

Manhattan

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An array of sizable renewals, plus 2023's largest US office lease, drove activity to a five-quarter peak

Manhattan office leasing volume accelerated to 8.9 million square feet (msf) in Q4 2023, the highest mark in five quarters and a 60.4% jump from last year's muted Q4. Leasing totaled 29.4 msf for the full year, 4.7% shy of the 2022 total. A diverse tenant mix drove overall activity, though financial services and legal services continue to stand out among sectors, accounting for a combined 53.8% of leasing in Q4 and 47.9% for the full year. Despite the stronger leasing quarter, most activity remains expiration driven. Renewals and expansions accounted for 58.3% of activity in Q4, higher than their 55.6% share for full-year 2023. Nine of the top ten transactions this quarter were by firms who opted to remain in place, with Paul Weiss' 765,931-square foot lease at 1345 Avenue of the Americas the only relocation among the top ten. Large leases are increasing in frequency, however, which may be a sign of tenants' growing confidence in committing to their office footprints. There were 14 leases greater than 100,000 square feet (sf) signed in Q4, compared to a combined 20 in the three prior quarters.

Availability remains elevated despite declining sublet supply

The overall availability rate fell 10 basis points (bps) from a quarter ago to 19.5% but remains 70 bps higher than a year ago. The market availability rate has been effectively flat over the past three quarters, despite ongoing leasing activity, demonstrating a lack of net take-up and the prevailing trend to renew (and often expand in place) rather than relocate. Available sublet supply declined for a third straight quarter and is down 1.2 msf on the year at 20.1 msf. Direct available space increased for a fifth straight quarter to a new peak of 71.1 msf, due in part this quarter to WeWork's bankruptcy filing and the transfer of a large portion of their footprint back to building owners.

Asking rents fell across submarkets and building classes in Q4

Average asking rents in Manhattan fell 2.0% from a quarter ago to \$75.98 per square foot (psf), their lowest level in five quarters. Declines were widespread, but more significant in Class A buildings where rents fell 2.7% from the prior quarter to \$84.64 psf. Direct and sublet asking rents both fell 2.1% on the quarter, but the decline in sublet rents has been more sustained, evidenced by their 4.9% year-over-year drop.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	469.6 msf	467.6 msf	-2.0 msf
Availability Rate	18.8%	19.5%	+70 bps
Asking Rental Rate	\$77.06	\$75.98	-1.4%
Class A Asking Rental Rate	\$86.35	\$84.64	-2.0%
Quarterly Leasing Activity	5.5 msf	8.9 msf	+3.4 msf
Available Sublease Space	21.4 msf	20.1 msf	-1.3 msf

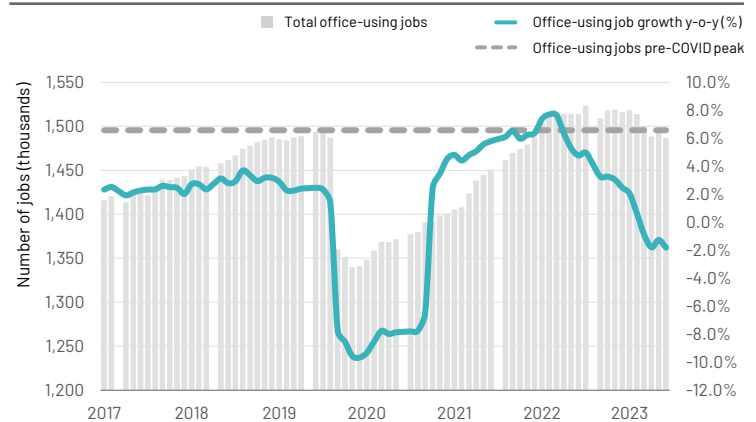
Outlook

01 Office-using metro employment, which has been negative year-over-year for the past four months, could weigh on leasing volume in 2024 if lackluster hiring prospects persist

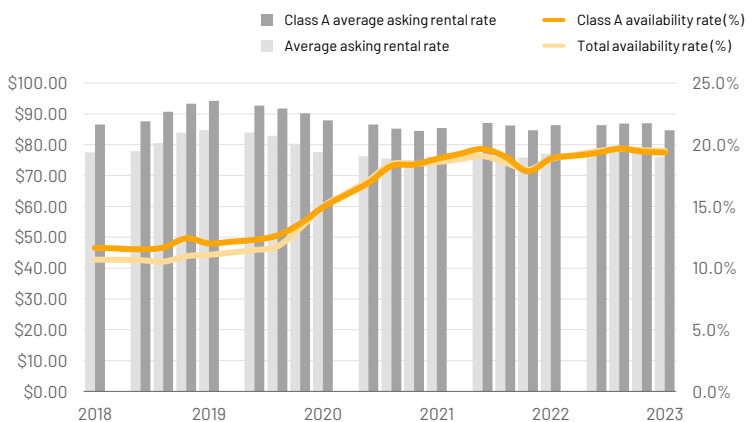
02 The Downtown availability rate fell 30 bps to 25.0% in Q4 2023, its first quarterly decline in four years; If more conversion plans for obsolete product move forward, expect availability to come down

03 The axis of Midtown may be starting to shift back to the east side - availability in all four east side Midtown submarkets decreased, compared to an increase in three of the four west side submarkets

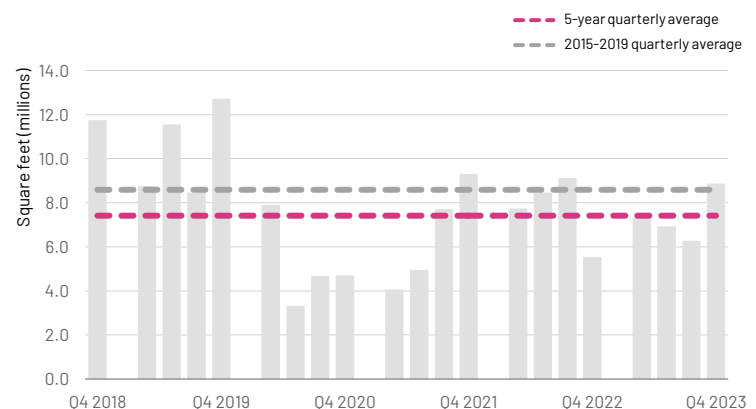
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

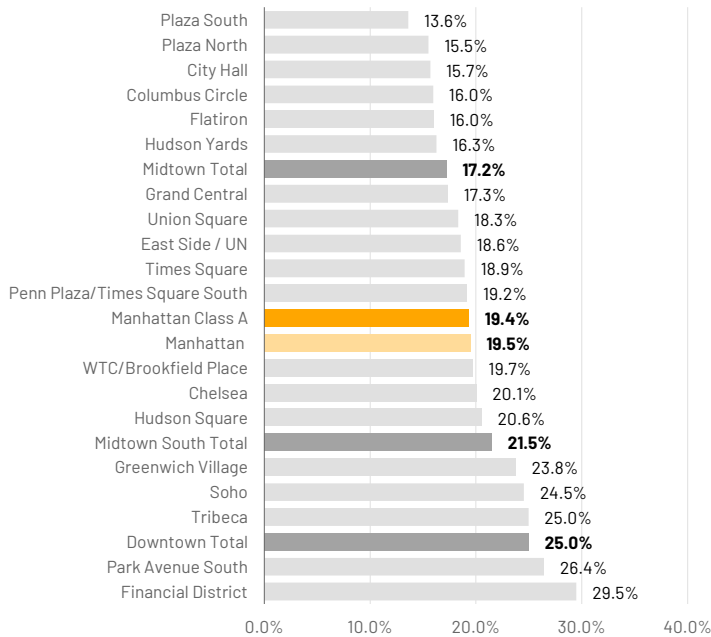
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Paul Weiss	Legal Services	Columbus Circle	1345 Avenue of the Americas	765,931	Relocation
Department of Citywide Administrative Services	Government	Financial District	150 William Street	530,000	Renewal
MetLife	Financial Services	Grand Central	200 Park Avenue	384,986	Renewal
Weill Cornell Medical College Offices	Healthcare	East Side / UN	575 Lexington Avenue	296,084	Renewal & Expansion
PJT Partners	Financial Services	Plaza South	280 Park Avenue	279,089	Renewal & Expansion
Ralph Lauren	Retailers & Luxury Goods	Chelsea	601 W 26 th Street	255,750	Renewal
Dentons	Legal Services	Times Square	1221 Avenue of the Americas	159,594	Renewal
LinkedIn	TAMI	Penn Plaza/Times Square South	350 Fifth Avenue (Empire State Building)	143,778	Renewal & Expansion
Ralph Lauren	Retailers & Luxury Goods	Plaza North	650 Madison Avenue	141,871	Renewal
Palantir	TAMI	Flatiron	620 Avenue of the Americas	140,345	Renewal

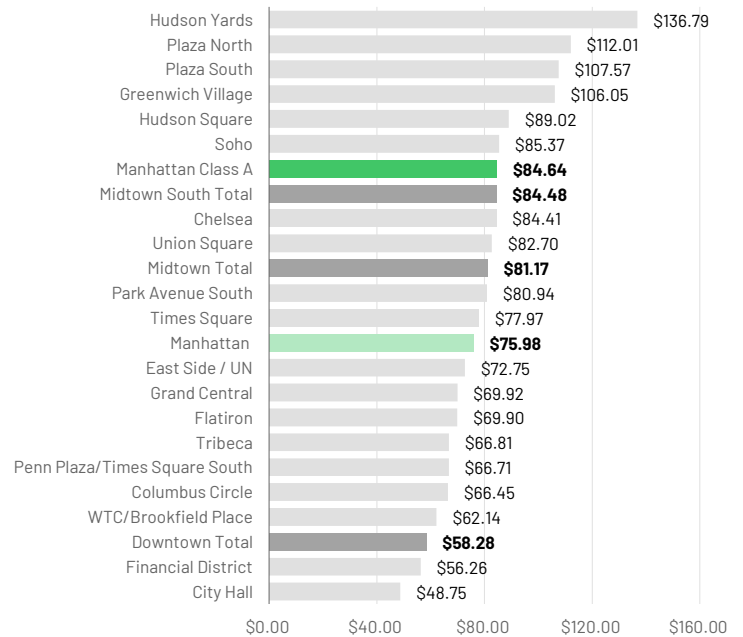
Availability Rate Comparison (%)

MANHATTAN SUBMARKETS



Rental Rate Comparison (\$/sf)

MANHATTAN SUBMARKETS



Manhattan Q4 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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