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When going sideways is a good thing: Stable office leasing market in New York

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Two years out from what could have been a depression, we find ourselves in a stable office leasing market where some sections of the Manhattan market are highly sought after, with little space available, rents having moved up, landlord concessions having receded and vacancy rates lower than the rest of the city. In other locations in Manhattan, the markets are solidly moving sideways with office rents remaining constant with a stable vacancy rate.

This is the resiliency and optimism of New York as a microcosm. The Manhattan office leasing market is unlike any in the nation, stronger and more vibrant, with as wide a tenant base as any in the world. With less than a year before "national" elections, the only real "unknown" within the next 300 days, we can expect more of the same.

The Murray Hill Properties brokerage team averages more than 15 years of experience and they confirm that the market is strong in some areas and hesitating in others. But the brokers are not surprised. This interesting marketplace is also being defined by where some industries are located.

The midtown market is going sideways? The majority of the tenants on the Avenues consist of large financial institutions, law firms, accountants and other Fortune 1000 companies. Their market is changing rapidly as the world financial situation continues to reveal itself and they are directly affected by what is happening not just in the US but also in financial markets all over the world. Is it any wonder that they are making their real estate decisions more carefully? Can you fault an investment bank real estate leasing decision-maker who is sitting on his hands right about now? According to the industry standard database, there are more than 90 spaces available between 20,000 s/f and 50,000 s/f on Sixth Ave. between 42nd St. and 59th St.

Other office leasing markets in Manhattan are stronger than the traditionally sturdy Midtown district. For instance, the Meatpacking district located just north of the West Village, the Flatiron district, Park Ave. South, Midtown South as a whole, these locations have a different tenant base, often younger, often technology-related, often preferring lots of collaborative open space rather than rows of individual offices, many with "home" offices outside of Manhattan. Some might say that this profile is the future of our business world. According to the same database, in the 2,000 s/f to 10,000 s/f range, between 16th and 23rd Sts. on Park Ave. South, there are just 12 spaces available, direct from the landlord.

With the world in a state of perpetual flux, very few commercial office buildings are being built right now in Manhattan, those that are, like the "trade specific" Gem Tower building on 47th St. just off Sixth Ave., not ready for occupancy for at least another year and the continually evolving World Trade Center complex coming online in 2014 will add only about 1% to available office stock. Banks may be lending more freely now for building sales but this is not so for speculative development.

The notion that New York is the center of the world and a New York market merely going sideways during continued strife around the world creates a strengthening impression of our market, as a flight of capital from other countries in search of a safe place to invest continues. Manhattan now sees an influx of monetary and intellectual capital from the Middle and Far East and Europe. Why wouldn't we? We have an unemployment rate of 8.5%, how about the Middle East or Europe? At last look, France, a nation we are often compared to, had an unemployment rate of 9.6% Greece nearly 19%, Egypt nearly 12%, Spain 21.5% Ireland up over 14%. If we compare the political and financial systems of many of these countries with America, it's rather simple to see why people want to come here and with all of the strife in today's world, a market going sideways is pretty impressive.

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