

MARKET REPORT

Office
New York City Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

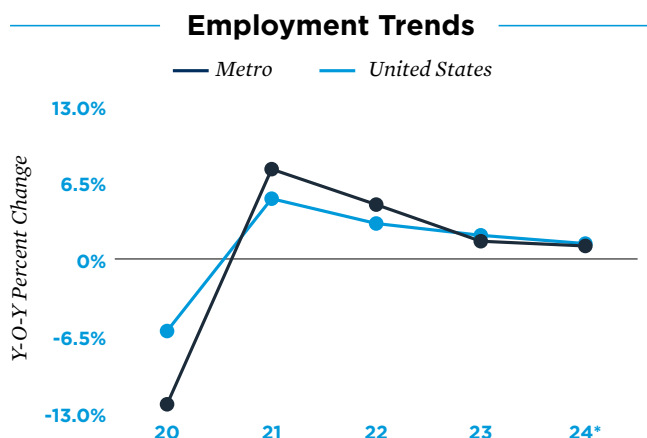
2Q/24

Two Boroughs Respectively Highlight Short- and Long-Term Office Leasing Trends

Demand for trophy floor plans fuels Manhattan's momentum.

Companies are slated to move into at least 7.8 million square feet of office space in the borough through 2024. Roughly 65 percent of that volume — over 5 million square feet in total — will be to properties that were built or heavily renovated in the last decade. Primarily fueling this trend has been a rush from hedge funds, private equity firms and other financial services providers toward trophy offices. A tightening labor market, with metro unemployment falling to an over four-year low of 4.8 percent in April, may further motivate similar companies to leverage updated, high-quality spaces to recruit and develop talent. Newer, existing stock should continue to be sought by tenants, sustaining downward vacancy momentum here as near-term additions to inventory are expected to moderate.

Office needs will rise in the Bronx. While not typically an area that high-end users look to, the borough has the potential to attract strong demand from smaller tenants long-term. The local populace is projected to grow at the fastest pace among New York City's counties through 2028, supporting a high concentration of the metro's apartment construction, at over 3,000 units as of June. These inflows may motivate law, financial and health service providers to occupy spaces here to capture shares in a rapidly growing area. Local net absorption stayed in positive territory for six straight quarters through March, indicating this trend may already be underway.



* Forecast

Sources: BLS; CoStar Group, Inc.

Office 2024 Outlook



**50,000
JOBS**
will be created

EMPLOYMENT:

New York City's job tally expands by 1.1 percent this year, mostly fueled by hiring in the education and health services fields. These types of organizations added a net of 35,000 new roles in the first four months of 2024.



**3,300,000
SQ. FT.**
will be completed

CONSTRUCTION:

Metro stock grows by 0.5 percent, as Midtown South Manhattan hosts about one-half of the new supply. Brooklyn and Queens are also each slated to receive over 500,000 square feet of office deliveries this year.



**20
BASIS POINT**
increase in vacancy

VACANCY:

Notable space relinquishments during the first quarter will challenge overall vacancy this year. Still, the metrowide rate is projected to end 2024 in line with the trailing three-year average of 17.1 percent.

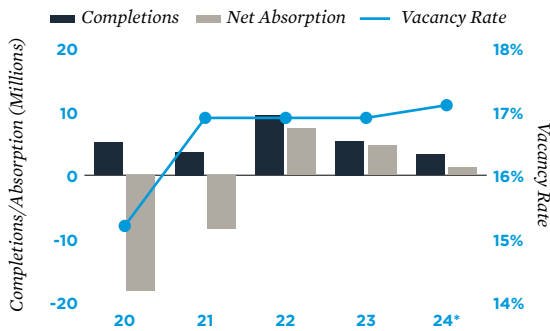


**1.2%
DECREASE**
in asking rent

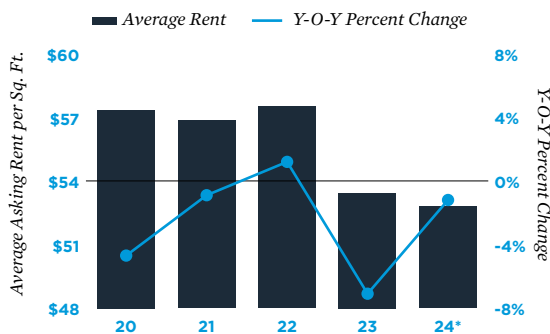
RENT:

Asking rents fall for the fifth time in the past seven years amid an uptick in overall vacancy. The mean market rate ends 2024 at \$52.80 per square foot, roughly equating to the mid-2014 level.

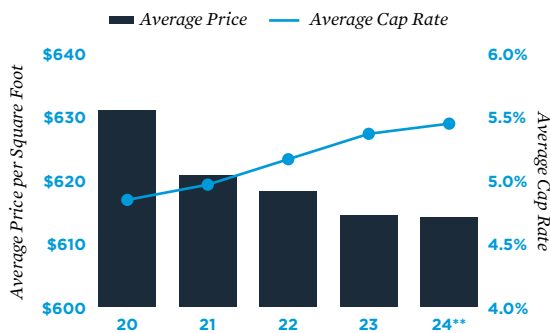
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 1Q

Sources: CoStar Group, Inc.; Real Capital Analytics

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Price: \$250

1Q 2024 - 12-Month Period



CONSTRUCTION

5,903,000 sq. ft. completed

- Marketwide stock expanded by 0.8 percent in the 12-month span ended in March. Midtown Manhattan received nearly one-third of the new supply.
- Brooklyn experienced the greatest stock growth among any of New York City's boroughs in the frame. Nearly 1.4 million square feet was completed here over the last year, expanding local inventory by 2.4 percent.



VACANCY

10 basis point decrease in vacancy Y-O-Y

- Local vacancy in Midtown Manhattan fell 100 basis points over the year ended in March, despite elevated deliveries. The submarket's drop was the primary reason marketwide vacancy eased year-over-year to 17.2 percent.
- Brooklyn's tightening operations were also a significant factor. Vacancy here fell 20 basis points in the last 12 months to 16.8 percent.



RENT

5.3% decrease in the average asking rent Y-O-Y

- While New York City's average asking rate dipped to \$54.24 per square foot in March, Brooklyn still registered growth. Its downtown and southern areas posted annual gains of 6.4 and 4.6 percent, respectively.
- Mean marketed rents for Class A spaces softened by 6.8 percent year-over-year, more than double the pace of decline noted across Class B/C options.

Investment Highlights

- Preliminary data indicates that Midtown South was the most highly traded-in submarket during the first five months of 2024, hosting nearly 30 percent of New York City's office deal flow. Record-high local vacancy and easing asking rents are leading to generally more favorable acquisition pricing, attracting well-capitalized investors and owner-users seeking opportunities to expand their holdings into generational assets. International firms, including the Museum of Chinese in America, NTD Television and Kodan-sha USA, all purchased local offices they plan to occupy in 2024.
- Trading activity for newer-built Class B offices has recently been concentrated in Brooklyn. Investors are finding well-leased, post-2010-built medical offices and live-work spaces here. The submarket received the most new Class B/C supply among any of the boroughs over the year ended in March; yet, local mid- to low-tier vacancy fell 30 basis points in the span.
- Midtown Manhattan is noting a rise in Class B/C trading, as buyers follow burgeoning demand for local lower-cost offices. Sector net absorption reached a record of 1.3 million square feet over the year ended in March, with new leases from startups like Pink Rose and Pinecone, among others.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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