



TRANSWESTERN

# DOWNTOWN MANHATTAN OFFICE MARKET

## Q3 2024



### TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	5.2	5.1	↑	7.6	↔
NET ABSORPTION (Thousands SF)	1,505.8	717.3	↑	(421.8)	↑
OVERALL VACANCY RATE	19.3%	18.9%	↑	15.9%	↔
OVERALL VACANT SF (MSF)	17.5	17.4	↑	14.7	↔
UNDER CONSTRUCTION (MSF)	0.2	0.0	↔	0.1	↔
ASKING RENT (PSF)	\$55.24	\$55.70	↓	\$58.79	↔
SALES VOLUME (Millions)	\$461.7	\$0.0	↑	\$334.0	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

## DOWNTOWN SEES SOME IMPROVEMENT

Downtown leasing approached 911,300 SF in Q3, bringing the year-to-date total to nearly 2.1 million SF. Positive absorption led to a decrease in availability, though the rate remains high compared with Manhattan overall. Rents appear to be stabilizing after several quarters of decline. While excess sublet availability is still a concern, the removal of underused space through redevelopment and residential conversion continues and should help submarket fundamentals as we finish out 2024.

“This quarter’s strong Manhattan leasing figure, particularly the year-to-date number up 31% compared to last year, bears out the increased enthusiasm that has been noticeable in the market,” said Patrick Heeg, Partner, Transwestern. “We’ve been seeing leasing decisions being made faster, increased touring activity, and greater openness to longer terms. As tenants solidify their in-office work plans, they are in a much better position when entering lease negotiations.”

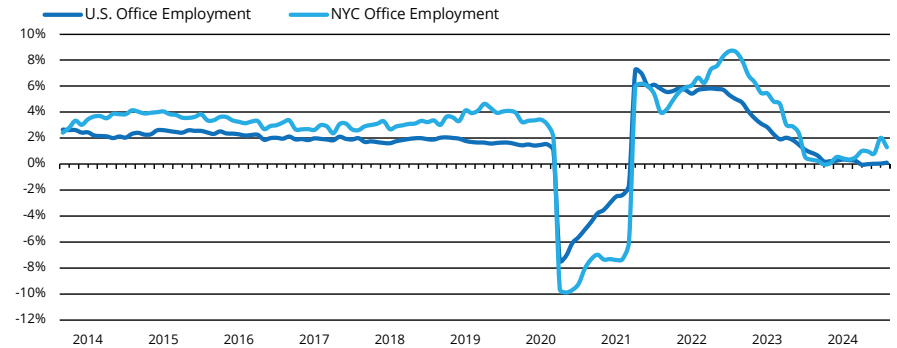


### ECONOMY

#### NYC's office jobs continue to increase ahead of the national pace

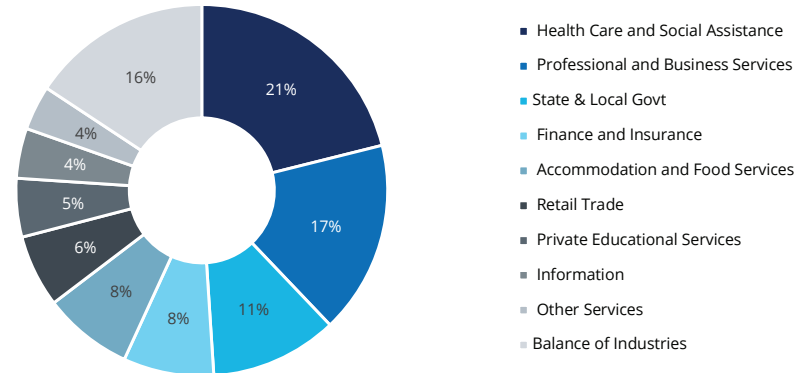
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Most recently, jobs grew 1.3% from a year ago, accelerating from the pace seen in late 2023 and early 2024.
- On a national level, growth in office-using jobs has plateaued over the last six months; employment in these sectors increased just 0.1% year-over-year.
- The unemployment rate in New York City currently stands at 5.2%, the upper edge of the tight range it has occupied for the last two years. The national unemployment rate is 4.1%, compared with its early 2020 bottom of 3.5%.
- The Health Care & Social Assistance industry continues to dominate NYC's job creation with almost 92,000 new jobs over the past year. This far surpasses all other sectors, but significant increases were also seen in the Accommodation & Food Services sector and the Private Educational Services sector. On the downside, some of the larger office-using sectors coped with a net loss of jobs over the past year.
- Traditional office-using sectors are getting back on track, even as hybrid work has become the most common structure for these jobs. Meanwhile, New York's diverse business economy provides a strong foundation that will continue to propel the city forward in late 2024 and into 2025.

### Y-O-Y CHANGE IN OFFICE JOBS



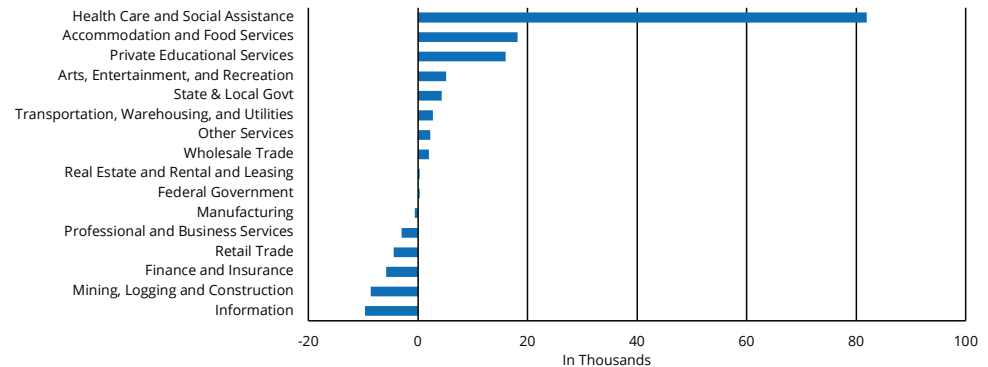
### SHARE OF EMPLOYEES BY INDUSTRY

New York City | August 2024



### Y-O-Y CHANGE IN JOBS BY INDUSTRY

New York City



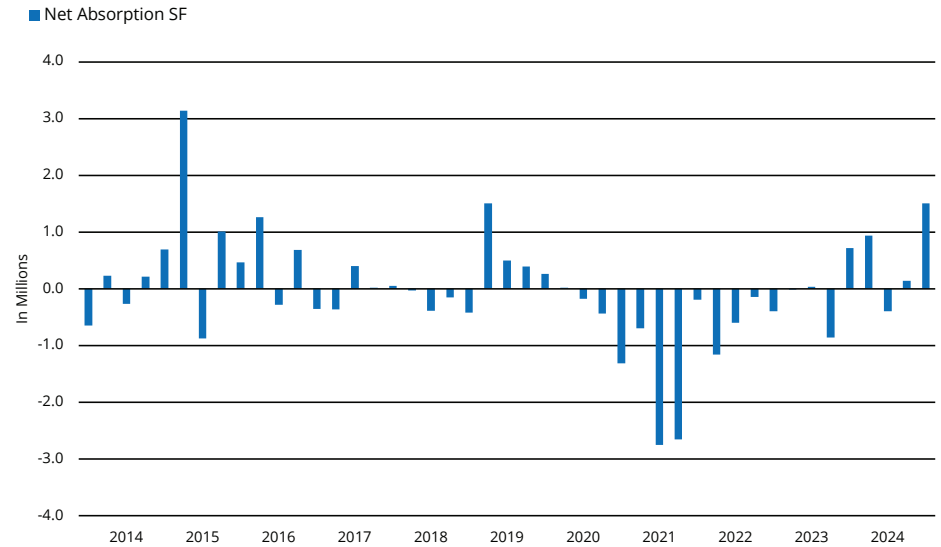


### NET ABSORPTION

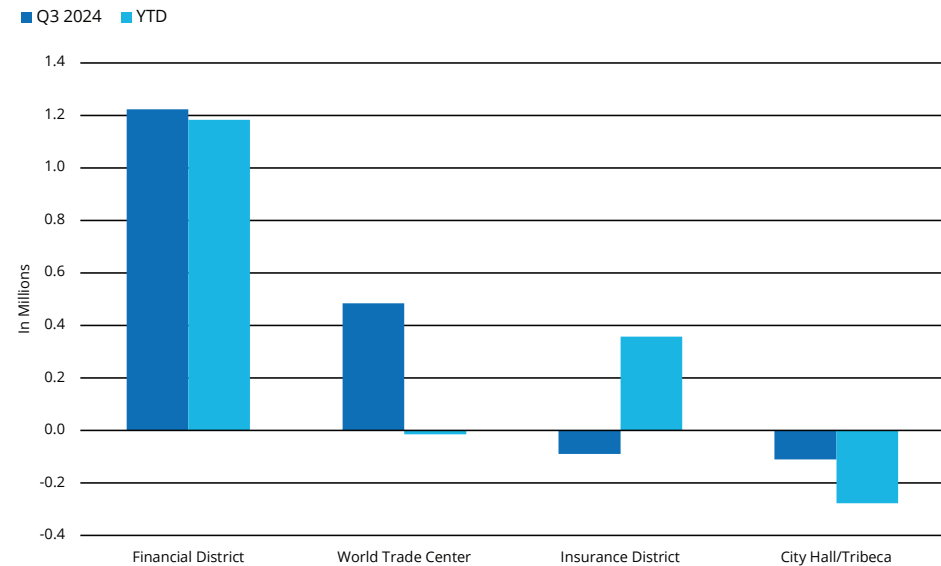
#### Absorption sees sharp improvement

- Downtown absorption was positive in Q3 with 1.5 MSF taken up, the best result in nearly a decade. The strong showing helped bring year-to-date absorption to 1.2 MSF, comparing very favorably to the negative 109,500 SF tallied during the same period in 2023.
- The Financial District submarket had Downtown’s strongest absorption at 1.2 MSF, owing sharply to the withdrawals of large blocks at buildings like 85 Broad Street, 180 Maiden Lane, 80 Pine Street, and 77 Water Street. The latter two buildings were recently sold and both are being targeted for residential conversion. The largest lease in this submarket was a 77,100 SF signing by Catholic Charities of New York, which expanded at 80 Maiden Lane and will consolidate employees from its Midtown office.
- The World Trade Center submarket also had healthy absorption, driven by three large subleases: StubHub ticketed 101,300 SF at 4 World Trade, Jane Street Group took 56,900 SF at 250 Vesey Street, and American Transit Insurance Company secured 43,400 SF at 25 Broadway. The Jane Street Group lease, signed in August, was an expansion of its current space, but the firm is rumored to be seeking even larger digs.
- While Downtown’s fundamentals are still somewhat tepid, the area is benefiting from changing market dynamics. Absorption has been positive in four of the last five quarters as underused and outdated spaces are removed, strengthening the area’s ongoing recovery. Recent renewals and expansions by established occupiers are further evidence of confidence in this evolving submarket.

### NET ABSORPTION - DOWNTOWN



### NET ABSORPTION BY SUBMARKET



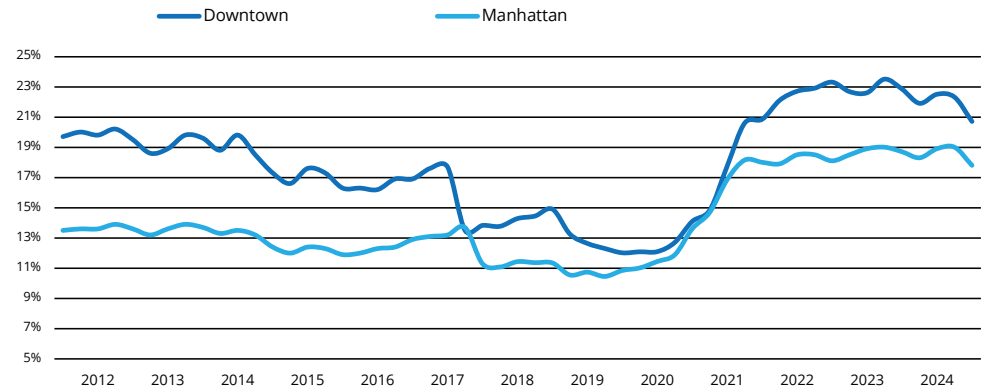


### AVAILABILITY

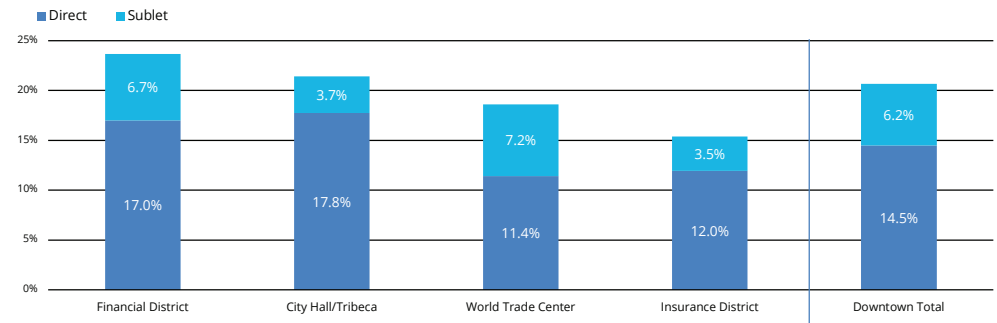
#### Availability is trending downward

- Downtown’s availability rate notched a second consecutive quarterly decrease in Q3, falling 1.6 percentage points [pp] to 20.7%. This is the lowest level in three years, though it remains elevated compared with the average 15% availability rate seen between 2015 and 2019.
- Both direct and sublet availabilities decreased for a second straight quarter. As in Q2, some of the largest leases were signed for sublet space. Downtown’s sublet availability rate now measures 6.2%, a full percentage point below its Q2 2023 peak; in that timespan, more than 1 million SF of sublease space has been either leased up, re-occupied, or withdrawn from offering.
- Availability decreased by almost three percentage points in Downtown’s Financial District submarket, but at 23.7% it is still one of the highest levels in all of Manhattan. Sublet availability saw a small increase in this submarket; the addition of a 276,400 SF sublet block from EmblemHealth at 55 Water Street was a factor.
- The World Trade Center submarket saw sublet availability shrink by 1.6 pp from last quarter amid a flurry of new subleases. The sublet availability rate of 7.2% is no longer the highest in Manhattan, but still represents almost 39% of World Trade’s total availability.
- There are currently almost 30 Downtown assets that have at least 200,000 SF of space available, many of which include large blocks of sublease space. These availabilities present attractive, discounted opportunities for large occupiers.

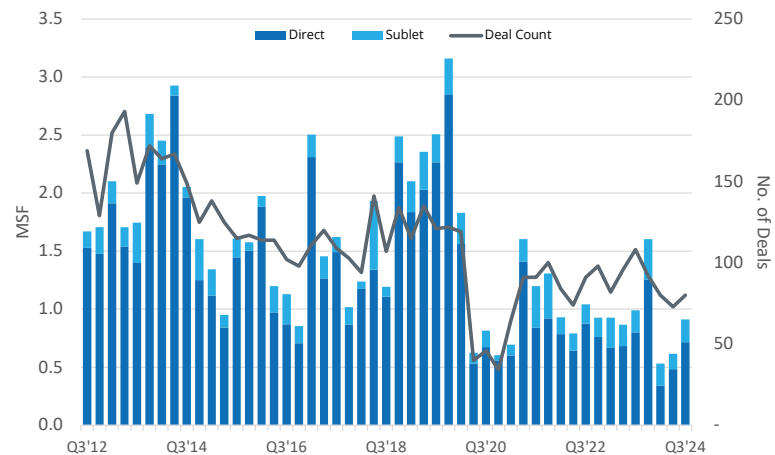
### SUBMARKET AVAILABILITY VS MANHATTAN



### SUBMARKET AVAILABILITY



### DOWNTOWN LEASING ACTIVITY



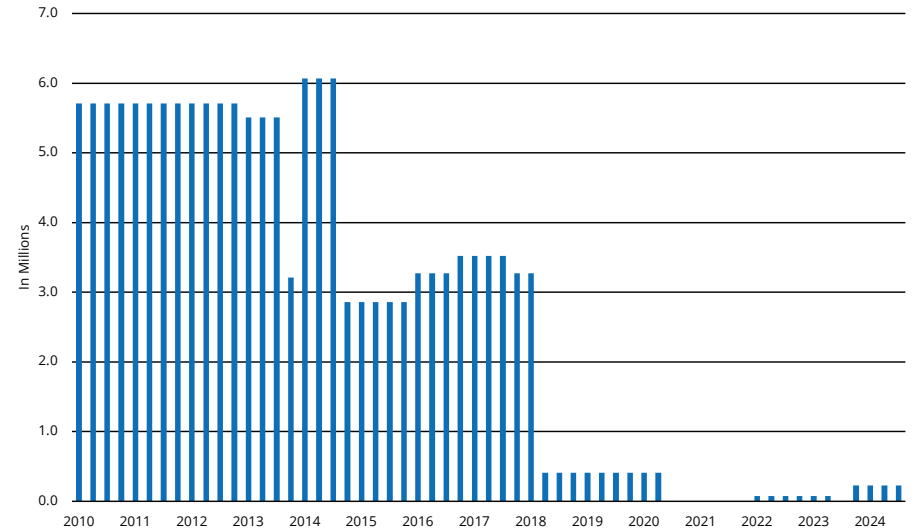


### UNDER CONSTRUCTION

#### Downtown transformation continues

- High office vacancies in Downtown Manhattan are continuing to shift the focus away from spec development, pointing instead towards renovations and repositioning.
- Major renovations recently wrapped up at 111 Wall Street, while 1980s-era assets like 60 Wall Street and 175 Water Street (soon to be known as 161 Water Street) are now undergoing significant transformation and modernization. The latter building was one of the first recipients of a new tax abatement through NYC’s M-CORE program, which is designed to help finance renovations at aging office properties.
- The only notable ground-up office construction currently underway Downtown is happening at 250 Water Street in the Insurance District. The tower is expected sometime next year and will include 230,000 SF of office space at its base, though it is not yet available for leasing.
- Additionally, there is about 3.0 MSF of new Class A office product proposed Downtown. Most of this space is represented by a 2.8 MSF tower addressed at 2 World Trade; Amex is rumored to be in negotiations to anchor the property.
- As of now, the pipeline of “ready to lease” new construction opportunities remains extremely limited. It will be important to monitor whether continued demand for top tier assets, coupled with the lack of new stock and removal of outdated buildings for residential use, will lead to increased activity in Class B space.

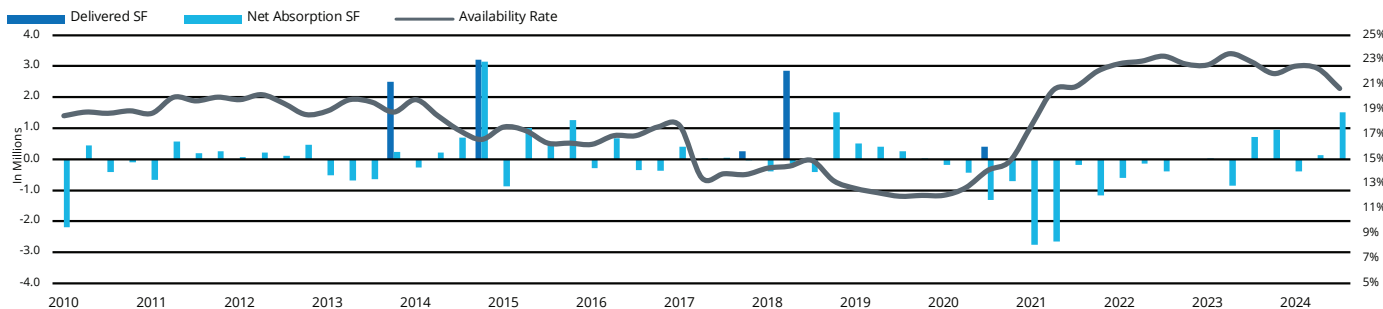
### UNDER CONSTRUCTION - DOWNTOWN



### DOWNTOWN CONSTRUCTION/RENOVATIONS IN PROGRESS

PROPERTY	SUBMARKET	RBA	STATUS	YEAR EXPECTED
250 Water St	Insurance District	230,000	Under Construction	2025
60 Wall St	Financial District	1,625,500	Under Renovation	2025
175 Water Street	Insurance District	716,400	Under Renovation	2026

### DELIVERY IMPACT ON KEY INDICATORS



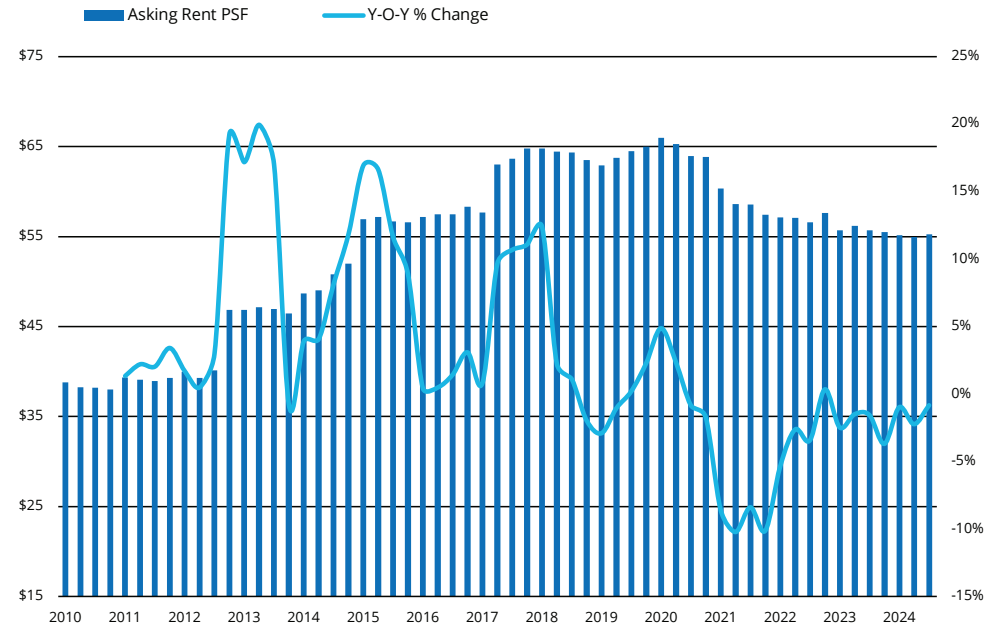


### RENTAL RATES

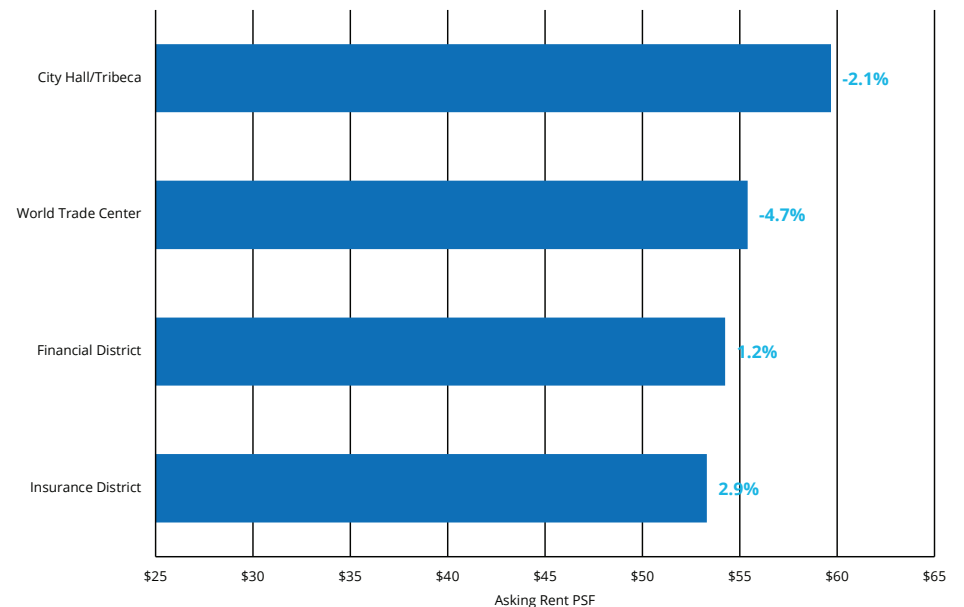
#### Downtown rents appear to be stabilizing

- Downtown pricing continues to support the “tale of two markets” narrative. The average asking price for Class A space is \$56.45 PSF, about 27% higher than Class B pricing.
- Most of the recent large deals have been signed in the Class A space, which removes this higher priced space from the submarket average. As a result, the submarket is left with an oversupply of Class B space at a lower price, reducing the overall asking rate. The high proportion of sublet space Downtown, also citing lower asking rates, compounds this problem.
- The overall asking rent Downtown marked a small increase to \$55.24 PSF in Q3, after bottoming last quarter. Rents are down 0.8% year-over-year and remain 16.3% below their early 2020 peak of \$65.98 PSF. Asking rents are currently in line with their 2015–2017 counterparts.
- These “rolled back” rates represent increased opportunities for tenants, particularly at non-trophy and Class B assets, as well as high-vacancy buildings. Large concession packages are still being offered to entice tenants, and the area’s ongoing reinvention should draw further interest from occupiers as we close out 2024 and move into 2025.

### ASKING RENT - DOWNTOWN



### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



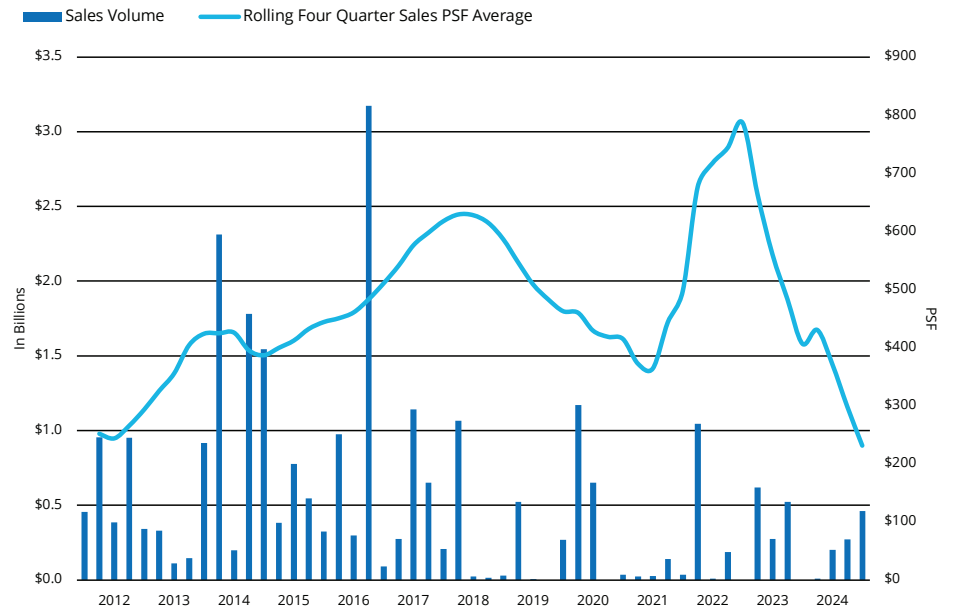


### SALES

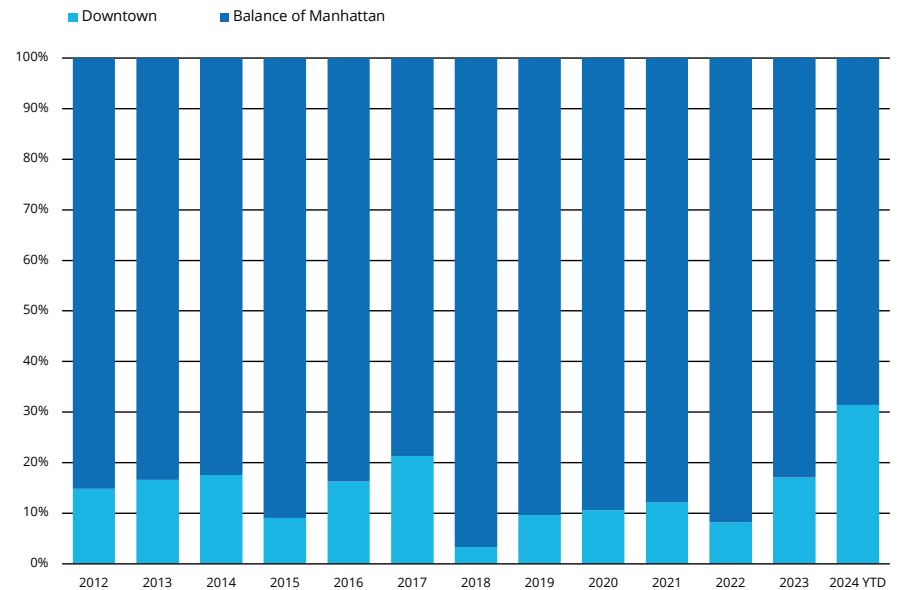
#### Transaction volume rises as investors ponder the changing landscape

- Downtown logged \$461.7 million in office sales this quarter. This was the fourth straight quarter of improvement, and above the five-year quarterly average of \$283.9 million. Year-to-date volume was \$934.4 million, compared to \$795.9 million in the first three quarters of 2023.
- There were two significant sales in Downtown’s Financial District submarket, each with pricing approaching \$250 PSF. The larger was the sale of 180 Maiden Lane, which traded to 99C LLC for \$297 million, a big discount to its 2015 sale price of \$470 million. Nearby, 100 Wall Street sold for \$116 million to David Werner and BLDG Management. Unlike other recent Downtown sales, these buildings have not been publicly earmarked for residential conversion
- Lingering uncertainty in the current economic climate has left investors reluctant to take on more debt and more risk, citing limited liquidity and ongoing price discovery, though some are scooping up distressed assets at bargain prices. The recent interest rate cut will help attract more activity, but debt remains costly, and we expect investors will proceed with caution over the next few quarters.

### SALES VOLUME - DOWNTOWN



### DOWNTOWN % OF MANHATTAN SALES VOLUME





**NOTABLE LEASES**

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
STUBHUB	4 World Trade	World Trade Center	Sublease	101,300
NYC DEPT FOR THE AGING	14 Wall St	Financial District	Direct	80,000
JANE STREET GROUP	250 Vesey St	World Trade Center	Sublease / Expansion	56,850
AMERICAN TRANSIT INSURANCE CORPORATION	25 Broadway	World Trade Center	Sublease	43,400
ORCHESTRA	195 Broadway	World Trade Center	Direct	41,850

**NOTABLE NEW AVAILABILITIES**

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
55 WATER STREET	Financial District	276,400	Sublet
199 WATER ST	Insurance District	130,900	Direct
60 HUDSON ST	City Hall/Tribeca	60,600	Direct
200 VESEY ST	World Trade Center	55,000	Direct
100 CHURCH ST	World Trade Center	51,800	Direct

**NOTABLE SALES**

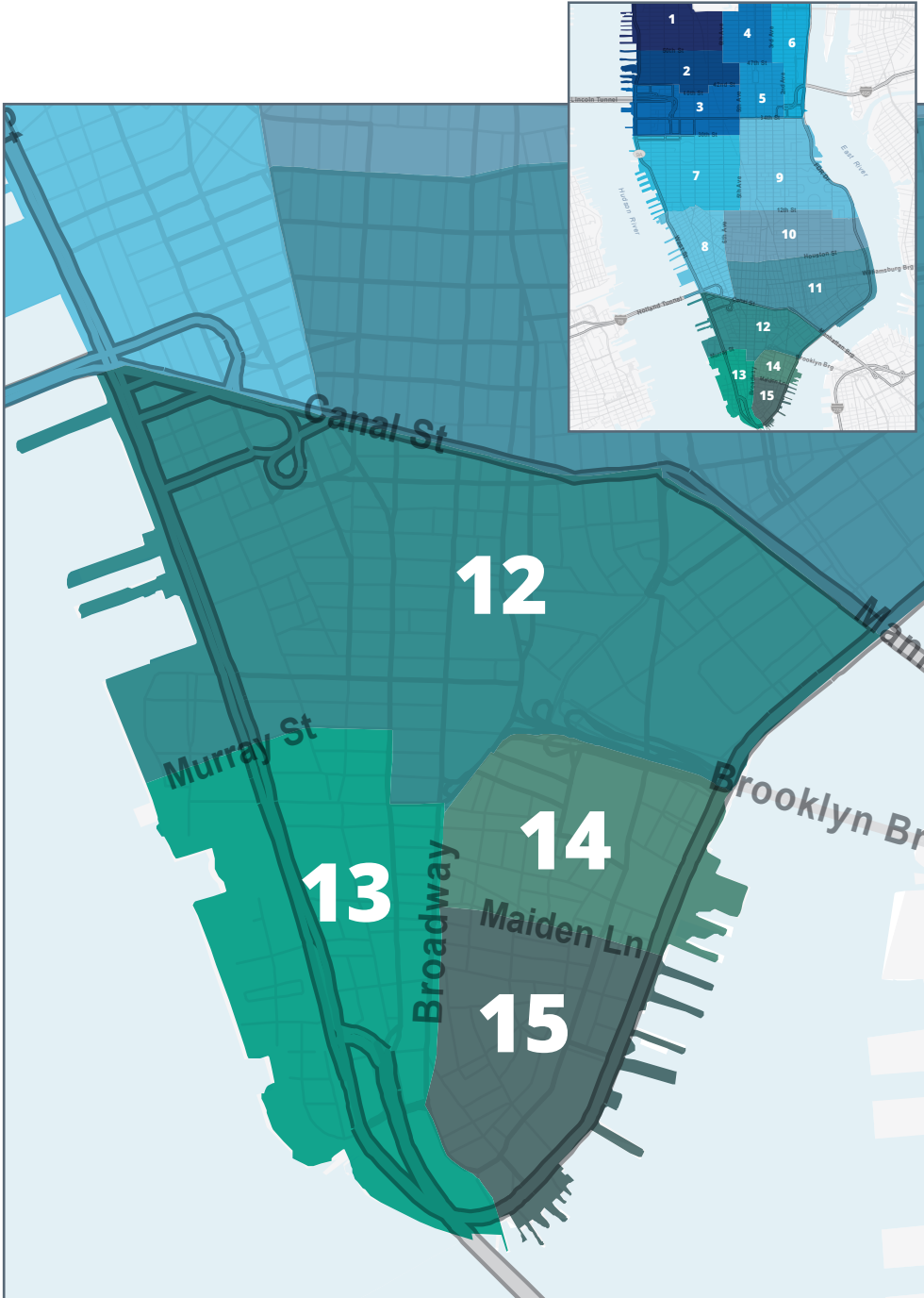
ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
180 MAIDEN LN	Financial District	\$297,000,000	1,191,850	\$249	99C LLC	Clarion Partners, MHP Real Estate
100 WALL ST	Financial District	\$116,000,000	473,500	\$245	David Werner RE Investments, BLDG Management	Barings, Cornerstone RE Advisers



**MARKET INDICATORS**

All Classes of Space | Q3 2024

SUBMARKET	INVENTORY SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	OVERALL AVAILABILITY RATE	OVERALL VACANCY RATE	CLASS A AVERAGE RENT PSF	CLASS B AVERAGE RENT PSF	OVERALL AVERAGE RENT PSF
CITY HALL/TRIBECA	10,126,904	-110,787	-277,606	21.4%	23.7%	\$62.02	\$49.43	\$59.68
FINANCIAL DISTRICT	37,515,413	1,222,715	1,183,134	23.7%	22.2%	\$54.54	\$48.07	\$54.25
INSURANCE DISTRICT	9,339,545	-89,699	356,800	15.4%	19.9%	\$58.23	\$40.05	\$53.31
WORLD TRADE CENTER	33,994,700	483,536	-14,851	18.6%	14.6%	\$56.99	\$42.46	\$55.40
<b>DOWNTOWN TOTAL</b>	<b>90,976,562</b>	<b>1,505,765</b>	<b>1,247,477</b>	<b>20.7%</b>	<b>19.3%</b>	<b>\$56.45</b>	<b>\$44.58</b>	<b>\$55.24</b>



### NEW YORK OFFICE SUBMARKETS

#### Midtown

- 1** Columbus Circle
- 2** Times Square
- 3** Penn Plaza
- 4** Plaza District
- 5** Grand Central
- 6** East Side

#### Midtown South

- 7** Chelsea/Flatiron
- 8** Hudson Square
- 9** Gramercy Park
- 10** Greenwich Village
- 11** Soho

#### Downtown

- 12** City Hall/Tribeca
- 13** World Trade Center
- 14** Insurance District
- 15** Financial District

### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Manhattan. This report includes single-tenant and multi-tenant Class A and B office properties with at least 100,000 SF in Midtown, 50,000 SF in Midtown South, and 75,000 SF in Downtown.

### FOR MORE INFORMATION

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### ABOUT TRANSWESTERN

Part of the Transwestern companies, Transwestern Real Estate Services (TRS) strives to add value for investors, owners, and occupiers across all commercial property types. Fueled by a holistic perspective of the real estate life cycle, agility and creativity are hallmarks of our approach, while vast national resources and sound market intelligence underpin customized recommendations and property solutions.

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](http://transwestern.com) and [@Transwestern](https://twitter.com/Transwestern).

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