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Research

NYC Office Construction Projected To Ramp Up In Years Ahead

The three-year total of 15.1 million square feet of office space, spread across 13 new office towers, would represent the best three-year office production period since 15.3 million square feet of commercial office space was completed between 1988 and 1990.

Carlo A. Scissura, president, CEO of the New York Building Congress

BY JOHN JORDAN

NEW YORK CITY—A late decade surge in new office construction will push activity to levels not reached in 30 years in New York City, the New York Building Congress predicts.

The New York Building Congress released a report today that indicates new office construction will heat up significantly in n 2018 and 2019 Based on a review of Real Estate Board of New York data, the Building Congress estimates that 2.3 million square feet of new office space will be completed in Manhattan in 2017, followed by a dramatic surge to 7.2 million square feet in 2018 and 5.6 million square feet in 2019.

If accurate, the three-year total of 15.1 million square feet of new office space, spread across 13 new office towers, would represent the best three-year production period since 15.3 million square feet of commercial office space was completed between 1988 and 1990.

The late decade office construction surge would result in a total of approximately 27.4 million square feet of new Manhattan office space completed between 2010 and 2019. The decade-long total would be significantly higher than the 19.4 million square feet of office space built in the 2000s and the 10.7 million square feet erected in the 1990s.

The 2010-2019 total would pale in comparison with the 55.4 million square feet of office space built in Manhattan during the 1980s, the report notes.

"The ongoing office construction boom is in large part a function of New York City's ability to attract the world's most successful companies and creative workers," says New York Building Congress president and CEO Carlo A. Scissura. "With so much new office space still in the pipeline and with the East Midtown rezoning finally approved, we will need to continue the positive trend in overall office employment."

He adds that the Building Congress is a strong supporter of Mayor Bill de Blasio's ambitious initiative to create 100,000 new jobs in growth sectors such as technology, cybersecurity, life sciences and health care.

The opening of the next decade will be no slouch for the building trades in New York City. The Building Congress projects the completion of 7.5 million additional square feet between 2020 and 2022 within the following four major office projects alone—1 Vanderbilt, 50 Hudson Yards, The Spiral at Hudson Boulevard and the office portion of the Moynihan Train Hall.

That impressive number could rise even further if 2 World Trade Center, 2 Manhattan West and 3 Hudson Boulevard move ahead. These projects, which would create another 5 million square feet combined, have all the necessary approvals to proceed as soon as a respective anchor tenant is signed, the Building Congress notes.

"Not since the Citigroup Building in Long Island City and MetroTech Center in Downtown Brooklyn were completed have we seen so much office construction in the boroughs outside Manhattan," says Scissura. "And this time the storyline is different. Rather than looking to the outer boroughs as a cheap alternative for a number of back-office operations, developers want to be there because that's where the creative workforce wants to be."

The office building boom has definitely taken hold in Brooklyn and Long Island City, Queens. Cushman & Wakefield reports a total of 6.9 million square feet of new office space is currently under construction or in the planning stages in Brooklyn and another 3.6 million square feet is in the development pipeline in Long Island City. Of that 10.5 million square feet of new office development in that region, 8.5 million square feet could be ready for occupancy by 2021.

Some of the major projects in the ground there include The JACX, Tishman Speyer's 1.2-million-square-foot project in Long Island and Dock 72, a 675,000-square-foot office building being co-developed by Rudin Management and Boston Properties at the Brooklyn Navy Yard.

In terms of leasing, data from Cushman & Wakefield for the first six months of the year prompts the Building Congress to estimate that a total of 27.2 million square feet of office space will be leased in 2017, up from 22.8 million square feet in 2016 and slightly above the previous five-year average of 25.7 million square feet.

Brokerage firm CBRE estimates that the vacancy rate in Manhattan at the end of June was 8.1% while the availability rate stood at 12%. Both percentages are up slightly from the same period in 2016. Meanwhile, average asking rents in Manhattan have remained relatively steady over the past 12 months.

A further indication of strong office fundamentals in New York City comes in the form of job growth. New York City's office employment reached a record 1.97 million in June. Through the first half of 2017, New York City is on pace for its seventh consecutive year of office job growth since hitting a post-recession low of 1.65 million office workers in January 2010.