

Commercial Office Market Report 4th Quarter 2023

A background image showing the Statue of Liberty on the right and the New York City skyline on the left, viewed from across the water under a blue sky with scattered clouds.

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SUMMARY - COMMERCIAL OFFICE MARKET- 4Q 2023



NYC Economy

New York City's economy continues to rebound as pandemic-driven weakness wanes and employees gradually return to their offices, albeit at levels still markedly below pandemic averages.

- Annual U.S. Unemployment Rate: Increased slightly to 3.7% from 3.6%, YOY
- New York City's Unemployment Rate: Increased slightly to 5.3% from 5.2% YOY
 - The workforce in New York City grew by approximately 1% (43k), rising to a total headcount of 4.15 million in November 2023
 - Daily Office Occupancy Rates: Rose 5.6 % YOY, reaching 48.9% by the end of November 2023, according to Kastle Systems office tracking data

NYC Office Market

New York City office leasing rates declined 6% to \$51.47 PSF from \$54.69 PSF.

- The availability rate declined slightly to 17.4 % from 17.8% YOY. However, Midtown South's quarterly availability rate rose to 18.7% from 17.5%, partly due to increased tech companies subleasing space or shuttering operations.

Availability vs. Vacancy Rates

Availability: Future office space - is trending lower, although Current Vacancy is higher.

- New York City Vacancy Rate increased to 15.2% from 13.7% Year Over Year. The vacancy Rate is its highest since 2019.
- By year-end, NYC had approximately 88.4 million rsf of vacant office space, providing tenants with a wider range of leasing options than a year ago

Leasing Activity

In the 4th quarter, leasing activity was 8,989,625 rsf, which was the highest for the year.

- Each Quarter, leasing activity increased. However, leasing activity was less than in 2021 and 2022.
- 68% of leasing activity was completed in Midtown.

Flight to Quality

Office tenants have taken advantage of favorable lease pricing to move to higher-class office buildings since the start of the pandemic in 2020.

- 81% of leasing activity in Midtown and 41% in Downtown were completed in Class A buildings.
- By contrast, 75% of leasing activity in Midtown South has been completed in Class B buildings, reflecting the scarcity of Class A buildings in Midtown South.

10 Largest Deals Completed

- Lease Renewals: 8 out of the 10 largest deals for Q4 2023
- 7 out of the 10 largest deals were in Midtown

Summary

- Landlords with large blocks of space often must increase concession packages, such as free rent, work, and cash contributions to attract and retain tenants.
- Landlords in Class B office buildings in Downtown and Midtown will need to upgrade their buildings to retain tenants and attract tenants.



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Economic Indicators

ECONOMIC DATA



USA

12-MONTH U.S. INFLATION	NOV 2023 3.1%	NOV 2022 7.1%
UNEMPLOYMENT RATE	NOV 2023 3.7%	NOV 2022 3.6%
CIVILIAN LABOR FORCE (Million)	NOV 2023 168.2	NOV 2022 164.5
FEDERAL FUNDS EFFECTIVE RATE	DEC 2023 5.33%	DEC 2022 4.33%
U.S. 10-YEAR TREASURY	DEC 2023 3.86%	DEC 2022 3.87%

NEW YORK STATE

12-MONTH NEW YORK STATE INFLATION	NOV 2023 3.0%	NOV 2022 5.9%
UNEMPLOYMENT RATE	NOV 2023 4.3%	NOV 2022 4.1%
CIVILIAN LABOR FORCE (Million)	NOV 2023 9.78	NOV 2022 9.61



NEW YORK CITY

12-MONTH NEW YORK CITY INFLATION	NOV 2023 3.0%	NOV 2022 5.9%
UNEMPLOYMENT RATE	NOV 2023 5.3%	NOV 2022 5.2%
CIVILIAN LABOR FORCE (Million)	NOV 2023 4.14	NOV 2022 4.10
RETURN TO OFFICE RATES KASTLE SYSTEMS	NOV 2023 48.9%	NOV 2022 43.5%
RESIDENTIAL # RENTALS	SEP 2023 34,088	SEP 2022 31,000
1-BR ASKING RENT	SEP 2023 \$3,450	SEP 2022 \$3,250

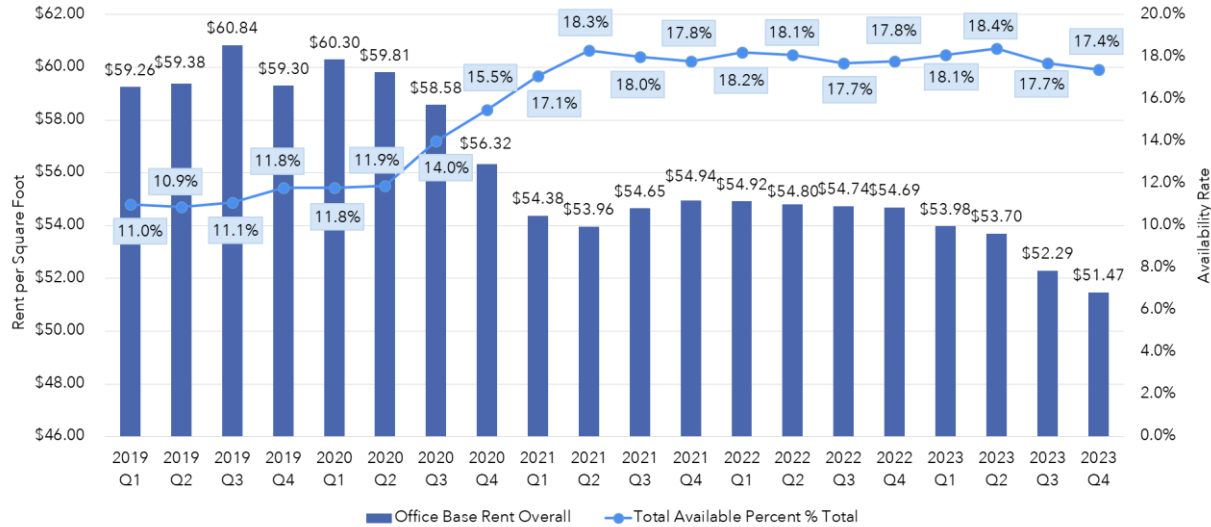
An aerial photograph of the Manhattan skyline in New York City. The Empire State Building is the most prominent skyscraper on the right side of the frame. The city is densely packed with buildings of various heights and colors, extending to the horizon under a clear, light blue sky. The text 'MANHATTAN' is overlaid in large, white, bold, sans-serif capital letters across the middle of the image.

MANHATTAN

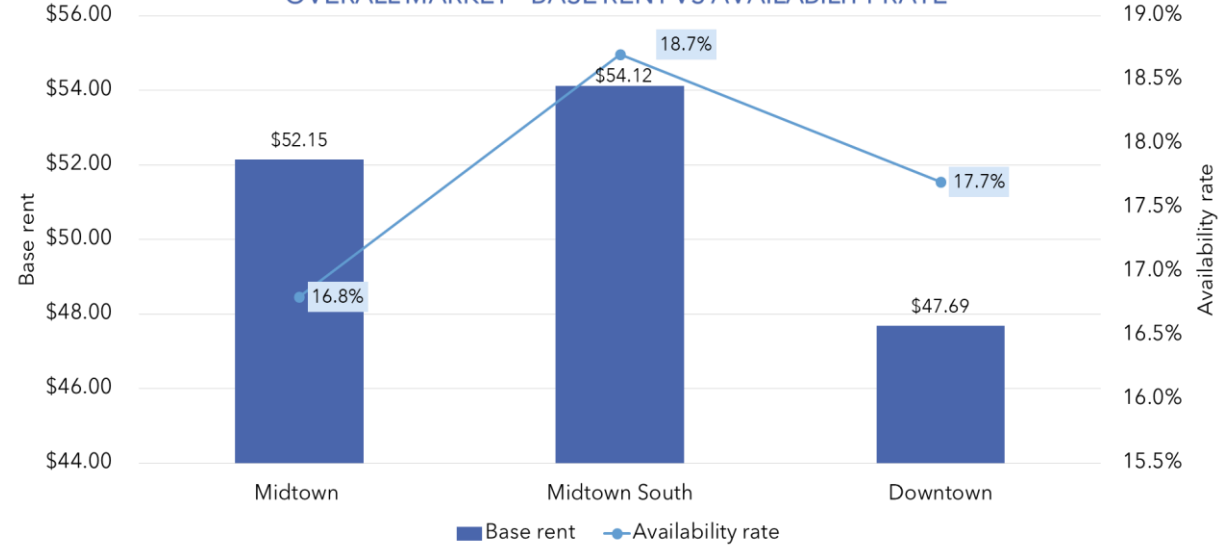
4Q 2023

OVERALL MARKET CHART- 4 Q 2023

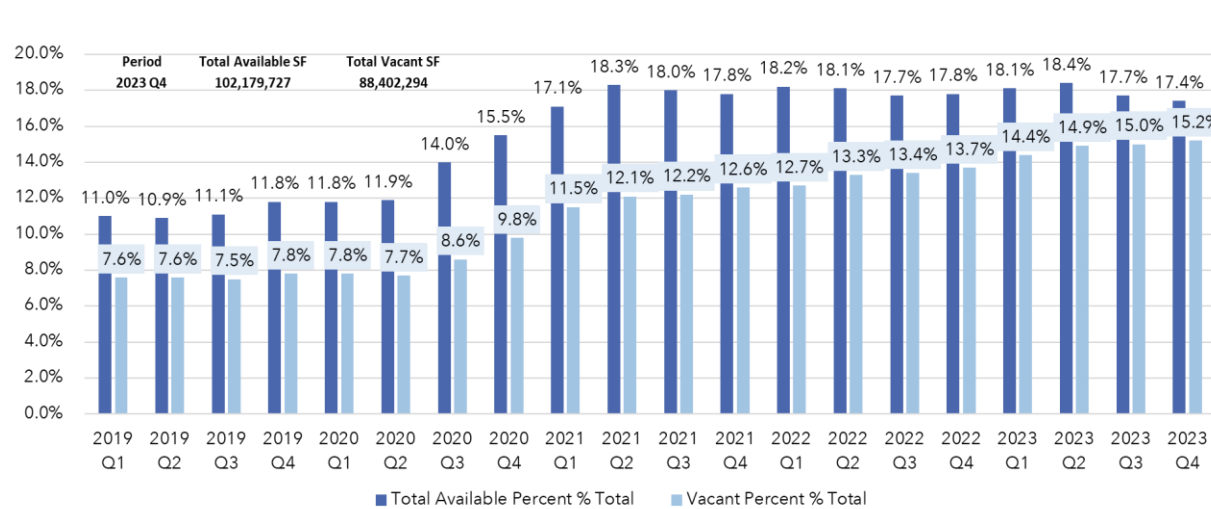
MANHATTAN OVERALL - RENT VS AVAILABILITY



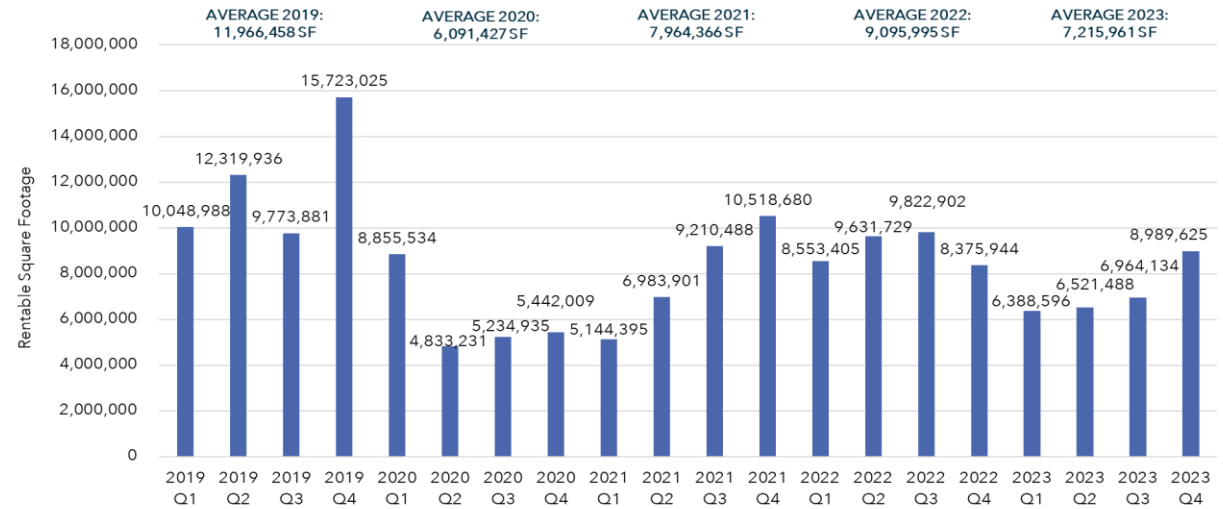
OVERALL MARKET - BASE RENT VS AVAILABILITY RATE



MANHATTAN - AVAILABILITY VS VACANCY

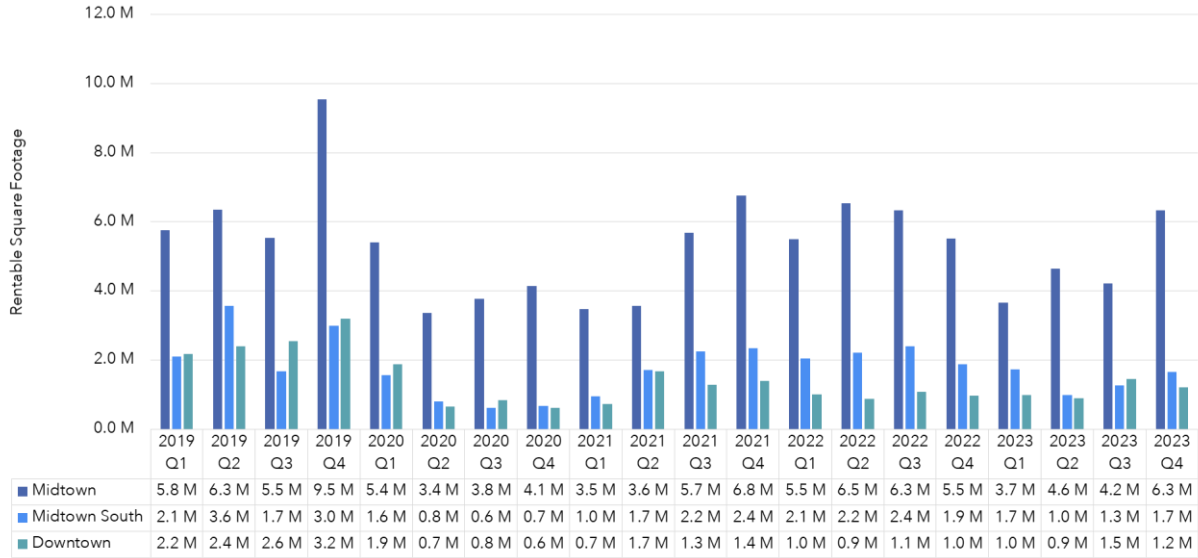


MANHATTAN - LEASING ACTIVITY (QUARTERLY)

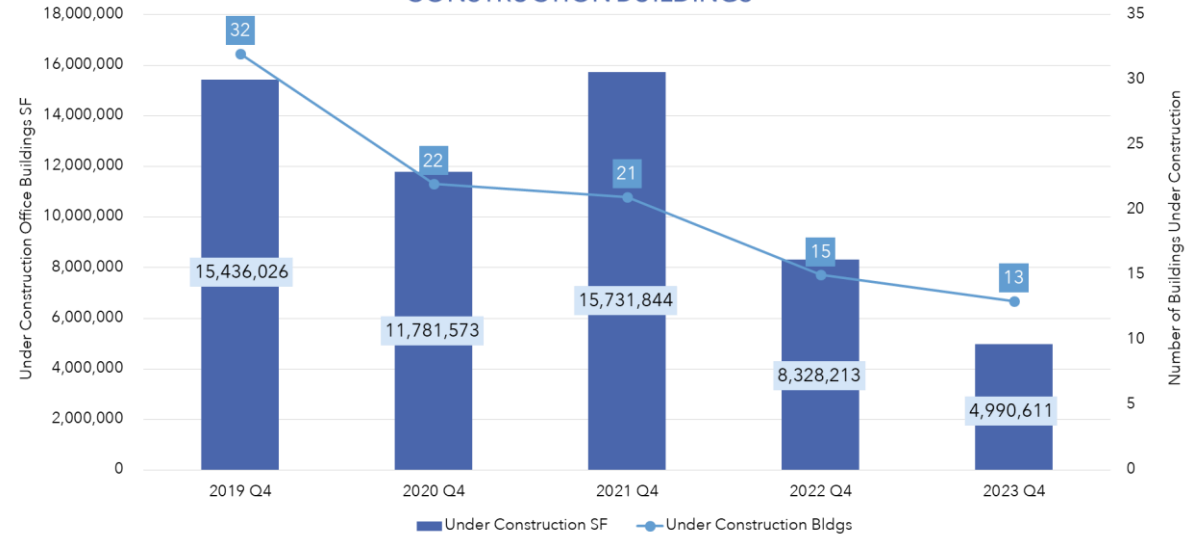


OVERALL MARKET CHART- 4 Q 2023

ALL MARKETS - LEASING ACTIVITY SF TOTAL



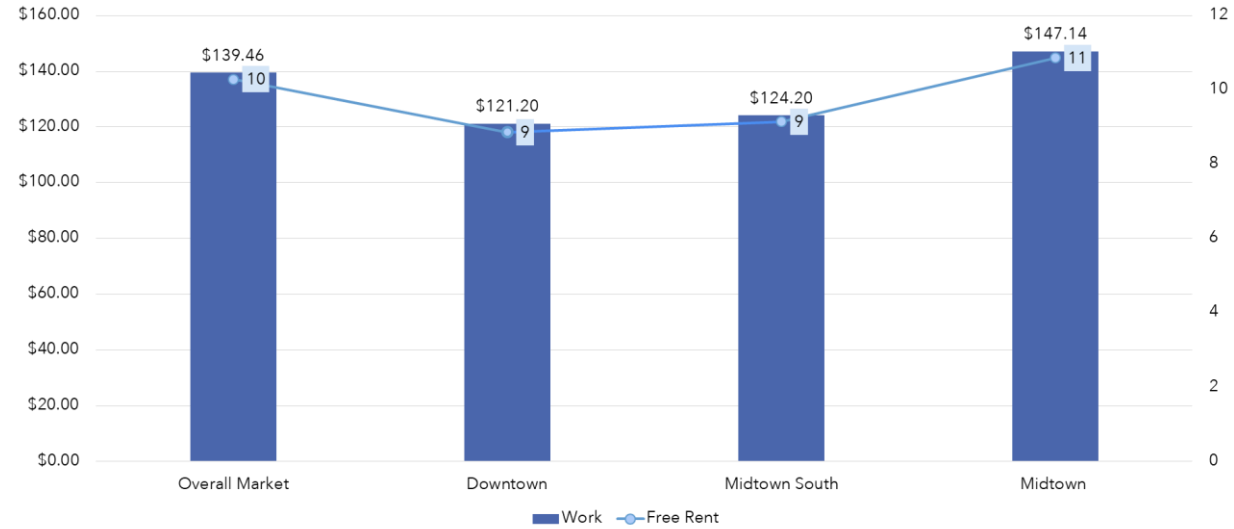
UNDER CONSTRUCTION BUILDINGS SF VS NUMBER OF UNDER CONSTRUCTION BUILDINGS



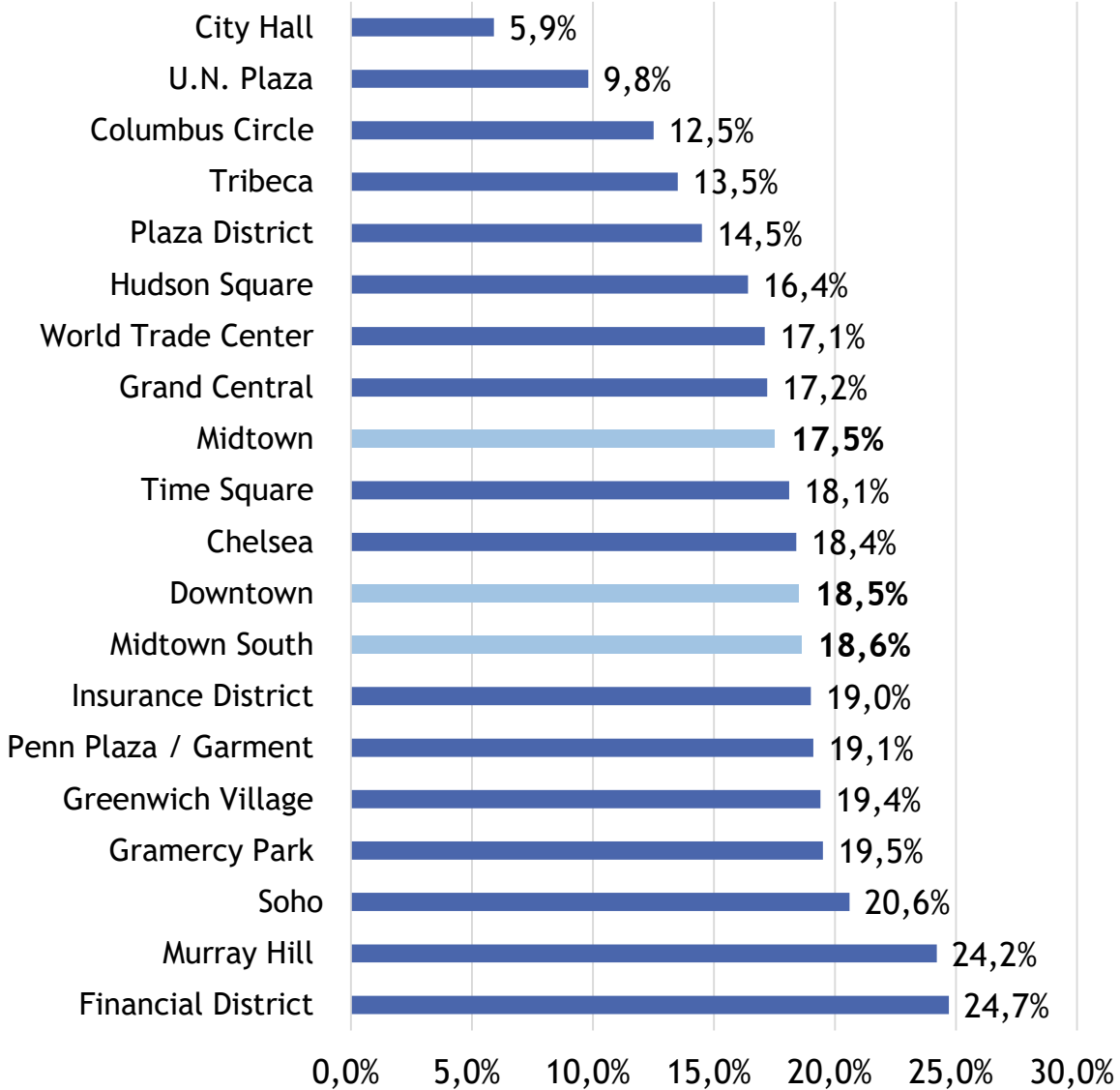
MANHATTAN - LEASING ACTIVITY BY CLASS



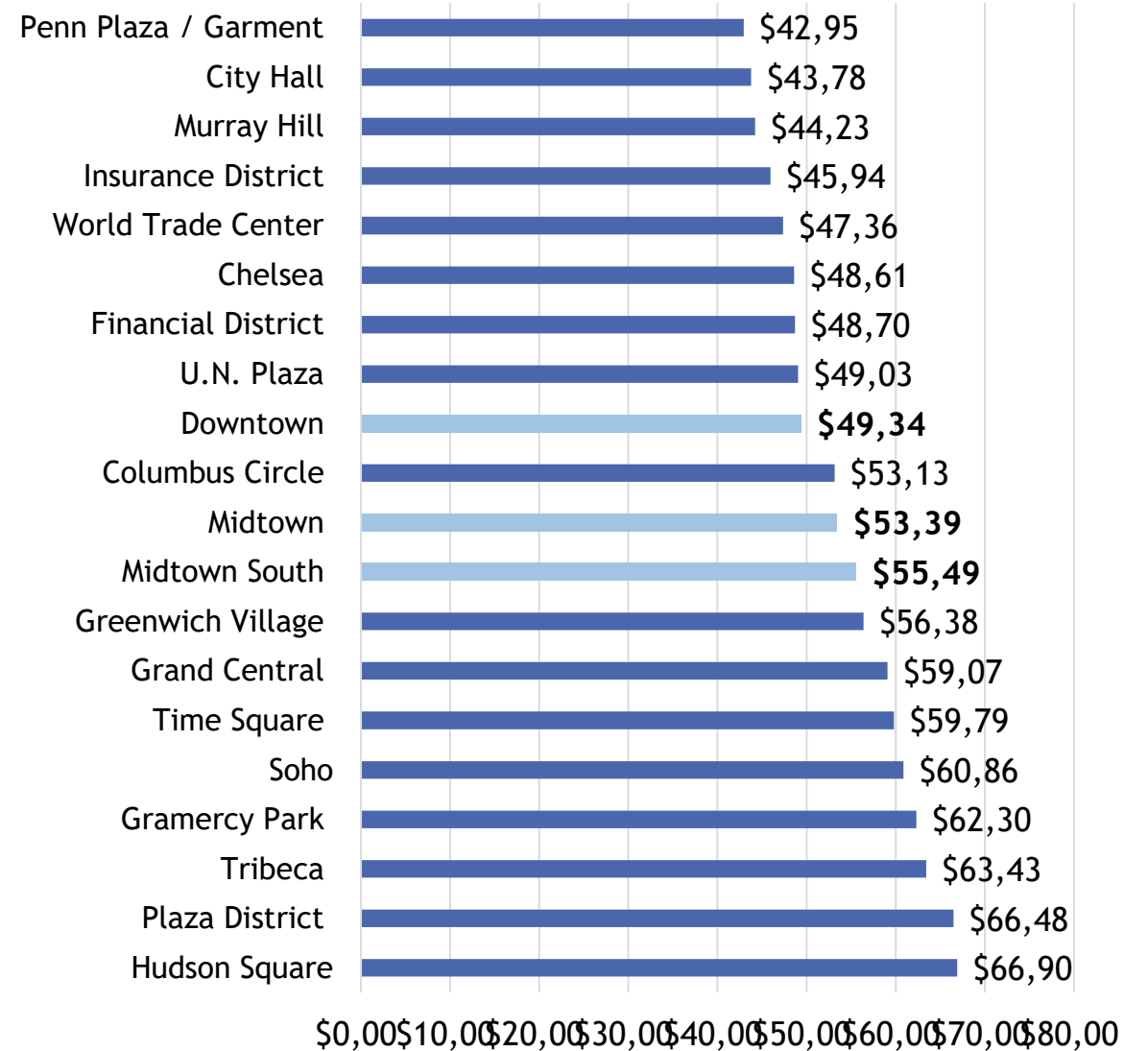
PACKAGE BY MARKET IN NEW YORK CITY 4TH QUARTER 2023



TOTAL AVAILABLE PERCENT



OFFICE BASE RENT



10 LARGEST DEALS COMPLETED IN MANHATTAN- Q4 2023

TENANTS	INDUSTRY	MARKET	SUBMARKET	ADDRESS	TRANSACTION TYPE	RSF
Paul Weiss	Professional, Scientific, and Technical Services	Midtown	Columbus Circle	1345 Avenue of the Americas	Renewal	765,931
Department of Citywide Administrative Services	Public Administration	Downtown	Financial District	150 William Street	Extension	537,950
MetLife	Financial and insurance	Midtown	Grand Central	200 Park Avenue	Renewal	384,986
Weill Cornell Medical College Offices	Healthcare and Social Assistance	Midtown	Eastside/ UN Plaza	575 Lexington Avenue	Renewal / Expansion	296,084
PJT Partners	Finance and Insurance	Midtown	Plaza District	280 Park Avenue	Renewal / Expansion	279,089
Ralph Lauren	Retailers & Luxury Goods	Midtown South	Chelsea	601 W 26th Street	Renewal	255,750
Dentons	Professional, Scientific, and Technical Services	Midtown	Times Square	1221 Avenue of the Americas	Renewal	159,594
David Yurman Design	Retailers & Luxury Goods	Midtown South	Hudson Square	75 Varick Street	Renewal	148,000
LinkedIn	Information	Midtown South	Penn Plaza/Garment	350 Fifth Avenue	Renewal / Expansion	143,778
Ralph Lauren	Retailers & Luxury Goods	Midtown	Plaza District	650 Madison Avenue	Renewal	141,871

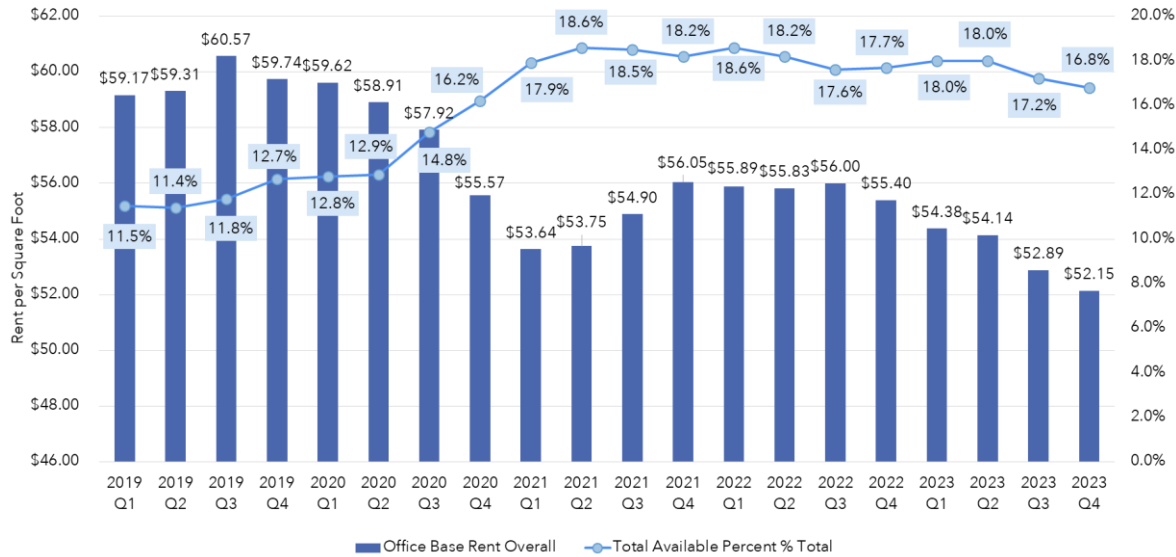


MIDTOWN

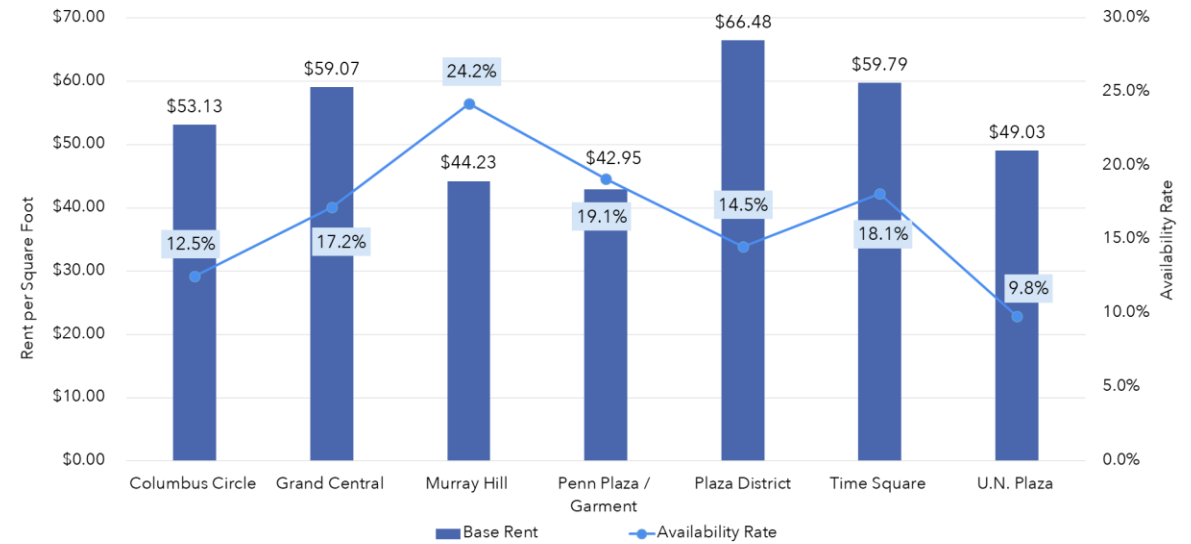
4Q 2023

MIDTOWN MARKET CHART - 4Q 2023

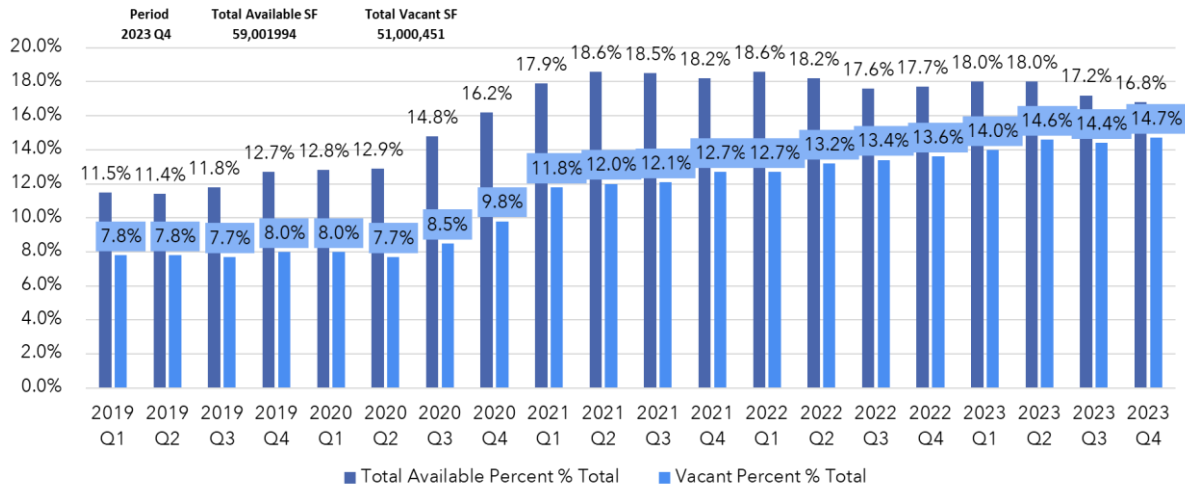
MIDTOWN - RENT VS AVAILABILITY



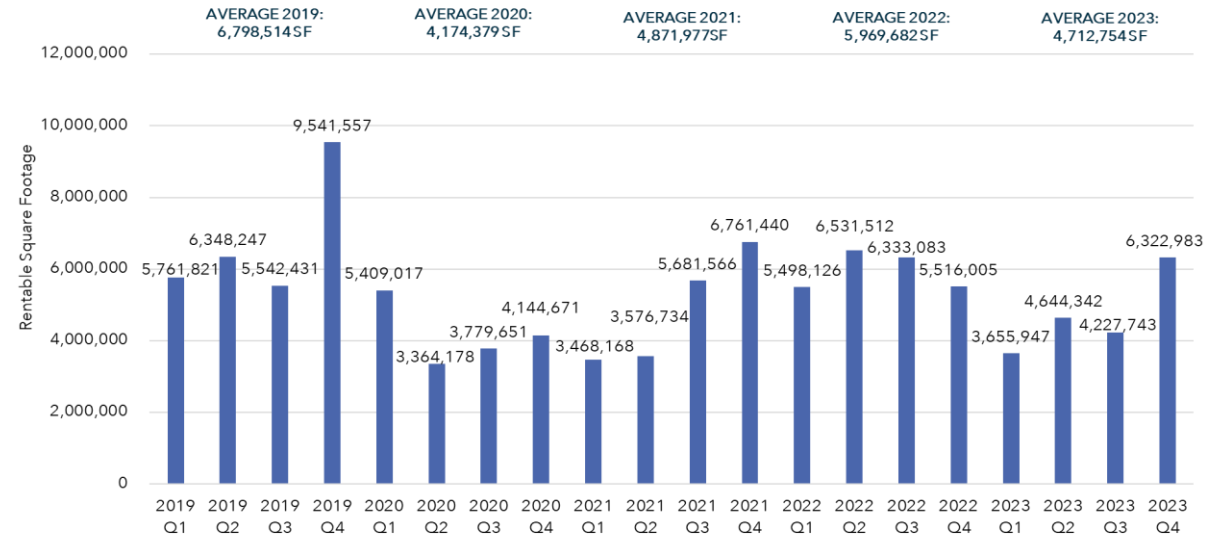
MIDTOWN SUBMARKETS - RENT VS AVAILABILITY RATE



MIDTOWN - AVAILABILITY VS VACANCY

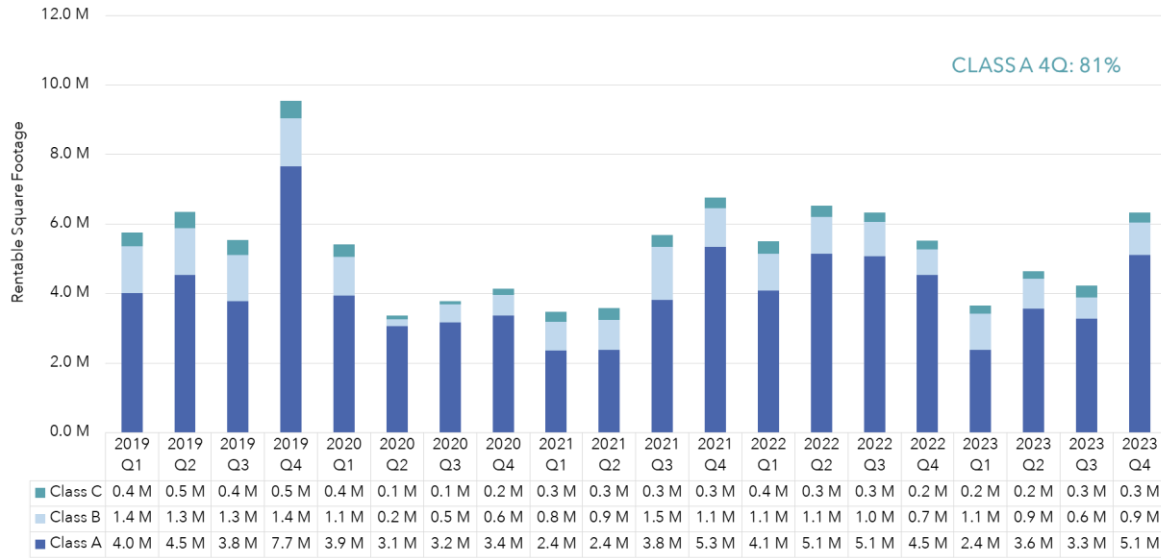


MIDTOWN - LEASING ACTIVITY

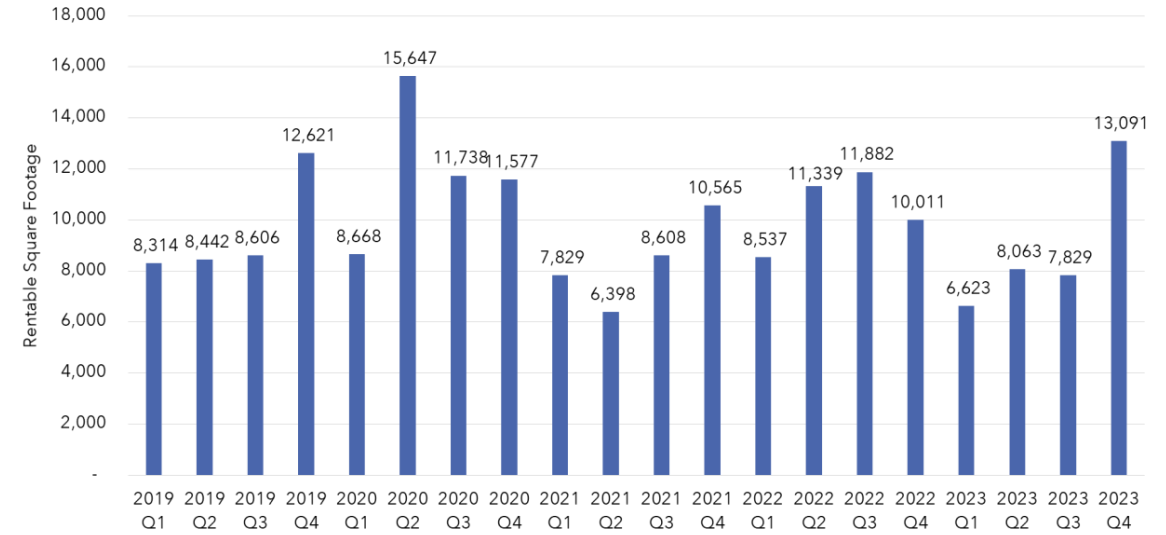


MIDTOWN MARKET CHART - 4Q 2023

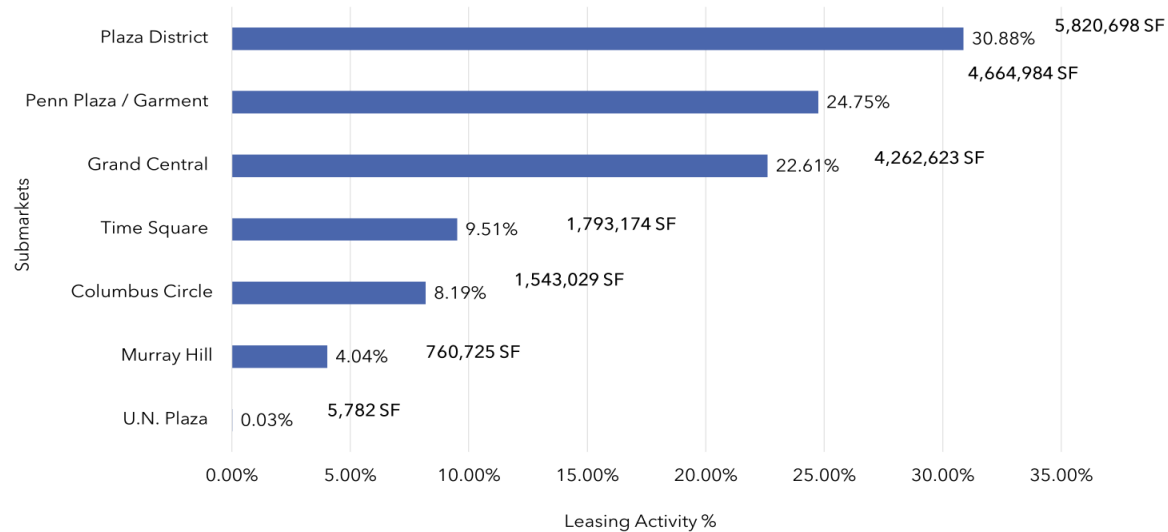
MIDTOWN - LEASING ACTIVITY BY CLASS



MIDTOWN - AVERAGE LEASE SIZE (QUARTERLY)



MIDTOWN SUBMARKETS - LEASING ACTIVITY



5 LARGEST DEALS COMPLETED IN MIDTOWN-Q4 2023

TENANTS	INDUSTRY	MARKET	SUBMARKET	ADDRESS	TRANSACTION TYPE	RSF
Paul Weiss	Professional, Scientific, and Technical Services	Midtown	Columbus Circle	1345 Avenue of the Americas	Relocation	765,931
MetLife	Financial and insurance	Midtown	Grand Central	200 Park Avenue	Renewal	384,986
Weill Cornell Medical College Offices	Healthcare and Social Assistance	Midtown	East side/ UN Plaza	575 Lexington Avenue	Renewal / Expansion	296,084
PJT Partners	Finance and insurance	Midtown	Plaza District	280 Park Avenue	Renewal / Expansion	279,089
Dentons	Professional, Scientific, and Technical Services	Midtown	Times Square	1221 Avenue of the Americas	Renewal	159,594

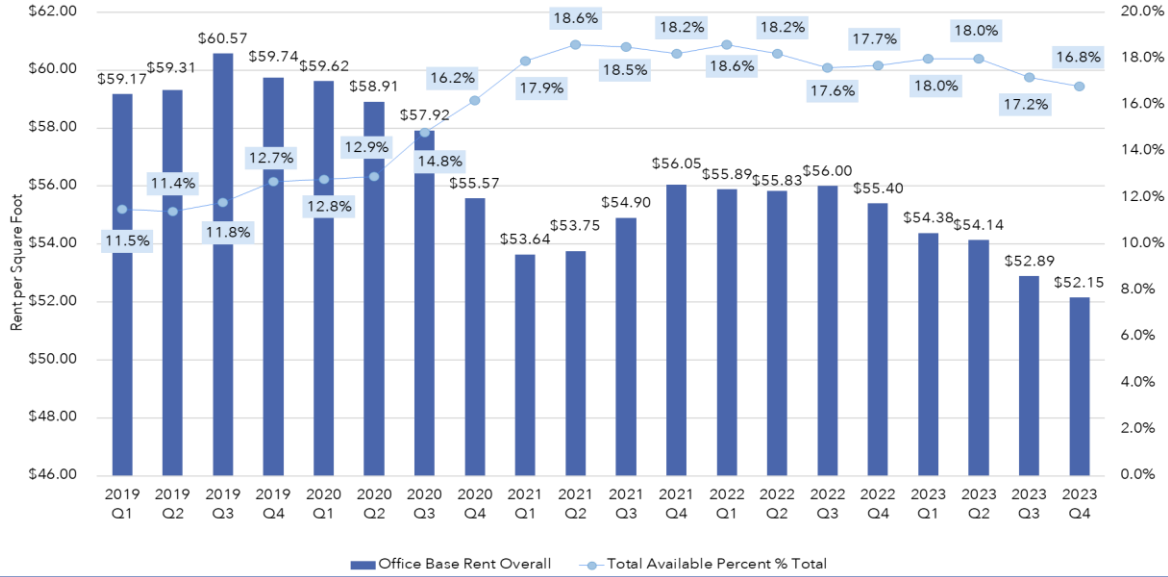
An aerial photograph of Midtown South in New York City, showing a dense urban landscape with numerous skyscrapers and buildings. In the foreground, a large, lush green park (Central Park) is visible, featuring a winding path and a body of water. The sky is overcast with soft, grey clouds. The text 'MIDTOWN SOUTH' is overlaid in large, white, sans-serif capital letters across the middle of the image.

MIDTOWN SOUTH

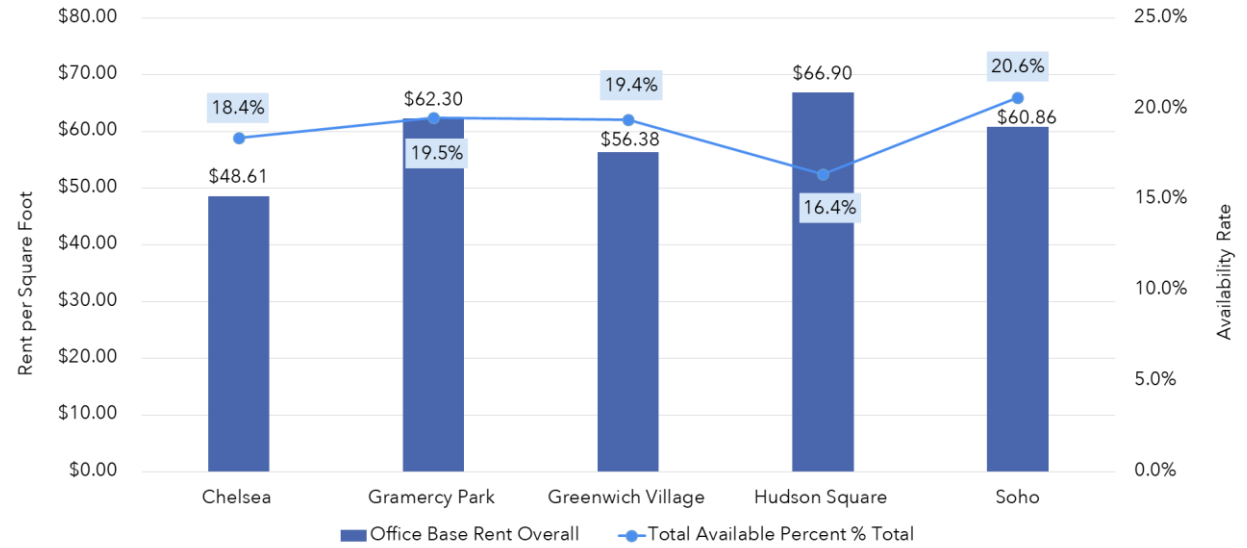
4Q 2023

MIDTOWN SOUTH MARKET CHART - 4Q 2023

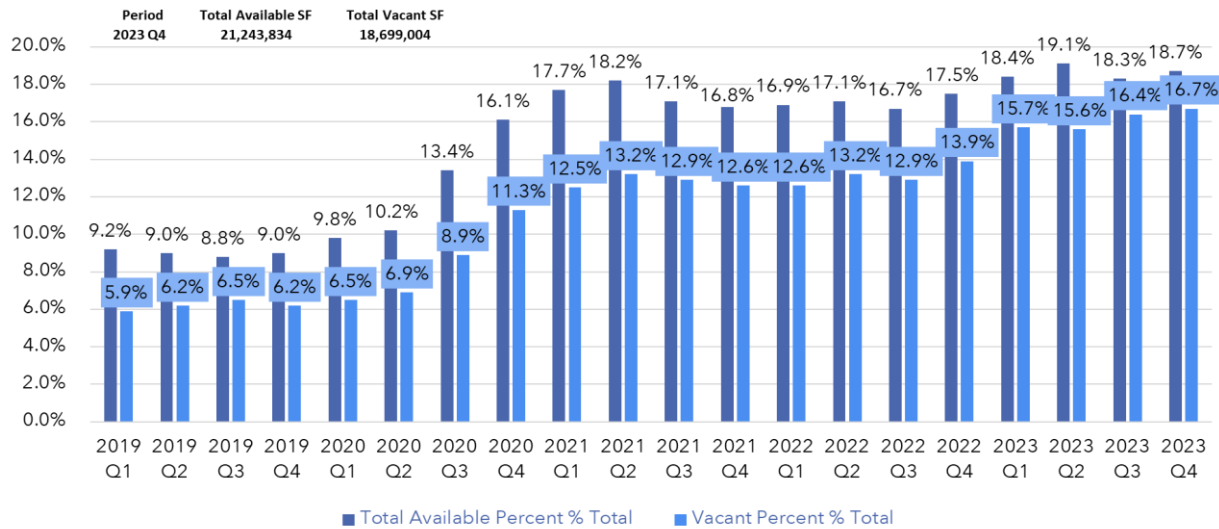
MIDTOWN - RENT VS AVAILABILITY



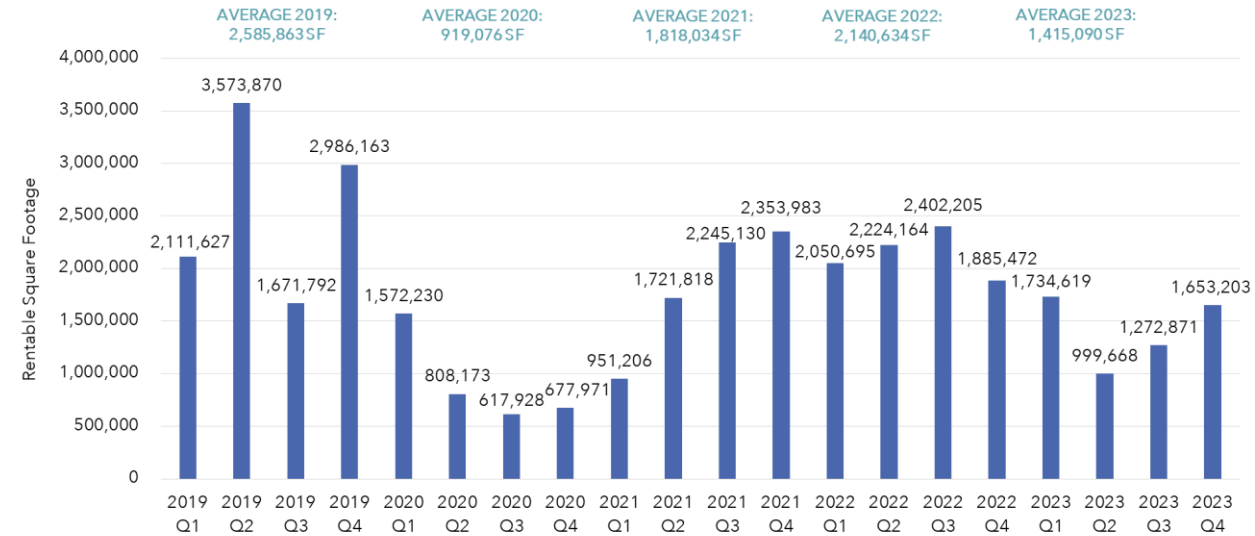
MIDTOWN SUBMARKETS - RENT VS AVAILABILITY RATE



MIDTOWN SOUTH - AVAILABILITY VS VACANCY

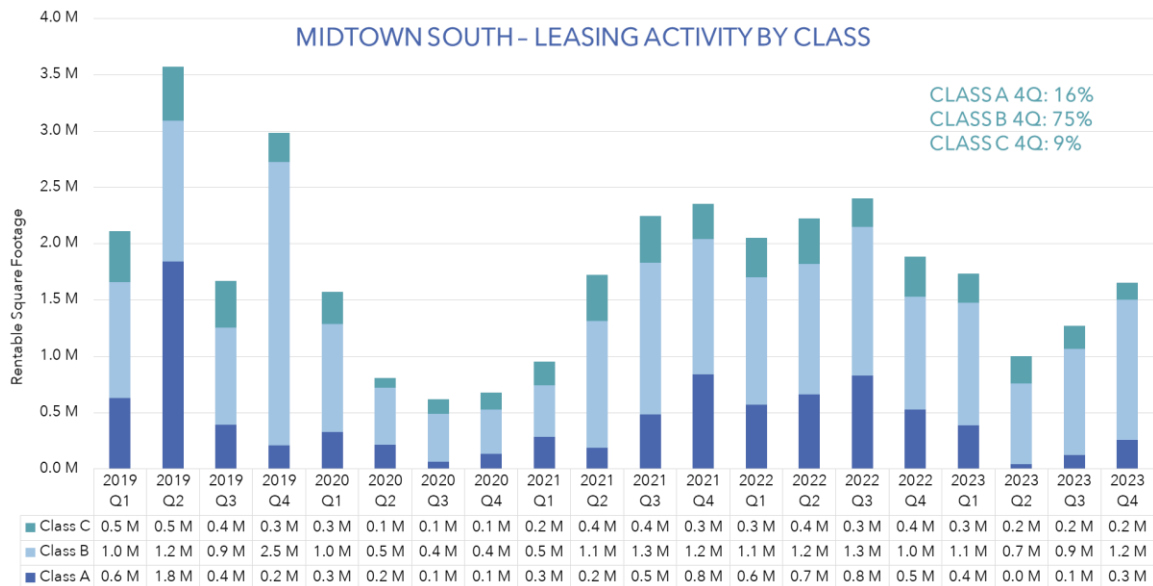


MIDTOWN SOUTH - LEASING ACTIVITY

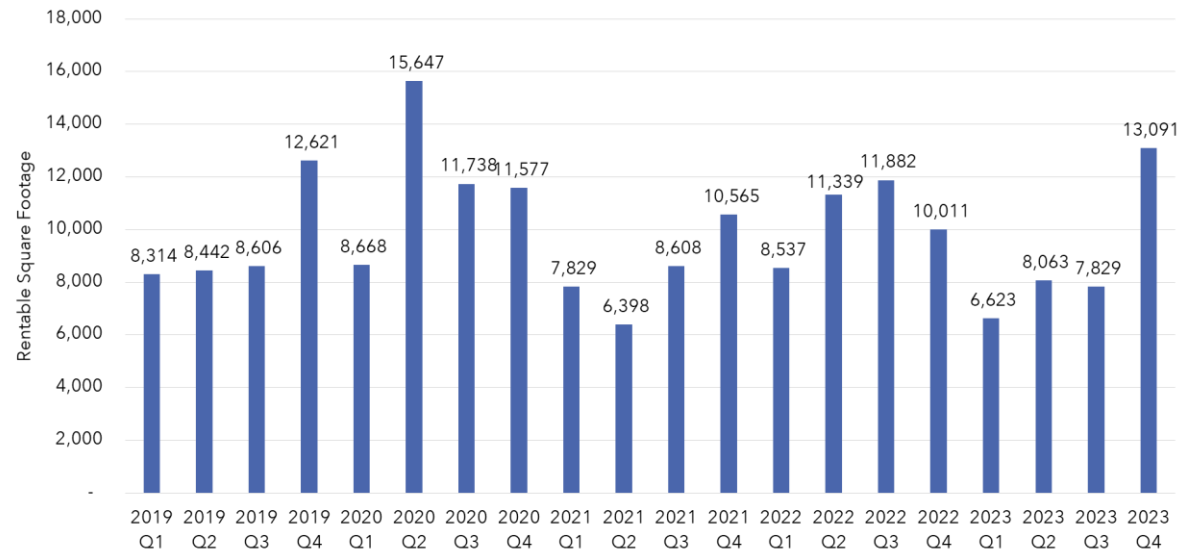


MIDTOWN SOUTH MARKET CHART - 4Q 2023

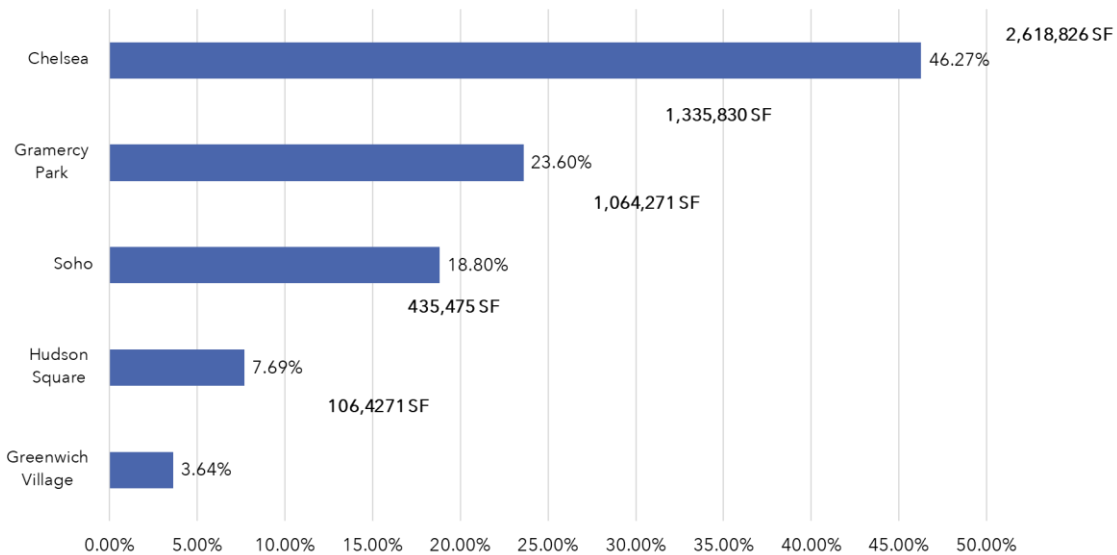
MIDTOWN SOUTH - LEASING ACTIVITY BY CLASS



MIDTOWN - AVERAGE LEASE SIZE (QUARTERLY)



MIDTOWN SOUTH SUBMARKETS - LEASING ACTIVITY



5 LARGEST DEALS COMPLETED IN MIDTOWN SOUTH-Q4 2023

TENANTS	INDUSTRY	MARKET	SUBMARKET	ADDRESS	TRANSACTION TYPE	RSF
Ralph Lauren	Retailers & Luxury Goods	Midtown South	Chelsea	601 W 26th Street	Renewal	255,750
David Yurman Design	Retailers & Luxury Goods	Midtown South	Hudson Square	75 Varick Street	Renewal	148,000
LinkedIn	Information	Midtown South	Penn Plaza/Garment	350 Fifth Avenue	Renewal / Expansion	143,778
Palantir	Professional, Scientific, and Technical Services	Midtown South	Chelsea	620 Avenue of the Americas	Renewal	140,345
Quinn Emanuel Urquhart & Sullivan, LLP	Professional, Scientific, and Technical Services	Midtown South	Murray Hill	295 Fifth Avenue	Lease	131,661

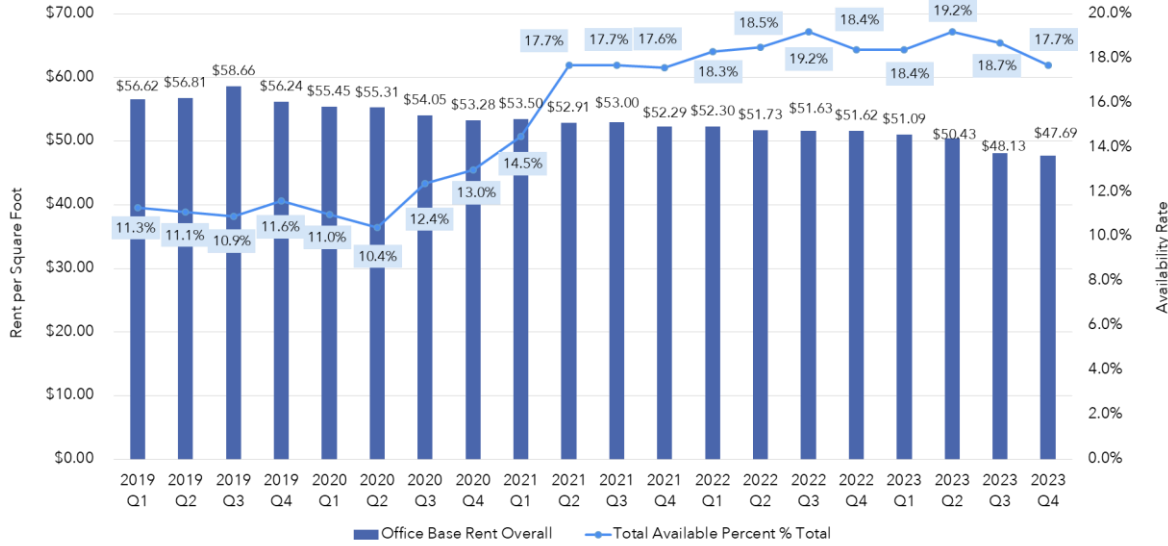
A photograph of a city skyline, likely New York City, featuring several prominent skyscrapers. The One World Trade Center is the tallest building on the right. The text "DOWNTOWN" is overlaid in large white letters across the center of the image.

DOWNTOWN

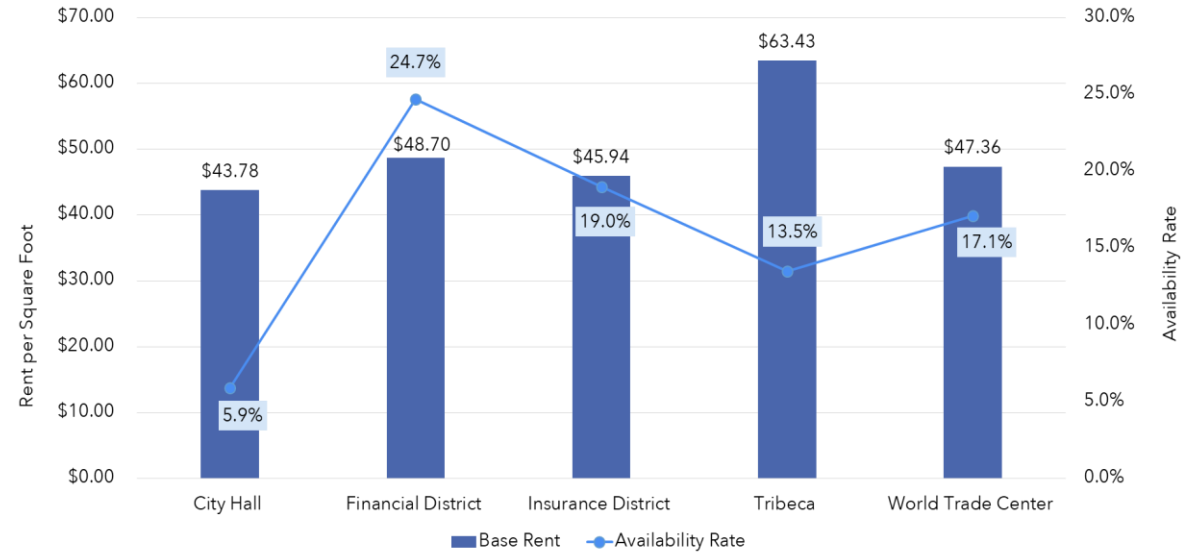
4Q 2023

DOWNTOWN MARKET CHART - 4Q 2023

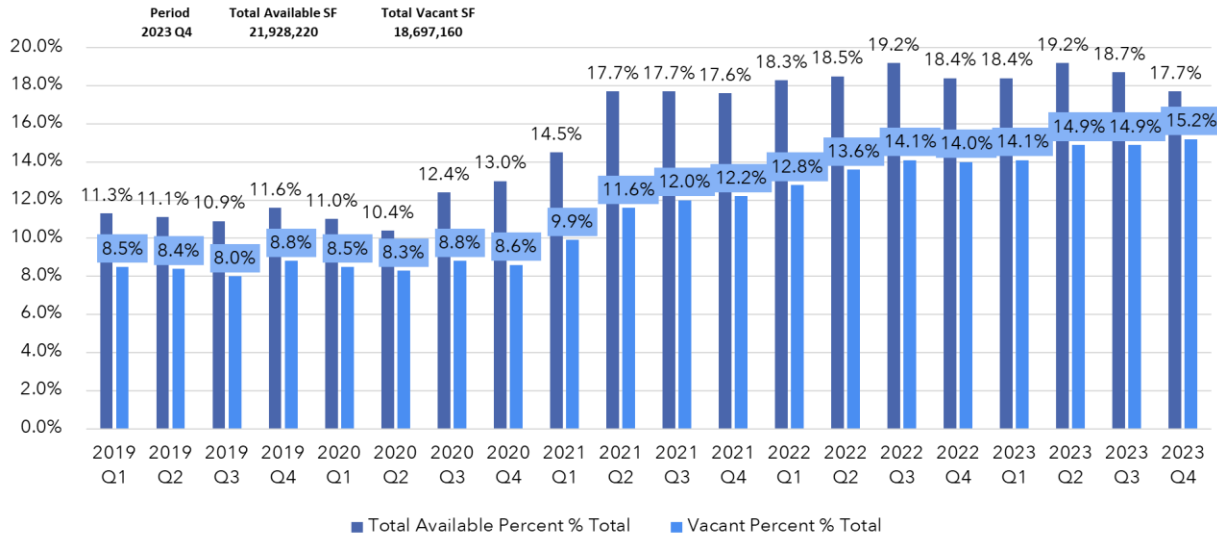
DOWNTOWN - RENT VS AVAILABILITY



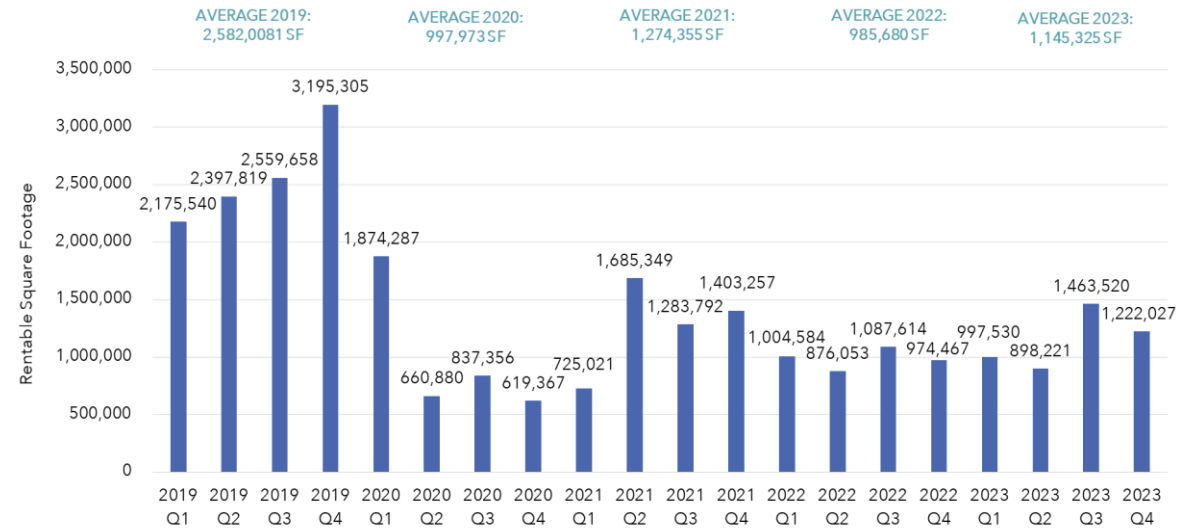
DOWNTOWN SUBMARKETS - RENT VS AVAILABILITY



DOWNTOWN - AVAILABILITY VS VACANCY

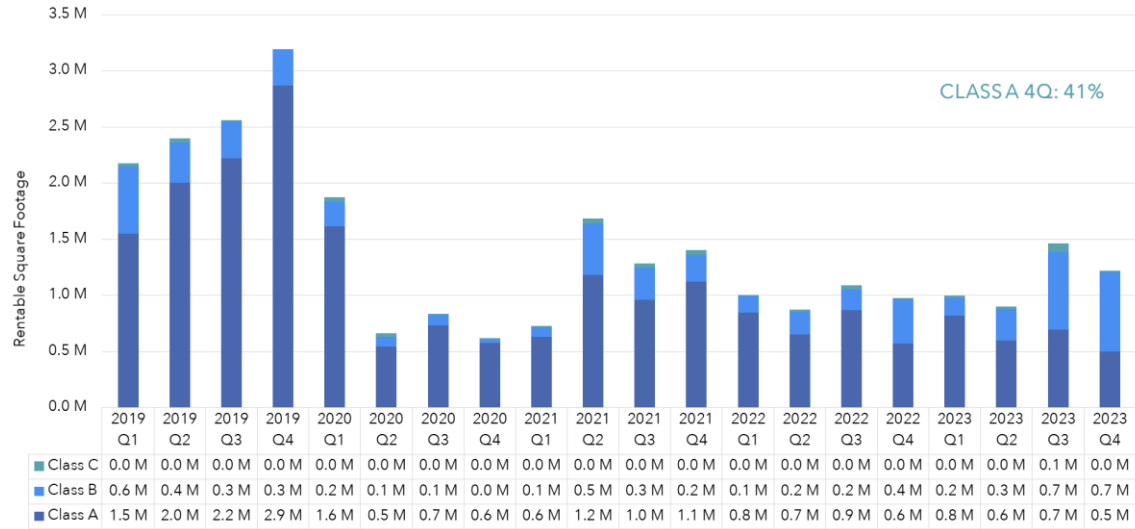


DOWNTOWN - LEASING ACTIVITY

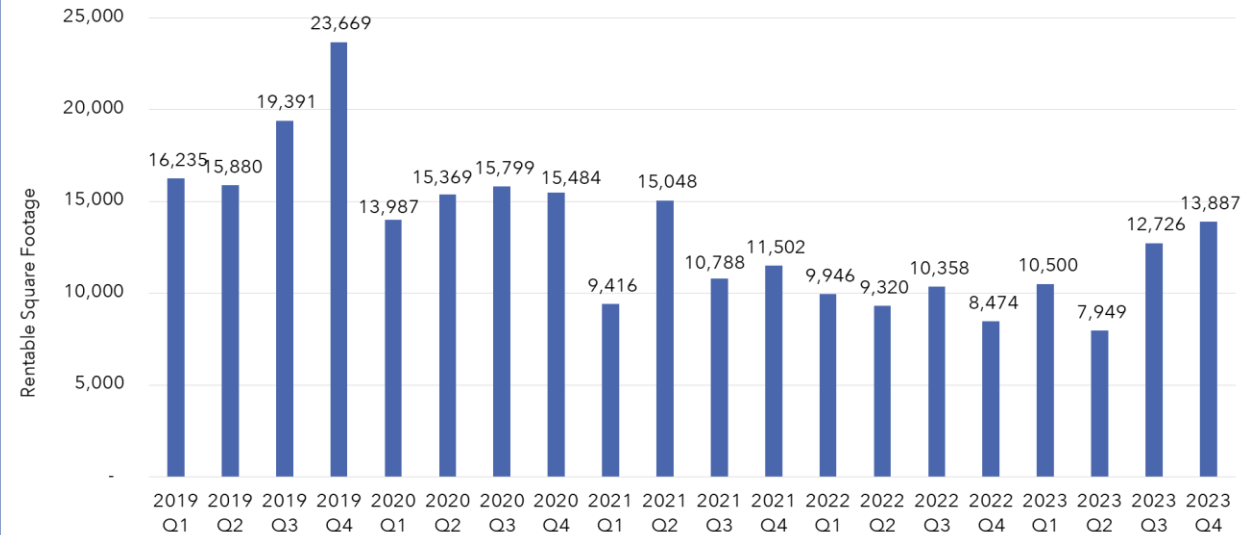


DOWNTOWN MARKET CHART - 4Q 2023

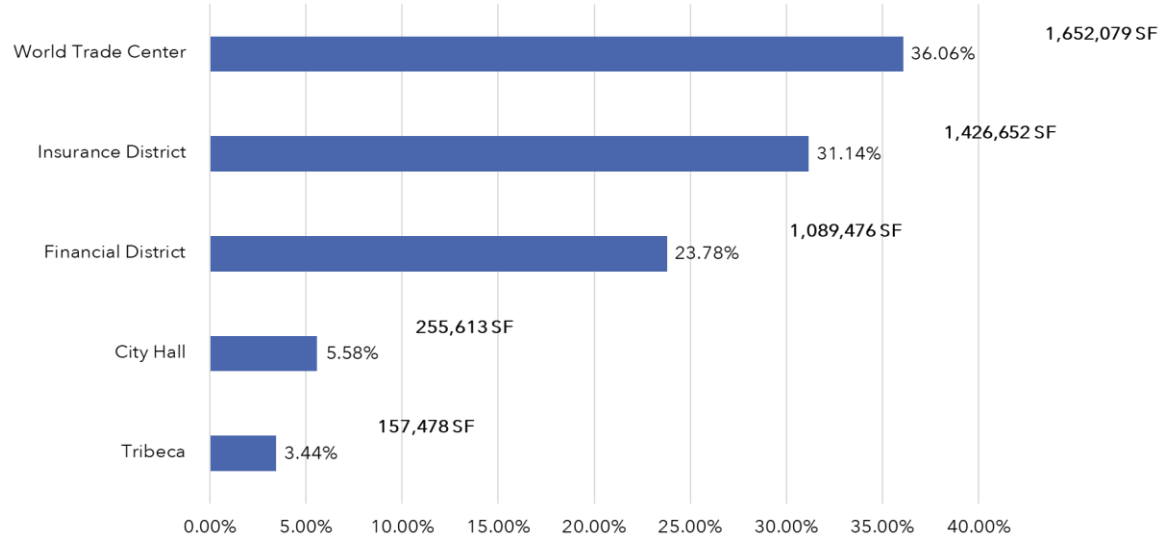
DOWNTOWN - LEASING ACTIVITY BY CLASS



DOWNTOWN - AVERAGE LEASE SIZE (QUARTERLY)



DOWNTOWN SUBMARKETS - LEASING ACTIVITY



5 LARGEST DEALS COMPLETED IN DOWNTOWN- Q4 2023

TENANTS	INDUSTRY	MARKET	SUBMARKET	ADDRESS	TRANSACTION TYPE	RSF
Department of Citywide Administrative Services	Public Administration	Downtown	Financial District	150 William Street	Extension	537,950
Payoneer	Financial Services	Downtown	World Trade Center	195 Broadway	Lease	41,878
New York State Department of Motor Vehicles	Public Administration	Downtown	World Trade Center	17 Battery Place South	Renewal	35,000
New York State Government	Public Administration	Downtown	Financial District	60 Broad Street	Renewal	28,909
N Cheng & Company	Professional, Scientific, and Technical Services	Downtown	Financial District	40 Wall Street	Lease	9,812

APPENDIX

Availability Rate: the percent of space available on the last day of each quarter or the current date in the case of the current quarter. Total Available SF divided by the total RBA on the last day of each quarter.

Broadway Attendance: The total number of people who attended Broadway shows during a specific period, usually a week, month, or season.

Broadway office box revenue: The total amount of money earned from ticket sales directly through the box office of Broadway theaters.

Civilian Labor Force: The total number of non-institutionalized civilians aged 16 and over who are either employed or actively seeking employment.

Direct Space: Space offered for lease directly from the landlord or owner of a building, as opposed to space offered in a building by another tenant (or broker of a tenant) trying to sublet a space already leased.

Federal Funds Effective Rate: The interest rate that depository institutions (such as banks and credit unions) charge each other for overnight loans.

Gross Domestic Product: The total market value of all final goods and services produced within a country's borders in a specific period.

Hotel Occupancy Rate: The percentage of hotel rooms occupied on a night. It is a crucial indicator of the health of the hospitality industry and the demand for hotel development and investment.

Inflation: The rate of change in the Consumer Price Index (CPI) over the past 12 months. This is a crucial indicator of the economy's health and can significantly impact real estate pricing and affordability.

Leasing activity: refers to the volume of square footage committed to and signed in a given period. It includes direct leases, subleases, and renewals of existing leases. It also includes any pre-leasing activity in under-construction, planned buildings, or under-renovation buildings.

One-bedroom asking rent: The typical monthly rent that landlords request for a 1-bedroom apartment in a specific area at a particular time. It's a helpful metric for understanding housing affordability and rental market trends.

Return to office rate: The percentage of employees who work in their traditional office space regularly, usually compared to pre-pandemic levels.

Sublet Space: Space being marketed or vacated by a tenant whose lease with the building owner has not yet expired. The tenant will attempt to find a subtenant to resume the remaining term of the lease.

APPENDIX

Subway ridership rate: The percentage of the population using the subway system in a specific area during a given period.

Subway ridership rate: Measures the number of people using the subway system in a time frame. It helps monitor how busy the subway is, track trends like post-pandemic recovery, and guide decisions on resource allocation and service improvements.

Total available rent: The total amount of space currently being marketed as available for lease or sale in a specific period.

Treasury Bills: Short-term, low-risk loan to the US Treasury Department with a one-year or less maturity. Treasury bills are usually sold in denominations of \$1,000, while some can reach a maximum denomination of \$5 million.

Transportation rates: Refers to the negotiated costs of moving freight from one origin to the destination. All costs associated with the beginning to end of the process may be evaluated.

Treasury Bonds: Debt securities with maturities exceeding ten years, representing a loan from the investor to the government with fixed interest payments until maturity.

Treasury Notes: Short and intermediate-term debt securities with maturities between two and ten years. They pay a fixed rate of interest every six months.

U.S. 10-Year Treasury: A debt obligation issued by the Treasury Department of the United States Government, with a maturity of ten years.

Unemployment Rate: The percentage of the labor force that is unemployed and actively seeking work. A low unemployment rate can indicate a strong economy and lead to labor shortages and wage inflation.

Vacancy Rate: Expressed as a percentage - it identifies the amount of New/Relet/Sublet space vacant divided by the existing RBA. It can be used for buildings or markets.