

4Q23

Manhattan Office Market Overview

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Market Observations



- While the region's labor market remains on relatively solid footing, the annual job growth rate has moved similarly to the national average, continuing a downward trend year-over-year.
- Unemployment decreased slightly, following expected seasonal growth in the retail and service industries.
- Construction and Education sectors continue to lead all industries in regional annual job growth, underlining large-scale construction projects underway after a pandemic slowdown.
- Office-occupying and adjacent industries saw annual job gains only in the business & professional industries while layoffs in the information industries continue.



- Annual leasing activity experienced an 11.2% decrease from 2022, amounting to 29.6 MSF. Despite the overall annual slowdown, the fourth quarter saw a notable rebound in leasing, reaching 8.7 MSF. This marks the highest level in six quarters and the third-highest output since the beginning of 2020.
- Law firm Paul, Weiss, Rifkind, Wharton & Garrison signed the largest 2023 national office lease, relocating to 765,000 square feet at 1345 Avenue of the Americas from their previous 550,000 square foot space.
- PJT Partners renewed and expanded their footprint at 280 Park Avenue, converting occupied sublease to a direct lease for 140,000 SF.

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- Availability has steadily declined over the past two quarters, closing the fourth quarter at 18.5%.
- Overall asking rents declined slightly year over year, driven by the leasing of space in high-quality buildings and a reduction in pricing for class B and C properties.
- The difference in direct asking rents between class A and B is currently at its widest point since 2020. Both class A and B direct rents experienced a decrease, but the rate of decline was higher for class B pricing.
- Construction deliveries hit their second-highest point in over two decades, as of 550 Washington Street, 2 Manhattan West and 66 Hudson Boulevard were all completed in 2023.



- Uncertainty persists in the macroeconomic outlook. Occupiers and investors alike will approach deals with greater caution as a result, which will impact leasing and investment activity.
- 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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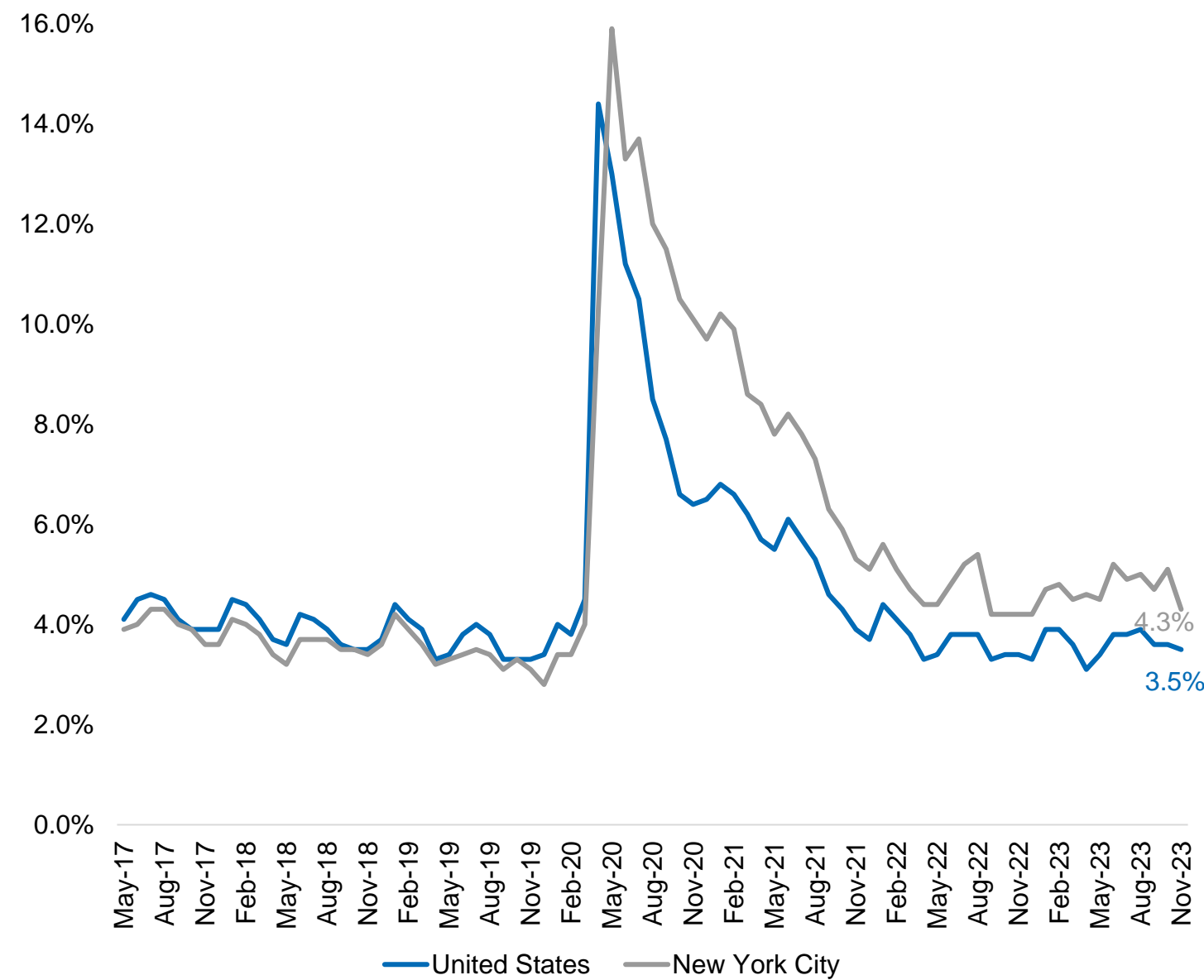
Economy



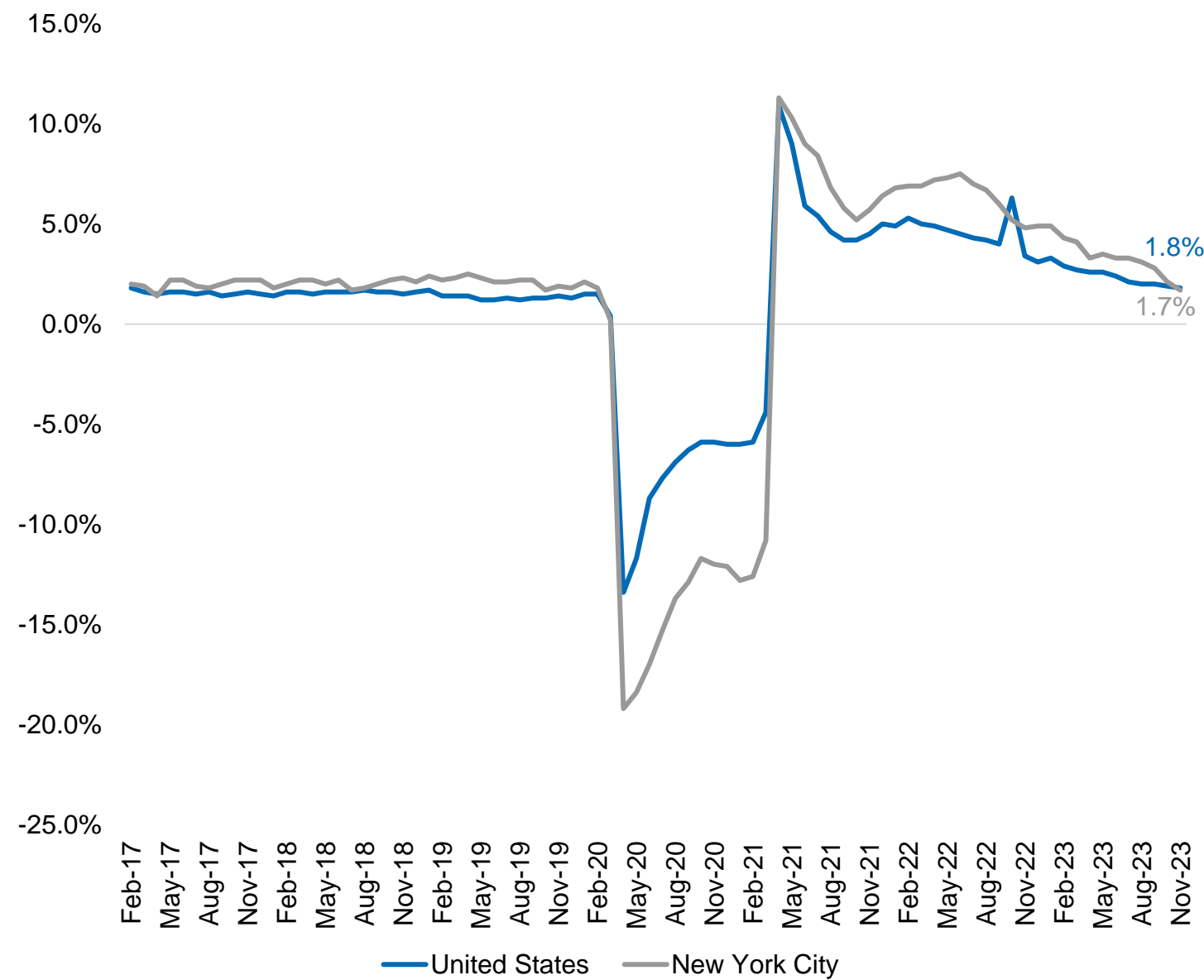
Metro Employment Trends Signal A Slowing Economy

While the region’s labor market remains on relatively solid footing, the annual job growth rate has moved similarly to the national average, continuing a downward trend year-over-year. Unemployment decreased slightly, following expected seasonal growth in the retail and service industries.

Unemployment Rate, Non-Seasonally Adjusted



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



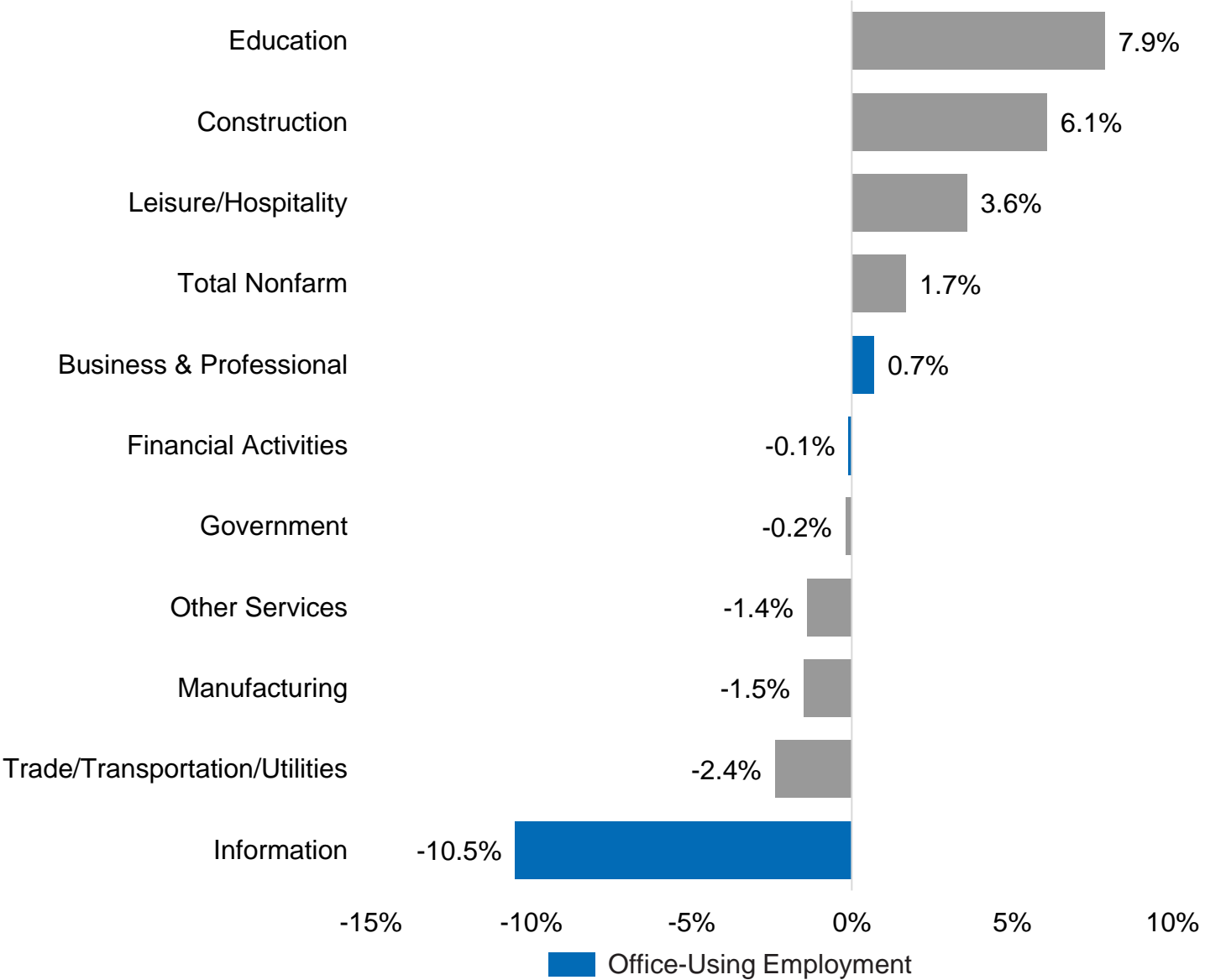
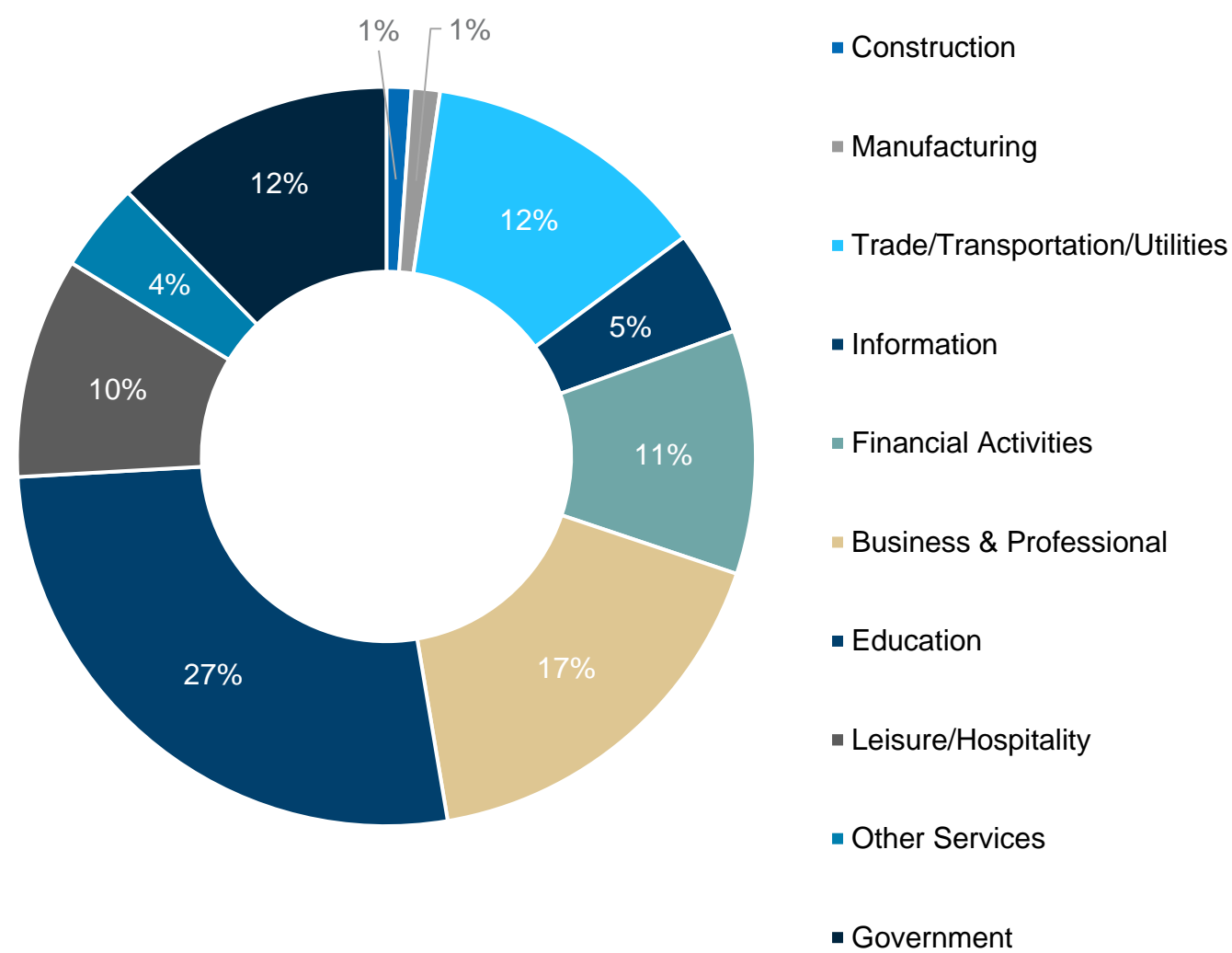
Source: U.S. Bureau of Labor Statistics, New York City

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

Construction and Education sectors continue to lead all industries in regional annual job growth, underlining large-scale construction projects underway after a pandemic slowdown. Office-occupying and adjacent industries saw annual job gains only in the business & professional industries while layoffs in the information industries continue.

Employment by Industry, November 2023

Employment Growth by Industry, 12-Month % Change, November 2023

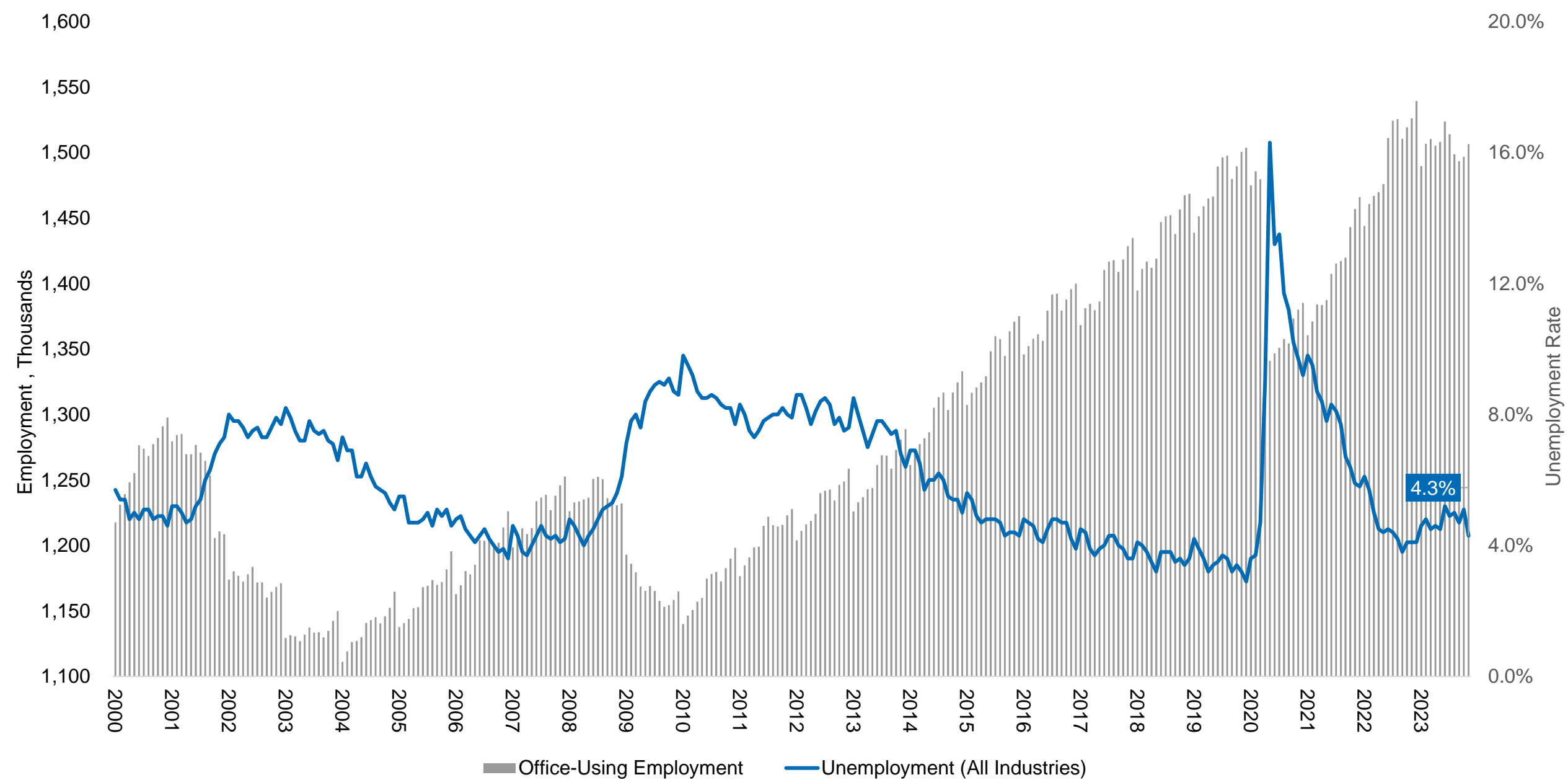


Source: U.S. Bureau of Labor Statistics, New York City

Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded from pre-pandemic levels, remaining close to the previously recorded high. Unemployment has remained inline with year-ago levels led by layoffs in the information and trade/transportation industries.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, New York City
Note: August 2023 data is preliminary.
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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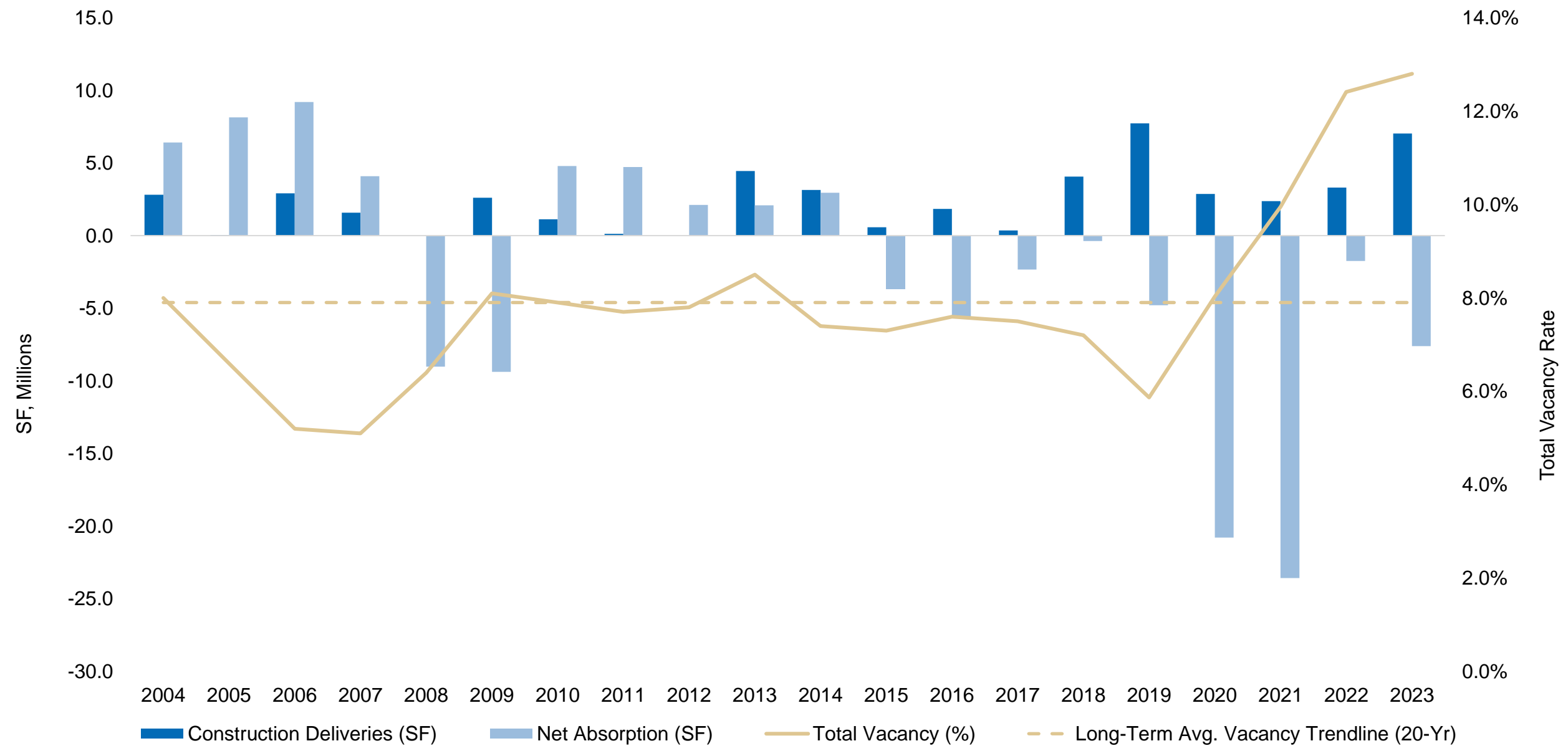
Leasing Market Fundamentals



Vacancy Rises as Construction Deliveries Near Record-High

Construction deliveries hit their second-highest point in over two decades, causing an increase in vacancy and a decrease in absorption. Although the vacancy rate has risen year over year, there was a 90 basis-point decline quarter over quarter, attributed to robust leasing activity in December.

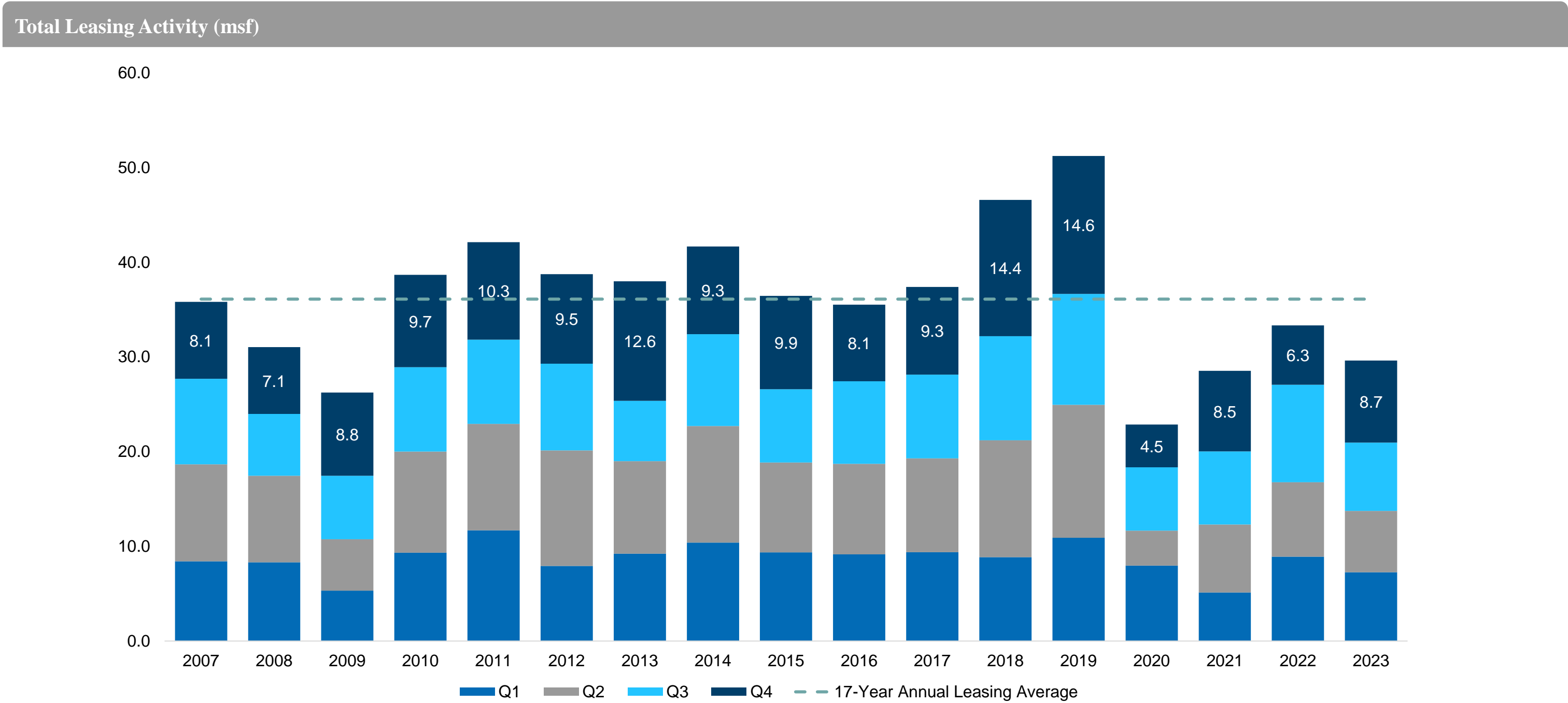
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Annual Leasing Activity Has Slowed

Annual leasing activity experienced an 11.2% decrease from 2022, amounting to 29.6 MSF. Despite the overall annual slowdown, the fourth quarter saw a notable upturn in leasing, reaching 8.7 MSF. This marks the highest level in six quarters and the third-highest output since the beginning of 2020.

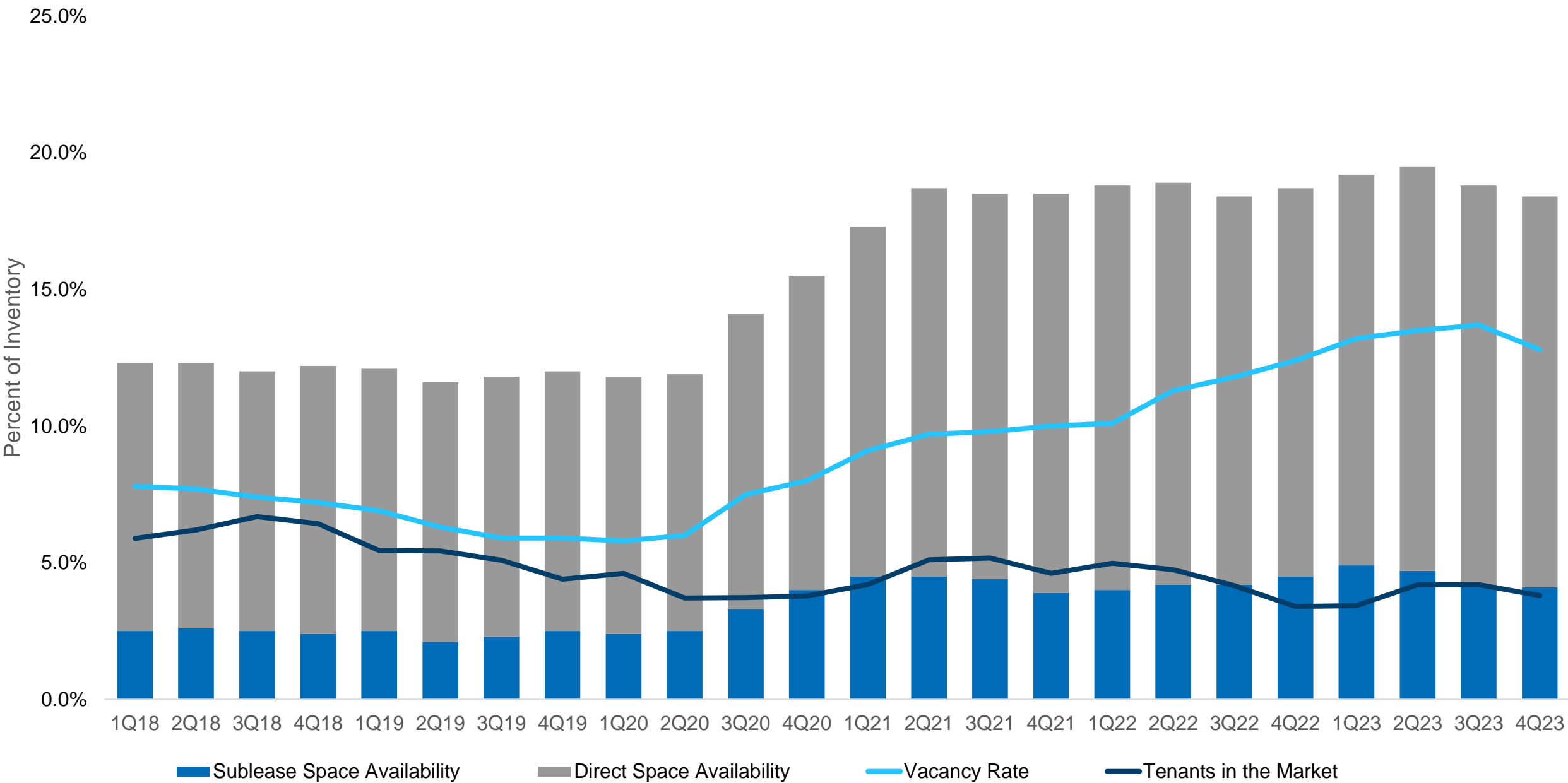


Source: Newmark Research

Availability and Tenant Demand Down Quarterly

Availability has steadily declined over the past two quarters, closing the fourth quarter at 18.5%. Several large tenants that signed recent deals caused the tenants in the market square footage to drop.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

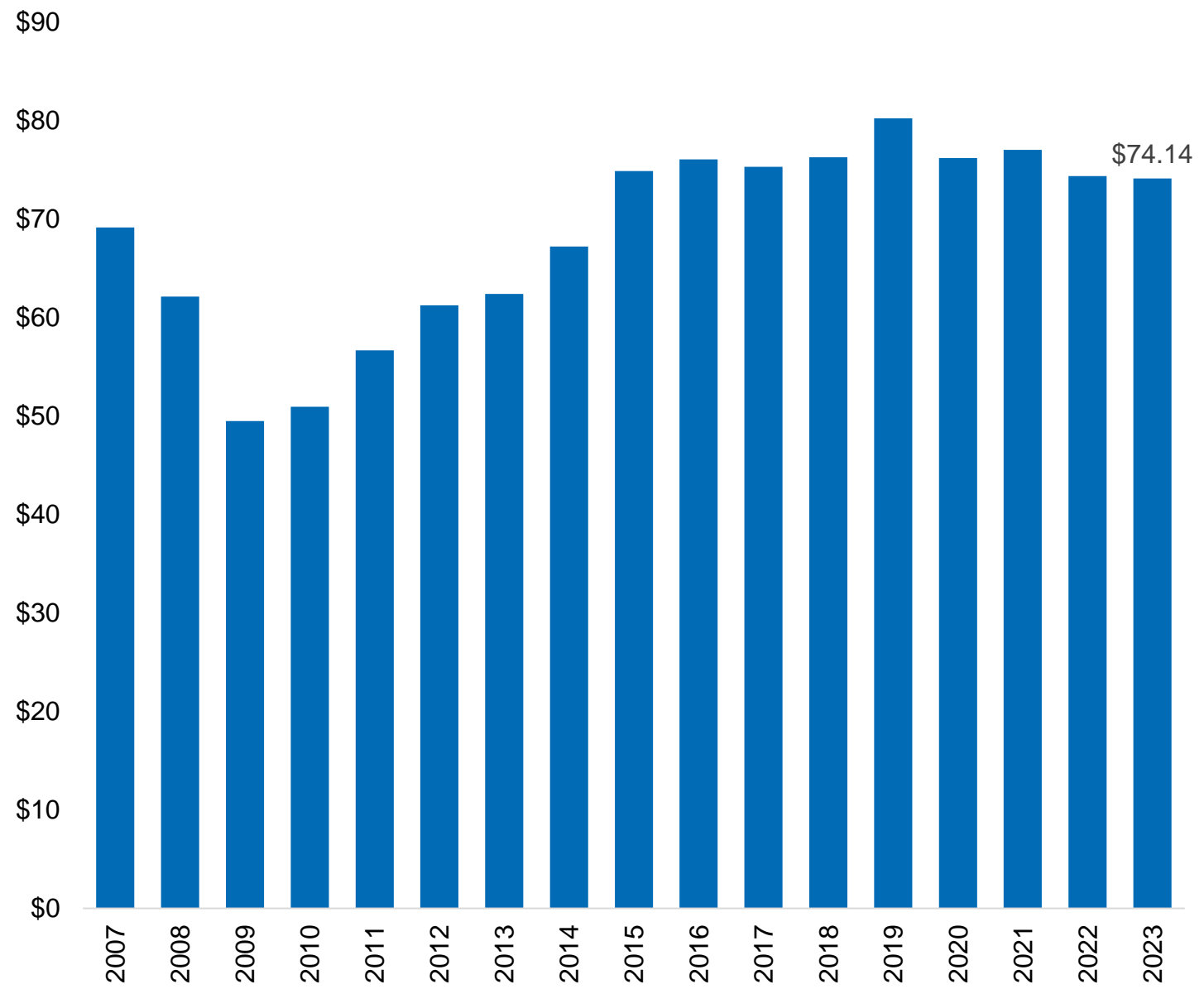


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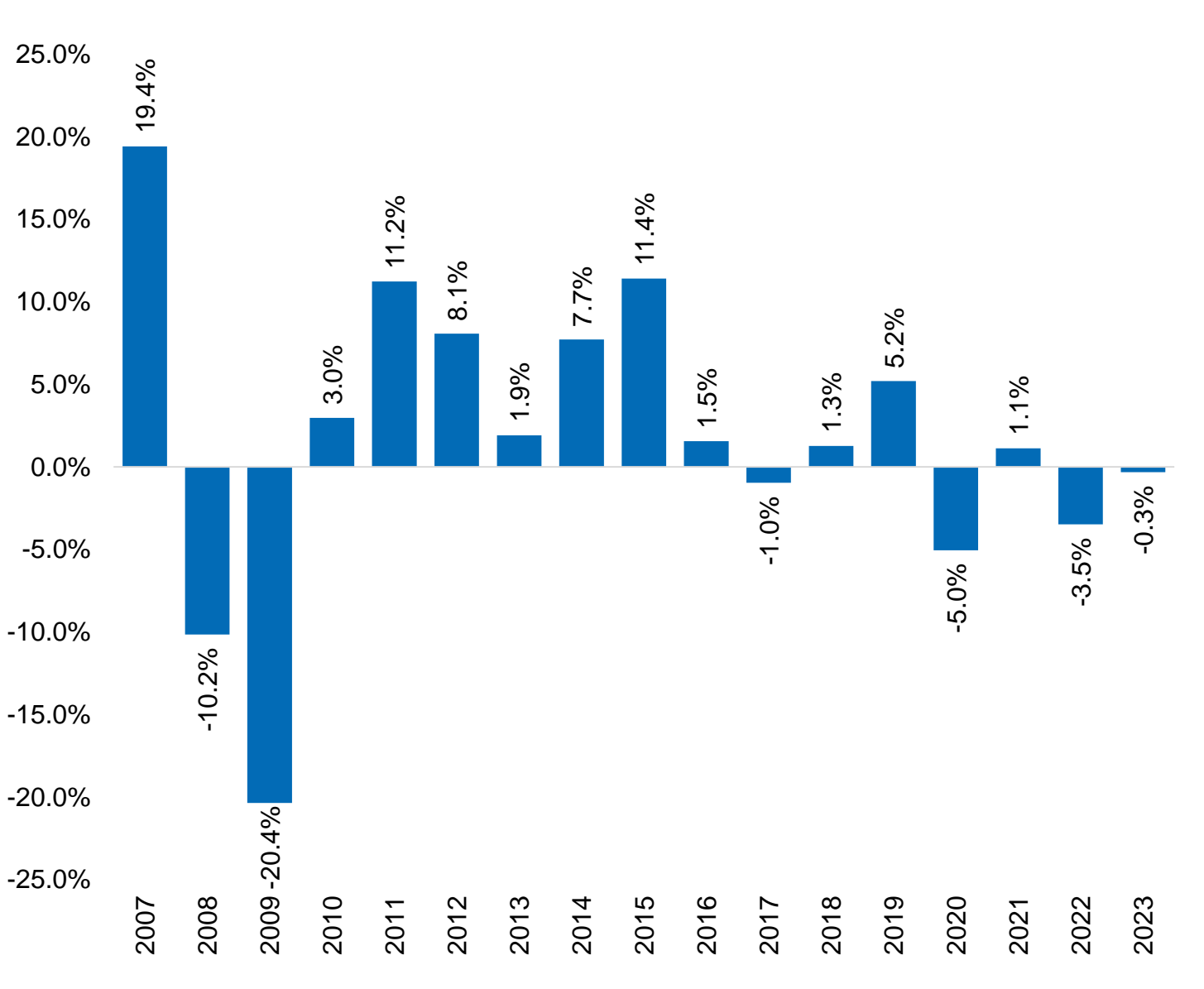
Minimal Decline in Overall Rents Driven by Rent Reduction in Commodity Space

Overall asking rents declined slightly year over year, driven by the leasing of space in high-quality buildings and a reduction in pricing for class B and C properties.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

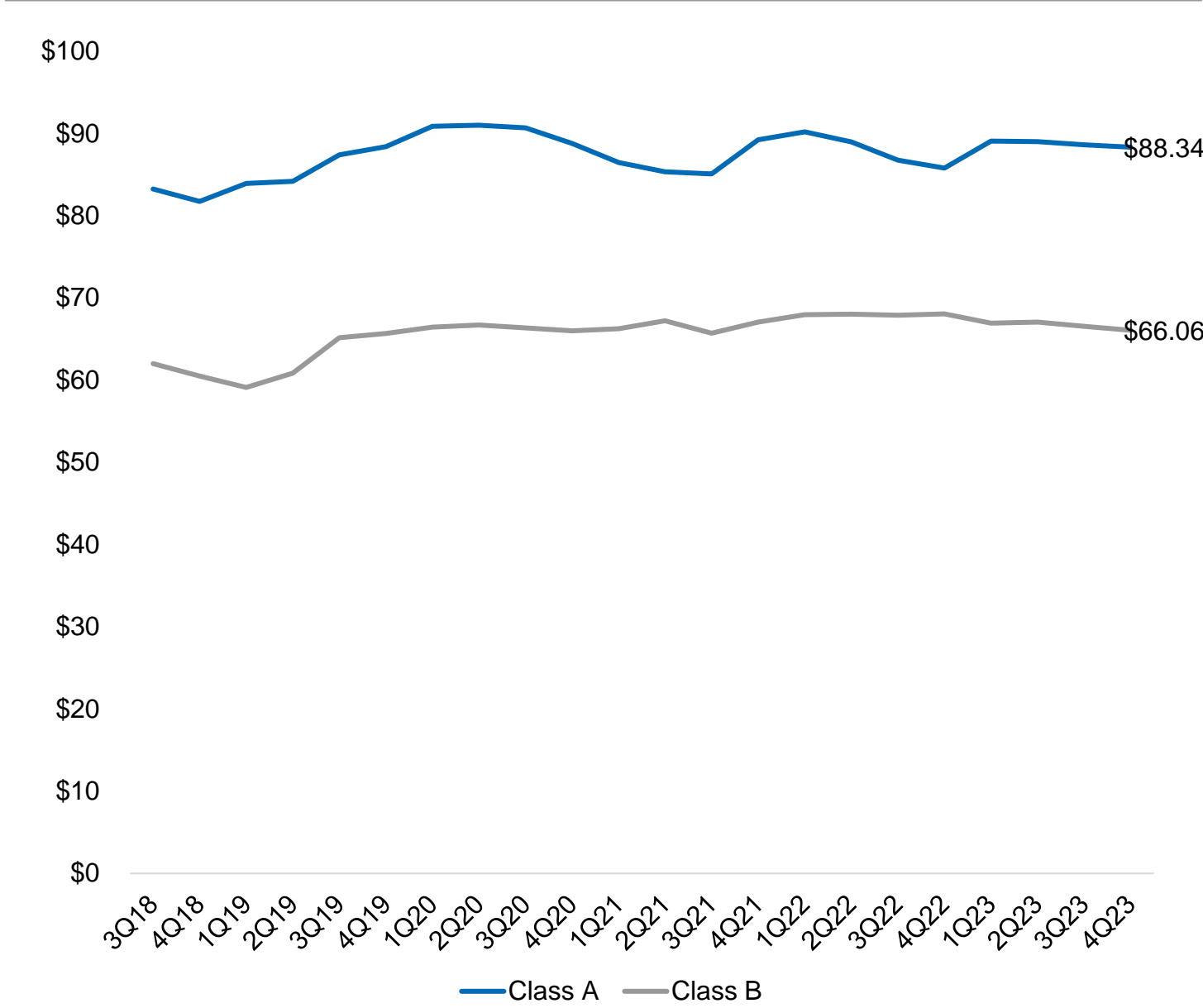


Source: Newmark Research

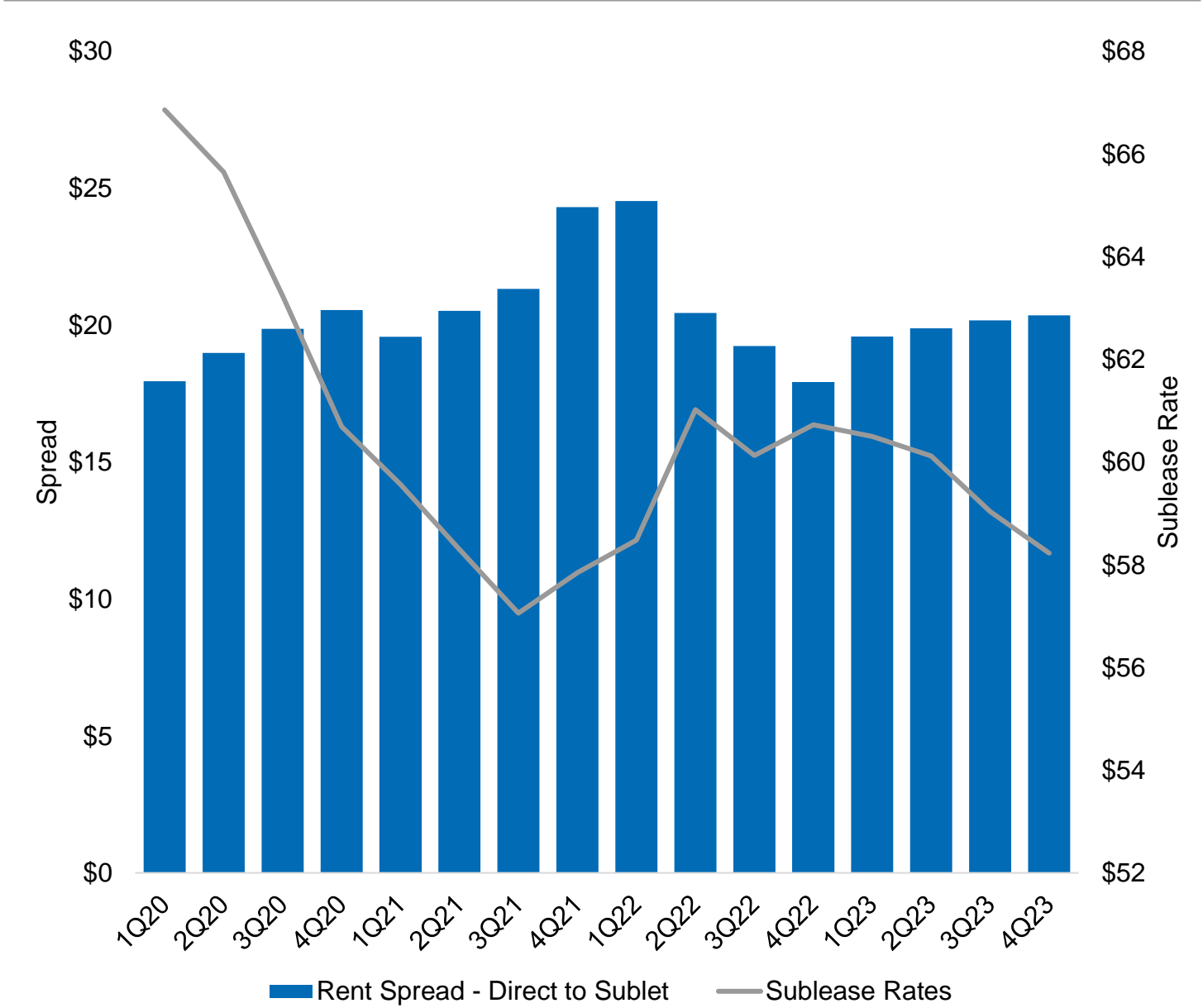
Asking Rent Delta Between Classes Continues to Increase

The delta in direct asking rents between class A and B assets is currently at its widest point since 2020. Both class A and B direct rents experienced a decrease, but the rate of decline was higher for class B pricing.

Class A and Class B Direct Asking Rents



Sublease Rates



Source: Newmark Research

Notable Lease Transactions

Fourth quarter leasing activity is up 20.1% from last quarter as Manhattan recorded the largest national office deal of the year. Despite renewals accounting for nearly half of 2023 leasing, activity in the quarter was driven by relocations, accounting for 67.8% of the 8.7 MSF leased in Manhattan.

Notable 3Q23 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Paul, Weiss, Ritkind, Wharton & Garrison LLP	1345 Avenue of the Americas	Sixth Avenue/Rockefeller Center	Direct New	765,000
Law firm Paul, Weiss, Ritkind, Wharton & Garrison signed the largest 2023 national office lease, relocating to 765,000 square feet at 1345 Avenue of the Americas from their previous 550,000 square foot space.				
MetLife	200 Park Avenue	Park Avenue	Direct Renewal	400,000
MetLife renewed 400,000 square feet for eleven years on the mezzanine, entire third, partial fourth, partial fifth, and entire sixth floors at 200 Park Avenue.				
PJT Partners	280 Park Avenue	Park Avenue	Direct Renewal & Expansion	269,905
Investment bank PJT Partners renewed and expanded their footprint at 280 Park Avenue, converting occupied sublease to direct space and renewing their existing 140,000 square foot footprint.				
King & Spalding, LLP	1290 Avenue of the Americas	Sixth Avenue/Rockefeller Center	Direct New	175,513
King & Spalding signed a 175,000-square-foot lease moving from 1185 Avenue of the Americas and relocating to the thirteenth through fifteenth floors at 1290 Avenue of the Americas.				
David Yurman Designs	200 Hudson Street	Tribeca/City Hall	Direct Renewal & Expansion	148,406
David Yurman Designs renewed and expanded their space at 200 Hudson Street across the eighth through twelfth floors, bringing the total footprint in the building to 148,406 square feet.				

Source: Newmark Research

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