



Colliers

Research Report: New York City

# Manhattan Office

Q2 2022

Accelerating success.



# Manhattan Office Report

Manhattan's leasing volume decreased by 3.9%, quarter-over-quarter. Meanwhile, availability tightened with positive absorption and higher pricing.

The arrival of the COVID-19 pandemic drove New York City's unemployment rate from 4.5% in March 2020 to a record-high 21.0% two months later.<sup>1</sup>

Since then, New York City's unemployment rate was dramatically reduced, decreasing by 15.3 pp (percentage points) to 5.7% as of May 2022. Over the last 12 months, the unemployment rate was lower by 4.5 pp. Additionally, New York City's 8.4% annual private sector job growth bettered the growth nationally (at 5.0%) and at the state level (at 5.8%).<sup>2</sup>

## Quarterly Leasing Volume Lower by 3.9%

Manhattan office leasing volume decreased by 3.9% since Q1 2022. Additionally, at 7.32 million square feet, Q2 2022 demand was 10.1% below Manhattan's five-year rolling average (8.14 million square feet) and 10.6% below the ten-year average (8.19 million square feet).

However, leasing volume during Q2 2022 was 60.8% higher than the 4.55 million square feet of activity during Q2 2021. Furthermore, leasing activity during the first-half of 2022 (H1 2022) totaled 14.95 million square feet, a 64.2% increase over the 9.11 million square feet leased during the same period in 2021. If leasing volume were to continue at the same pace for the remainder of the year, 2022's full-year leasing volume would surpass 2021's full-year total (24.96 million square feet) by 19.8%.

Manhattan's FIRE (financial services, insurance and real estate) sector led leasing by industry during the quarter with a 47% share of activity. Within the FIRE sector, approximately 3% of Manhattan's second quarter volume included leases by flex/coworking companies. At 15%, the TAMI (technology, advertising, media and information

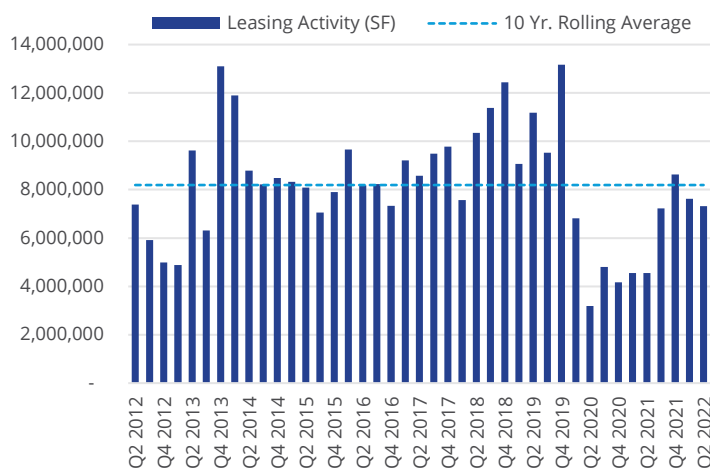
<sup>1</sup> Source: New York State Department of Labor. Unemployment data is non-seasonally adjusted and no data is listed pre-1976.

<sup>2</sup> Source: New York State Department of Labor.

## Manhattan Market Indicators

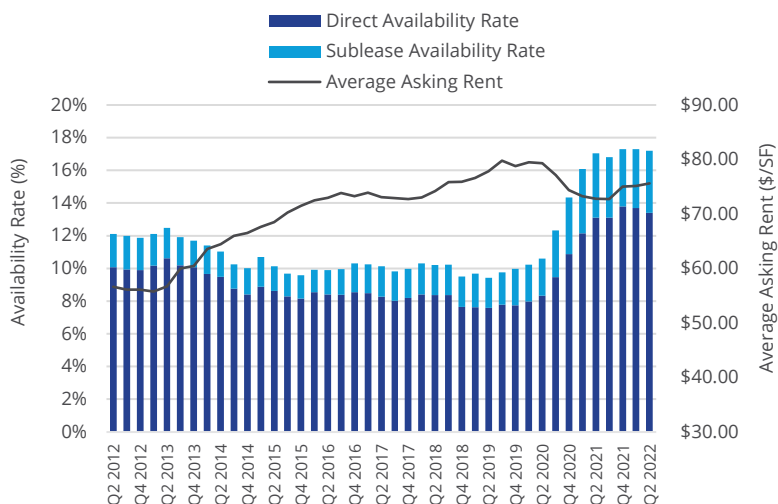
	Q2 2021	Q1 2022	Q2 2022
Availability Rate	17.0%	17.3%	<b>17.2%</b>
Average Asking Rent (\$/SF/YR)	\$72.79	\$75.12	<b>\$75.61</b>
Leasing Activity	4,553,462	7,624,659	<b>7,324,080</b>
Net Absorption	(4,924,076)	(568,349)	<b>533,477</b>

## Leasing Activity



Source: Colliers. Excludes deals less than 5,000 sq. ft.

## Average Asking Rent and Availability Rate



Source: Colliers

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services) sector had the second-highest share of office leasing volume and the professional services sector accounted for the third-largest share at 14%.

## Average Asking Rent Higher by 0.7% Since Q1

Manhattan's asking rent average increased – for the third consecutive quarter – by 0.7% to \$75.61/SF. This was Manhattan's longest consecutive streak of quarterly asking rent increases since 2019. The asking rent average also increased in Midtown South while declining in Midtown and Downtown, quarter-over-quarter. Manhattan's asking rent average grew by 3.9% since Q2 2021 but was lower by 4.9% since the start of the COVID-19 pandemic in March 2020.

The quarterly asking rent average increased or remained stable in 9 of Manhattan's 18 submarkets while 9 submarkets also recorded increases, year-over-year. Additionally, Hudson Yards/ Manhattan West (\$137.07/SF), Hudson Square (\$88.47/SF), U.N. Plaza (\$68.36/SF) and Murray Hill (\$68.02/SF) ended the quarter with asking rents above their respective Q1 2020 pre-pandemic averages.

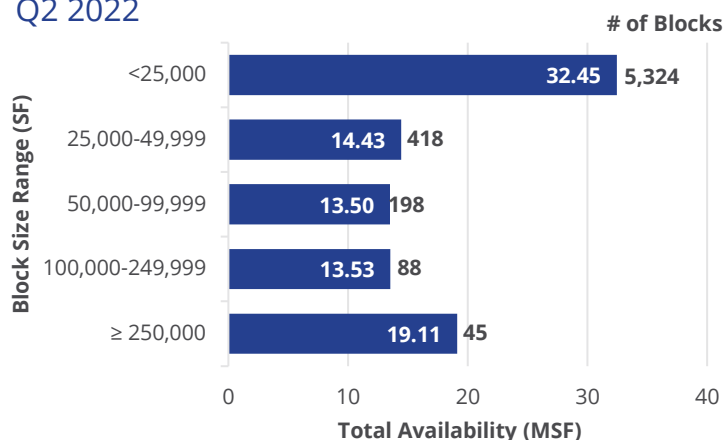
Greenwich Village (\$88.74/SF) had the sharpest percentage decrease to its asking rent average in Manhattan during Q2 2022 – at 9.0% – driven by 71,000 sq. ft. of above-average priced space leased to Wellington Asset Management at 799 Broadway. Meanwhile, Gramercy Park (\$81.79/SF) had the sharpest increase – at 5.1% – due above-average priced space added at 1 Madison Avenue (403,000 sq. ft.) and 225 Park Avenue South (110,000 sq. ft. sublet).

The average sublet asking rent (\$59.59/SF) jumped by 6.0% since Q1 2022, mostly due to large (100,000+ sq. ft.) blocks of above-average space added to the available inventory at 30 Hudson Yards, 225 Park Avenue South, 1 Soho Square (multiple smaller blocks) and 441 Ninth Avenue. Meanwhile, the direct asking rent average (\$80.14/SF) increased – for the third consecutive quarter – by 0.1%.

The average in Class A product (\$81.44/SF) increased by 0.4% since March 2022. Meanwhile, Class B product (\$65.48/SF) increased – for the fifth consecutive quarter – by 1.4% while the Class C inventory (\$53.36/SF) grew by 4.4%.

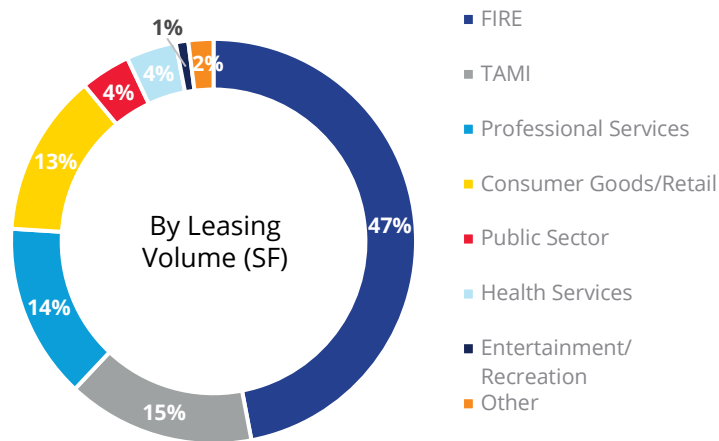
Year-to-date, the average weighted rental abatement period for new deals and expansions narrowed to 14.3 months compared to 14.6 months as the full-year average in 2021. The average abatement period for

## Available Blocks of Space Q2 2022



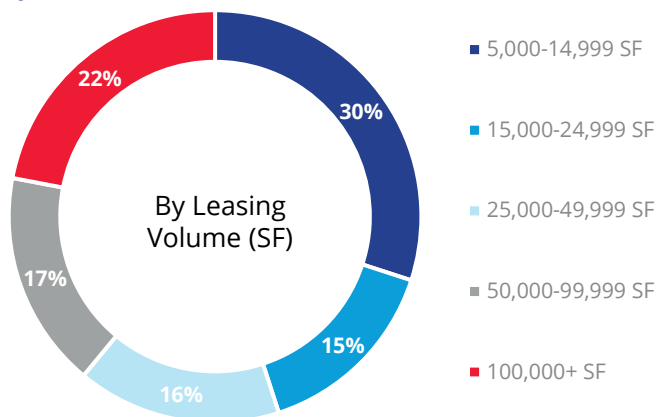
Source: Colliers

## Leasing Activity by Industry Q2 2022



Source: Colliers

## Leasing Activity by Size Q2 2022



Source: Colliers

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renewals tightened as well to 7.6 months compared to 8.7 months in 2021. Meanwhile, the year-to-date average tenant improvement allowance for new deals/expansions (\$125.86/SF) was 1.1% above the full-year 2021 average, while the allowance for renewals (\$63.36/SF) was 0.5% below the 2021 average.

The gap between asking rents and starting rents for direct leases continued to spread post-pandemic, growing by a notable margin to 11.7% in year-to-date 2022, compared to the full-year 2021 average of 11.3% and the 2020 average of 9.9%.

## Available Supply Increased 72.2% Since 2020

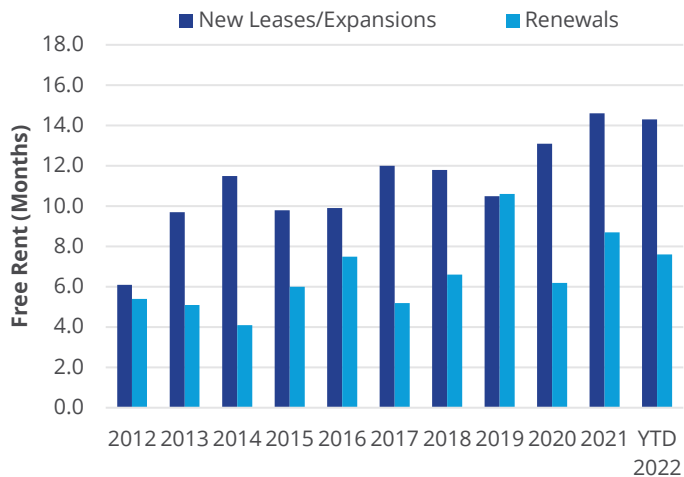
The Q2 2022 availability rate was 17.2%, lower by 0.1 pp since the prior quarter but higher by 0.2 pp, year-over-year. Although Manhattan's availability rate tightened from the record-high of 17.4% in February 2022, the available supply has, nonetheless, increased by 72.2% since March 2020 to a total of 92.75 million square feet.

Manhattan's sublet availability grew by 1.06 million square feet during Q2 2022 to 20.47 million square feet total, slightly below the pandemic-high of 21.16 million square feet in July 2021. Sublet space represented 22.1% of Manhattan's total availability, compared to 20.8% three months earlier. Manhattan's total sublet availability increased by 71.9% since March 2020.

There were 45 Manhattan listings with over 250,000 sq. ft. of contiguous space, more than the 42 blocks during Q1 2022 and triple the 15 listings during Q1 2020. Pricing for these large blocks increased by 1.0% since March 2022 to \$91.31/SF, a 20.8% premium to the market average compared to 20.4% in Q1 2022.

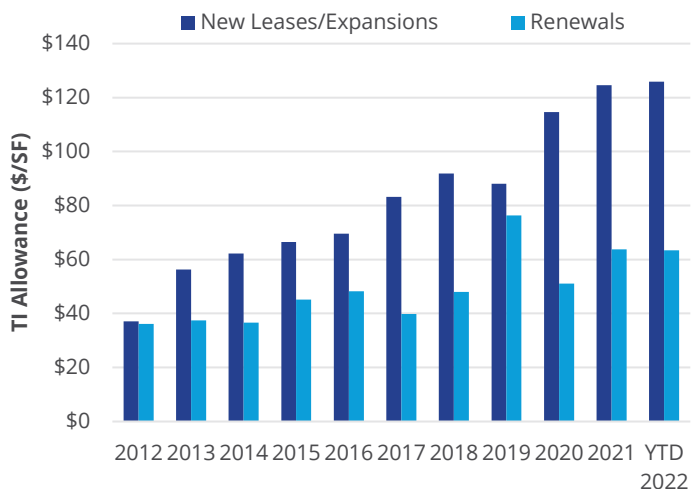
Manhattan's Q2 2022 net absorption was positive at 0.53 million square feet. Although absorption since March 2020 totaled negative 38.90 million square feet, the negative absorption over the last 12 months accounted for a disproportionately lower share of only 1.43 million square feet.

## Average Free Rent



Source: Colliers. Concession average based on direct deals with 5+ year term.

## Average TI Allowance



Source: Colliers. Concession average based on direct deals with 5+ year term.

## Top Five Lease Transactions of Q2 2022

Tenant	Address	Size (SF)	Transaction Type
Blackstone Inc.	601 Lexington Avenue	326,348	Renewal/Expansion
Tiffany & Co.	200 Fifth Avenue	287,393	Renewal
HSBC	66 Hudson Boulevard	263,875	New
Macquarie Group Limited	660 Fifth Avenue	221,764	New
Clifford Chance	2 Manhattan West	144,903	New

# Manhattan Office Market Overview

Submarket	Inventory	Overall Availability Rate	Leasing Activity (Q2 2022)	Net Absorption (Q2 2022)	Overall Average Asking Rent	Class A Average Asking Rent	Class B Average Asking Rent
<b>Midtown</b>	<b>241,010,761</b>	<b>16.4%</b>	<b>3,307,547</b>	<b>1,046,640</b>	<b>\$79.60</b>	<b>\$83.04</b>	<b>\$62.24</b>
Columbus Circle	33,605,716	15.2%	450,667	348,226	\$70.83	\$72.51	\$69.13
Grand Central	57,549,522	17.9%	755,742	298,755	\$70.99	\$72.38	\$57.52
Plaza District	85,836,197	17.0%	1,728,183	360,632	\$93.12	\$95.25	\$63.93
Times Square	60,435,472	15.4%	372,955	33,108	\$73.20	\$79.05	\$58.58
U.N. Plaza	3,583,854	6.3%	-	5,919	\$68.36	\$68.36	-
<b>Midtown South</b>	<b>192,184,328</b>	<b>16.5%</b>	<b>3,424,630</b>	<b>(312,943)</b>	<b>\$81.64</b>	<b>\$106.71</b>	<b>\$69.57</b>
Chelsea	44,280,553	15.1%	810,959	(83,864)	\$73.91	\$103.99	\$68.08
Gramercy Park	27,376,803	16.0%	318,463	(413,706)	\$81.79	\$93.83	\$75.54
Greenwich Village	6,419,057	11.3%	182,121	(87,159)	\$88.74	\$107.09	\$86.60
Hudson Square	13,476,241	17.3%	93,668	(66,300)	\$88.47	\$103.46	\$84.68
Hudson Yards/ Manhattan West	20,593,860	23.9%	666,853	(163,418)	\$137.07	\$140.29	\$69.22
Murray Hill	14,234,149	22.8%	244,342	(71,001)	\$68.02	\$59.28	\$75.44
Penn Plaza/ Garment District	56,251,900	14.4%	851,233	429,074	\$55.43	\$71.46	\$53.21
Soho	9,551,765	14.0%	256,991	143,431	\$81.95	\$88.95	\$84.19
<b>Downtown</b>	<b>107,165,763</b>	<b>20.1%</b>	<b>591,903</b>	<b>(200,220)</b>	<b>\$59.61</b>	<b>\$60.54</b>	<b>\$55.64</b>
City Hall	7,351,644	13.1%	21,275	1,763	\$53.50	\$54.25	\$52.04
Financial District	42,705,614	25.2%	230,950	(70,948)	\$57.02	\$57.98	\$50.87
Insurance District	10,954,474	22.3%	36,282	77,649	\$55.12	\$56.53	\$47.37
Tribeca	8,399,230	14.2%	7,940	(184,006)	\$80.15	\$163.14	\$71.55
World Trade Center	37,754,801	16.3%	295,456	(24,678)	\$63.39	\$65.73	\$49.41
<b>Manhattan</b>	<b>540,360,852</b>	<b>17.2%</b>	<b>7,324,080</b>	<b>533,477</b>	<b>\$75.61</b>	<b>\$81.44</b>	<b>\$65.48</b>

# 494 offices in 62 countries on 6 continents

United States: 158

Canada: 44

Latin America: 19

Asia Pacific: 39

Australia & New Zealand: 58

EMEA: 108



## \$4.3B

In revenue



## 2B

Square feet under management



## 17,000

Professionals

Colliers' statistical sample set for Manhattan totals 540 million square feet and includes all commercial office properties with at least 25,000 sq. ft. of office space, from 59th Street to the Battery and river to river. Colliers' availability rate includes only office space scheduled for tenant build-out within 12 months. In tracking leasing activity, Colliers includes all lease types: renewals, expansions, relocations, and the occasional sale-leaseback.

## About Colliers

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 62 countries, our 17,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 27 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of \$4.3 billion and \$77 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at [corporate.colliers.com](http://corporate.colliers.com), [@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers).

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