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Manhattan Had Strong Office Leasing Activity But Lower Rents In 2017

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Matthew Rothstein, Bisnow Philadelphia

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Courtesy: L&L Holding Company

A rendering of L&L Holding Co.'s renovation of 390 Madison Ave.

Manhattan had one of its strongest years of the 21st century in terms of office leasing activity in 2017, but it came partly because of lower rents.

A year-end report from Colliers International found that Manhattan had over 37M SF of leasing activity last year, the second-most it has had since 2003, behind only 2014. Average asking rent dropped from $73.24/SF at the end of 2016 to $72.74 at the end of last year.

Of the three markets Colliers tracks, Midtown and Midtown South accounted for the entirety of the drop in asking rents. Downtown asking rents increased by 6.8% year-over-year thanks to some below-market spaces leasing up and availability at the World Trade Center, while leasing activity was up 31%.

Though Midtown showed positive yearly absorption like the other two Manhattan markets, notable buildings with over 100K SF of available space dropped asking rents in 2017, including 399 Park and the renovated 390 Madison Ave. Shiseido Americas Corp.'s lease at 390 Madison took above-average space off the market, contributing to the drop in asking rents.

Among the most notable developments of Manhattan's office market was Hudson Yards' ascension to the top of the class, passing Plaza District as the most expensive submarket in the borough in terms of asking rents. With the financial services, insurance and real estate industries commanding the largest share of leasing activity in the borough at 34% in 2017, and Hudson Yards attracting a host of such tenants, the submarket may have a long run at the top of the market.