

Manhattan Office Market May 2020 Sales Volume and Buying Trends

The Manhattan Office Market is facing a lot of uncertainty as the effects of the crisis continue to unfold. While still performing below historical figures, the market exhibited a modest rebound in May 2020, when compared to April 2020. This report analyzes trends in investment sales in the Manhattan Class A and B office market, including the Midtown, Midtown South, and Downtown submarkets from January 2019 through May 2020.

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

The Manhattan office market peaked in 2015 but during 2019 and the first month of 2020 the market appeared stable. 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.

Recently, we have seen a rise in new cases across the country. This brings more uncertainty in the short-term, and it clouds the long-term effects, which will unfold over time.

Short Term Impact

In recent years, even prior to current conditions, market participants started to rethink the layout and functionality of Manhattan office space. The general trend of reducing the amount of square

feet per capita was on the rise, to the point that bench-working was becoming the norm. Private offices were on a downward trend, particularly for large corporate users. Now, with the advent of COVID-19 and the need for proper distancing, combined with the newly discovered “work from home: concept”, many companies are now carefully considering different options.

If there is a large decline in tenant demand, we could see downward pressure on rents and a lag in leasing activity.

Previously, the leasing demand for new, modernized office space had driven the market’s fundamentals. However, if work from home strategies remain effective, we could see the implementation of more technological-focused work strategies, which could alter demand for traditional office space.

Long Term Impact

With shifts in tenant demand, a changing office landscape in Manhattan, and uncertainty about the timeframe of the pandemic, there are many questions that the Manhattan office market is facing. The month of May showed healthy signs of transaction activity, but with a rise in new cases, we could see more regulations in social-distancing orders, and subsequently, skepticism involving the investment climate.