

# INVESTMENT FORECAST

Office  
New York City Metro Area

IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS

2024

## Tenants and Investors Alter Priorities in Response to Shifting Office Usage Patterns

**Residential population and enthusiastic tourist base prop up retail sales.** Office utilization and the pedestrian traffic that comes with it have continued to improve, with a Partnership for NYC survey conducted in late 2023 placing attendance at nearly 60 percent of the pre-pandemic norm. As the city marks four years since the onset of the health crisis, however, much of the remaining gap is likely to hold in the long-term. Retail tenants may reorient their leasing strategies to focus on the residential neighborhoods and tourist-centric locales that have seen the strongest returns of pedestrian activity. Times Square exemplifies the latter trend, having recouped an equal number of tenants as those lost during the pandemic by the fourth quarter of 2023. This occurred amid consistent downward absorption trends in the broader Midtown submarket. Highlighting opportunities elsewhere, consistently tight multifamily operations showcase the demand for services in residential zones, which will help drive citywide retail sales above the \$200 billion mark for the first time on record.

**New apartment hotspots offer alternative to office corridors.** In addition to financing woes, uncertainty as to pedestrian patterns in a post-health crisis traffic environment has subdued transaction velocity. In 2024, residential neighborhoods could see deal flow pick up as investors pivot toward areas with consistent foot traffic. Brooklyn stands out among the five boroughs in terms of growth potential, with roughly 45 percent of apartment units under construction citywide located here. Several Queens neighborhoods have also picked up in recent years, such as Long Island City, where the number of residential units has more than tripled since 2016. Investors may also bet on rising tourism numbers by acquiring experiential retail options in Manhattan locales.

## 2024 MARKET FORECAST

+1.1%



**EMPLOYMENT:** Job creation will accelerate in 2024, thanks to an improvement in the city's office-using segments, leading to the addition of 50,000 positions by the end of December.

825,000  
sq. ft.



**CONSTRUCTION:** Annual completions fall below the 1-million-square-foot mark for the fourth year in a row. The majority of space slated for delivery this year will come online in Brooklyn.

+20 bps



**VACANCY:** The citywide vacancy rate will adjust to 4.3 percent in 2024. While this is the highest measure noted since 2013, the metric is roughly in line with the post-2006 average.

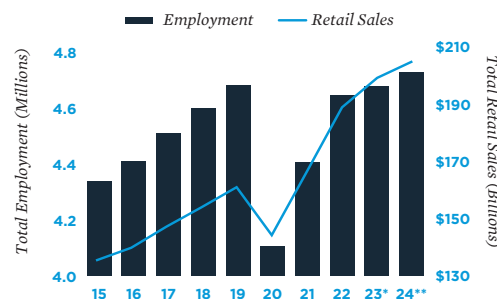
+0.5%



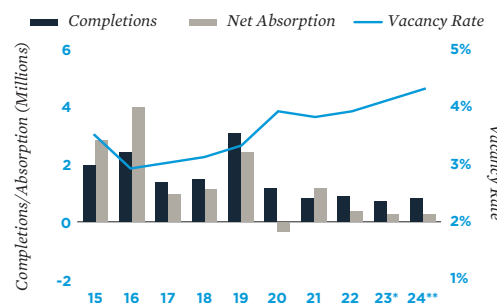
**RENT:** After a 0.3 percent increase was recorded last year, marketed rents will maintain a similarly tepid pace in 2024, rising to \$59.42 per square foot by year-end.

**INVESTMENT:** Investors may target the Willets Point neighborhood in Queens, where a new stadium housing NYFCF – the city's first purpose-built Major League Soccer venue – is under construction.

### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast  
Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 3/2024. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.