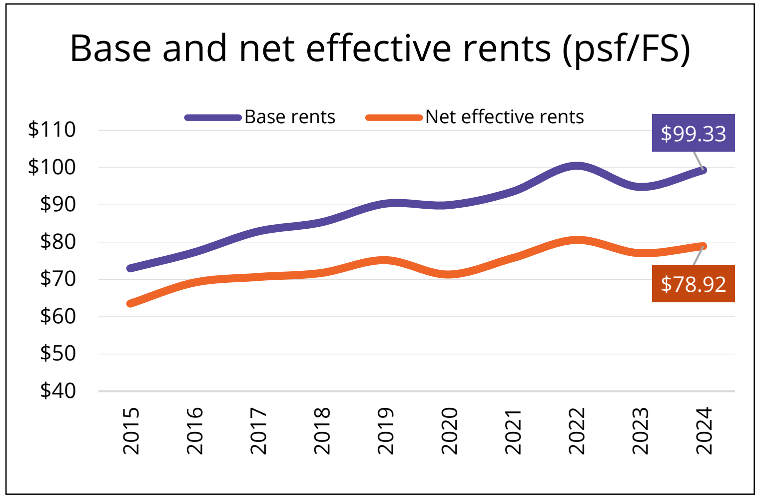
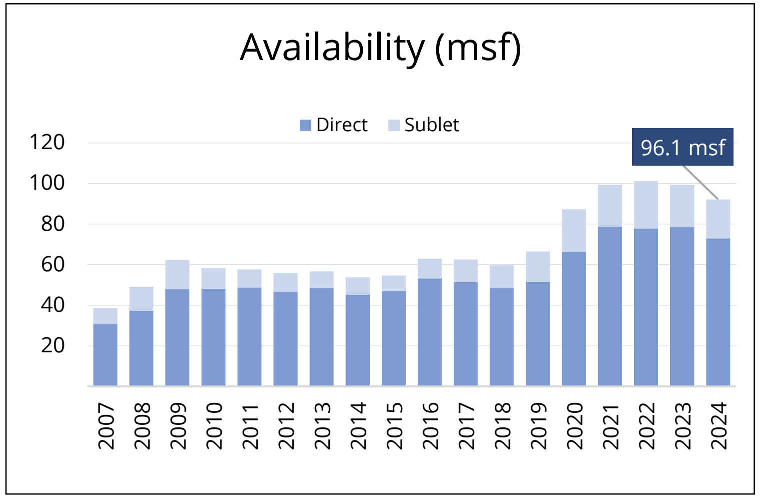
Appendix

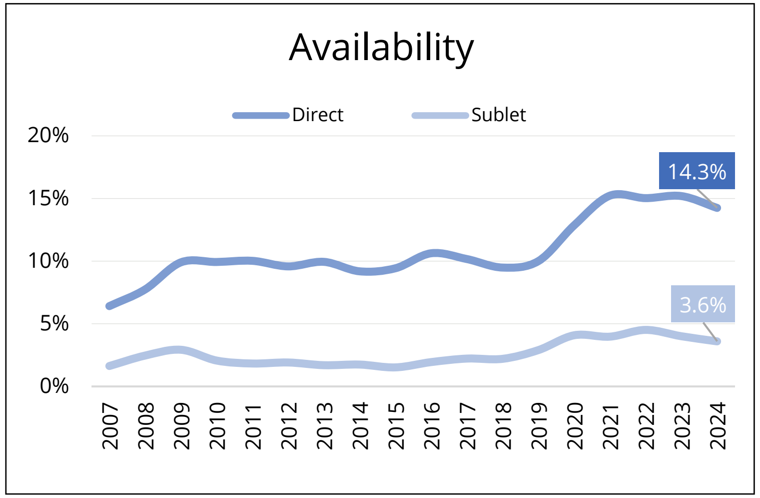
Manhattan office market indicators

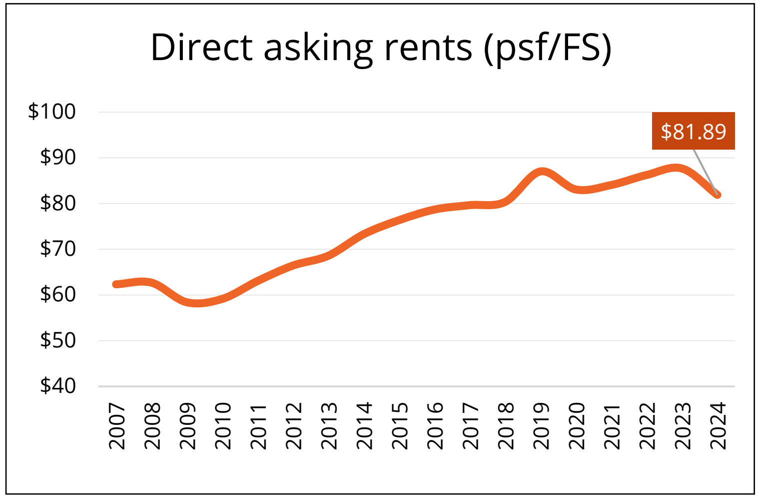












Source: AVANT by Avison Young, CoStar

Manhattan office market activity

Q4 2024 leasing activity (230,000+ sf)

Tenant	Address	Submarket	Sign date	Size sf	Transaction type	Lease type
Bloomberg	919 Third Avenue	Midtown East	Oct 2024	917,553	Renewal/Expansion	Direct
Ropes & Gray	1285 Avenue of the Americas	Midtown Core	Nov 2024	430,000	New	Direct
WeWork	330 West 34th Street	Penn Station	Dec 2024	303,741	New	Direct
TPG	66 Hudson Boulevard	Hudson Yards	Oct 2024	299,893	New	Direct
Google	85 10th Avenue	Meatpacking District	Oct 2024	296,775	Renewal	Direct
Winston & Strawn	200 Park Avenue	Grand Central	Oct 2024	237,825	Renewal	Direct

Large contiguous space availabilities added in Q4 2024

Address	Submarket	Space type	Block size sf	Date available
225 Liberty Street	World Trade Center	Sublet	331,509	January 2025
600 Madison Avenue	Central Park	Direct	146,781	July 2026
315 West 36th Street	Penn Station	Direct	139,879	Immediate
805 Third Avenue	Midtown East	Direct	119,000	December 2026
477 Madison Avenue	Midtown Core	Direct	91,709	Immediate

Source: AVANT by Avison Young, CoStar

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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	31,201,346	-	12.0%	3.8%	15.8%	$122.38
Grand Central	79,434,799	-	11.9%	2.9%	14.8%	$78.53
Hudson Yards	19,487,097	-	5.4%	8.3%	13.7%	$176.20
Midtown Core	58,990,282	199,000	10.8%	2.2%	13.0%	$98.69
Midtown East	23,547,120	-	15.4%	1.3%	16.7%	$71.34
Midtown West	3,572,812	-	16.0%	21.7%	37.7%	$60.81
Murray Hill	11,029,299	-	22.6%	3.2%	25.8%	$70.60
Penn Station	52,759,658	-	15.8%	2.5%	18.3%	$77.31
Times Square	35,263,941	-	17.8%	3.4%	21.2%	$78.13
Midtown Total	**315,286,354**	**199,000**	**13.3%**	**3.3%**	**16.6%**	**$84.43**
Chelsea	17,257,838	158,180	22.2%	4.1%	26.3%	$77.72
East Village	744,085	-	15.7%	8.8%	24.5%	-
Flatiron District/Gramercy Park	40,489,024	-	18.1%	2.3%	20.4%	$102.80
Greenwich Village	7,414,334	-	12.2%	0.6%	12.8%	$127.52
Hudson Square	10,356,262	-	17.0%	5.7%	22.7%	$88.89
Lower East Side	2,680,266	-	24.8%	5.9%	30.7%	$69.48
Meatpacking District	8,221,022	-	3.0%	1.2%	4.2%	$125.13
SoHo	6,579,510	-	17.8%	4.0%	21.8%	$82.58
West Village	293,542	60,674	31.5%	0.0%	31.5%	$62.77
Midtown South Total	**94,035,883**	**218,854**	**17.2%**	**3.0%**	**20.2%**	**$96.44**
City Hall	7,754,185	-	15.2%	2.1%	17.3%	$54.62
Financial District	43,910,586	-	20.1%	4.1%	24.2%	$68.22
Tribeca	7,630,681	-	16.7%	4.0%	20.7%	$57.66
Water Street Corridor	18,270,530	-	9.6%	10.6%	20.2%	$59.14
World Trade Center	22,769,692	-	7.6%	7.5%	15.1%	$76.73
Downtown Total	**100,335,674**	**-**	**14.7%**	**5.9%**	**20.6%**	**$67.26**
Upper East Side	535,947	-	3.3%	1.5%	4.8%	-
Upper West Side	1,603,866	-	8.9%	0.0%	8.9%	-
Manhattan Total	**511,797,724**	**417,854**	**14.3%**	**3.6%**	**17.9%**	**$81.89**

Source: AVANT by Avison Young, CoStar

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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	138,294,817	357,180	11.7%	4.4%	16.1%	$127.03
Class A	156,937,138	60,674	15.1%	4.3%	19.4%	$82.81
Class B/C	216,565,769	-	15.2%	2.9%	18.1%	$59.77
Market Total	**511,797,724**	**417,854**	**14.3%**	**3.6%**	**17.9%**	**$81.89**

Source: AVANT by Avison Young, CoStar

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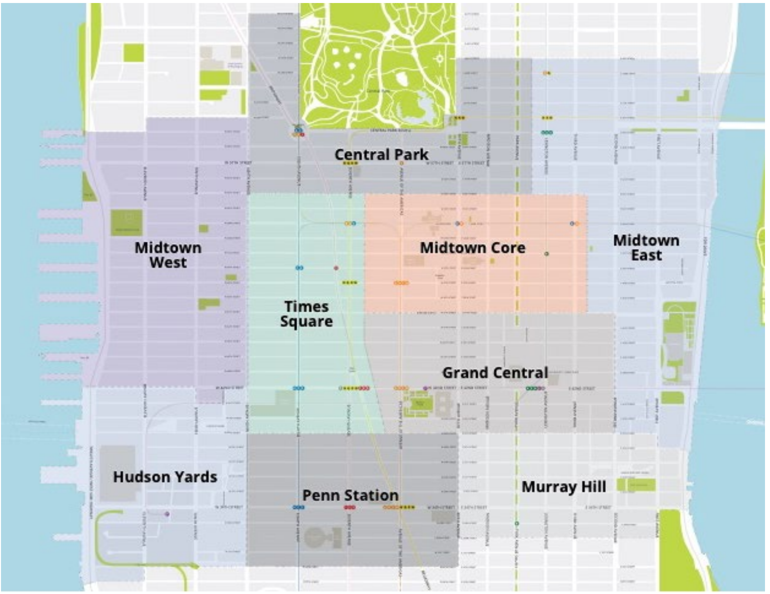
Manhattan submarket map

Midtown



Midtown South

Downtown

Click here to download larger maps

Source: AVANT by Avison Young

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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

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

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