

Trophy deals overpower mediocre middle market

By ELAINE MISONZHNIK

Despite the outward enthusiasm of most real estate brokers, Manhattan's office market may not be recovering as quickly as expected.

While the past year has seen a number of significant transactions at trophy midtown properties, the rest of the market is moving at a much slower pace. According to Colliers

ABR numbers, class A vacancy rate downtown increased by 0.2% in January, while asking rates midtown fell slightly from \$48.49 to \$47.94 per s/f.

A Studley report for the fourth quarter of 2004, cautioned that sub-lease availability downtown was at an alarming 4.3%, while rents for first class space fell by almost 13% since

Continued on Page 42

Continued from Page 1

2003. One tenant representative, Ruth Colp-Haber of Wharton Property Advisors, says that leasing velocity and asking rents pose a pretty picture only as long as large blocks of space at class A buildings in the Plaza District are concerned. When one looks closely at A-, B and C properties in the general midtown area, there is still plenty of space available.

"I'd say the rents are going up slightly, very slightly, and the concessions are down, but it's by no means a boom," she said. "The office space market is entirely linked with the employment market and the employment numbers are nothing to get excited about. There is still a good deal of space available and there is a very, very big discrepancy in the rents for different [properties] in midtown — they range from \$140 per s/f to \$35 per s/f. In the top buildings in New York the rents have gone up significantly, but in the class B

buildings they really haven't moved up."

Robert Sammons, director of research with Colliers ABR, has a more positive outlook on the numbers. "The short story is that leasing activity has picked up and the asking rents are climbing, especially in midtown. It's very much a market similar to the late 1990s," he noted.

But Sammons admits he is worried about employment statistics. "My one caveat is that there is a lot of leasing activity going on, but I have yet to see hard employment numbers to back some of this activity up."

"Every day, I am seeing some information about a financial firm laying off people. A number of these companies are consolidating and they are also leasing space ahead of expected hiring because they realize

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According to Colp-Haber, "There is still so much new space that comes on the market every day. I see that there is a good deal available, there are a lot of different options and tenants are taking their time."

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that prices are jumping up pretty rapidly. But I am hoping that the hiring numbers will start going up soon."

Then, there is the issue of downtown. Sammons thinks the area might see a number of large deals soon — including a Securities and Exchange Commission lease at the World Financial Center and a Baum Printers lease at 55 Water St., — but the rents still leave a lot to be desired.

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On the positive side, areas like midtown west and south are benefiting from central midtown's tightening class A market. These sub-markets' relative proximity to major transportation venues and lower rents

attract those tenants who can't afford a prime location, but are still reluctant to go downtown.

"Tenants in a market like this tend to trade up from class C to class B space and then from class B to class A," said Robert Stella, executive vice president of CRÉSA Partners. "And some of these tenants are trying to keep their budgets [down], so they are starting to look further south, particularly for the larger transactions. Midtown south is in high demand because of its lower price alternative and proximity to transportation hubs."

"Midtown south has really improved — a lot of smaller spaces, especially in Soho and Greenwich Village, have done well attracting office tenants," agreed Sammons. "And as far as midtown west, I live in the neighborhood and it's amazing how much activity is going on there. I wouldn't be surprised if in the near future you'll see an announcement of a new office building [going up]."