



## **Financial sector leads activity despite economic slowdown**

November 07, 2011 - Front Section

For the first time in over three years, the finance and insurance industry is the leading contributor to leasing activity, accounting for 27% of the leasing volume this year.

After job losses in 2008 and 2009, the industry added 6,600 jobs over the past six quarters. Job growth, pent-up demand, pending lease expirations and reduced asking rents were the driving forces behind the sector's return. This led the finance and insurance sector to overtake professional services, the leading industry from 2008 to 2010 after the financial crisis that began in 2007.

From 2000 to 2007, the financial services industry accounted for an average of 30% of Manhattan's leasing activity, however in 2008 activity quickly experienced a drop and financial services accounted for only 18.1% of the transaction volume. Despite an increase in total leasing activity in 2010, demand from the financial services sector still remained modest, accounting for 20% of the deals.

While the increased demand has led to a healthy leasing market, a potential drop in revenue, hiring freeze or additional layoffs may lead to a slowdown in activity that could hinder the market's recovery.

Leasing velocity, which reached a 15-year high through the second quarter, started to taper and totaled 26.5 million s/f through the third quarter. While year-end transaction volume is on pace to exceed the 29.8 million s/f averaged over the past 14 years, it is likely to be significantly lower in the second half of the year.

Lesley Kamnitzer is a senior research analyst at Grubb & Ellis, New York, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540