

Manhattan

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A dearth of large deals caused total leasing volume to slow, though retailers picked up their activity

Manhattan office leasing volume retreated in Q1 2024, measuring 6.8 million square feet (msf) for a 22.9% decline from its more robust 8.9 msf total a quarter ago and a 6.6% drop from its year-ago sum in Q1 2023. Large leases greater than 100,000 sf were fewer in Q1, with just seven such transactions signed compared to 14 last quarter. Small-to-mid-sized leases are accounting for a greater share of activity. Closed deals within the 5,000-20,000-square foot range constituted 77.7% of leases signed this quarter, representing the second-highest quarterly proportion since the start of 2020. Retailers were notably active in Q1, accounting for three of the four largest transactions and 18.0% of total leasing volume this quarter, a significant step up from their 7.6% market share in 2023. Legal Services activity cooled to 10.7% of volume after a lively 2023. Subleasing activity was notably tepid this quarter, with subleases accounting for just 0.9 msf or 13.8% of total leasing volume.

Numerous large block additions drove the availability above 20%

The overall availability rate increased 60 basis points (bps) from a quarter ago to 20.1%, a new post-pandemic peak for the market. A more tepid leasing climate coupled with abundant large block additions combined to drive total available space up 2.9 msf from a quarter ago to 94.1 msf. There were 19 blocks of at least 100,000 sf added to the market in Q1 which totaled 5.7 msf of space. The Terminal Warehouse development in Chelsea, now within 12 months of occupancy, was the largest addition at 1.1 msf. Sublet listings from Publicis, UBS, and WPP totaled another 1.2 msf. Sublet available space increased 5.7% on the quarter to 21.3 msf, reversing the past two quarters of declines.

Midtown Class A asking rents fell for a second straight quarter

Average asking rents in Manhattan increased 0.4% from a quarter ago to \$76.20 per square foot (psf), but rent movement varied significantly by location and space type. Midtown Class A asking rents fell 1.6% on the quarter and 3.2% year-over-year to \$90.92 psf as much of leasing activity continues to be concentrated at the top of the market. The spread between direct and sublet asking rents in Manhattan widened to 27.8% in Q1, as sublet asking rents fell for a fifth straight quarter to \$58.71 psf, reflecting aging listings with increasingly aggressive pricing.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	467.6 msf	467.8 msf	+0.2 msf
Availability Rate	19.5%	20.1%	+60 bps
Asking Rental Rate	\$77.08	\$76.28	-1.0%
Class A Asking Rental Rate	\$86.33	\$84.89	-1.7%
Quarterly Leasing Activity	7.3 msf	6.8 msf	-0.5 msf
Available Sublease Space	22.4 msf	21.3 msf	-1.1 msf

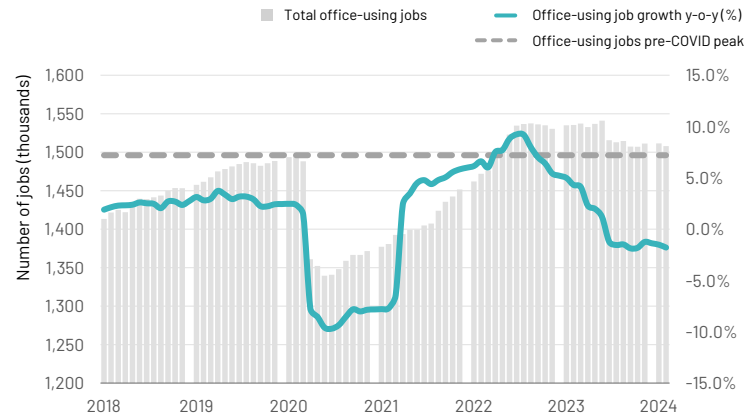
Outlook

01 The three lowest-availability submarkets in Manhattan – Plaza South, Plaza North, and Hudson Yards – are defined by their high concentration of top-end space options. This is no coincidence, and we expect the office market to continue to bifurcate

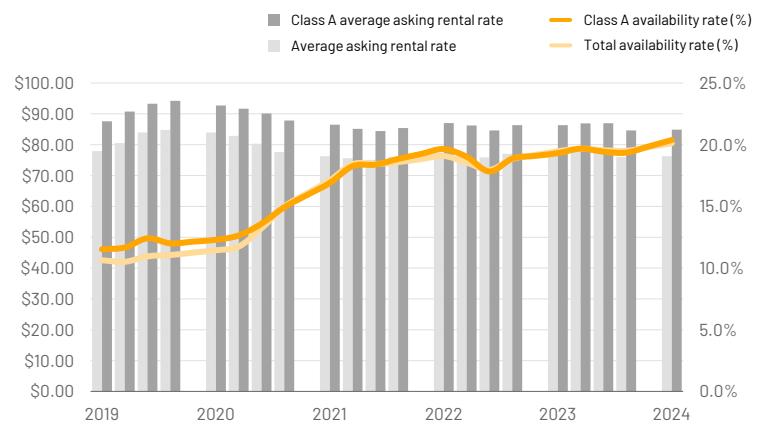
02 After three quarters of negative job growth, firms continue to focus on right-sizing office footprints in a post-pandemic world. As such, expect continued outsized activity in the mid-sized part of the market

03 The majority of leasing activity will continue to be expiration-driven as office-using employment remains stagnant, giving little impetus for tenants to preemptively seek out space

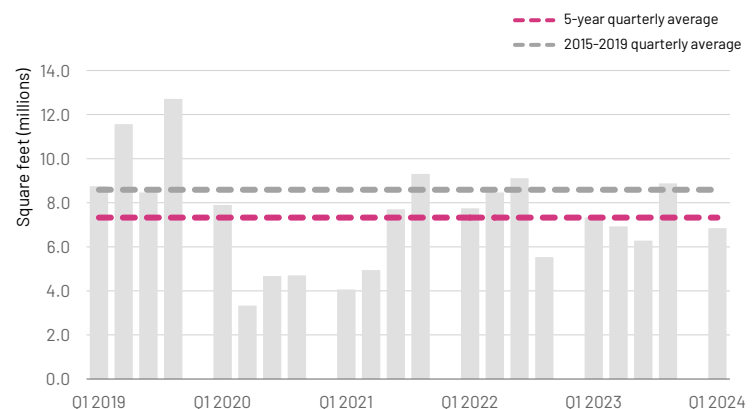
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

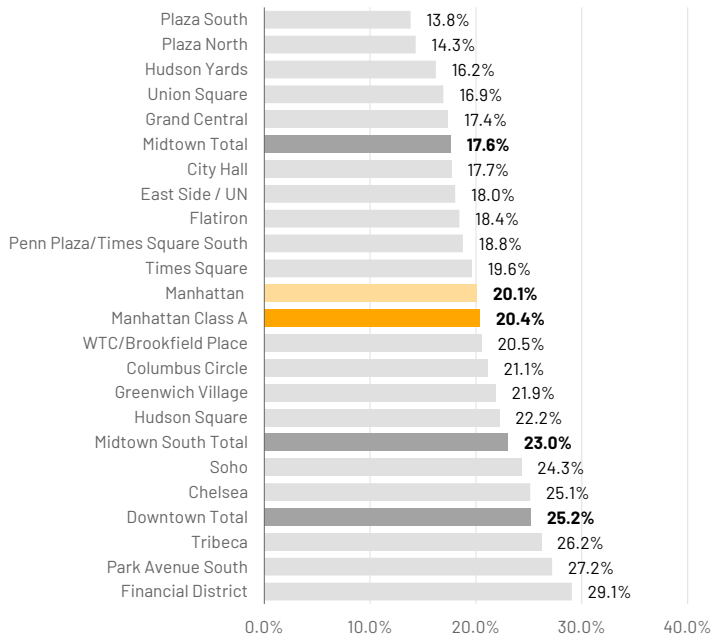
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Michael Kors	● Retailers & Luxury Goods	Grand Central	11 W 42 nd Street	203,064	Renewal
King & Spalding	● Legal Services	Plaza South	1290 Avenue of the Americas	175,513	Relocation
Burlington Stores	● Retailers & Luxury Goods	Penn Plaza/ Times Square South	1400 Broadway	170,763	Renewal & Expansion
David Yurman	● Retailers & Luxury Goods	Tribeca	200 Hudson Street	150,703	Renewal & Expansion
Intercontinental Exchange (ICE)	● Financial Services	Columbus Circle	1345 Avenue of the Americas	142,946	Relocation
Archdiocese of New York	● Associations & Non-Profits	Plaza South	488 Madison Avenue	142,308	Relocation
Betterment	● Financial Services	Hudson Yards	450 W 33 rd Street (5 Manhattan West)	113,422	Relocation**
Evercore	● Financial Services	Plaza South	55 E 52 nd Street (Park Avenue Plaza)	94,998	Expansion
Success Academy Charter Schools	● Education	Financial District	120 Wall Street	94,000	Renewal & Expansion
JRM Construction Management	● Construction, Engineering & Architecture	Penn Plaza/ Times Square South	111 W 33 rd Street	89,281	Relocation**

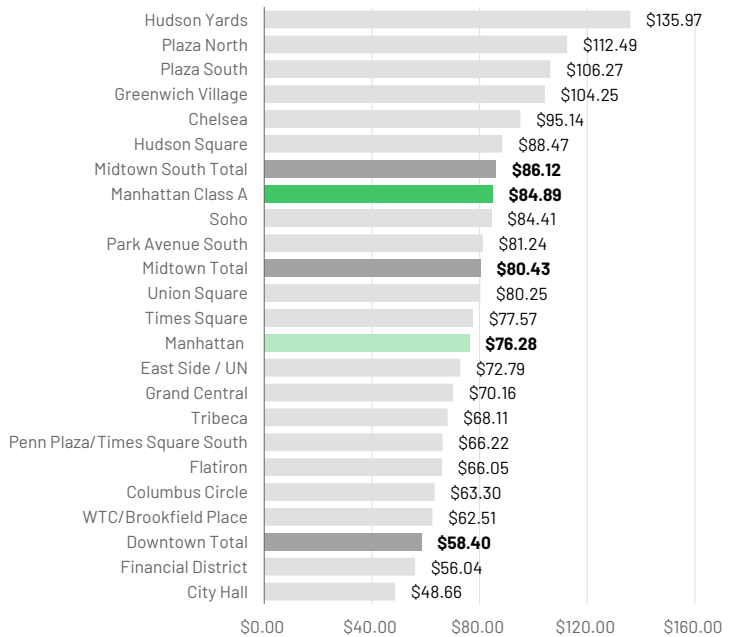
Availability Rate Comparison (%)

MANHATTAN SUBMARKETS



Rental Rate Comparison (\$/sf)

MANHATTAN SUBMARKETS



Manhattan Q1 2024 - 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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