

# MIDTOWN MANHATTAN OFFICE MARKET

FOURTH QUARTER 2015

## 80% of the transactions exceeding 100,000 SF were in Midtown 2015 saw a marginal increase in the rental rate

Midtown Manhattan leasing activity continued at a slower but steady pace. It was concentrated in the larger submarkets of the Plaza District, Grand Central and Times Square. Few tenant move outs in Columbus Circle and Penn Plaza led to increase in vacant blocks of space, negatively affecting the overall absorption. Keeping in sync with the absorption, the vacancy rate in 2015 dropped marginally by 20 basis points over the past year. The average asking rents for Class A and B properties increased by 2% in Q4 2015 as compared to Q4 2014.

### ECONOMY

#### Unemployment rates consistently plummeted




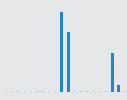


Real gross domestic product (GDP) increased 2% in the third quarter of 2015, according to the "third" estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2015, the unemployment rate was 5.0%, 20 basis points lower than Q3 2015. Employment gains occurred in several industries, led by professional and business services, construction, health care and food services.

In Q4 2015, the unemployment rate in New York City was 4.8%, a drop of 63 basis points from Q3 2015. The strongest increase in employment numbers occurred in health and social assistance, professional and business services followed by accommodation and food services.

### VACANCY

#### Fourth quarter 2015 vacancy rate decreased marginally by 10 basis points

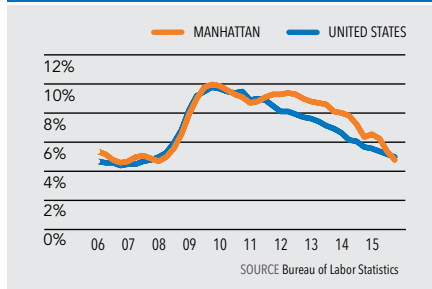
The Midtown vacancy rate in Q4 2015 was 8.0%, 10 basis points lower than 8.1% in Q3 2015. This decrease in vacancy was seen mostly in Grand Central, U.N. Plaza and the Plaza District. Grand Central experienced the highest decrease in vacancy rate. This was due to multiple tenants taking up space in properties such as 90 Park Avenue, 685 Third Avenue, 600 Third Avenue and 295 Madison Avenue.

TRENDLINES	
5-YEAR TREND	CURRENT QUARTER
<b>VACANCY</b> 	<b>8.0%</b> Vacancy Rates decreases by 10 bps
<b>ABSORPTION</b> 	<b>-328,092 SF</b> Negative net absorption seen
<b>AVERAGE RENTAL RATE</b> 	<b>\$64.40 PSF</b> Average rental rate increases
<b>RBA DELIVERED</b> 	<b>0 SF</b> No new projects delivered
<b>AVERAGE OFFICE SALE PRICE</b> 	<b>\$769 PSF</b> Average Sale price increases
<b>CAP RATE</b> 	<b>4.4%</b> Cap rate decreases marginally

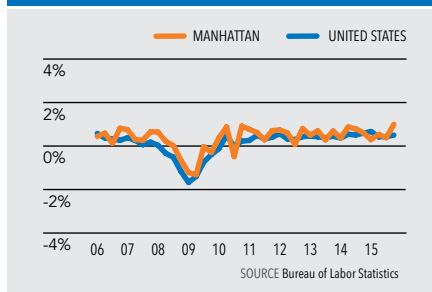
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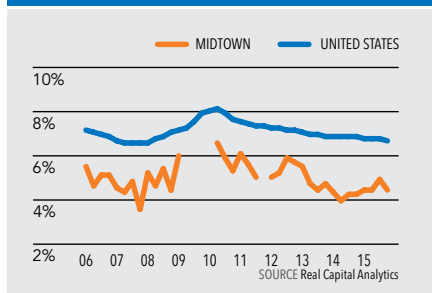
## UNEMPLOYMENT RATE



## PAYROLL JOB GROWTH



## CAP RATES



## ABSORPTION

### Negative net absorption of approximately 0.5 million SF seen in 2015

After a year of positive net absorption in 2014, Midtown witnessed negative net absorption of 499,938 SF in 2015. Both the number of transactions and square feet leased decreased in 2015 as compared to 2014. The total number transactions in 2015 was 2,154, down from 2,906 in 2014. The negative net absorption was concentrated in Columbus Circle and Penn Plaza. Penn Plaza has large blocks of vacant space in 1095 Avenues of America, 498 Seventh Avenue, 1411 Broadway and 1407 Broadway, negatively affecting the overall absorption in the submarket. The larger submarkets of the Plaza District and Grand Central saw positive net absorption. Approximately 80% of the transactions exceeding 100,000 SF in 2015 were in Midtown. The top three transactions were as follows:

## Notable Lease Transactions

COMPANY	ADDRESS	SQUARE FEET	LEASE TYPE
Skadden Arps Slate Meagher	1 Manhattan West	538,321	New Lease
Metlife	200 Park Avenue	495,551	Expansion
Publicis Groupe	1675 Broadway	409,229	Renewal

## RENTAL RATES

### Midtown average asking rental rate remained stable

The average asking rental rate was \$64.39 PSF in Q4 2015, stable from \$64.37 PSF in Q3 2015. The rental rate in Class A properties reduced marginally whereas those in Class B properties increased. This highest increase in rental rate was seen in Murray Hill, the rental rate increased by \$3.42 since the last quarter. An increase in leasing activity, especially in sublease space plus reduced inventory, has put an upward pressure on rental rates in this submarket. Conversely, average rental rates for Class A space in the Plaza District increased 3% in 2015 ending at \$71.87 PSF due to positive net absorption.

## UNDER CONSTRUCTION/ PROJECTS DELIVERED

### Two new projects were delivered in 2015

2015 saw the delivery of only two new properties into the market. 7 Bryant Park is 60.7% leased, and was sold in May for \$600M by Hines/JPMorgan to Bank of China. 34 East 51st Street came on line in 2015. ■

## CONTACT

Palak Raval  
 Researcher  
 212.537.7701  
 palak.raval@transwestern.com

## 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, multi-tenant and owner-user Class A & B office properties 20,000 SF and larger.



600 Lexington Avenue, 10th Floor  
 New York, NY 10022

T 203.637.9300 F 203.698.1022  
 www.transwestern.com/northeast