

Manhattan

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Stronger leasing activity was underpinned by the expansionary nature of most large transactions

Manhattan office leasing velocity rebounded after a slow first quarter, totaling 8.7 million square feet (msf) in Q2 2024. Leasing for the first half of 2024 totaled 15.5 msf and increased 8.9% from H1 2023. However, Q2 2024 leasing was still 6.3% shy of the pre-pandemic (2015-2019) Q2 average. Bloomberg's 946,815-square foot renewal at 731 Lexington Avenue was the largest lease of the quarter by a considerable margin and contributed to the stronger total leasing volume. A significant developing theme this quarter was the expansionary nature of most large leases. Of the 25 leases signed this quarter 50,000 sf or greater, 18 of them represented an increase in size, with tenants growing their footprint through a combination of relocations, expansions, and new location openings. Subleasing activity totaled 1.5 msf or 17.7% of total leasing volume, just 10 basis points (bps) higher than its share last quarter. Though leasing showed positive momentum this quarter, office-using employment remains negative year over year and may continue to be a drag on occupancy.

Class A availability declined, while Class B/C availability crept up

The overall availability rate ticked down 10 bps from a quarter ago to 20.0%. The decline is attributed to the Class A market availability rate which fell 40 bps to 20.0%, while Class B/C availability increased 30 bps to 20.1%. Tenant activity was clearly more concentrated in higher quality buildings this quarter, as Class A leasing accounted for 67.6% of the total, despite such buildings only accounting for 57.4% of inventory. After increasing last quarter, available sublet space resumed its gradual decline, falling from 21.3 msf to 20.7 msf in Q2 2024.

Midtown Class A asking rents bounced back in Q2 2024

Average asking rents in Manhattan overall increased 0.5% from a quarter ago to \$76.63 per square foot (psf), but rent movement varied significantly by location and space type. Midtown Class A asking rents rebounded from their drop in Q1 2024, growing 2.6% on the quarter to \$93.27 psf and reflecting the outsized demand for well-located, high-end product in that part of the market. This compares to a 1.4% increase for Class A rents in Manhattan overall. Meanwhile, Class B/C asking rents fell 3.3% on the quarter in Midtown and 0.9% in Manhattan overall.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	467.7 msf	466.5 msf	-1.2 msf
Availability Rate	19.7%	20.0%	+30 bps
Asking Rental Rate	\$77.62	\$76.63	-1.3%
Class A Asking Rental Rate	\$86.92	\$86.09	-1.0%
Quarterly Leasing Activity	6.9 msf	8.7 msf	+1.8 msf
Available Sublease Space	21.6 msf	20.7 msf	-0.9 msf

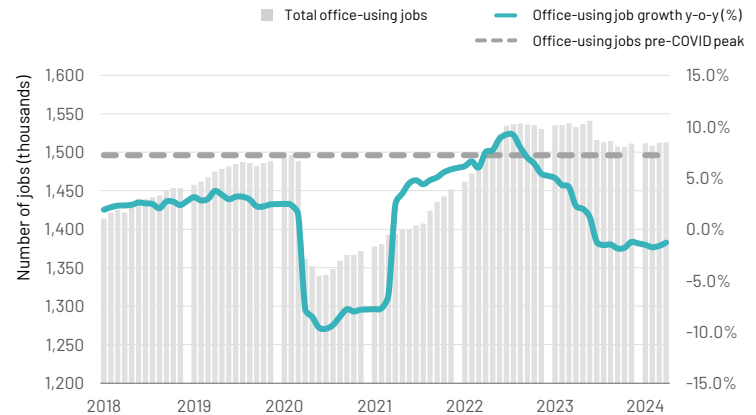
Outlook

01 The American Eagle and Covington & Burling relocations were subleases with direct extensions - unconventional deal structures that could be replicated if large sublet blocks in high-end buildings remain available

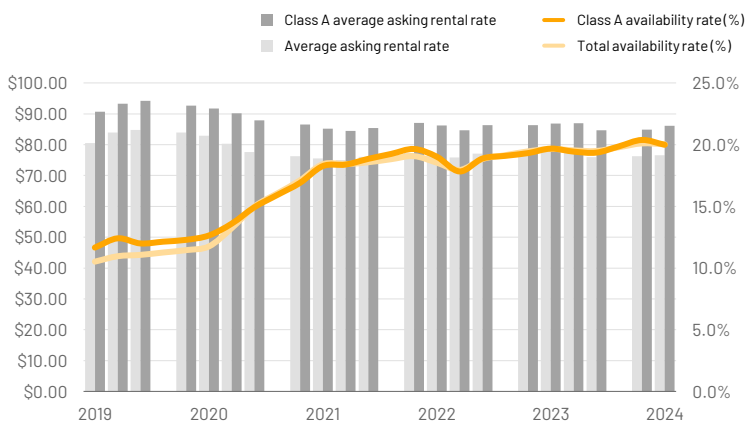
02 Coworking firms accounted for 3.7% of Q2 2024 leasing volume, after signing nearly zero leases in 2023. We may see some continued reshuffling in the coworking space in the wake of WeWork's bankruptcy

03 As the construction pipeline slows and demand continues to be outsized for high-end office product, expect the Class A availability rate to trend below the overall market average

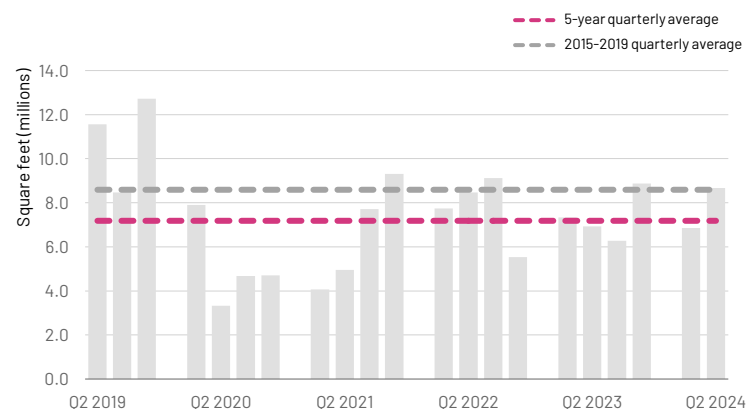
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



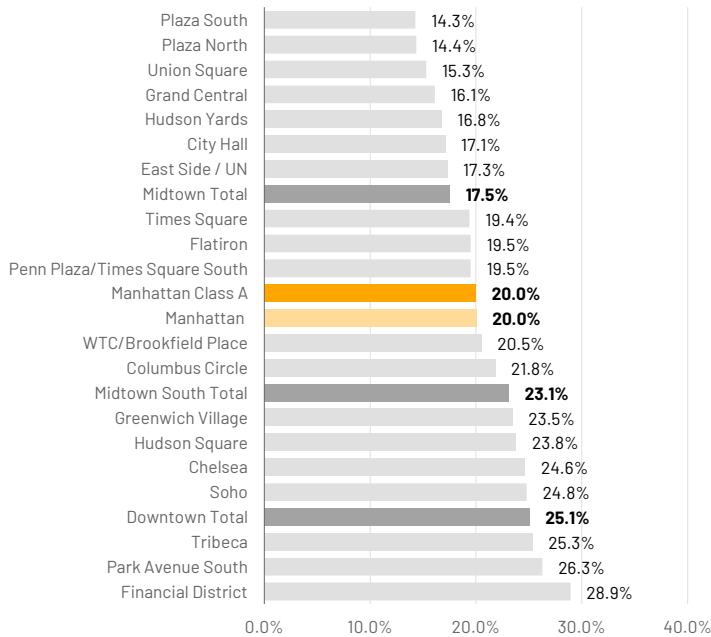
Top Transactions

*Trophy Building **Sublease *Sublease + Direct Components Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Bloomberg L.P.	TAMI	East Side/UN	731 Lexington Avenue	946,815	Renewal
American Eagle Outfitters	Retailers & Luxury Goods	Park Avenue South	63 Madison Avenue	338,085	Relocation †
Covington & Burling LLP	Legal Services	Hudson Yards	30 Hudson Yards *	235,479	Relocation †
Bain & Company	Business, Professional and Consulting Services	Grand Central	22 Vanderbilt Avenue	235,201	Relocation
The Trade Desk, Inc.	TAMI	Grand Central	1114 Avenue of the Americas	157,847	Expansion
Stripe	TAMI	Financial District	28 Liberty Street	145,985	Relocation **
Major League Soccer	Personal Services & Recreation	Penn Plaza/ Times Square South	Two Penn Plaza (PENN 2)	125,013	Relocation
Orrick, Herrington & Sutcliffe	Legal Services	Plaza South	51 W 52 nd Street	121,369	Renewal
TD Securities	Financial Services	Grand Central	22 Vanderbilt Avenue	79,974	New Lease
Duane Morris, LLP	Legal Services	Grand Central	22 Vanderbilt Avenue	79,676	Relocation

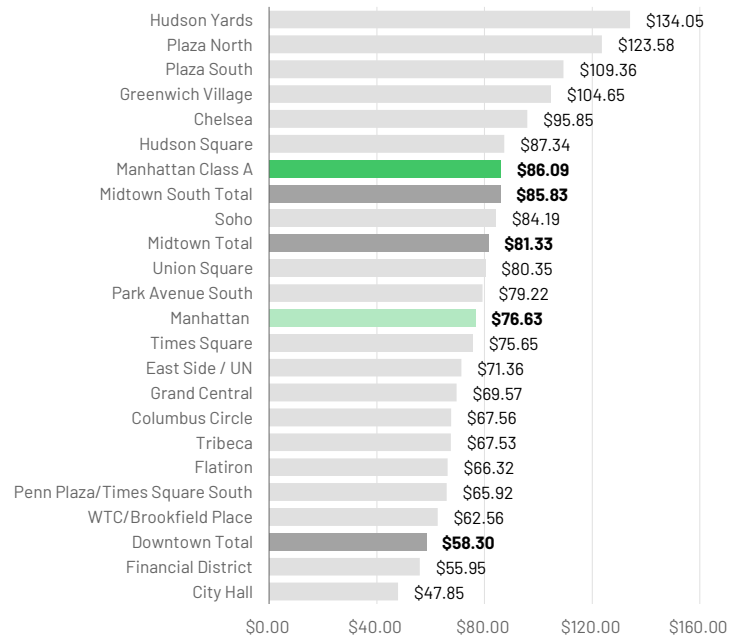
Availability Rate Comparison (%)

MANHATTAN SUBMARKETS



Rental Rate Comparison (\$/sf)

MANHATTAN SUBMARKETS



Manhattan Q2 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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