

Manhattan Office Market April 2020

Sales Volume and Buying Trends

Manhattan remains a premier global investment environment despite the current social and economic challenges it faces. Following a relatively strong month of transactions in January 2020, statistics for the following three months suggest investors are being cautious. This report analyzes trends in investment sales in the Manhattan Class A and B office market, including Midtown, Midtown South, and Downtown submarkets from January 2019 through April 2020.

FEATURE: COVID-19 and its Impact on the Office Market

The Manhattan office market peaked in 2015 but remained stable through 2019 and the first month of 2020. The global COVID-19 pandemic surfaced in the United States in Mid-March. Since then, strict social distancing orders have been issued to curb the spread of the virus, including stay-at-home orders and the closing of non-essential business.

Closures have displaced thousands of workers. The New York City unemployment rate reached 14.6% as of April 2020, compared to a rate of only 3.7% one year prior.

Short Term Impact

In recent years, even prior to current conditions, market participants started to rethink the layout and functionality of the Manhattan office market stock. The

“flight to quality” trend, as exemplified by recent developments in Midtown’s Far West Side submarket, suggests that prospective tenants may desire to work in areas that were not previously sought after. As a parallel, the potential for landlords to increase rent could be restricted by the demand for product over location. Other downward pressure, such as fears of a prolonged recession, could shift tenant demand as well.

Governor Cuomo recently unveiled a plan to open New York State in phases, and the data suggests New York City will be one of the last regions to reopen. Certain office uses are expected to be included in phase 2 of the reopening, but that is likely to be announced near the end of June or early July. It will be interesting to see how the existing stock of office space will function and change in response.

Long Term Impact

The impact of COVID-19 on the Manhattan office market will unfold over time. Remote working and the need for additional spacing between workers may impact demand for office space. Most likely, the ideas of co-working space and open floor plans that were growing pre-pandemic, will be debated. Hiring could remain low due to economic hardship. These are just a few of the concerns the market faces going forward.