TRANSWESTERN

MANHATTAN OFFICE MARKET

Q3 2024

TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	5.2	5.1	↑	7.6	↔
NET ABSORPTION (Thousands SF)	5,688.1	1,926.9	↑	(1,539.0)	↑
OVERALL VACANCY RATE	17.3%	16.4%	↑	13.6%	↔
OVERALL VACANT SF (MSF)	79.2	75.1	↑	61.7	↔
UNDER CONSTRUCTION (MSF)	2.0	0.9	↑	8.0	↑
ASKING RENT (PSF)	$76.55	$74.54	↑	$74.33	↑
SALES VOLUME (Millions)	$1,282.1	$376	↑	$1,873.0	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

Q3 DEAL ACTIVITY LED BY LARGE RENEWALS

Manhattan recorded two dozen deals exceeding 50,000 SF in Q3, contributing to 8.4 MSF of signed leases. Most of the large deals were renewals, led by a 1 MSF renewal and expansion by Blackstone at its 345 Park Avenue headquarters. Leasing reached 21.7 MSF year-to-date, compared with 16.6 MSF during the same period in 2023. Absorption was robust in both Class A and B space, and availability descended to its lowest in three years. Rents grew for a third straight quarter, reaching their highest level since mid-2020 as landlords pushed asking prices at trophy buildings amid further reductions in direct and sublet space.

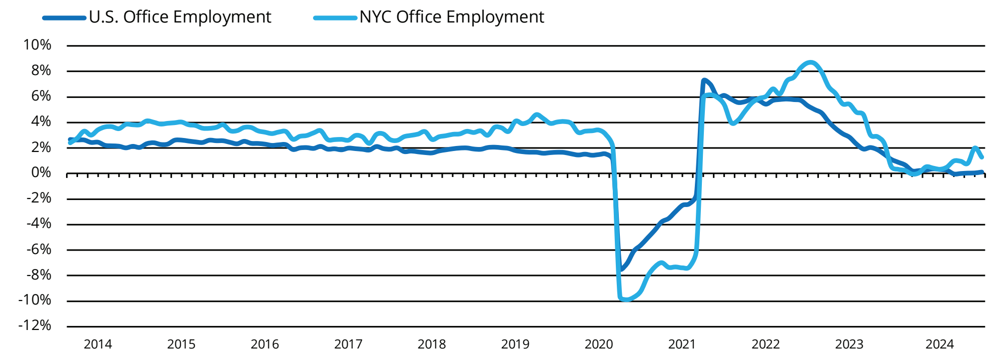
“This quarter’s strong leasing figure, particularly the year-to-date number up 31% compared to last year, bears out the increased enthusiasm that has been noticeable in the market,” said Patrick Heeg, Partner, Transwestern. “We’ve been seeing leasing decisions being made faster, increased touring activity, and greater openness to longer terms. As tenants solidify their in-office work plans, they are in a much better position when entering lease negotiations.”

ECONOMY

NYC's office jobs continue to increase ahead of the national pace

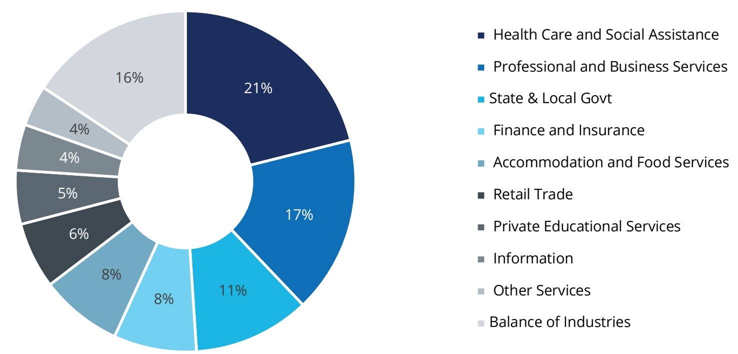
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Most recently, jobs grew 1.3% from a year ago, accelerating from the pace seen in late 2023 and early 2024.
- On a national level, growth in office-using jobs has plateaued over the last six months; employment in these sectors increased just 0.1% year-over-year.
- The unemployment rate in New York City currently stands at 5.2%, the upper edge of the tight range it has occupied for the last two years. The national unemployment rate is 4.1%, compared with its early 2020 bottom of 3.5%.
- The Health Care & Social Assistance industry continues to dominate NYC's job creation with almost 92,000 new jobs over the past year. This far surpasses all other sectors, but significant increases were also seen in the Accommodation & Food Services sector and the Private Educational Services sector. On the downside, some of the larger office-using sectors coped with a net loss of jobs over the past year.
- Traditional office-using sectors are getting back on track, even as hybrid work has become the most common structure for these jobs. Meanwhile, New York's diverse business economy provides a strong foundation that will continue to propel the city forward in late 2024 and into 2025.

Y-O-Y CHANGE IN OFFICE JOBS



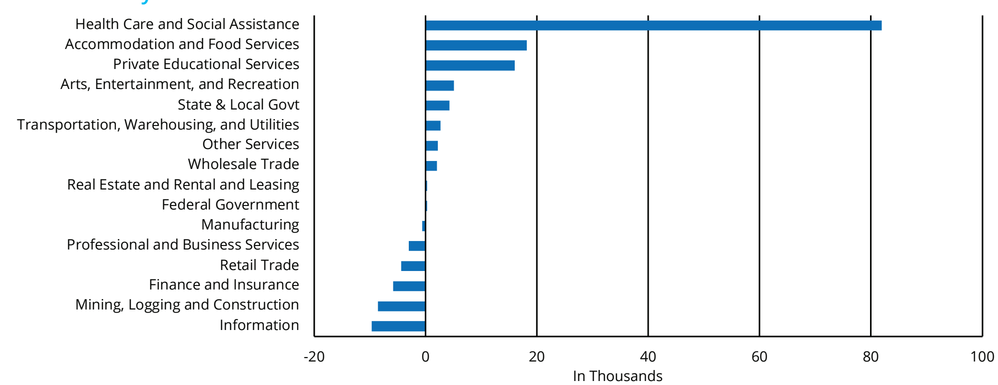
SHARE OF EMPLOYEES BY INDUSTRY

New York City | August 2024



Y-O-Y CHANGE IN JOBS BY INDUSTRY

New York City



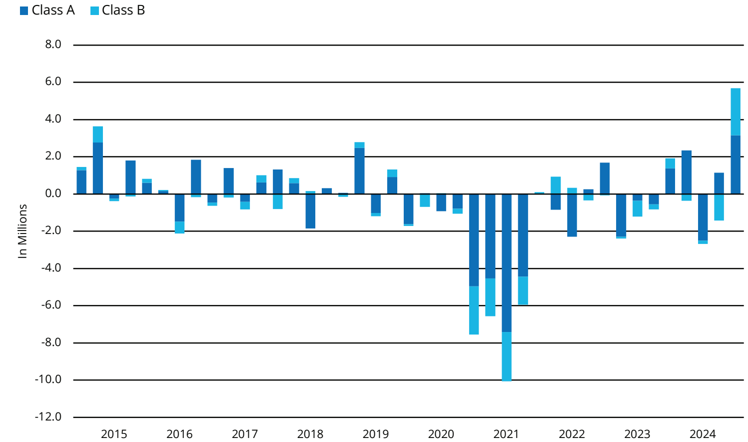
All sources: Bureau of Labor Statistics, NYS Department of Labor, Transwestern

NET ABSORPTION

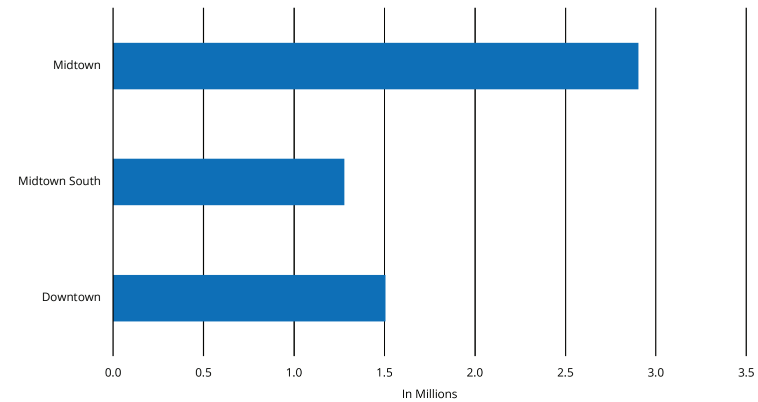
Absorption soars on leasing and restructuring

- New York City saw sky-high absorption of 5.7 MSF in Q3, though a significant portion of the take-up came from the withdrawal of offered space where buildings are preparing for sale, conversions or renovations, rather than from new leases. Year-to-date, net absorption measured 2.7 MSF.
- The quarter's largest leases were renewals and did not greatly affect absorption, though several had expansion components that contributed to the positive tally. In Midtown, Blackstone's massive 1.0 MSF lease at 345 Park Avenue included a 250,000 SF expansion, and Ares Management's 284,600 SF renewal at 245 Park Avenue incorporated a 131,700 SF addition.
- Three new leases of about 150,000 SF each also contributed to Midtown's 2.9 MSF of net absorption: LVMH at 590 Madison Avenue, Yeshiva University at 1293 Broadway, and Elliott Investment Management at 280 Park Avenue.
- Midtown South recorded a 132,000 SF lease from Ramp at 28-40 West 23rd Street (half of the square footage represented an expansion) and a 121,000 SF deal from Chobani for the entirety of 360 Bowery. Submarket absorption of 1.3 MSF was also boosted as 391,600 SF was removed at 770 Broadway in anticipation of a rumored master lease deal.
- owntown absorption improved to 1.2 MSF with StubHub's 101,300 SF sublease at 4 World Trade, New York City Department for the Aging's 80,000 SF deal at 14 Wall Street, and Catholic Charities of New York's 77,100 SF signing at 80 Maiden Lane. Also contributing to positive absorption, two properties withdrew all their offered space; 77 Water Street is converting to residential use and 80 Pine Street may face a similar future.
- Absorption has been inflated in recent quarters by changing market dynamics, including the ongoing removal of once-prime office space. At the same time, leasing has ramped up, with terms exceeding 15 years in many cases, an indicator of confidence in long-term planning.

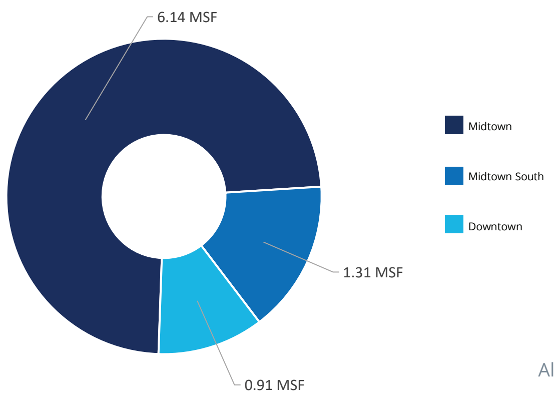
NET ABSORPTION BY CLASS



NET ABSORPTION BY SUBMARKET – Q3 2024



SHARE OF LEASING BY SUBMARKET



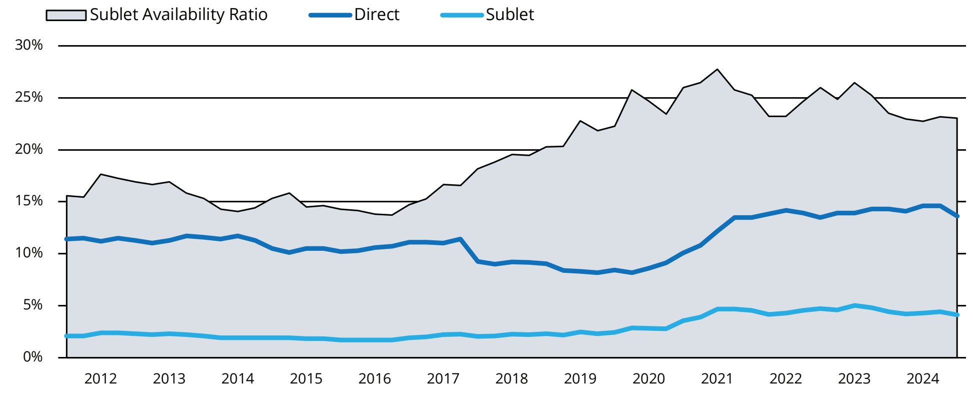
All sources: CoStar, Transwestern

AVAILABILITY

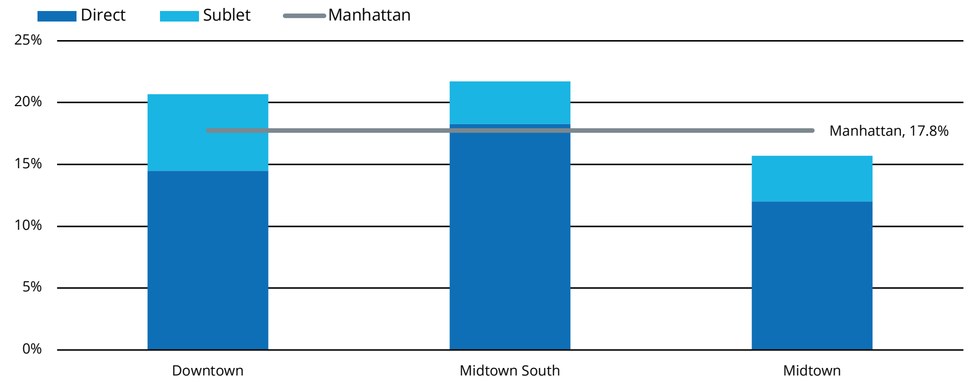
Availability dips to lowest since 2021

- Manhattan's availability rate declined 1.2 percentage points [pp] to 17.8% in Q3, as both sublet and direct availability decreased. Current sublet availability of 4.1% is the tightest since year-end 2020. As with absorption, some of the decrease in availability can be attributed to the withdrawal of offered spaces, indicating a market in flux.
- Midtown availability decreased 1 pp from Q2 to 15.7%. The submarket captured the bulk of Q3's leasing activity and also saw two massive spaces removed from marketing. Nearly 755,000 SF was removed from availability at 5 Times Square, where partial residential conversion is being considered. A few blocks north, 588,800 SF was pulled at 135 West 50th Street; the 920,000 SF tower was auctioned off in July for just $8.7 million, a 97.5% discount to its 2006 sale price of $332.5 million. Plans for the building have not been revealed.
- Midtown South continues to register Manhattan's highest overall availability at 21.7%, though its sublet availabilty rate of 3.4% is the lowest in the borough. Availability dropped 1.5 pp from last quarter; along with the Ramp and Chobani deals, the submarket saw a 60,000 SF commitment from Bridgewater Associates at 295 Fifth Avenue and a 57,000 SF signing from Firmenich (dsm-firmenich) at 641 Avenue of the Americas. Additionally, a 288,000 SF sublet block from Publicis at 375 Hudson Street is no longer being marketed.
- Downtown's availability level decreased 1.6 pp from Q2 to 20.7%, its lowest level in three years. Even so, sublet space remains a concern; sublet availability of 6.2% is the highest among Manhattan's three submarkets and represents 30% of Downtown's available total.
- Both Class A and B assets experienced a general decrease in availability this quarter. Total availability in both classes declined in Manhattan and all three major submarkets, a phenomenon that has not happened since 2017. However, it's still a tenants' market as large availabilities remain throughout the city, particularly in the Class B space, and showcase a range of attractive, discounted opportunities.

DIRECT VS SUBLET AVAILABILITY RATE



AVAILABILITY RATE BY SUBMARKET



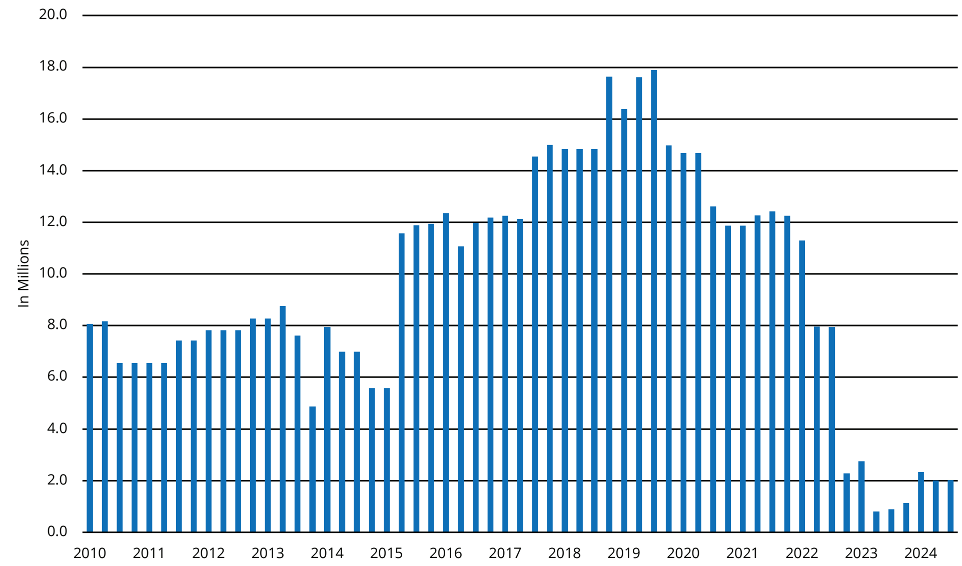
All sources: CoStar, Transwestern

UNDER CONSTRUCTION AND RECENT DELIVERIES

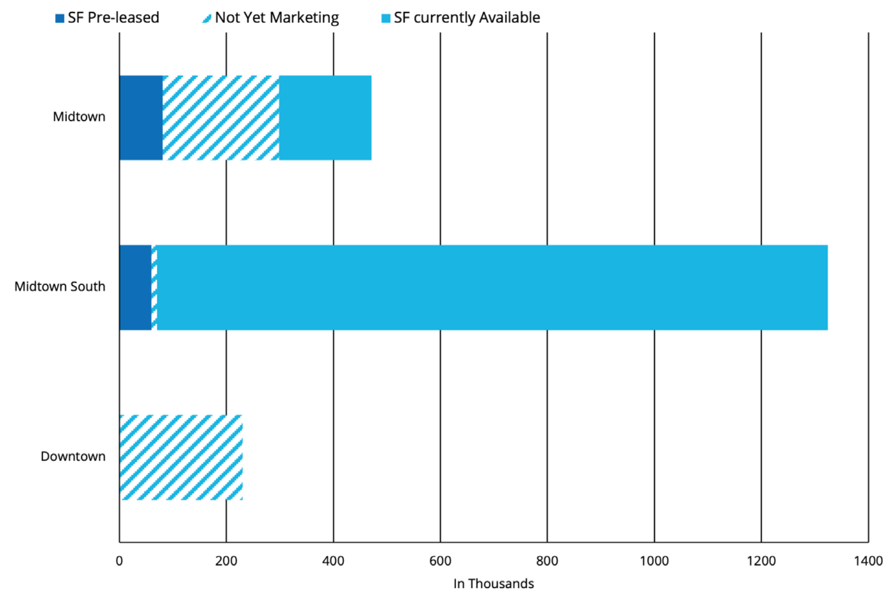
Construction levels remain low amid changing market dynamics

- High office vacancies in Manhattan are continuing to shift the focus away from spec development, leaving new construction near its lowest level in a decade. Instead, developers are looking to transform underperforming assets via renovations and capital improvements. Major ongoing office renovation projects include Downtown's 60 Wall Street and 161 Wall Street, as well as Midtown's PENN2 and the former Banco Santander Building at 45 East 53rd Street, now known as Park 53.
- The largest new construction project in the city is itself something of a renovation. Terminal Warehouse, the century-old full-block structure at 271 Eleventh Avenue in Midtown South, is giving way to four modern office buildings totaling over a million square feet; the first of these was delivered in Q3. Other new construction in Midtown South includes Le Gallerie (132 W 14th Street), 220 Eleventh Avenue, One High Line, and 1 Saint Marks Place.
- A new office tower is underway Downtown at 250 Water Street; the project also incorporates hotel and multifamily components. In Midtown, new construction includes 520 Fifth Avenue, which will feature 100 residential condo units on its upper floors, and 125 West 57th Street, due in 2025.
- Currently, about 15 MSF of Class A office product is proposed across Manhattan. However, getting projects underway depends on improvement in both market conditions and investor sentiment, as well as the likelihood of securing an anchor tenant. Two properties took promising steps in recent weeks: Amex is rumored to be in negotiations to anchor a 2.8 MSF tower at Downtown's 2 World Trade, and ground was broken for a new MTA subway entrance at Midtown's 343 Madison Avenue, though the building has yet to secure an anchor.
- As of now, the pipeline of "ready to lease" new construction opportunities remains extremely limited. It will be important to monitor whether continued demand for top tier assets, coupled with the lack of new stock, will lead to increased activity in secondary markets and class B buildings.

UNDER CONSTRUCTION



UNDER CONSTRUCTION BY SUBMARKET



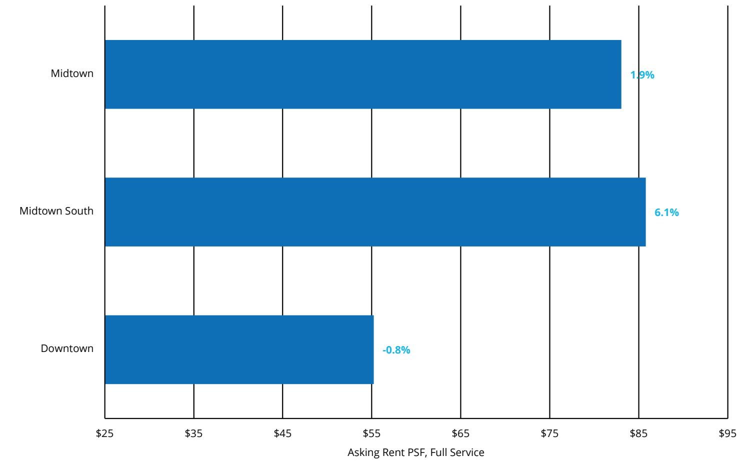
All sources: CoStar, Transwestern

RENTAL RATES

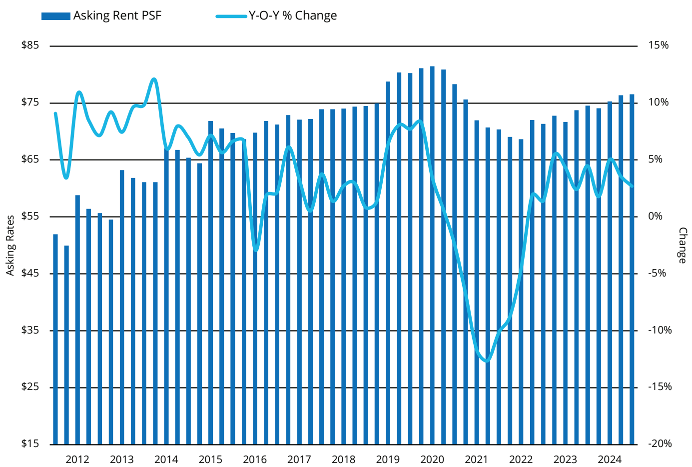
Trophy assets continue to spur higher asking prices

- Manhattan asking rents increased for a third straight quarter in Q3 and are up 2.7% from a year ago at $76.55 PSF. Rents have now seen ten straight quarters of year-over-year growth and are about 6% below their 2020 peak. The increase in asking rents has been driven by premium pricing at sought-after assets, combined with high availability at the newest properties.
- Midtown South was the only submarket to see rents decrease from last quarter, falling 1.2% to $85.79 PSF. Rents have already surpassed their late 2019 peak; currently, trophy assets like One Madison, 220 Eleventh Avenue, and Terminal Warehouse are asking upwards of $150 for well-appointed spaces. The relatively low amount of sublet space on offer is also contributing to higher average asking rates.
- Downtown rents improved to $55.24 PSF after four quarters of decline; removal of lower priced, under-utilized space was a factor. In Midtown, rents grew 0.1% to $83.04 PSF. While asking prices of $200 are being seen at desirable Midtown properties like 550 Madison Avenue, 1 Bryant Park, 9 West 57th Street, 30 Hudson Yards, 425 Park Avenue, and Lever House (390 Park Avenue), rents and rent growth are being kept in check by significant amounts of sublet space and large availabilities at Class B assets.
- Despite fluctuating market conditions, the newest trophy and Class A+ spaces are asking for and receiving premium prices. On the other hand, we are seeing increased opportunities for tenants at non-trophy and Class B properties. Larger concession packages are still in play across the board in order to get deals done, and amenity offerings, especially conference facilities and collaboration space, are becoming the new norm.

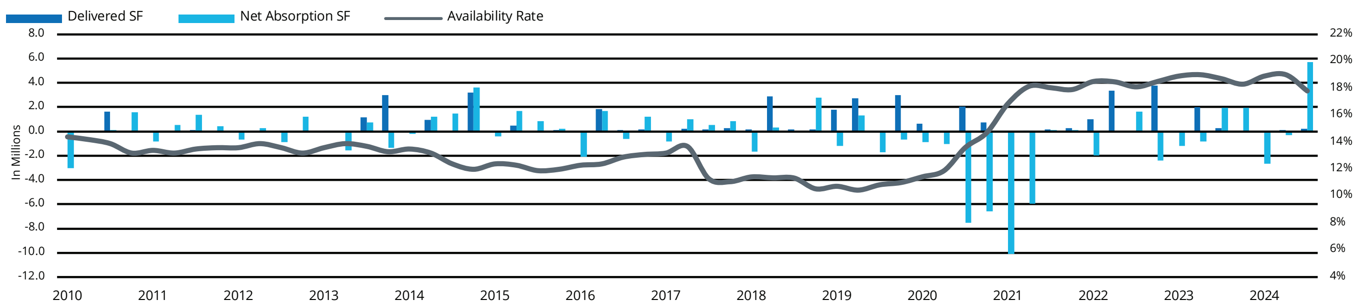
ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



ASKING RENT



DELIVERY IMPACT ON KEY INDICATORS



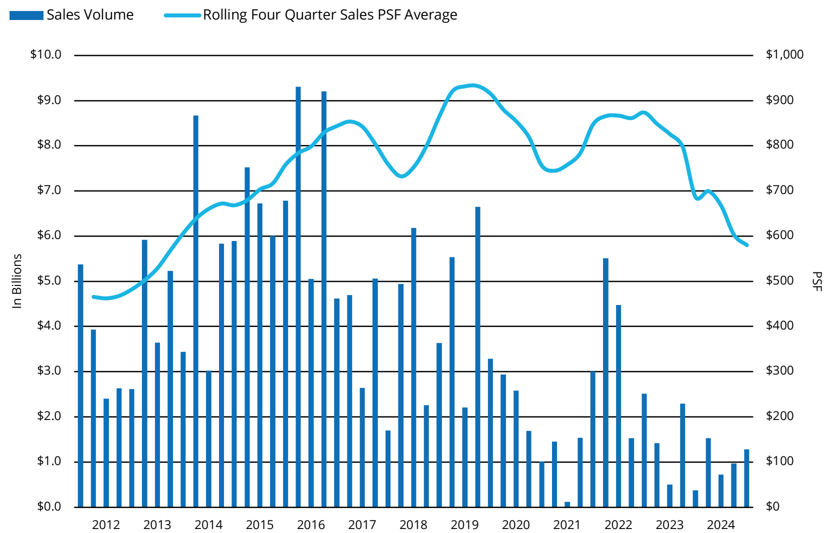
All sources: CoStar, Transwestern

SALES

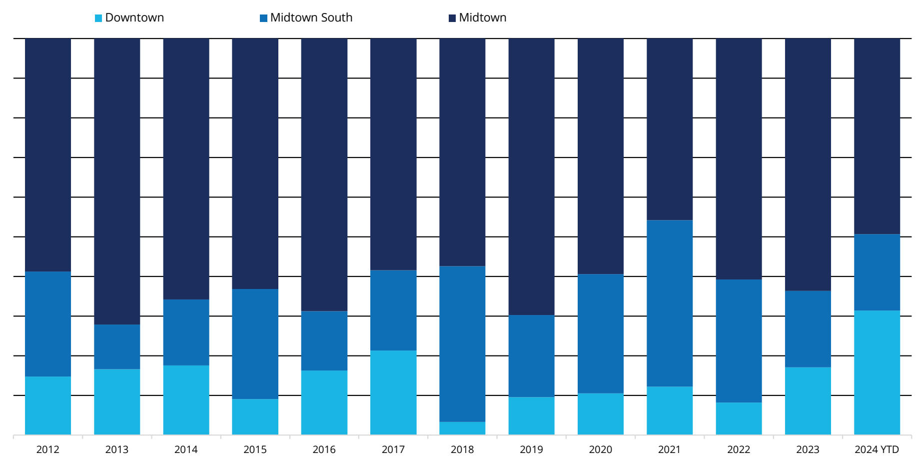
Transaction volume sees small improvement

- Manhattan office sales volume measured $1.3 billion in Q3 2024, the second straight quarter of increase. Volume for the last four quarters (Q4 2023–Q3 2024) totaled $4.5 billion, similar to the $4.6 billion transacted in the prior four quarters (Q4 2022—Q3 2023), but still far below the 10-year four-quarter rolling sales average of $14.8 billion.
- Pricing has been irregular due to the sale of non-core assets amid continued low deal volume. The current average sales price of $590 PSF is the lowest in a decade.
- The largest deal of the quarter was Hines & JPMorganChase's joint purchase of 250 Park Avenue in Midtown. The building sold for $320 million, translating to pricing of $690 PSF. Other large transactions included 180 Maiden Lane, which fetched $297 million, and 100 Wall Street, which traded for $116 million. Pricing for each of these Downtown assets pencils to roughly $245 PSF.
- Additionally, the minority interest in Pfizer's former headquarters at 219 East 42nd Street sold for $640 PSF; the building will be converted to apartments. A minority share in the MetLife building at 200 Park Avenue went for an undisclosed sum to buyer Irvine Co.
- Large deals on the horizon include 77 Water Street, which will be converted to residential use, and 360 Lexington Avenue, which has been foreclosed by its lender.
- Lingering uncertainty in the current economic climate has left investors reluctant to take on more debt and more risk, citing limited liquidity and ongoing price discovery, though some are scooping up distressed assets at bargain prices. The recent interest rate cut will help attract more activity, but debt remains costly, and we expect investors will proceed with caution over the next few quarters.

SALES VOLUME



OFFICE SALES BY SUBMARKET



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
BLACKSTONE	345 Park Ave	Midtown	Renewal / Expansion	1,019,100
CHRISTIE'S	20 Rockefeller Plaza	Midtown	Renewal	373,000
WILLKIE FARR & GALLAGHER	787 Seventh Ave	Midtown	Renewal	333,450
ARES MANAGEMENT	245 Park Ave	Midtown	Renewal / Expansion	284,550
CBRE	200 Park Ave	Midtown	Renewal / Expansion	180,000
LVMH	590 Madison Ave	Midtown	Direct	150,000

NOTABLE NEW AVAILABILITIES

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
330 W 42ND ST	Midtown	603,800	Direct
345 HUDSON ST	Midtown South	309,550	Sublet
55 WATER STREET	Downtown	276,400	Sublet
1290 AVE OF THE AMERICAS	Midtown	158,500	Direct
199 WATER ST	Downtown	130,900	Direct

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
200 PARK AVE*	Midtown	NA	3,021,000		Irvine Co.	Tishman Speyer
250 PARK AVE	Midtown	$320,152,500	464,000	$690	Hines, JPMorganChase	AEW Capital
180 MAIDEN LN	Downtown	$297,000,000	1,191,850	$249	99c LLC	Clarion Partners, MHP Real Estate
219 E 42ND ST*	Midtown	$240,000,000	375,000	$640	David Werner RE, Metro Loft	DWS Group Americas, SWIB, Alexandria
100 WALL ST	Downtown	$116,000,000	473,500	$245	David Werner RE Investments, BLDG Management	Barings, Cornerstone RE Advisers
419 PARK AVE S	Midtown South	$72,180,000	191,000	$378	Elad Group	Walter & Samuels

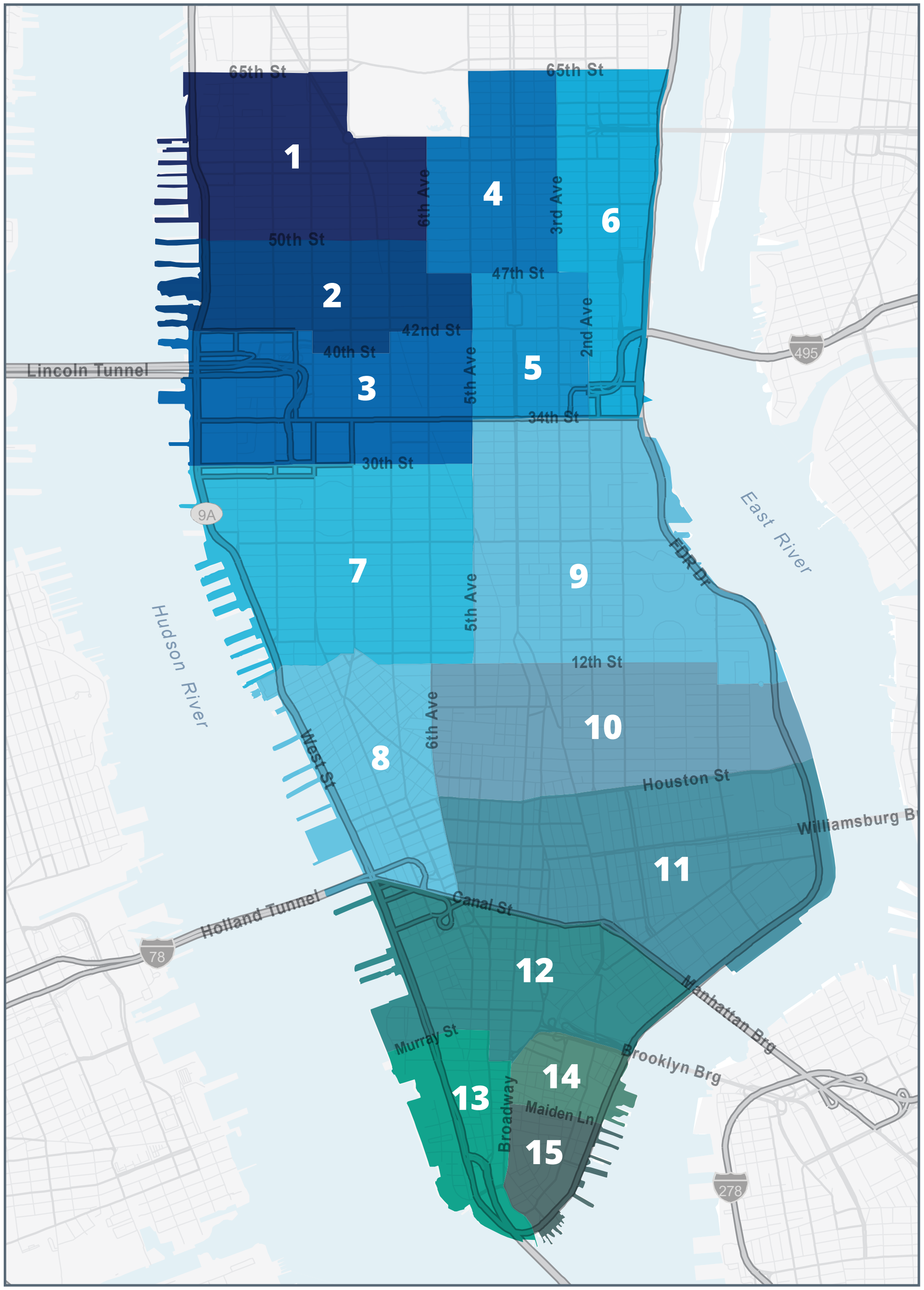
* = Minority sale

Source: CoStar, Real Capital Analytics, Transwestern

MARKET INDICATORS

All Classes of Space | Q3 2024

SUBMARKET	INVENTORY SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	OVERALL AVAILABILITY RATE	OVERALL VACANCY RATE	CLASS A AVERAGE RENT PSF	CLASS B AVERAGE RENT PSF	OVERALL AVERAGE RENT PSF
CITY HALL/TRIBECA	10,126,904	-110,787	-277,606	21.4%	23.7%	$62.02	$49.43	$59.68
FINANCIAL DISTRICT	37,515,413	1,222,715	1,183,134	23.7%	22.2%	$54.54	$48.07	$54.25
INSURANCE DISTRICT	9,339,545	-89,699	356,800	15.4%	19.9%	$58.23	$40.05	$53.31
WORLD TRADE CENTER	33,994,700	483,536	-14,851	18.6%	14.6%	$56.99	$42.46	$55.40
DOWNTOWN TOTAL	**90,976,562**	**1,505,765**	**1,247,477**	**20.7%**	**19.3%**	**$56.45**	**$44.58**	**$55.24**
CHELSEA/FLATIRON	27,925,330	398,905	-1,165,563	22.4%	19.5%	$122.23	$62.23	$89.66
GRAMERCY PARK	32,077,755	331,057	1,112,895	20.6%	21.1%	$102.76	$64.25	$81.94
GREENWICH VILLAGE	5,617,379	599,171	240,879	14.7%	21.3%	$70.38	$105.18	$94.30
HUDSON SQUARE	9,782,319	63,596	-195,172	27.0%	23.8%	$85.85	$80.22	$84.00
SOHO	6,087,020	-113,961	-121,606	22.0%	16.1%	$85.99	$76.35	$80.99
MIDTOWN SOUTH TOTAL	**81,489,803**	**1,278,768**	**-128,567**	**21.7%**	**20.5%**	**$105.46**	**$68.56**	**$85.79**
COLUMBUS CIRCLE	30,549,882	805,817	-820,181	16.4%	14.4%	$68.37	$58.34	$66.24
EAST SIDE	14,849,946	-156,537	-277,673	21.5%	19.0%	$70.61	$65.72	$70.20
GRAND CENTRAL	57,375,025	299,702	739,884	16.1%	15.8%	$69.23	$76.79	$70.45
PENN PLAZA	69,304,624	950,858	911,665	16.4%	17.3%	$116.79	$55.43	$96.82
PLAZA DISTRICT	69,946,554	654,633	589,868	12.0%	13.5%	$94.33	$86.04	$93.90
TIMES SQUARE	42,075,058	350,138	450,993	17.4%	17.1%	$81.99	$58.06	$77.44
MIDTOWN TOTAL	**284,101,089**	**2,904,611**	**1,594,556**	**15.7%**	**15.8%**	**$88.09**	**$61.65**	**$83.04**
TOTAL	**456,567,454**	**5,689,144**	**2,713,466**	**17.8%**	**17.3%**	**$80.72**	**$62.62**	**$76.55**



NEW YORK OFFICE SUBMARKETS

Midtown
1 Columbus Circle
2 Times Square
3 Penn Plaza
4 Plaza District
5 Grand Central
6 East Side

Midtown South
7 Chelsea/Flatiron
8 Hudson Square
9 Gramercy Park
10 Greenwich Village
11 SoHo

Downtown
12 City Hall/Tribeca
13 World Trade Center
14 Insurance District
15 Financial District

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Manhattan. This report includes single-tenant and multi-tenant Class A and B office properties with at least 100,000 SF in Midtown, 50,000 SF in Midtown South, and 75,000 SF in Downtown.

FOR MORE INFORMATION

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ABOUT TRANSWESTERN

Part of the Transwestern companies, Transwestern Real Estate Services (TRS) strives to add value for investors, owners, and occupiers across all commercial property types. Fueled by a holistic perspective of the real estate life cycle, agility and creativity are hallmarks of our approach, while vast national resources and sound market intelligence underpin customized recommendations and property solutions.

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and @Transwestern.