
1Q24

Manhattan Office Market Overview



NEWMARK

Market Observations

Economy

- New York City unemployment rate remains above the national average, though rising national unemployment has closed the gap.
- The education sector continues to lead all industries in regional annual job growth. Office-occupying and adjacent industries saw annual job gains only in the financial activities industries while layoffs in the information industries continue.
- The number of office jobs has rebounded from pre-pandemic levels, though has dropped below the previously recorded high. Unemployment has remained inline with year-ago levels led by employment decreases in the information and construction industries.

Major Transactions

- There were only seven closed deals greater than 100,000 SF during the first quarter, compared to 13 such deals in the previous quarter.
- Michael Kors signed the largest deal of the quarter renewing for 203,000 SF at 11 West 42nd Street, giving back space on the partial twenty-second floor.
- Major League Soccer signed for 125,013 SF across the fourteenth and fifteenth floors at the newly-redeveloped 2 Penn Plaza, nearly doubling their previous footprint at 420 Fifth Avenue.

Leasing Market Fundamentals

- Availability increased 100 BPS in the first quarter to 19.5%. Total available space has risen 35.9 MSF since March 2020 with 90.0 MSF currently available.
- 20 blocks of space over 100,000 SF were added to the market in the first quarter totaling 5.1 MSF as availability increased in 13 of 19 submarkets.
- The delta in direct asking rents between class A and B assets is nearly \$35.00/SF, its widest point in more than five years.
- First quarter 2024 leasing recorded 6.8 MSF, down 7.1% from one year ago. Midtown accounted for 75.9% of quarterly activity.
- FIRE leasing continues to lead all industries with 40.8% of deals. Activity from TAMI companies remains well below recent annual levels.

Outlook

- There has been more than 25.0 MSF of new office construction since 2018, yet just 600,000 SF is set to deliver over the next several years.
- Disparate demand between FIRE and TAMI industries will continue and have residual impacts to all Manhattan markets, particularly Midtown South.
- Additional office to residential conversions will be planned for antiquated and commodity assets as oversupply of inventory persists.
- Interest rate reductions should allow for greater flexibility and propel capital markets to higher transaction volumes.

1. Economy
2. Leasing Market Fundamentals

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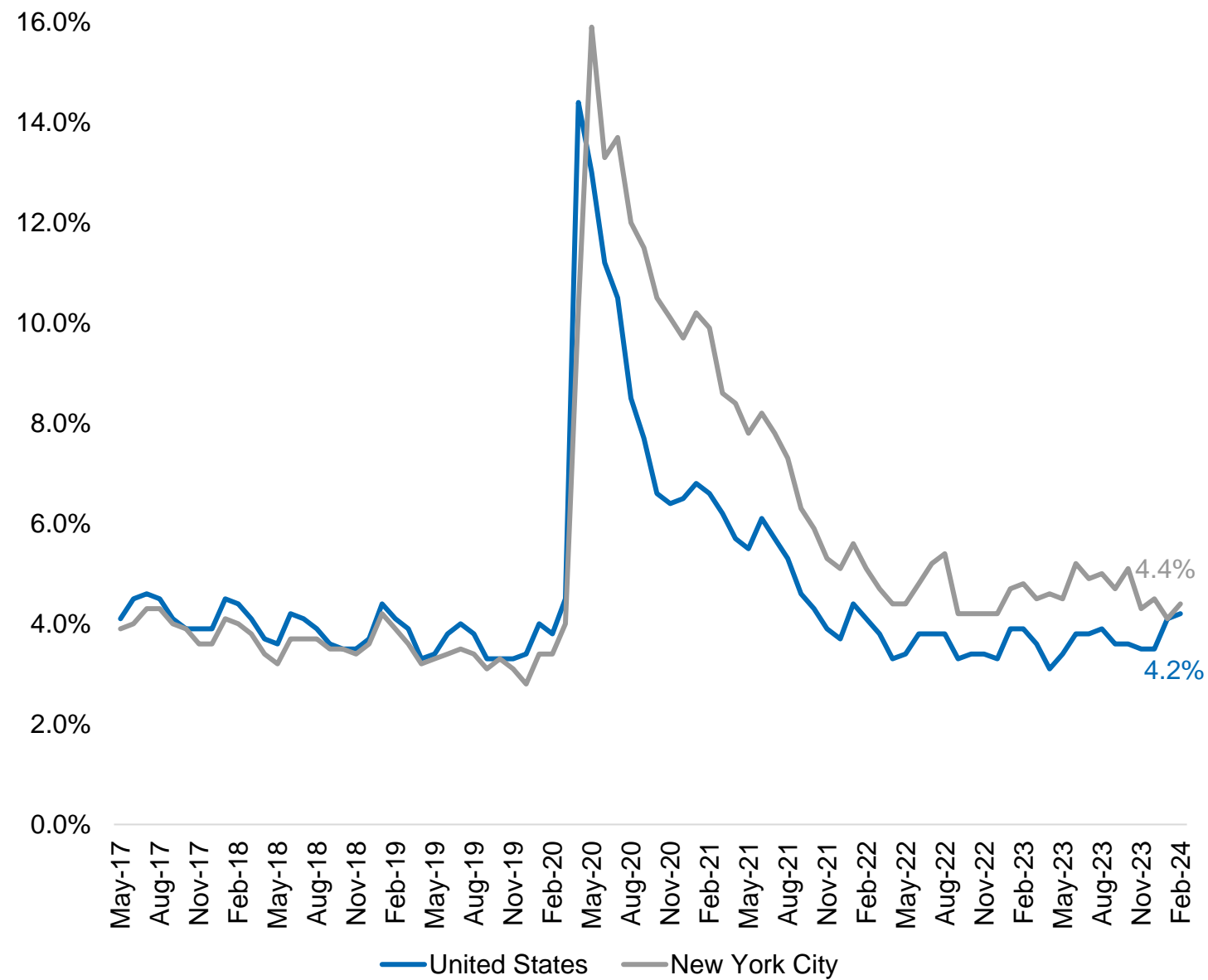
Economy



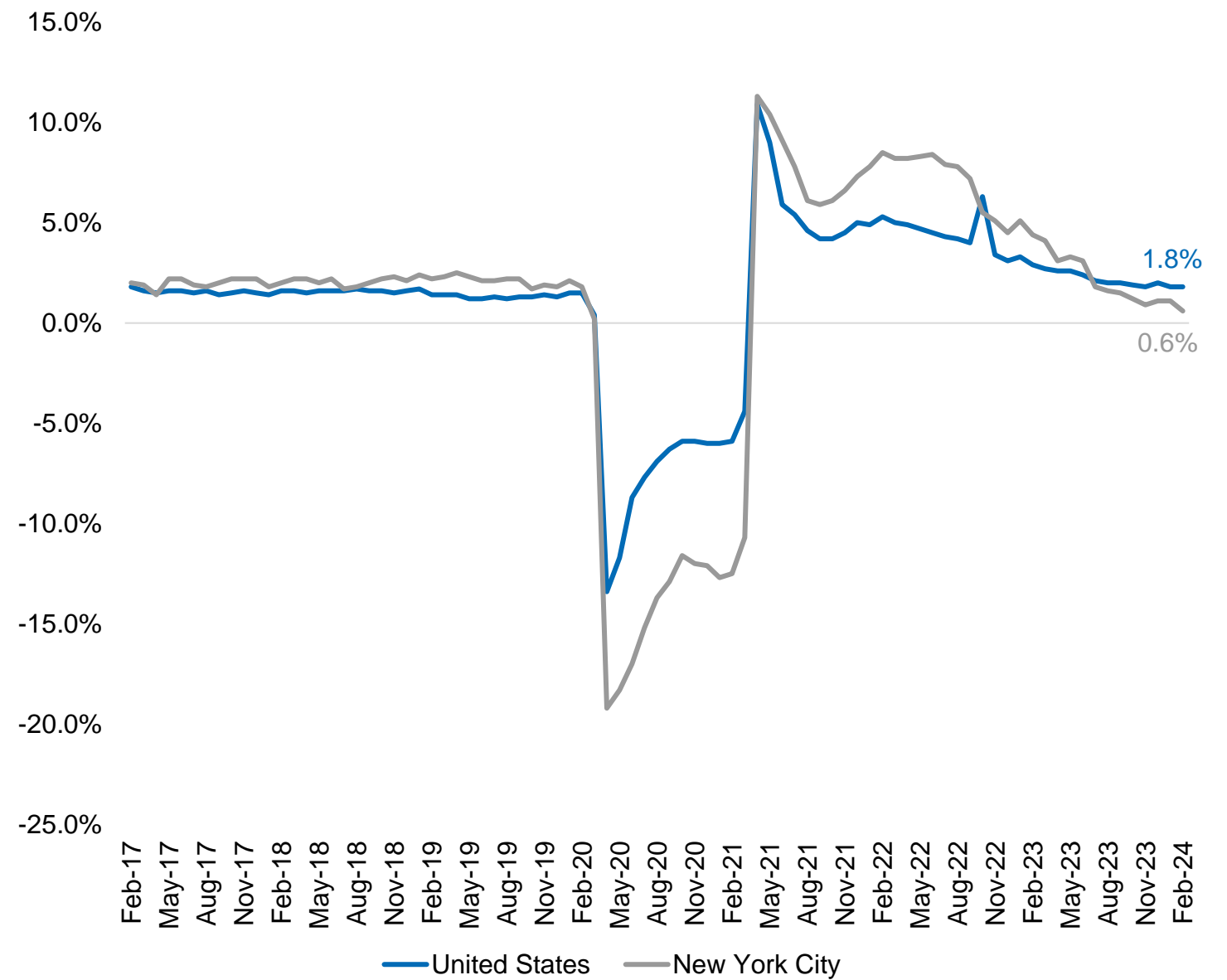
Metro Employment Trends Signal A Slowing Economy

While the region's labor market remains on relatively solid footing, the annual job growth rate has moved away from the national average, continuing a downward trend year-over-year. New York City unemployment rate remains above the national average, though rising national unemployment has closed the gap.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

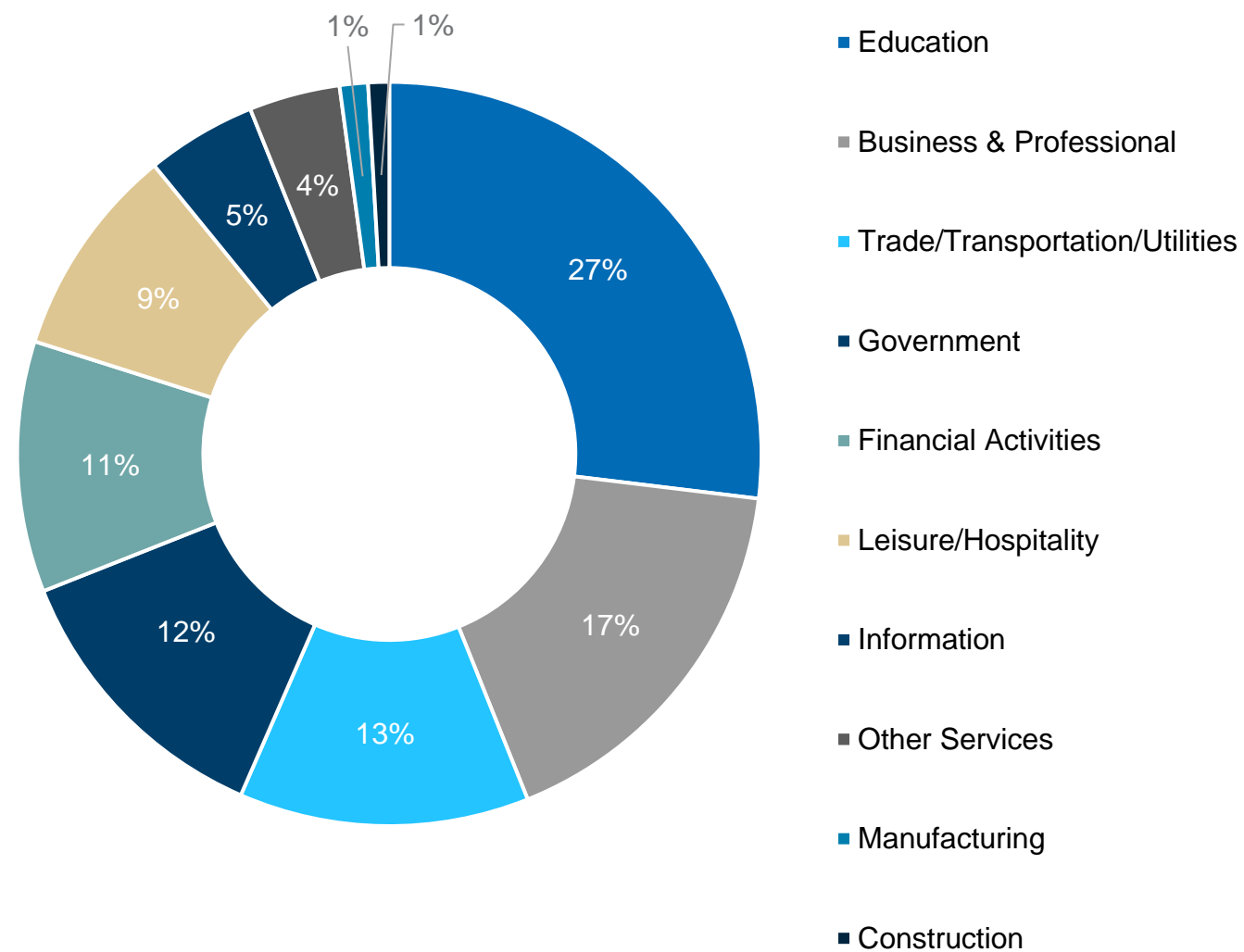


Source: U.S. Bureau of Labor Statistics, New York City

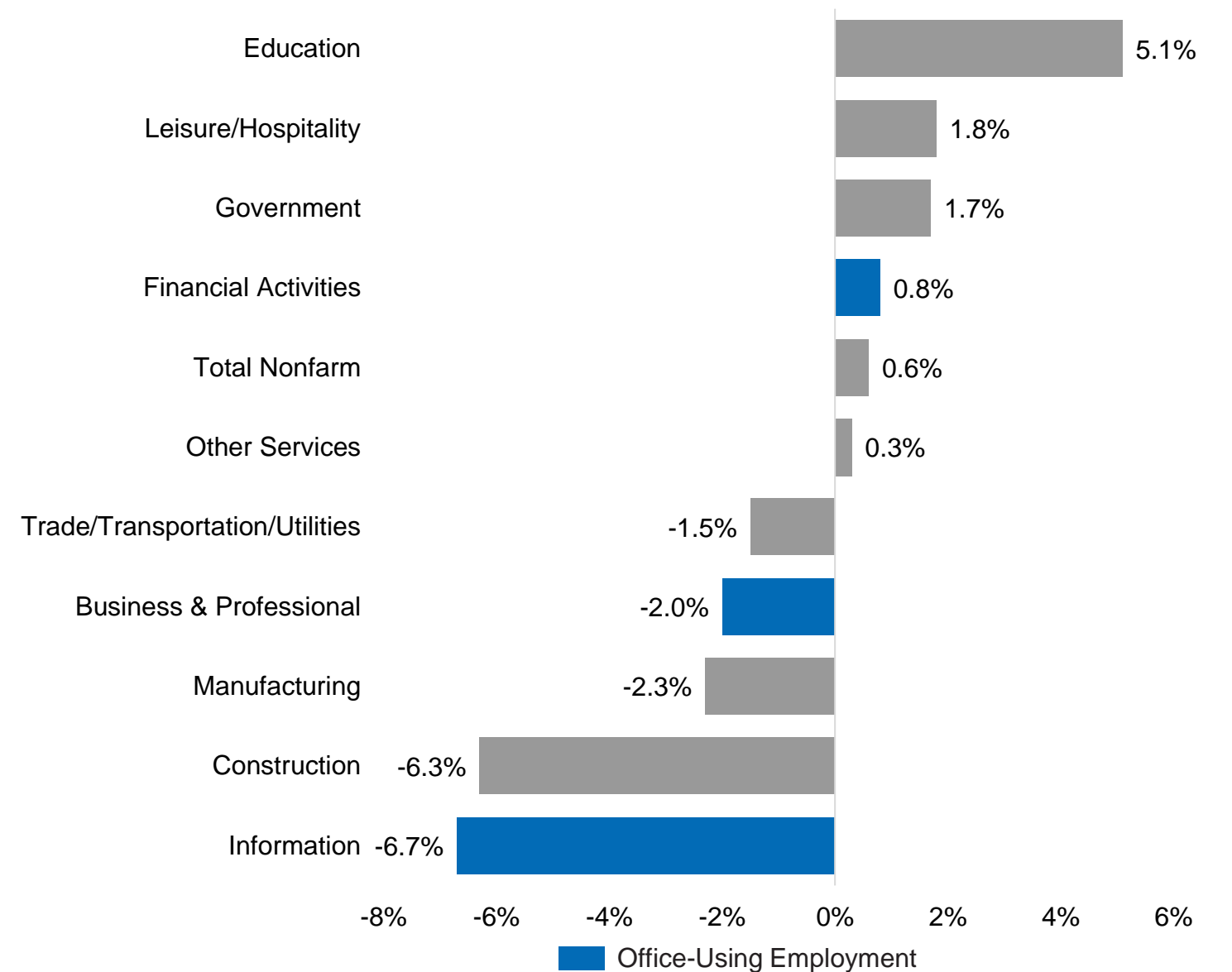
Job Growth Driven in Large Part by Services Still Making Up for Pandemic Losses

The education sector continues to lead all industries in regional annual job growth. Office-occupying and adjacent industries saw annual job gains only in the financial activities industries while layoffs in the information industries continue.

Employment by Industry, February 2024



Employment Growth by Industry, 12-Month % Change, February 2024

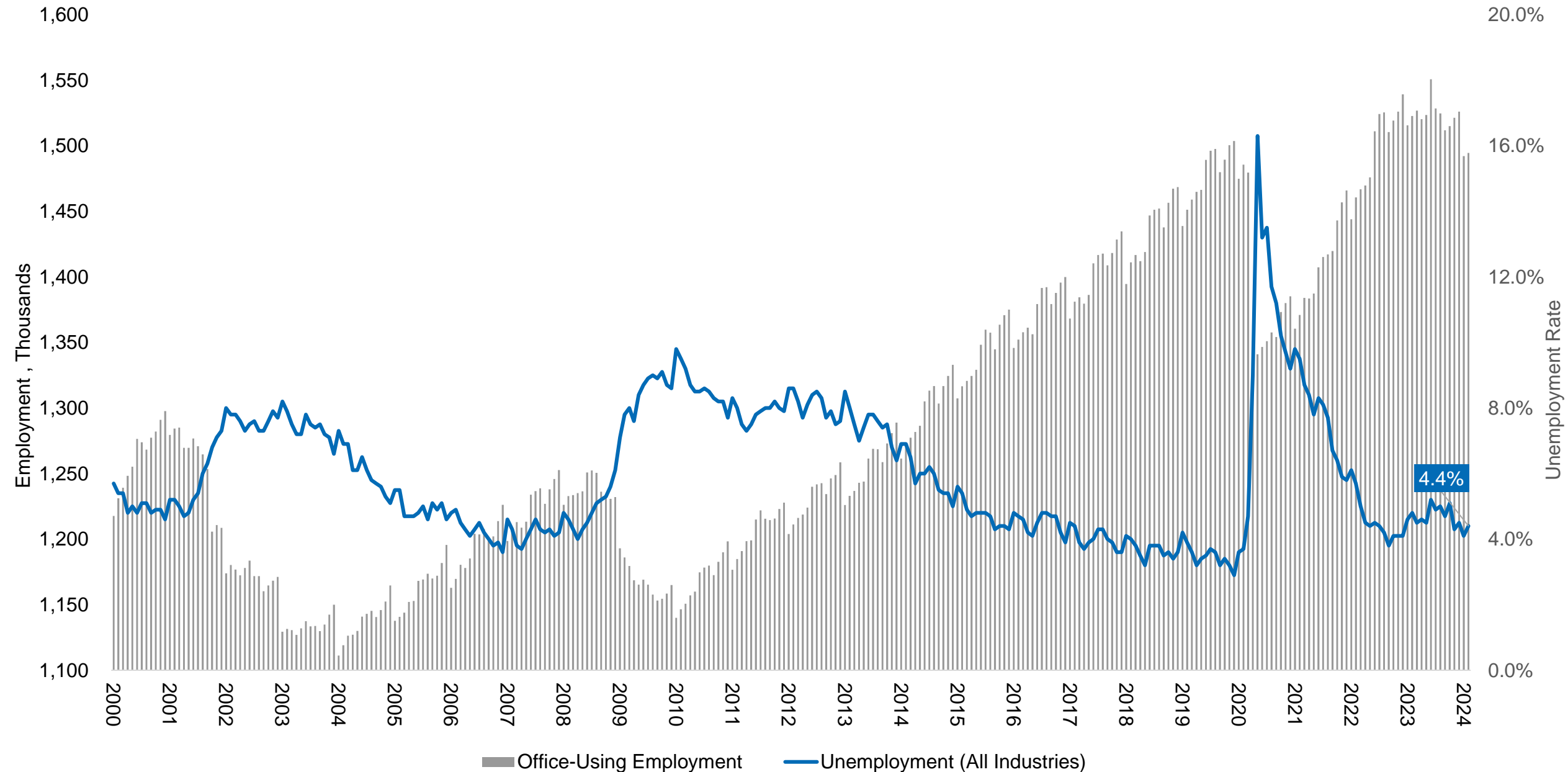


Source: U.S. Bureau of Labor Statistics, New York City

Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded from pre-pandemic levels, though has dropped below the previously recorded high. Unemployment has remained inline with year-ago levels led by employment decreases in the information and construction industries.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, New York City

Note: January and February 2024 data is preliminary.

*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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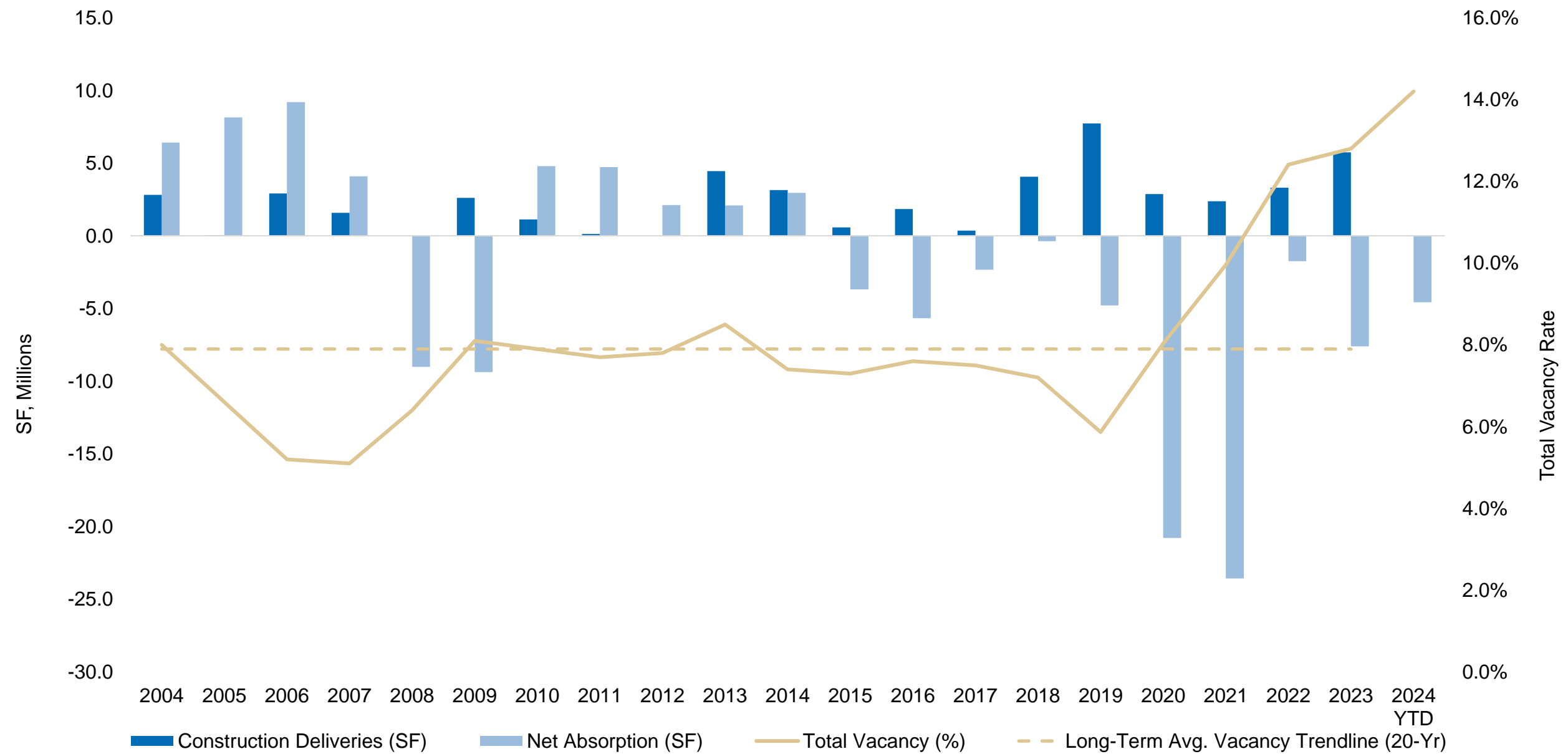
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Expected to Slow

After a historical ten-year span of new construction, deliveries are expected to slow in the near future, with just 604,664 SF of new developments currently underway. Vacancy has increased steadily, reaching 14.2% in the first quarter, driven by a slowdown in leasing and an increase in available sublease space.

Historical Construction Deliveries, Net Absorption, and Vacancy

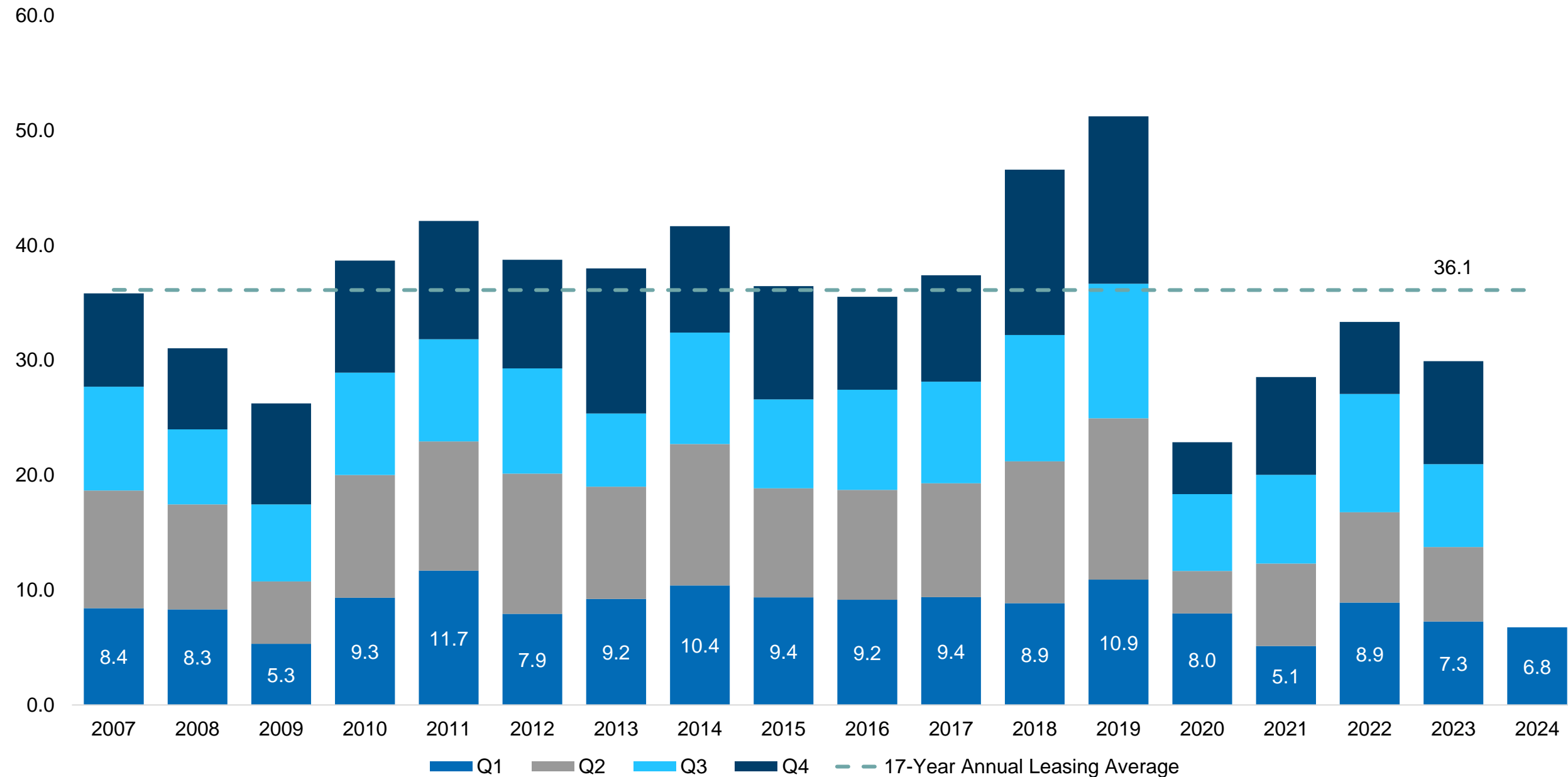


Source: Newmark Research

Annual Leasing Activity Has Slowed

Leasing totaled 6.8 MSF, the lowest quarterly output since the second quarter of 2022. There were only seven closed deals greater than 100,000 SF, compared to 13 such deals in the previous quarter.

Total Leasing Activity (msf)

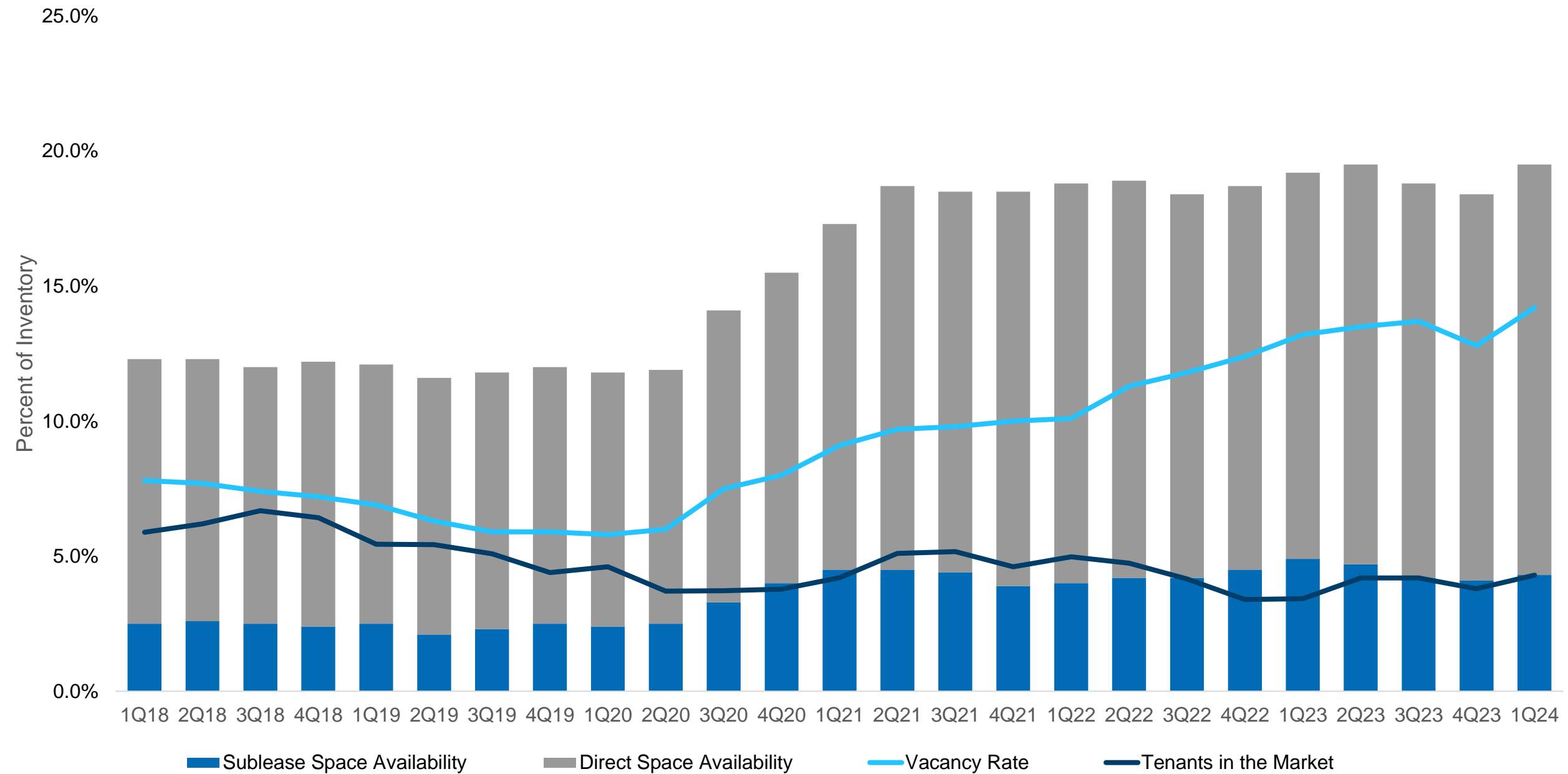


Source: Newmark Research

Availability and Vacancy Increased in 2024

Both direct and sublease availability increased during the first quarter, driven by 20 large space additions totaling 5.1 MSF. The redeveloped Terminal Warehouse entered the statistical sample in February, adding 1.1 MSF of vacant space in Midtown South at 261 Eleventh Avenue.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

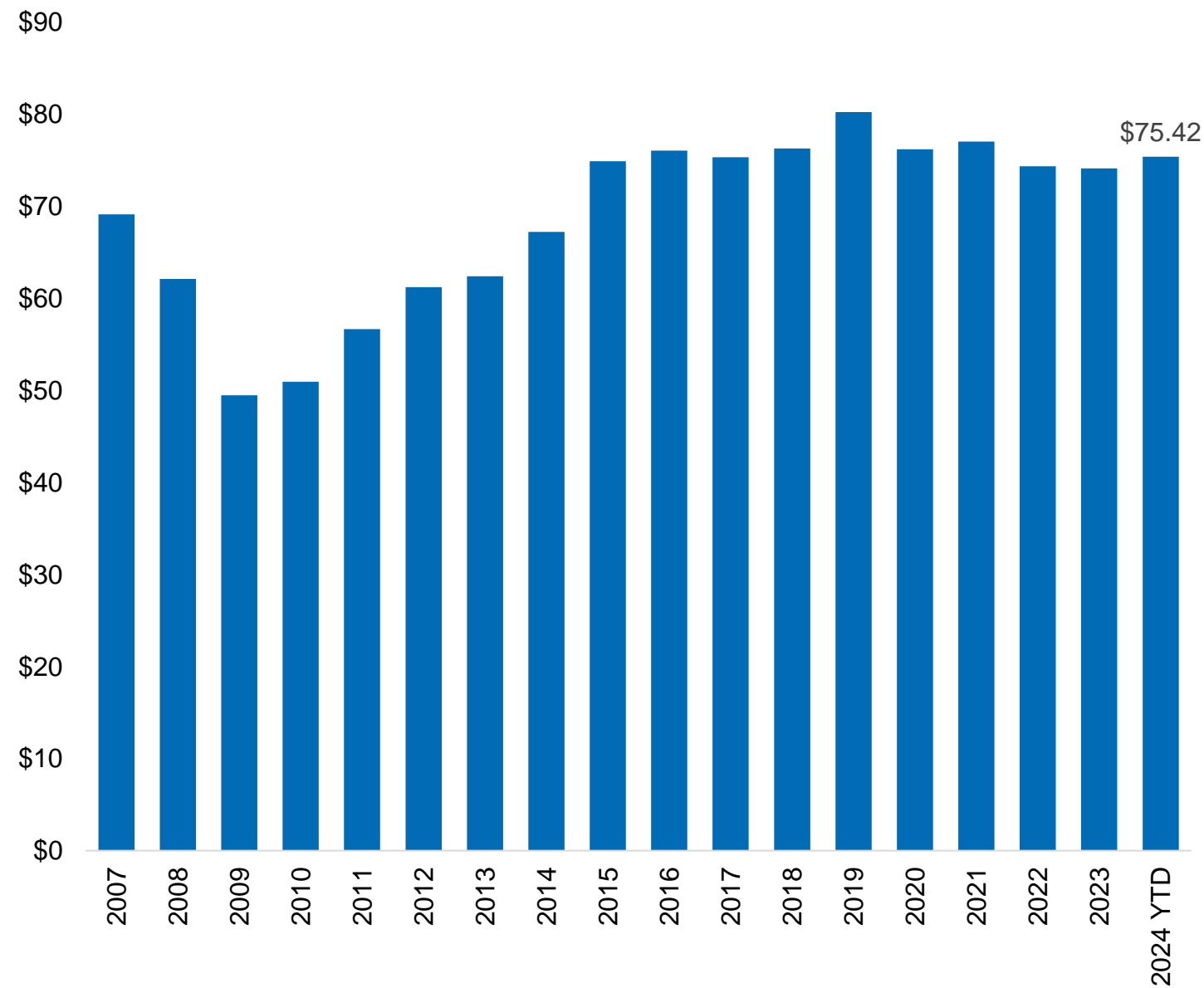


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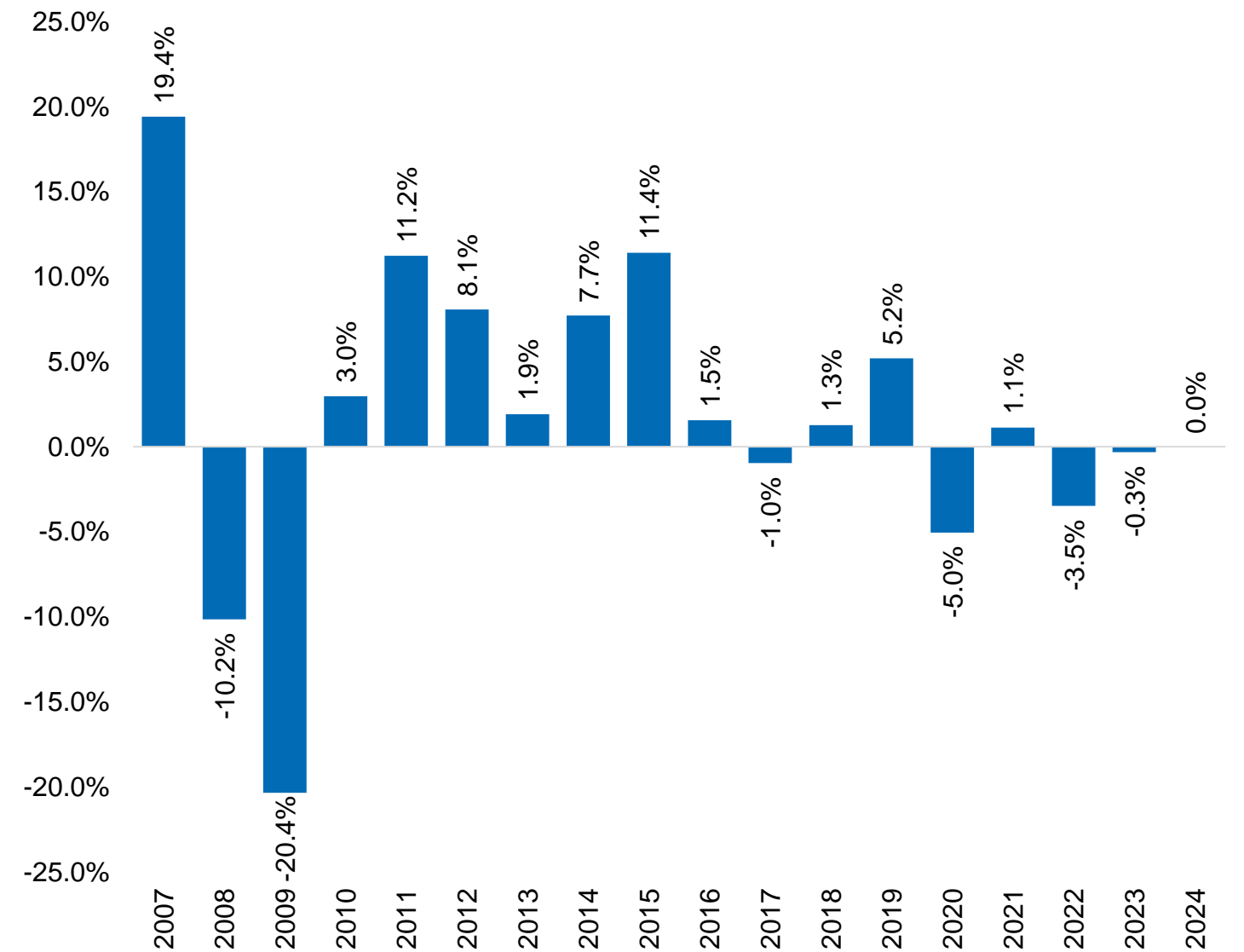
Overall Rents Steadied

Overall asking rents remained steady year over year, as the addition of high-priced new product was offset by a reduction in pricing for class B and C properties.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

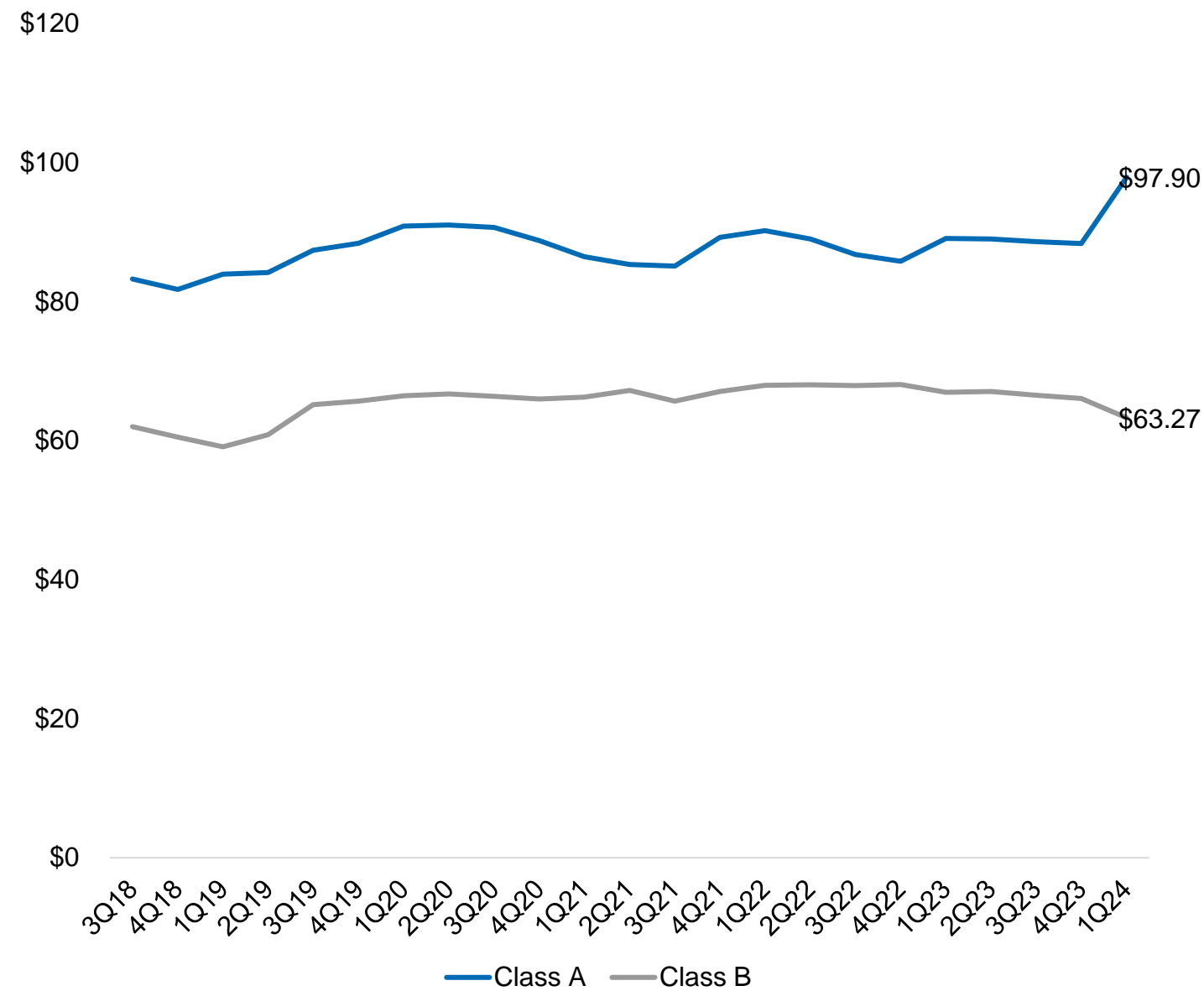


Source: Newmark Research

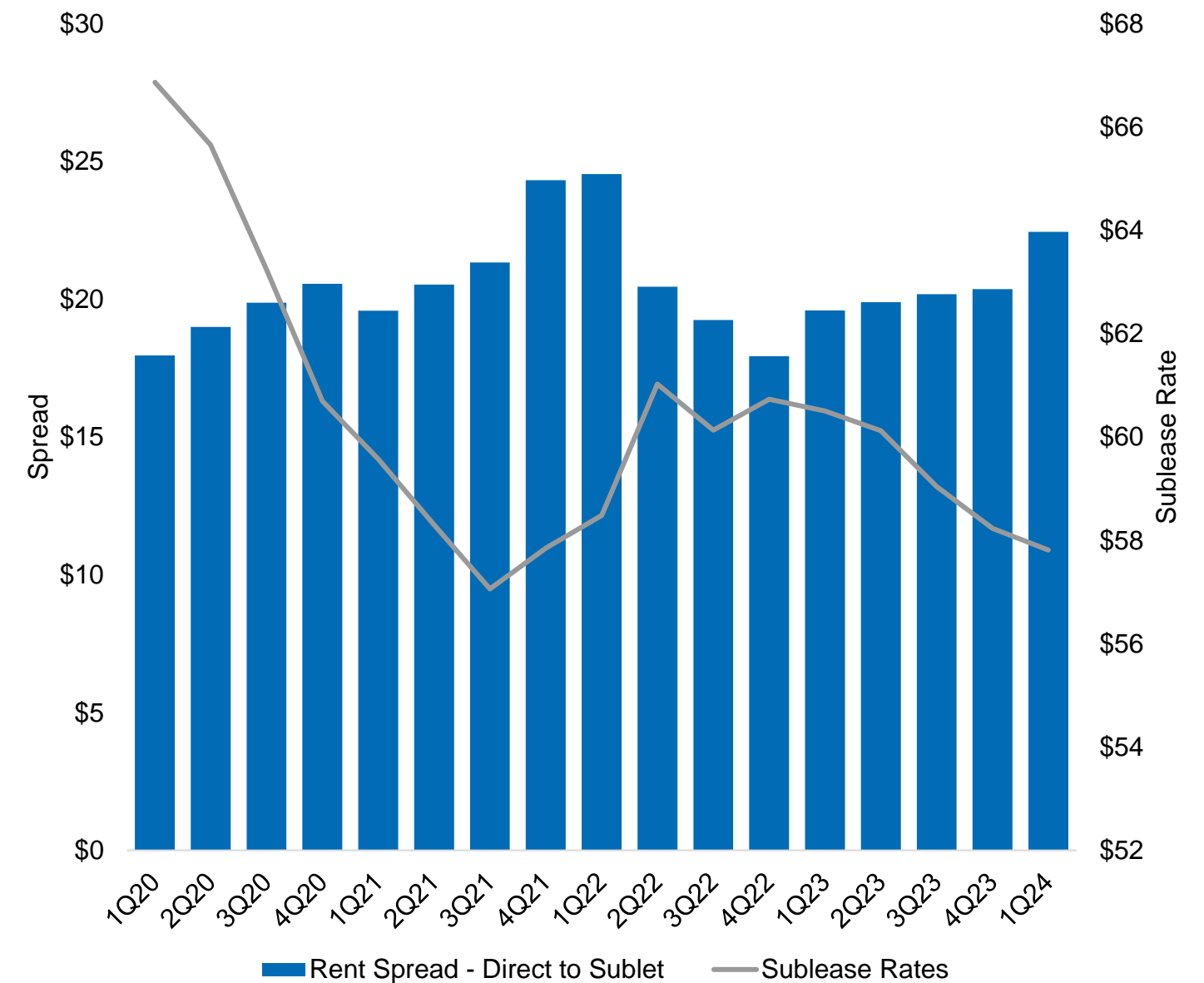
Asking Rent Delta Between Classes Continues to Increase

The delta in direct asking rents between class A and B assets is currently at its widest point since 2020. Class A rents spiked with the addition of 1.1 MSF of high-priced space at the Terminal Warehouse, while Class B rents declined by 4.2% quarter over quarter.

Class A and Class B Direct Asking Rents



Sublease Rates



Source: Newmark Research

Notable Lease Transactions

First quarter leasing activity was down 7.1% year-over-year as there were only seven deals greater than 100,000 square feet compared to 13 in the previous quarter. Midtown accounted for 75.9% of Manhattan quarterly leasing.

Notable 1Q24 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Michael Kors	11 West 42nd Street	Grand Central	Direct Renewal	203,000
<i>Michael Kors renewed on 203,000 square feet of their space for eleven years at 11 West 42nd Street, giving back space on the partial twenty-second floor.</i>				
Intercontinental Exchange (ICE)	1345 Avenue of the Americas	Sixth Avenue/Rockefeller Center	Direct New	142,946
<i>Intercontinental Exchange signed a 142,946-square-foot lease to relocate to the entire fifth, sixth, seventh and partial eighth floors at 1345 Avenue of the Americas.</i>				
Archdiocese of New York	488 Madison Avenue	Plaza District	Direct New	142,308
<i>Relocating from 1011 First Avenue, the Archdiocese of New York leased 142,308 square feet at 488 Madison Avenue, signing a 30-year term across the third through seventh floors.</i>				
TD Cowen	599 Lexington Avenue	Eastside	Direct Renewal	126,396
<i>Investment bank TD Cowen signed a one-year renewal across 126,396 square feet at 599 Lexington Avenue as they await the buildout of other Midtown office space.</i>				
Major League Soccer (MLS)	2 Penn Plaza	Penn District	Direct New	125,013
<i>Major League Soccer leased 125,013 square feet across the fourteenth and fifteenth floors at 2 Penn Plaza, nearly doubling their previous footprint at 420 Fifth Avenue.</i>				

Source: Newmark Research

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