

MANHATTAN

# Office Market Report

March • 2015

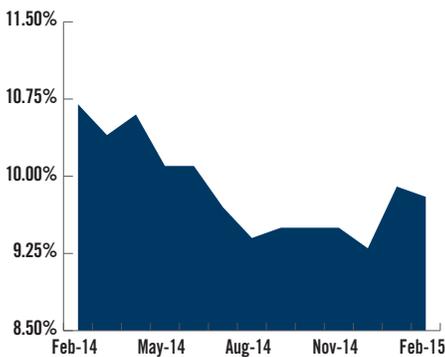
DTZ

## MARKET TRACKER *(all classes; month-over-month)*

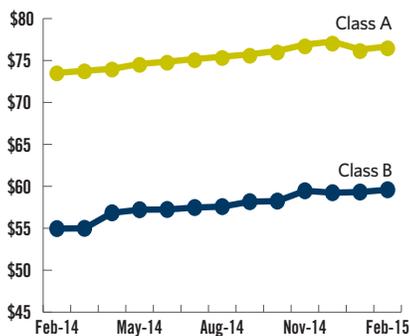
### Manhattan Market Snapshot

▼ Availability:	9.8%
▲ Net Absorption:	484,672 SF
▲ Asking Rent:	\$69.87PSF
◆ Deliveries:	0 SF

### Overall Availability MANHATTAN



### Asking Rents MANHATTAN



## Market Withstands Additional Space Returns

Space returns continued to flood the Manhattan office market in February as another 10 office buildings each added 45,000 square feet or more to the available supply. Despite 21 buildings coming to market with significant availabilities this year, the overall availability rate dipped 10 basis points to 9.8 percent. The bulk of the space returns occurred in Class B buildings, which accounted for eight of the aforementioned 10 buildings and posted the second consecutive month of negative absorption for Manhattan Class B. With many tenants driven towards value over the last four years, the 937,617 square feet of negative absorption posted this year will create more affordable opportunities in the market. After posting over 2 million square feet of negative absorption in January, Class A space bounced back by recording over 889,000 square feet of positive absorption.

### Midtown Continues to Stammer

The Midtown availability rate inched up another 10 basis points to 10.1 percent, up from a recent low of 9.7 percent at the end of 2014. Similar to the overall Manhattan market trend in February, Midtown accounted for seven of the 10 large space returns, with six of the seven in Class B buildings. This led to over 677,000 square feet of negative absorption for Class B space, while Class A space absorbed all the space added to the market in January. Class A posted over 606,000 square feet of positive absorption and was fueled mostly by the Bloomberg 152,935-square-foot lease at 919 Third Avenue and the 96,780 square feet of expansion space leased by Publicis at 1675 Broadway. Despite Midtown availability rising, asking rents continue to increase, with Class A up \$0.17 to \$85.14 per square foot and Class B up a mere \$0.03 to \$61.05 per square foot.

### Midtown South Tightens Further

Midtown South continues to outperform the rest of the market, as the availability rate dropped 40 basis points in February to 6.5 percent. The available supply dipped below 6 million square feet for the first time since 2000. There is only 5.7 million square feet available in Midtown South, which equals one-fifth of the Midtown and one-half of the Downtown available supplies. The Flatiron/Union Square submarket was the only submarket to post negative absorption, as 181,950 square feet came on the market at 50 West 23rd Street, but leasing activity throughout the rest of Midtown South outpaced space returns and led to 338,382 square feet of positive absorption.

### Downtown Bounces Back

The Downtown office market was back on track after posting almost 1.5 million square feet of negative absorption in January. The availability rate dipped 20 basis points to 12.2 percent, as 206,739 square feet of positive absorption was posted in February. This can be mostly attributed to the lease signed by WeWork at 85 Broad Street for 240,000 square feet. In spite of the positive overall trends, the World Trade submarket's availability rate jumped to over 14.0 percent for the first time in almost a year, as 319,644 square feet of NYMEX space at 1 North End Avenue became available. As new product continues to become available Downtown, asking rents continue to soar. Class A asking rents are up to \$61.40 per square foot and have surpassed historical highs from 2008. Class B asking rents are also up, but at \$43.76 per square foot, they are still slightly off record levels.

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March • 2015 | Statistical Data as of February 28, 2015

SUBMARKET	INVENTORY SF	AVAILABLE SF	AVAILABILITY	ABSORPTION		UNDER CONSTRUCTION SF	AVERAGE ASKING RENT		
				MONTHLY	YEAR-TO-DATE		CLASS A	CLASS B	OVERALL
<b>MIDTOWN</b>									
East Side/UN	20,842,455	1,433,902	6.9%	54,298	72,285		\$67.16	\$51.21	\$63.57
Fashion District	33,081,198	2,912,466	8.8%	(101,964)	(398,598)		\$73.65	\$54.35	\$53.13
Fifth/Madison	25,192,308	3,062,668	12.2%	(52,991)	(131,315)		\$124.21	\$75.95	\$109.46
Grand Central	50,084,883	5,897,719	11.8%	144,087	197,125		\$71.79	\$56.54	\$68.08
Midtown West/Columbus Circle	21,385,133	2,280,818	10.7%	97,863	68,175		\$76.10	\$51.74	\$72.19
Park Avenue	30,089,432	2,846,170	9.5%	23,277	68,891		\$98.05	\$90.77	\$97.69
Penn Plaza/Hudson Yards	14,585,528	1,091,692	7.5%	(10,387)	(15,291)	3,461,086	\$68.64	\$58.81	\$60.44
Sixth Avenue/Rock Center	45,141,080	4,363,851	9.7%	(43,474)	(706,129)	472,535	\$81.02	\$73.34	\$79.75
Times Square	17,965,613	2,113,694	11.8%	(171,158)	(153,276)		\$87.38	\$65.06	\$79.83
<b>MIDTOWN TOTALS</b>	<b>258,367,630</b>	<b>26,002,980</b>	<b>10.1%</b>	<b>(60,449)</b>	<b>(998,133)</b>	<b>3,933,621</b>	<b>\$85.14</b>	<b>\$61.05</b>	<b>\$77.01</b>
<b>MIDTOWN SOUTH</b>									
Chelsea/Meatpacking	19,575,179	1,302,337	6.7%	76,249	159,244	114,000	\$90.00	\$57.87	\$54.33
Flatiron/Union Square	15,045,451	1,353,373	9.0%	(172,618)	(146,951)		\$87.17	\$74.34	\$74.27
Hudson Square/TriBeCa	19,575,219	959,458	4.9%	275,141	356,226		\$73.06	\$66.54	\$65.53
Madison Square/Park Avenue S	26,225,012	1,835,580	7.0%	86,793	(61,914)		\$70.16	\$63.21	\$64.37
SoHo/NoHo/Village	7,238,360	272,607	3.8%	72,817	90,360		\$101.40	\$64.18	\$72.14
<b>MIDTOWN SOUTH TOTALS</b>	<b>87,659,221</b>	<b>5,723,355</b>	<b>6.5%</b>	<b>338,382</b>	<b>396,965</b>	<b>114,000</b>	<b>\$75.78</b>	<b>\$67.62</b>	<b>\$64.75</b>
<b>DOWNTOWN</b>									
City Hall/Insurance	4,963,218	490,132	9.9%	15,491	(37,465)		\$46.96	\$45.81	\$44.87
Financial	53,064,463	5,975,016	11.3%	408,034	(665,202)		\$53.06	\$44.05	\$50.51
World Trade Center	31,043,427	4,382,139	14.1%	(216,786)	(556,852)	2,861,402	\$70.31	\$41.86	\$67.16
<b>DOWNTOWN TOTALS</b>	<b>89,071,108</b>	<b>10,847,287</b>	<b>12.2%</b>	<b>206,739</b>	<b>(1,259,519)</b>	<b>2,861,402</b>	<b>\$61.40</b>	<b>\$43.76</b>	<b>\$57.46</b>
<b>MANHATTAN TOTALS</b>	<b>435,097,959</b>	<b>42,573,622</b>	<b>9.8%</b>	<b>484,672</b>	<b>(1,860,687)</b>	<b>6,909,023</b>	<b>\$76.66</b>	<b>\$59.59</b>	<b>\$69.87</b>

Office asking rents converted to Full Service

## Key Lease Transactions February 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1675 Broadway	506,009	Publicis Worldwide	Renewal/Expansion	Midtown West/Columbus
1345 Avenue of the Americas	200,000	Fortress Investment	Renewal/Expansion	Sixth Avenue/Rock Center
395 Hudson Street	147,670	WebMD	Sublease	Hudson Square/TriBeCa
750 Third Avenue	85,604	Kaplan Inc.	Sublease	Grand Central
770 Broadway	79,998	Facebook	Expansion	SoHo/NoHo/Village

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