

# Manhattan

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## Q3 2023 leasing remained muted this summer despite a major 710,000-square foot lease signed

Manhattan office leasing totaled 6.3 million square feet (msf) in Q3 2023, 31.1% lower than last year's particularly active Q3, and aligned with the recent decline in office-using employment. Activity is typically more subdued in the summer months, which was the case this year, and 2023 leasing is now on track to fall short of last year's total by year-end. Legal services and financial services tenants were the most active market participants once again, accounting for 52.7% of total leasing activity. Overall, tenants continue to take a "wait and see" approach. Leasing activity was split evenly between new leases and relocations, and renewals and expansions. The distribution is on par with last quarter and indicates a great deal of activity remains expiration-driven rather than discretionary. The "bright spot" however, is the expansionary nature of those tenants who did choose to relocate. Among such tenants who signed leases of 20,000-sf or greater in Q3, 70.0% took on more space.

### Sublet space starting to recede from peak levels

The overall availability rate fell 10 basis points (bps) from a quarter ago to 19.6% but remains 160 bps higher than a year ago. Available sublet supply is starting to meaningfully retreat from peak levels reached in Q1 of this year, declining 1.0 msf from a quarter ago to 20.6 msf. Sublet leasing volume totaled just 1.3 msf, so much of the decline in sublet space is due to a combination of term expirations and backfilled spaces by firms spending more time in the office. Some of those sublet expirations are translating into direct available space, which increased 0.6 msf on the quarter to a new peak of 70.9 msf.

### Class A rents continue to rise as B/C languishes, illustrating ongoing preference for quality space

The gap continues to widen between Class A and B/C asking rents across New York City. Manhattan Class A asking rents grew to \$86.95 per square foot (psf) in Q3, 38.8% higher than the \$62.65 psf Class B/C average. In Midtown, where the majority of Trophy and Class A+ properties are located, the gap is further pronounced. Midtown Class A rents rose to \$95.59 psf, while Midtown Class B/C rents fell 1.5% to \$58.15, bringing the spread between the two classes to 64.4%.

### Key Statistics

	Q3 2023	Q3 2023	Y-0-Y
Inventory	469.6 msf	467.5 msf	-2.1 msf
Availability Rate	18.0%	19.6%	+160 bps
Asking Rental Rate	\$75.90	\$77.54	+2.2%
Class A Asking Rental Rate	\$84.64	\$86.95	+2.7%
Quarterly Leasing Activity	9.1 msf	6.3 msf	-2.8 msf
Available Sublease Space	20.2 msf	20.6 msf	+0.1 msf

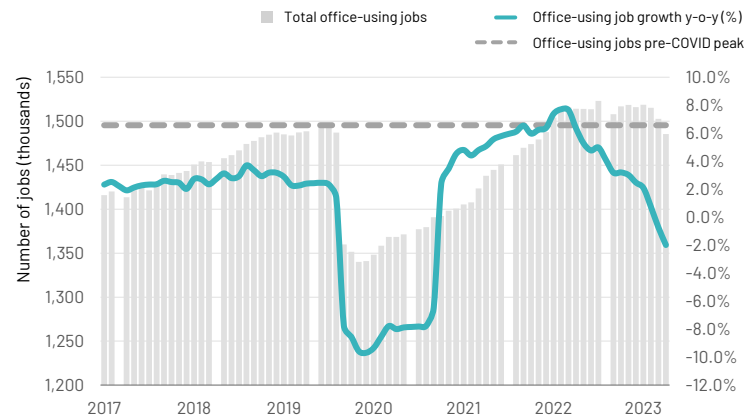
### Outlook

**01** Legal services has rivaled financial services for the most active industry sector in the past two quarters. With other potential legal deals on the horizon, expect the industry to have an outsized impact on the leasing market through the end of 2023

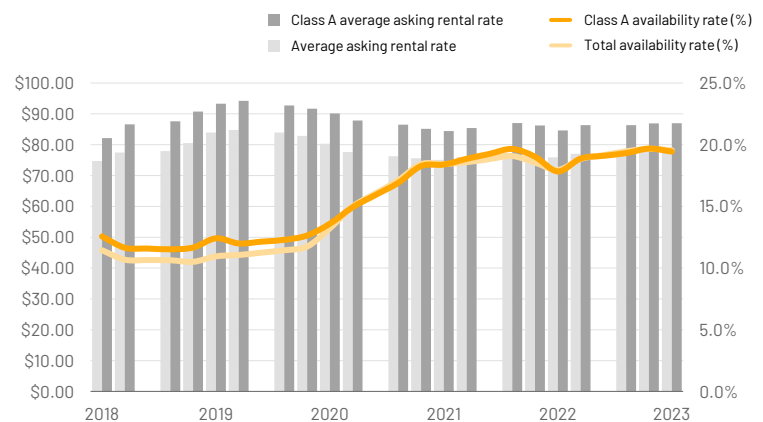
**02** Expect sublet available space to continue to trend down gradually as pandemic-era sublease listings expire and higher office visitation rates translate to more backfilled space

**03** "Flight-to-capital" will continue to drive tenant movement, as uncertainty around impending loan maturities drives office users to seek shelter and stability with the most well-capitalized landlords

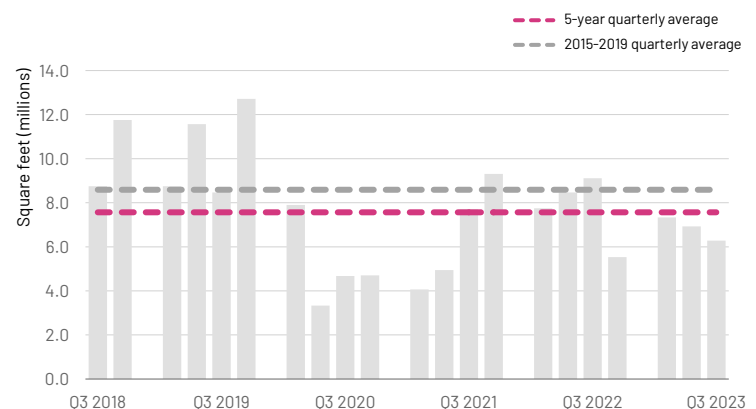
## Office-using Employment Growth



## Asking Rent and Availability



## Leasing Activity



# Top Transactions

\*Trophy Building

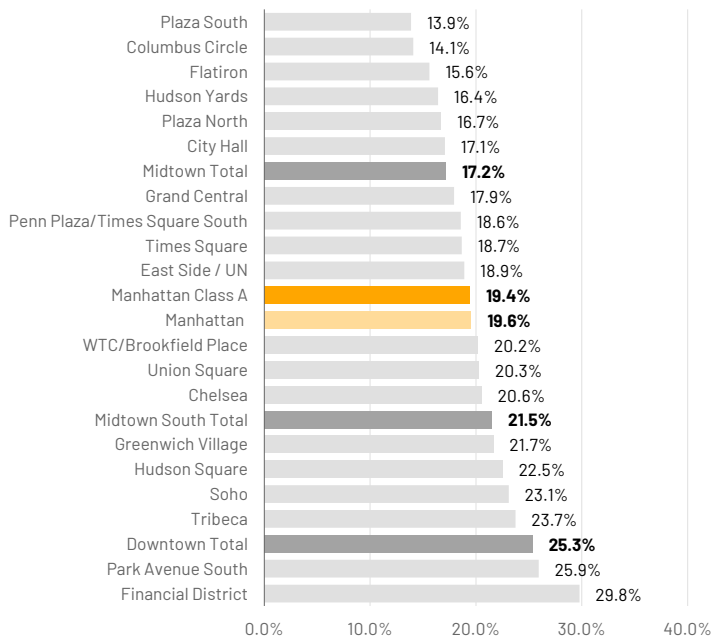
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Davis Polk	Legal Services	Grand Central	450 Lexington Avenue	710,000	Renewal & Expansion
Department of Citywide Administrative Services	Government	WTC/Brookfield Place	225 Greenwich Street	183,255	Renewal
Tower Research Capital	Financial Services	Financial District	120 Broadway	122,000	Relocation
Empire State Development Corporation	Government	Grand Central	655 Third Avenue	117,181	Relocation
The Durst Organization	Real Estate	Times Square	1155 Avenue of the Americas	104,576	Relocation
Municipal Credit Union	Financial Services	WTC/Brookfield Place	22 Cortlandt Street	93,500	Renewal
Marshall Wace	Legal Services	Hudson Yards	66 Hudson Boulevard (The Spiral)*	88,969	Relocation
BBVA	Financial Services	Hudson Yards	385 Ninth Avenue (Two Manhattan West)*	73,796	Relocation
L'Oréal	Retailers & Luxury Goods	Hudson Yards	10 Hudson Yards*	67,058	Expansion**
Ramp	TAMI	Flatiron	28-40 W 23 <sup>rd</sup> Street	66,000	New Lease**

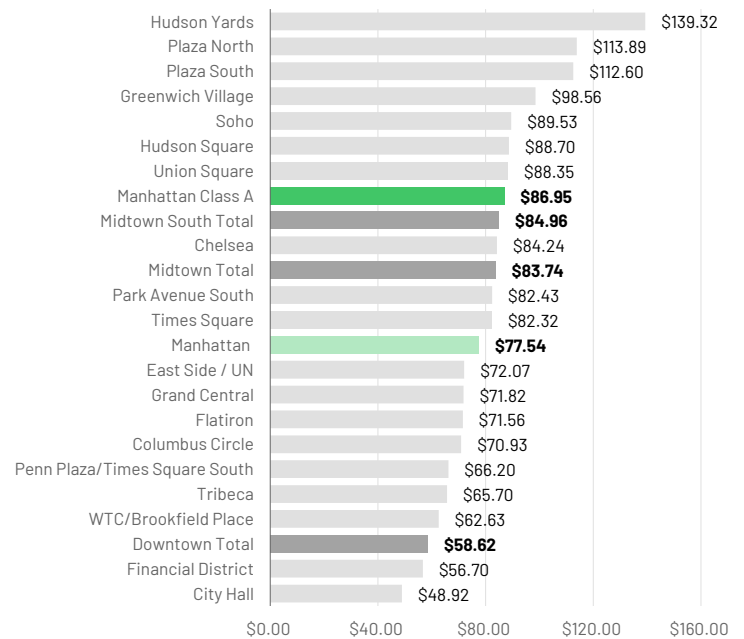
## Availability Rate Comparison (%)

MANHATTAN SUBMARKETS



## Rental Rate Comparison (\$/sf)

MANHATTAN SUBMARKETS



## Manhattan Q3 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.

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