

Manhattan Office Market Fundamentals Improving

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Asking rents in Midtown North rose to \$59.91 per square foot by the end of first quarter 2010, up from \$59.31 at the end of fourth quarter 2009, reports FirstService Williams, which is becoming the New York - New Jersey - Connecticut hub of Colliers International. In addition, asking rents in Midtown South rose to \$39.99, up from \$39.73. Downtown was the only submarket where asking rents dropped, falling to \$37.21, from \$38.60.

Other positive signs are that overall leasing for first quarter 2010 increased to 3.8 million square feet, up from 3.4 million square feet in the same quarter a year ago. Meanwhile, the overall Manhattan availability rate dropped to 13.6 percent by the end of first quarter 2010, down from 13.8 percent at the end of fourth quarter 2009.

The sublease market also showed improvement. For Manhattan as a whole there was a small, but significant decline of 2.6 percent over the last quarter in the amount of available sublease space. Midtown North and Midtown South have clearly firmed, with declines of 9.3 percent and 16.8, respectively. Had it not been for weak demand and new space coming on line in the Downtown market, the overall decline would have been greater.

"The sublease situation is substantially different in Midtown North and Midtown South, with the amount of sublease space available falling dramatically in both markets," noted Mark Jacom, CEO of FirstService Williams. "We are seeing clear improvement in both markets."

Robert L. Freedman, chairman of FirstService Williams, further noted that Midtown North showed an increase in direct rents and a decline in sublease rents, while the pattern was reversed in Midtown South.

“These rent movements are more the result of the available spaces in each of the two time periods than any subtle shifting of market supply or demand dynamics,” Freedman said. “There is no significant amount of new construction that will be completed in these markets during the next two years, aside from 11 Times Square. Even with moderate economic growth, space availabilities will become tighter in 2011 and 2012.”

Additional highlights from FirstService Williams’ first quarter analysis:

- The sales market has seen an increase of offerings from sellers who are not in a distressed situation as market fundamentals begin to improve.
- Four sales transactions closed during first quarter 2010 — 60 Fifth Avenue, 515 Madison Avenue, 4 New York Plaza, and 70 Pine Street/72 Wall Street.
- Three other sales transactions — 417 Fifth Avenue, 452 Fifth Avenue and 1466 Broadway — are under contract.
- The minority interest in 299 Park Avenue sold for \$534 per square foot, the only Class A transaction that closed during the quarter.
- Class B properties in Midtown North and Midtown South traded at significantly higher prices than Downtown properties.