

# THE REAL DEAL

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## Now is the time to sublease space in Manhattan

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A business looking to sublease space in Manhattan has truly gained the upper hand in negotiations due to the slowdown in leasing in 2008, especially during the fourth quarter.

Last week, Cushman & Wakefield released its year-end 2008 report for the Manhattan office market showing office leasing activity in the city totaling 19.1 million square feet, the lowest level since 18.9 million square feet was leased in 2001. The 2008 figure was down 19 percent from the 23.5 million square feet leased in 2007.

Sublease inventory in Manhattan climbed to 8.2 million square feet in 2008, up 132 percent from the 3.5 million square feet available for sublease at the end of 2007, the Cushman report showed.

"Office tenants willing to sign a sublease can secure space at prices we have not been seeing in more than a decade," said Glenn Markman, an executive director at Cushman.

A day before the Cushman report came out, Jones Lang LaSalle issued a market report showing that demand for all types of office space in Manhattan had topped 10 percent in 2008, the first time since 2004. That compared to 6.56 for the same period in 2007.

In terms of inventory, "sublease space now comprises more than one-third of the Class A space available in the Midtown office submarket," said James Delmonte, vice president and director of research at Jones Lang .

Manhattan's Class A office sector saw a dramatic 54 percent rise in vacancy levels in fourth-quarter 2008 compared to the same three months in 2007, to 10.1 percent, the Jones Lang report showed. Class B properties in the city saw a 32 percent increase in vacancy rates over the same period, to 10.3 percent.

The most sublease opportunities are available in and around Midtown.

For example, a tenant has the opportunity to sublease an entire tower floor in the landmark Chrysler Building at 405 Lexington Avenue between 42nd and 43rd streets, for a two-year term at an asking rent of \$45 per square foot. A 12,500-square-foot office space, completely finished and furnished, is available at Boston Properties' Class A office tower at 599 Lexington Avenue, near 53rd Street, for a three-year term with an asking rent of \$60 per square foot. At 445 Park Avenue, at 57th Street, a completely renovated, 8,000-square-foot office is available for \$45 per square foot.

In all of these cases, industry leaders believe that an interested tenant can achieve a further reduction in asking rents by at least 10 to 15 percent because no one is making deals and no one is certain what the right leasing price should be.

*Michael Stoler is a columnist for The Real Deal and host of real estate programs "The Stoler Report" and "Building New York" on CUNY TV and on WEGTV in East Hampton. His radio show, "The Michael Stoler Real Estate Report," airs on 1010 WINS on Saturdays and Sundays. Stoler is a director at Madison Realty Capital as well as an adjunct professor at NYU Real Estate Institute, and a former contributing editor and columnist for the New York Sun.*

By Michael Stoler

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