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## **Office Construction Remains Strong In Manhattan, While Spreading To Brooklyn And Queens**

**More than 20 Million Square Feet of New Space Coming to Manhattan;  
13 Million More in the Pipeline in Brooklyn and Long Island City**

More than 20 million square feet of office space spread across 23 new office buildings is expected to be completed in Manhattan between 2016 and 2021, according to a New York Building Congress analysis of multiple data sources.

The bulk of the new Manhattan office space completed during the period will be concentrated in the Hudson Yards district, with additional towers opening at the World Trade Center and in East Midtown. Not included in this count are three office towers in the Hudson Yards district and one at the World Trade Center that have been fully designed and have all the approvals necessary to move forward once an anchor tenant and financing have been secured.

This surge in new construction will result in at least a total of 25.8 million square feet of new office space being completed in the decade between 2010 and 2019. In the period between 2000 and 2009, New York City added 19.4 million square feet of newly-built office space, which was offset by the loss of more than 10 million square feet in the terrorist attacks on 9/11.

“Thanks to the current building boom in new office construction, the decade from 2010 through 2019 is on track to be the best since the 1980s for Manhattan,” said New York Building Congress President Richard T. Anderson. “And the following decade is shaping up to be a repeat of the ‘roaring 20s.’ If all goes right, we could see upwards of 13 million square feet of additional office space under construction when 2020 rolls around.”

### **Brooklyn and Queens**

According to a Cushman & Wakefield analysis, 13.4 million square feet of new office space is under construction or in the planning stages in Brooklyn and the Long Island City district in Queens. Of that total, 9.2 million square feet could be ready for occupancy prior to 2020.

Of the 13.4 million square feet, approximately 10 million is currently in the pipeline in Brooklyn, with most of the current and planned activity occurring at the Brooklyn Navy Yard as well as in Downtown Brooklyn, DUMBO, Williamsburg, and Red Hook.

Similarly, Cushman & Wakefield is tracking nearly 3.3 million square feet of new office development proposed in Long Island City, highlighted by a 1.1 million square foot Tishman Speyer development, which is fully financed and expected to open in 2019.

“Manhattan will always be the center of gravity for the office world, but what is happening right now in Brooklyn and Queens is quite remarkable and a potential boon to New York’s long-term economy,” said Mr. Anderson. “Urban planners have long believed in the potential for dynamic mixed-used developments in transit-rich sections of the outer boroughs, and it’s finally coming to fruition.”

## **Recent Construction Starts**

According to a Building Congress analysis of Dodge data, office construction projects with a total combined value of \$1.6 billion were initiated in Manhattan during the first half of 2016. This represents a significant decrease from the \$5.7 billion worth of projects in the first half of 2015, a period that saw the start of multiple Hudson Yards and far West Side towers. It is worth noting, however, that the initial 2016 numbers compare favorably to other recent years. Manhattan office starts reached \$1.2 billion in the first half of 2014, \$910 million in 2013, and \$829 million in 2012.

The value of office construction starts in the outer boroughs rose to \$323 million in the first half of 2016, more than 2.5 times the \$126 million achieved in the first half of 2015 and nearly 3.5 times the value experienced in the first six months of 2014. Overall, the outer boroughs accounted for 17 percent of all office construction starts in the first half of in 2016, up from 2 percent last year and 7 percent in 2014.

Alterations and renovations (A&R) of existing office space accounted for 87 percent of the \$1.9 billion in construction projects initiated in the first half of 2016. In 2015, A&R accounted for just 43 percent of construction starts, which was a function of all the new ground-up office tower projects that were initiated last year. Over the five-year period from 2011 through 2015, A&R accounted for 63 percent of project starts.

## **Office Fundamentals**

### Employment

New York City office employment, which in March of this year surpassed 1.9 million for the first time in City history, is on pace for its sixth consecutive year of growth. Since hitting a post-recession low point in January 2010, employers and government have been adding office workers at a consistent, gradual pace. Between 2011 and 2015, New York City added an average of just under 40,000 office jobs annually. The Building Congress projects that this pace will be maintained in 2016.

### Leasing

The major brokerage firm CBRE estimates current availability in Manhattan – or space being actively marketed for occupancy within 12 months – at 11 percent. That said, CBRE estimates that just 7.4 percent of Manhattan office inventory is currently vacant and that average asking rents in Manhattan remain on an upward trend.

The Building Congress estimates that a total of 29 million square feet of office space will be leased in 2016. While this would represent a slight decline from the 30 million square feet leased in 2015, it would be about 10 percent greater than the annual average for the five-year period from 2011 through 2015.

“The employment and leasing statistics paint a picture of a healthy local economy and strong real estate market,” said Mr. Anderson. “The key question is whether the pace of economic growth will remain strong enough to create the level of demand necessary to absorb all of the new office space that is coming online and propel those on the drawing board forward in the coming years.”