

NEW YORK CITY



OVERVIEW

Since the beginning of 2019, New York City's real estate market has been slightly rising; average price per square foot has risen to \$56.91 in the past year (from \$56.65, with vacancy rates remaining relatively stagnant at roughly 7.8%, while new construction has boosted the amount of available square footage to over 115 million, from what was 111 million in mid-2018.

This new construction is integral to the boom NYC's market has seen, as more and more firms based in the city are looking for fresh and modernized office space to reflect the changing requirements needed to attract top talent. Lower Manhattan and Midtown South have been reaping the benefits from new development as rents have been driven up 30% and 19% respectively in the past five years. This is due to increased demand for newly built out space by Technology, Advertising, Media and Information (TAMI) tenants. In addition, submarkets such as Gramercy, SoHo and Hudson Square have had a similar experience, with their average rent recently surpassing that of some prominent Midtown submarkets.

FUNDAMENTALS

Forecast

YTD net absorption	3,814,942 ▲
Under construction	18,425,579 ▲
Average asking rent (gross)	\$56.91 ▲
Concessions	Flat to rising ▲

<p>Market Size 44,331,466 SF</p>	<p>Largest Office Deal 450,000 SF (McCann World Group)</p>	<p>Total Vacancy 3,442,336</p>
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TOTAL VACANCY



AVERAGE ASKING RENTS



OUTLOOK

- rents are expected to increase 2-3% year over year
- concessions are expected to rise slightly; with increased supply and competition from growing coworking solutions, landlords are increasingly willing to offer free rent and tenant improvement allowance
- coworking represents 10% of the NYC market now, and is expected to rise to 25% in the next few years
- market will remain flat to slightly rising; an increase in supply with 26.5 million square feet under construction by the end of this year will keep market relatively flat
- Google took 1.3 million square feet in Hudson Square, so we expect rents in that area to rise more than the average market
- Hudson Yards is the largest development in US history and large scale tenants continue to sign leases there; notable tenants include Time Warner, HBO, Wells Fargo, Conde Nast, KKR and CNN.
- an increasing amount of sizable firms are expected to move out in coming years due to aged products, which could potentially create a turning point in the market
- Hudson Yards is New York City's most expensive area, with rent for offices averaging \$110 per square foot

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