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A look at what's ahead in 2013 for the New York City office leasing market

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There can probably be no greater threat to business both large and small than uncertainty. How does one know if they can expand or contract? It is difficult to plan ahead in the short term. For the business world, this has been a most unpleasant time.

But this is New York, the center of the world. More than 52 million tourists visited Manhattan in 2012 bringing with them their foreign dollars and their desire to see our popular city. New York is drawing an ever increasing volume of investment from around the world that is being spent on residential apartments and office buildings, among many other investment targets.

Though most of the nation is still lagging from the recent recession, in Manhattan there is a continued feeling of revival. The residential market is on a sustained upswing, the apartment rental market is near a 1% vacancy. The commercial leasing market continues to move forward with average asking rents in Manhattan higher than at any time since the economic downturn in September 2008. Tenants are also looking downtown for rental bargains "post" Hurricane Sandy where there are still a handful of buildings that are not up and running as of yet. The commercial and residential sales market is inspiring investors from all over the world to flee from their own currency and preserve their capital, a veritable flight to safety.

With little speculative building taking place in Manhattan there is no question that the supply is not growing swiftly enough to accommodate demand. Except for the ten plus million s/f that are being built downtown and a couple of buildings in midtown, where will all the future tenants go? As our founding partner Norman Sturner would say, there is 500 million s/f of office space in Manhattan. If the market grows at just 2% per year, we will need 10 million new s/f being built every year and there is no available land for that to happen. With little supply and an ever growing demand in the long term surely we will see that pricing will continue to increase.

Even after the difficult and far reaching effects of Hurricane Sandy, the Nor'easter that followed, all the holidays, and the nerve racking fiscal cliff quagmire, the Manhattan office market is poised to continue to strengthen during 2013. A good example would be the Flatiron district. This market remains hot with continued rising rental prices. A survey of available space from 2,000 s/f to 10,000 s/f direct from landlords reveals that there are just nine spaces available from 14th St. to 23rd St.

An alternative market for technology and new media firms who need to find space in the area shows that the neighborhood boundaries are starting to blur as more tenants coming to the Park Ave. South market and the Flatiron district are now also considering the NoMad location just above Madison Square Park on Madison Ave. from 26th St. to 32nd St. Here, a survey of 7 blocks from 2,000 s/f to 10,000 s/f indicates that there are just nine spaces available. MHP recently won the leasing assignment for 60 Madison Ave. and the leasing team is very active.

For some time now, the new frontier in Manhattan has been the 360 acre site known as the "Hudson

Yards" located between 42nd St. and 30th St. and from Eighth Ave. to the Hudson River. According to the nyc.gov website, "It is anticipated that there will be the need to accommodate 440,000 new workers, requiring 111 million s/f of new office space by 2025." Projects at the location include new state-of-the-art office buildings, residential towers, parks, schools and new transportation. All of this activity is exciting and necessary.

We believe that there are two "known" issues in 2013 that can affect the commercial markets in Manhattan. The first is the looming deficit issue in Congress and the second, perhaps more important to business and real estate owners is the issue of who will become our next mayor of New York. Mayor Bloomberg has a stellar record of success and it will be a difficult task to fill his shoes.

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