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NEW YORK | OFFICE

NYBC: Delivery! New Office Stock Headed This Way

NEW YORK CITY—A new report sums up Manhattan’s not-small pipeline and asks a key question: if developers build it, will occupiers come?



Anderson: “We could see upwards of 13 million square feet of additional office space under construction by 2020.”

BY [RAYNA KATZ](#)

NEW YORK CITY—Giving occupiers more shiny-and-new options in years to come, over 20 million square feet of office space—spread across 23 new office buildings—is slated for completion in Manhattan from this year through 2021, according to a New York Building Congress analysis of multiple data sources.

Much of the new office stock will be concentrated in the Hudson Yards district, with additional towers opening at the World Trade Center and in East Midtown. This count doesn’t include 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 new construction surge will result in a total of at least 25.8 million square feet of new office space being completed between 2010 and 2019. Between 2000 and 2009, the city added 19.4 million square feet of new office space, but that was offset by the loss of over 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,” says NYBC 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.”

Office construction projects with a total combined value of \$1.6 billion were initiated in Manhattan during the first half of 2016, the NYBC reports. 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. However, 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.

Alterations and renovations of existing office space accounted for 87% of the \$1.9 billion in construction projects initiated in the first half of 2016. In 2015, A&R accounted for just 43% of construction starts, which was a function of all the new ground-up office tower projects that were initiated last year.

CBRE estimates current office availability in Manhattan—or space being actively marketed for occupancy within 12 months—at 11%. However, the real estate services firm estimates that just 7.4% 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% 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,” adds 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.”