

Manhattan

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Leasing accelerates and available space drops in a strong Q3 for Manhattan's office market

Manhattan office leasing velocity built on last quarter's positive momentum, totaling 9.5 million square feet (msf) in Q3 2024, the strongest quarter of leasing since Q4 2019. Leasing volume now totals 25.0 msf through the first three quarters of the year, putting Manhattan on track for its strongest leasing year post the start of the pandemic. Blackstone's 1,058,571-square foot renewal and expansion at 345 Park Avenue was the largest lease of the quarter, though three other large leases by Christie's, Willkie Farr & Gallagher, and Ares Management all topped 300,000 square feet (sf). Financial Services tenants were particularly active in Q3 2024, accounting for 38.8% of all leasing volume, including four of the top ten largest leases. Despite strong leasing velocity, Manhattan office employment has been shrinking since last summer and is currently down 1.1% year over year, with such jobs now below their pre-COVID peak level. Persistent employment declines bear continued monitoring, despite optimism surrounding the most recent Federal Reserve rate cut.

Class A and Class B/C availability continues to diverge

Tenant preference for best-in-class space shows no sign of diminishing. The Class A availability rate declined 70 basis points (bps) from last quarter to 19.3%, while Class B/C availability held flat at 20.1%. This continued divergence was pronounced in Midtown where Class A availability dropped 60 bps to 16.0%. Available sublet space decreased by 1.0 msf in Q3 2024 to 19.7 msf, Manhattan's lowest level since the end of 2021. Direct available space dropped as well, falling 0.9 msf on the quarter, the first decline in two years.

Asking rents fell as higher-priced spaces were leased

Overall average asking rents in Manhattan fell 0.9% from a quarter ago to \$75.91 per square foot (psf). Midtown Class A asking rents declined 0.6% on the quarter to \$92.67 psf, in contrast to Midtown Class B/C asking rents, which ticked up 0.1% to \$56.36 psf. The pricing gap reflects a difference in occupier demand; well-positioned tenants acting on a shrinking supply of best-in-class space, while options abound in commodity buildings and the sublease market for cost-conscious tenants.

Key Statistics

	Q3 2023	Q3 2024	Y-0-Y
Inventory	467.5 msf	466.1 msf	-1.4 msf
Availability Rate	19.6%	19.7%	+10 bps
Asking Rental Rate	\$77.54	\$75.91	-2.1%
Class A Asking Rental Rate	\$86.95	\$85.49	-1.7%
Quarterly Leasing Activity	6.3 msf	9.5 msf	+3.2 msf
Available Sublease Space	20.6 msf	19.7 msf	-0.9 msf

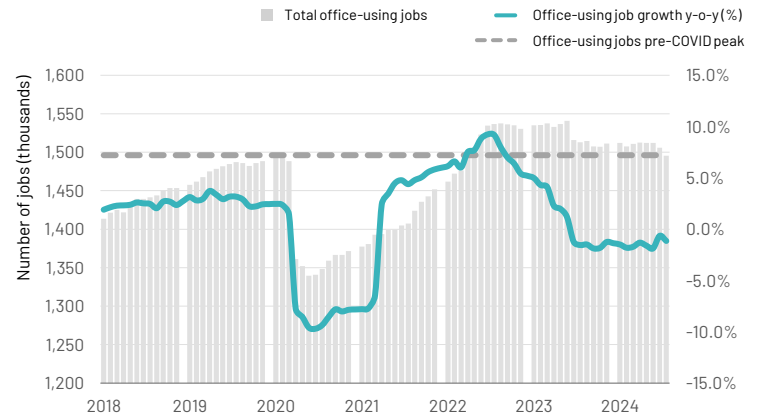
Outlook

01 Large occupiers seeking to upgrade their office space may increasingly partner with developers to modernize older buildings, much like Vornado and Citadel's partnership at 350 Park Avenue

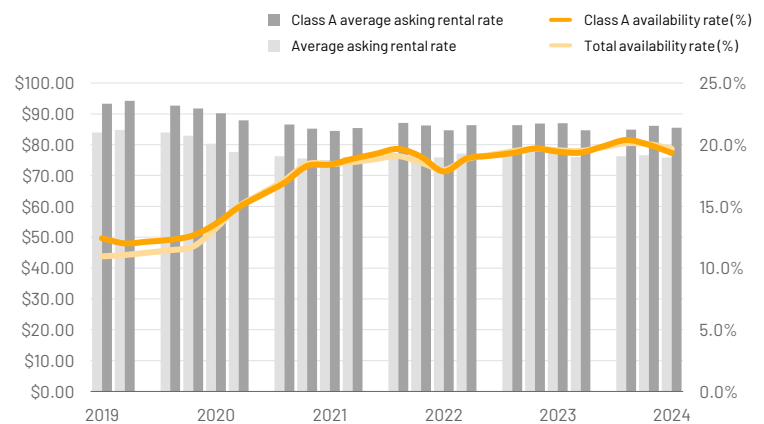
02 Tenants will incorporate legal guarantees for work allowances as part of lease negotiations, amid ongoing debt/financing challenges for office owners

03 Most transactions 50,000 sf or greater in the last two quarters have been expansionary, which should persist as tenants attempt to secure long-term favorable terms for high-end space

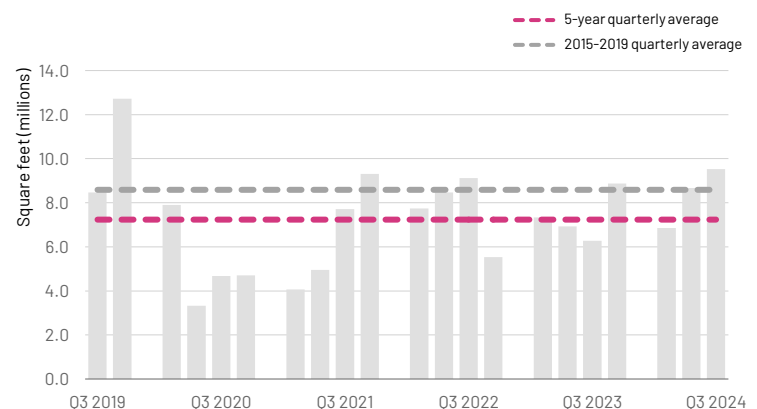
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



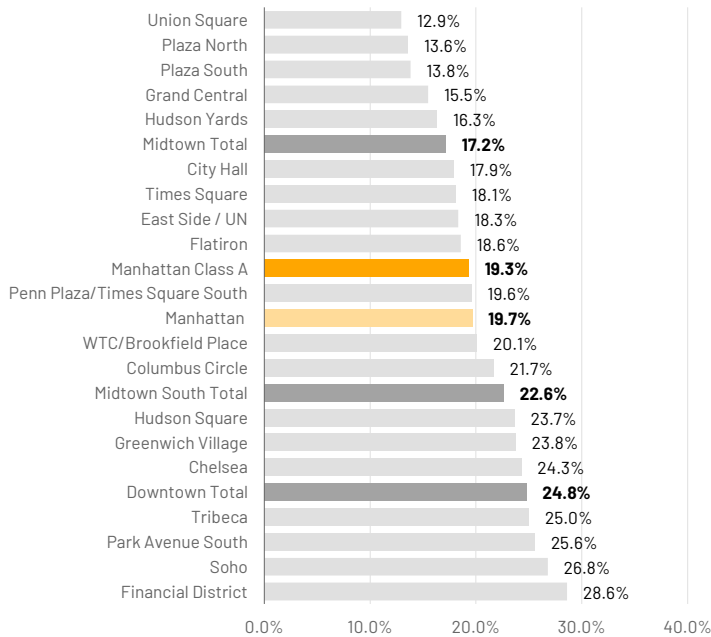
Top Transactions

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

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Blackstone	Financial Services	Plaza South	345 Park Avenue	1,058,571	Renewal & Expansion
Christie's	Retailers & Luxury Goods	Plaza South	20 Rockefeller Plaza 10 Rockefeller Plaza 1230 Avenue of the Americas	373,212	Renewal
Willkie Farr & Gallagher	Legal Services	Columbus Circle	787 Seventh Avenue	333,457	Renewal & Expansion
Ares Management	Financial Services	Grand Central	245 Park Avenue	307,336	Renewal & Expansion
CBRE	Real Estate	Grand Central	200 Park Avenue	180,000	Renewal
Yeshiva University	Education	Penn Plaza/ Times Square South	1 Herald Square	149,991	New Lease
Elliott Management Corporation	Financial Services	Plaza South	280 Park Avenue	149,447	Relocation*
Balyasny Asset Management	Financial Services	Plaza North	767 Fifth Avenue*	146,200	Renewal & Expansion
Ramp	TAMI	Flatiron	28-40 W 23 rd Street	132,000	Renewal & Expansion
Chobani	Retailers & Luxury Goods	Greenwich Village	360 Bowery	120,000	Relocation

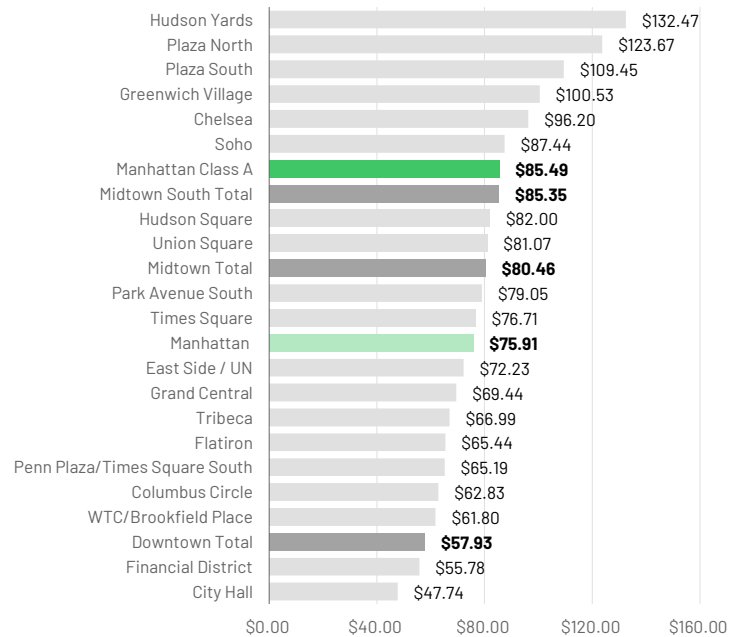
Availability Rate Comparison (%)

MANHATTAN SUBMARKETS



Rental Rate Comparison (\$/sf)

MANHATTAN SUBMARKETS



Manhattan Q3 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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