



Manhattan office market posts strong October; Led by another 471,785 s/f of positive absorption

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The Manhattan office market continued to shine, led by another 471,785 s/f of positive absorption in October. Despite 12 blocks of available space greater than 50,000 s/f hitting the market, demand still outpaced space returns as seven leases greater than 100,000 s/f were signed in the month of October, six of them occurring in Midtown. This pushed the availability rate down another 10 basis points to 11.1%. Overall asking rents climbed \$0.85 per s/f in October—the largest one-month increase this year—to \$64.41. Class A asking rents, after going up and down all year, jumped \$1.10 per s/f to \$71.07, the highest since 2008. Class B asking rents continued to perform well, rising another \$1.48 per s/f to \$54.76.

Midtown Makes Strides

Despite six blocks of available space being placed on the market in Midtown, the availability rate dropped 20 basis points to 11% and another 500,000 s/f of positive absorption was recorded. At 285 Madison Ave., 456,000 s/f of space was placed on the market by RFR, which has started a \$65 million capital improvement for the property. The addition of this large block of space pushed the availability rate for the Grand Central submarket back up to 15.5%, the highest of all the Midtown submarkets.

The west side of Midtown continues to outperform the rest of Manhattan, as both the Midtown West/Columbus Circle and Times Sq. submarkets' availability rates are the lowest at 6.2%. The Warner Music Group lease of 288,250 s/f at 1633 Broadway fueled the decline for Midtown West/Columbus Circle. In addition, Universal Music Group extended its lease for 242,505 s/f in this submarket as well at 1755 Broadway.

The four other major Midtown leases signed in October were Capital One's extension for 208,950 s/f at 299 Park Ave., Mayer Brown's 186,704 s/f lease at 1221 Avenue of the Americas, Cornell University's renewal and expansion of 182,230 s/f at 575 Lexington Ave. and UBS' new lease signed for 118,246 s/f at 787 Seventh Ave.

Both class A and class B asking rents in Midtown posted significant increases in October. Class A asking rents jumped \$1.36 per s/f to \$78.57, while class B soared \$2.03 to \$58.97 per s/f.

Midtown South Stagnant

Midtown South availability rose for the fourth consecutive month, up 50 basis points to 9.2%. Despite the recent negative trend, the market still posts the lowest availability rate of the three major Manhattan markets. Most of this increase in the available supply can be attributed to three buildings within the F.M. Ring portfolio, adding an additional 312,800 s/f to the market at 212 Fifth Ave., 119-125 West 24th St. and 251 Park Ave. South.

The available supply increased in four of five Midtown South submarkets, as SoHo/NoHo/Village was the only submarket to post a decline. The SoHo/NoHo/Village availability rate dropped 40 basis

points to 8.9%, which was fueled mostly by the first lease signed at 51 Astor Place for 42,000 s/f by 1stdibs. Another notable lease transaction in October was the lease extension by Beth Israel Medical Center for 98,913 s/f at 111 Eighth Ave.

Class B asking rents continue to reach new heights, raising another \$0.52 per s/f to \$60.54. This year, class B asking rents in Midtown South surpassed \$60 per s/f for the first time in history. Class A asking rents dipped \$0.49 to \$74.53 per s/f. This drop can be directly attributed to the 1stdibs lease at 51 Astor Place, as their brand-new space is now out of the available supply.

Downtown Gains Momentum

Opposite of Midtown South, Downtown availability dropped for the fourth consecutive month, down 40 basis points to 13.1%. Another 373,195 s/f of positive absorption was posted in October, which made the year-to-date absorption positive for the first time this year.

The 240,000 s/f lease signed by Health and Hospital Corp. at 55 Water St. mostly attributed to this decline in available supply. Also, the Institute of Culinary Education leased 71,000 s/f at 225 Liberty St., as the school relocates from Midtown South. This continues a trend, as 107 tenants have moved south of Canal St. over the past 21 months as more tenants seek the value options that Downtown has to offer.

In October, asking rents made the first significant change this year, as overall rents climbed up \$0.45 per s/f to \$48.19. After fluctuating for most of 2013, class A asking rents increased \$0.81 per s/f to \$53.37, while class B rents jumped \$0.30 to \$36.24 per s/f.

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