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New York Real Estate News

Weak office market leads to surge in lease renewals

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In another sign of a more conservative office rental market in the city, the amount of space taken by tenants signing lease renewals in Midtown jumped sharply in 2008 to more than a third of the total space leased, according to a fourth quarter report from real estate services firm Grubb & Ellis.

While the total leasing velocity in the Midtown market was down 26 percent to 15.5 million square feet, firms renewing their leases comprised 37 percent of the market, up from 20 percent in 2007, the report said.

Richard Persichetti, research services manager for the New York office of Grubb & Ellis, said he expected the trend to continue in 2009 as firms become even more reluctant to spend money on moving and build-out expenses.

"I think you will see renewals will be more common in today's market because capital is in short supply," Persichetti said.

In Manhattan overall, the report said office leasing declined while vacancy rates rose in 2008.

The amount of square feet leased in Manhattan fell 20 percent to 24.6 million square feet while the amount of space that is vacant or will be vacant over the next 12 months grew to 11.6 percent in the last quarter of 2008 from 7.7 percent in the same period in 2007, the report said.

The report also said investment sales in Manhattan fell dramatically.

For the entire year, investment sales in Manhattan fell by 70 percent to \$12 billion in 2008 from \$40 billion in 2007, according to the data. In the fourth

quarter, just \$862 million in investment properties traded hands, a 69 percent decline from the same period a year earlier, while Midtown had its weakest quarter in more than five years, recording sales of just \$470 million, the report said.

By Adam Pincus

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