

Manhattan

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Renewals dominate leasing activity as discretionary deals slow

Manhattan leasing activity totaled 7.3 million square feet (msf) in Q1 2023, an uptick of 32.5% from the weak 5.5 msf in Q4 and 9.0% below the five-year (2015-2019) pre-pandemic Q1 average. Renewals led the way, as tenants exercise caution at a time of increasing economic uncertainty. Just 36.9% of leases signed in Q1 were new leases or relocations; the remaining 63.1% were renewals or expansions in place. This “decision to stay” activity reflects a major increase from the 44.6% share just one quarter ago. Five of the top ten leases signed this quarter were renewals, including Cadwalader, Wickersham & Taft LLP’s 225,000-square foot (sf) renewal at 200 Liberty Street, which was a 34% reduction in footprint. CBS also right-sized its footprint by 40% via a 186,882-sf renewal at 555 W 57th Street.

Available sublet space climbs to new record height

Available sublet space reached a new all-time peak of 22.4 msf in the first quarter, up 10.5% from one year ago and 1.6% higher than the previous all-time peak of 22.0 msf set in Q1 2021. Sublet space now accounts for 24.6% of all available office space in Manhattan. Direct available space also increased on the quarter, up 2.3%, and combined with sublet additions to drive Manhattan’s overall availability rate up 70 basis points (bps) from a quarter ago to a new cycle peak of 19.5%.

Sublet asking rents decline amid intense competition, while direct rents grow due to new high-end listings

The overall average office asking rent was essentially flat from a quarter ago at \$77.08 per square foot (psf), and 0.3% lower than one year ago. The lack of movement masks markedly different trends across markets and space type. Rents declined 0.9% and 0.3% in Midtown and Downtown, respectively, but grew 2.2% in Midtown South due in part to several new listings in excess of \$100.00 psf at 859-899 Broadway, 836 Broadway, and 412 W 15th Street. Competition among the abundant sublet listings drove overall sublet asking rent down 1.3% from a quarter ago to \$61.26 psf, while direct asking rents grew 0.5% on the quarter to \$81.96 psf.

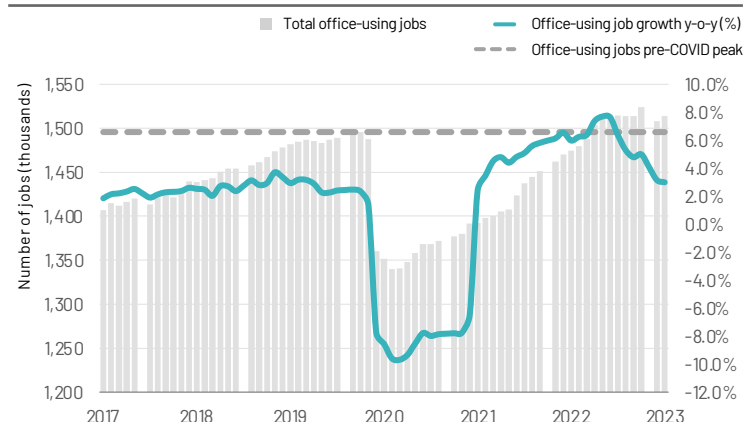
Key Statistics

	Q1 2022	Q1 2023	Y-O-Y
Inventory	470.8 msf	467.6 msf	-3.2 msf
Availability Rate	19.1%	19.5%	+40 bps
Asking Rental Rate	\$77.34	\$77.08	-0.3%
Class A Asking Rental Rate	\$87.02	\$86.33	-0.8%
Quarterly Leasing Activity	7.7 msf	7.3 msf	-0.4 msf
Available Sublease Space	20.3 msf	22.4 msf	+2.1 msf

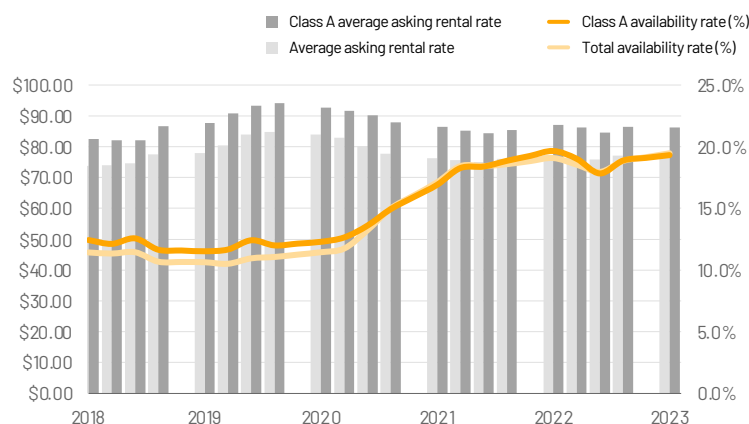
Outlook

- As owners of older, obsolete office buildings face difficulty securing financing for capital improvement programs, expect more conversions, including to residential
- Sublet availability is at an all-time high, so expect tenants to prioritize pre-built, flexible, plug ‘n play space at the expense of raw or shell commodity options

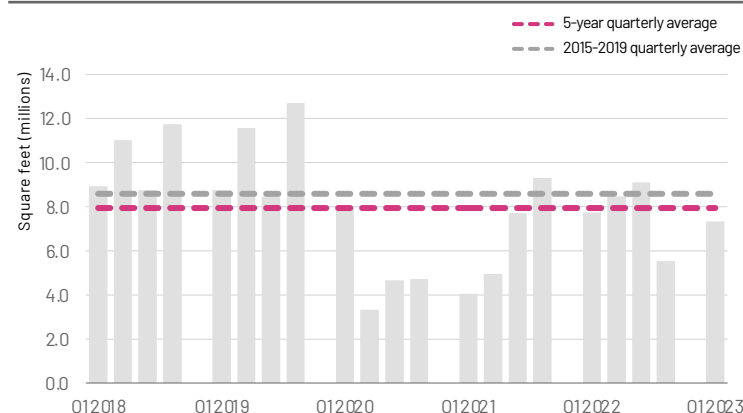
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



- The recent failure of Silicon Valley Bank compounded an already difficult venture capital funding climate, so expect tech sector layoffs to persist and related leasing to remain muted

Top Transactions

*Trophy Building

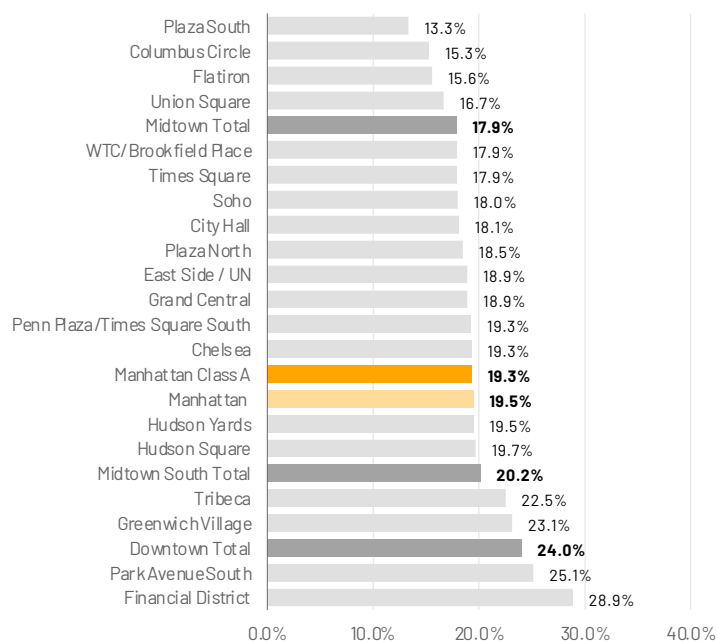
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Two Sigma Securities	Financial Services	Soho	100 Avenue of the Americas	265,217	Renewal
Cadwalader, Wickersham & Taft LLP	Legal Services	WTC/Brookfield Place	200 Liberty Street	225,000	Renewal
CBS	TAMI	Columbus Circle	555 W 57th Street	186,882	Renewal
Wilson Sonsini Goodrich & Rosati	Legal Services	Plaza South	31 W 52nd Street	132,502	Relocation
Braze	TAMI	Park Avenue South	63 Madison Avenue	92,306	Relocation**
Penske Media Group	TAMI	Grand Central	475 Fifth Avenue	89,975	Renewal
Joel Frank, Wilkinson Brimmer Katcher LLC	Professional Services	Grand Central	22 Vanderbilt Avenue	79,801	Relocation
Standard Chartered Bank	Financial Services	Penn Plaza/Times Square South	1095 Avenue of the Americas	70,046	Renewal
Bank of America	Financial Services	Times Square	One Bryant Park*	69,206	Expansion
Revlon	Retail	Financial District	55 Water Street	68,518	Relocation**

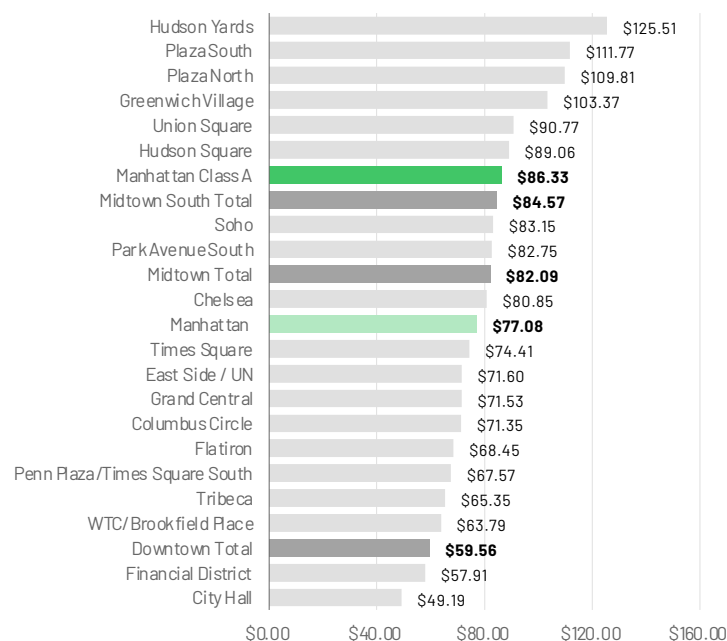
Availability Rate Comparison (%)

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Rental Rate Comparison (\$/sf)

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Manhattan Q1 2023 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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