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# Avison Young releases first quarter 2014 Manhattan office market analysis; Manhattan office leasing on pace to exceed record 2013 levels as average asking rents soar

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Heading into the second quarter of 2014, Manhattan office leasing is on pace to exceed 2013's record activity, with high demand for class A office space boosting rents by an average of $5 per s/f across the borough.

These are some of the key trends found in Avison Young's first quarter 2014 Manhattan office market analysis, released today.

"As the unemployment rate in New York City continued to drop during the first quarter, reaching 7.8%, we are seeing continuous demand for high-quality office space in the borough, particularly from the growing technology and media industries," said Arthur Mirante, Avison Young principal and Tri-State president. "With new leases accounting for seven of the top 10 transactions during the quarter, Manhattan has shown encouraging signs of growth from a diverse group of new market players, and we've seen the immediate effect on asking rents."

The most notable increase in asking rents occurred in the Plaza District, where class A asking rents averaged $130.52 per s/f, up $30 per s/f from the previous quarter. Two examples include 40 West 57th Street, where rents are starting at $150 per s/f, and 9 West 57th St., where asking rents start at $200 per s/f for the building's upper floors.

Avison Young's analysis shows healthy growth consistent with the recovering job market, as 18 deals were inked during the first quarter with starting rents in excess of $100 per s/f, compared with only 13 such deals during the same period a year ago. As demand continues to swell for class A Midtown space with desirable views, Avison Young expects the trend to continue.

Midtown

According to Avison Young's research, the Midtown market will be ripe with opportunity for class A assets in 2014. Though the class A vacancy rate remained unchanged at 11.2% in the first quarter, several large blocks of space will become available in the near future, including 817,000 s/f at 4 Times Square that will be vacated by Conde Nast as the company prepares to move to One World Trade Center. Additionally, 415,000 s/f at 1633 Broadway became available in the same Times Square submarket.

The vacancy rate in the Sixth Avenue/Rockefeller Center submarket also remained unchanged in the quarter. But Avison Young notes that the area's class A office market has experienced nearly 100,000 s/f of positive absorption to date this year - an encouraging sign when compared with the first quarter of 2013, when the same district registered 175,154 s/f of negative absorption. Recent positive momentum in the area is largely attributable to Mount Sinai Medical Center, which leased 450,000 s/f at 150 East 42nd Street. Other notable transactions include fashion provider New York & Company's new lease to move its headquarters to a 185,000-s/f space, and accounting firm Grant

Thornton's lease at 757 Third Avenue for 130,506 s/f in a relocation from 666 Third Avenue.

## Midtown South

In the district oft-referred to as Silicon Alley, a flurry of leasing activity caused the overall vacancy rate in Midtown South to dip 1.1 percentage point to 7.9% from 9% in the previous quarter. The greatest change took place in the SoHo and NoHo districts, where the vacancy rate fell 2.4 percentage points to a paltry 6.1%.

After Credit Suisse began the first quarter by signing a deal to restack into 1.2 million s/f on the lower portion of 11 Madison Avenue, electronics giant Sony leased nearly 550,000 s/f on the upper floors of the building. Additionally, Twitter and IBM's Watson Group inked new leases in the area for 140,000 s/f and 120,000 s/f, respectively. Share space purveyor WeWork continued to reap the benefits of the area's attractiveness to entrepreneurs and technology companies, signing a total of 223,000 s/f, pushing WeWork's total Manhattan portfolio to more than 800,000 s/f.

"Tenants searching for space in Midtown South are faced with significantly fewer options than even a few months ago," said Avison Young Principal John Ryan. "Large deals completed in the area during the first quarter have solidified the district's position as the tightest submarket in Manhattan."

## Downtown

Avison Young's analysis notes that average class A Downtown rents remain approximately $20 per s/f lower than the submarket's Midtown and Midtown South counterparts, with three major companies taking advantage of the area's attractive value proposition in the first quarter. Moreover, the district, traditionally dominated by the financial services industry, has begun to expand its appeal to a wider array of business interests.

In the Financial District, Midtown-based Teach for America leased 172,000 s/f at 25 Broadway. In another relocation, College Board leased 145,000 s/f at 250 Vesey St., taking space previously occupied by Merrill Lynch, while cosmetics manufacturer Revlon is relocating from 237 Park Avenue to 1 New York Plaza in a 92,000 s/f deal.