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2023 Office Market Overview Report

A CompStak Biannual Report

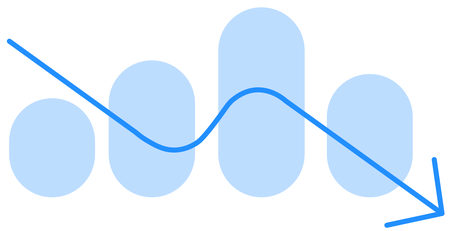
1. Gateway U.S. Office Markets

Office-using employment in the U.S. has remained resilient, with a notable recovery to pre-pandemic levels within 18 months and both Professional Services and Financial Services reaching their post-2000 peak in 2023. However, concerns persist about potential job losses amid recession fears, which could further impact office demand.

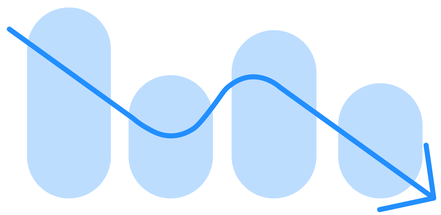
In 2023, **remote work levels** remained steady, with around 30% of days spent working from home in the U.S., as per the Survey of Working Arrangements and Attitudes from WFH Research. January 2024 saw 28.8% of days worked from home, up 1.7 percentage points from January 2023.

2024 and 2025 are major years for **lease expirations** in U.S. gateway markets, with a significant portion (25.2%) of current office space set to expire by the end of 2025, according to CompStak. This coincides with a substantial number of loans reaching maturity and historically high interest rates, adding to market uncertainty.

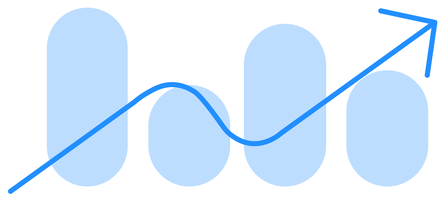
1. Gateway U.S. Office Markets



For the past two years, **average transaction sizes** have decreased for Class B/C and non-Prime Class A office spaces, while the average for Prime Class A transactions has rebounded from a pandemic low in 2021.



While **concession ratios** increased from 2019 to peak at 13.5% in the fourth quarter of 2022 across gateway markets, they slightly declined to average around 13% throughout 2023.



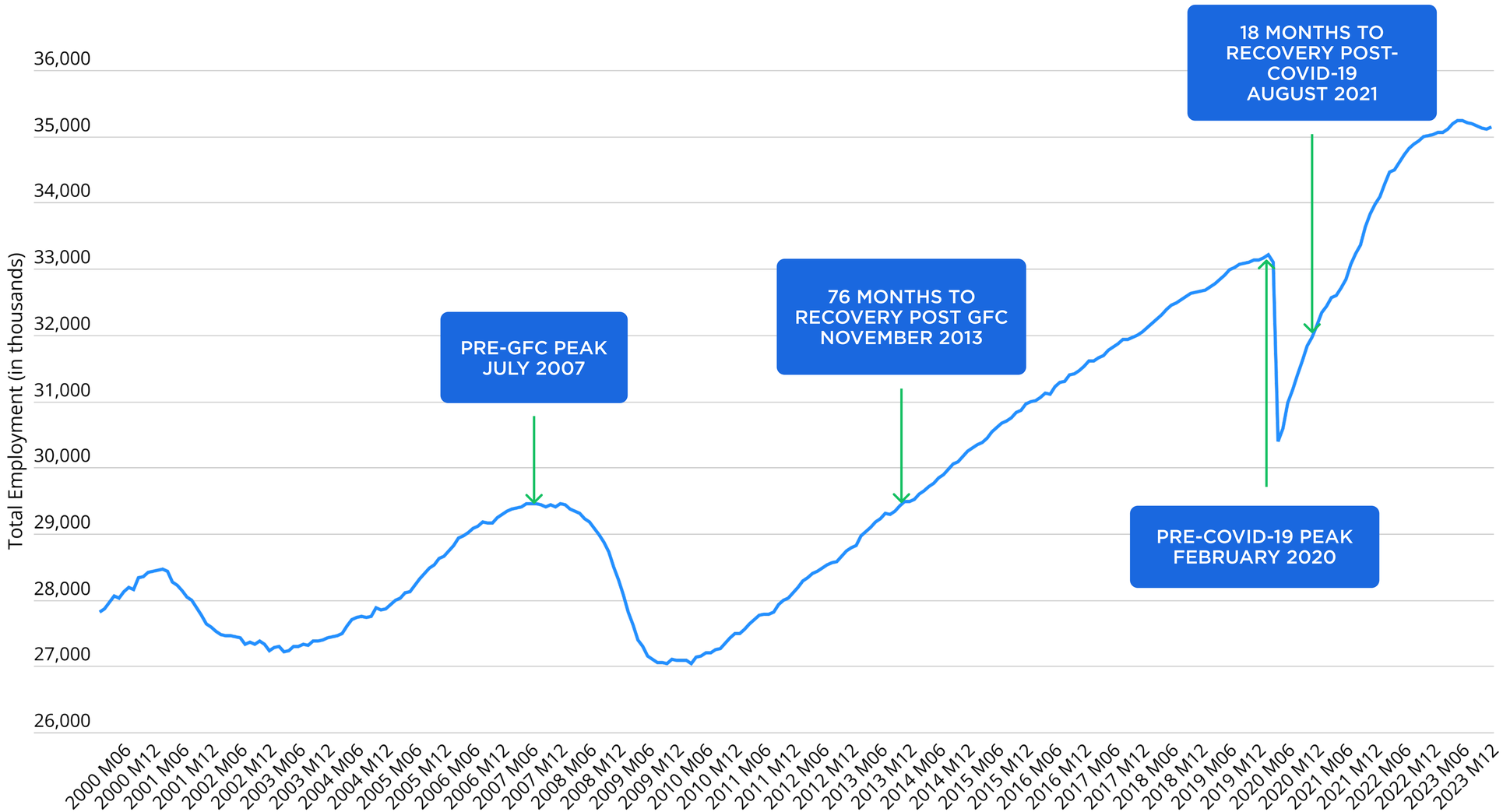
Effective rents for Prime Class A office buildings have plateaued since the end of 2022, but are still up substantially from pre-pandemic levels, which has made the gap between effective rents for Prime Class A office buildings and other Class A spaces almost double what it was in 2019.

2. U.S. Office-Using Employment Is up 6.1% From Year-End 2019

As of December 2023, office-using employment is still up 6.1% from its level in December 2019, despite falling 0.3% from its post-pandemic peak in May 2023. From February to April 2020, the U.S. lost 8.5% of its national office-using employment but recovered to February 2020 levels in 18 months. By contrast, it took 76 months to recover to the peak reached right before the Great Financial Crisis.

Despite employment remaining solidly above 2020 levels, many are still on the lookout for accelerating losses amid recession concerns. As of yet, there has not been a substantial downward trend, and the overall U.S. unemployment rate is 3.7%, close to a cyclical low. More importantly, this recovery in U.S. office-using employment did not positively correlate as much with increased office demand to date in a shift from past cycles. Still, increased job losses would be expected to be a further drag on new office demand.

National Office-Using Employment



Source: U.S. Bureau of Labor Statistics, seasonally adjusted. Office-using includes the sum of Information, Professional and Business Services and Financial services employment.

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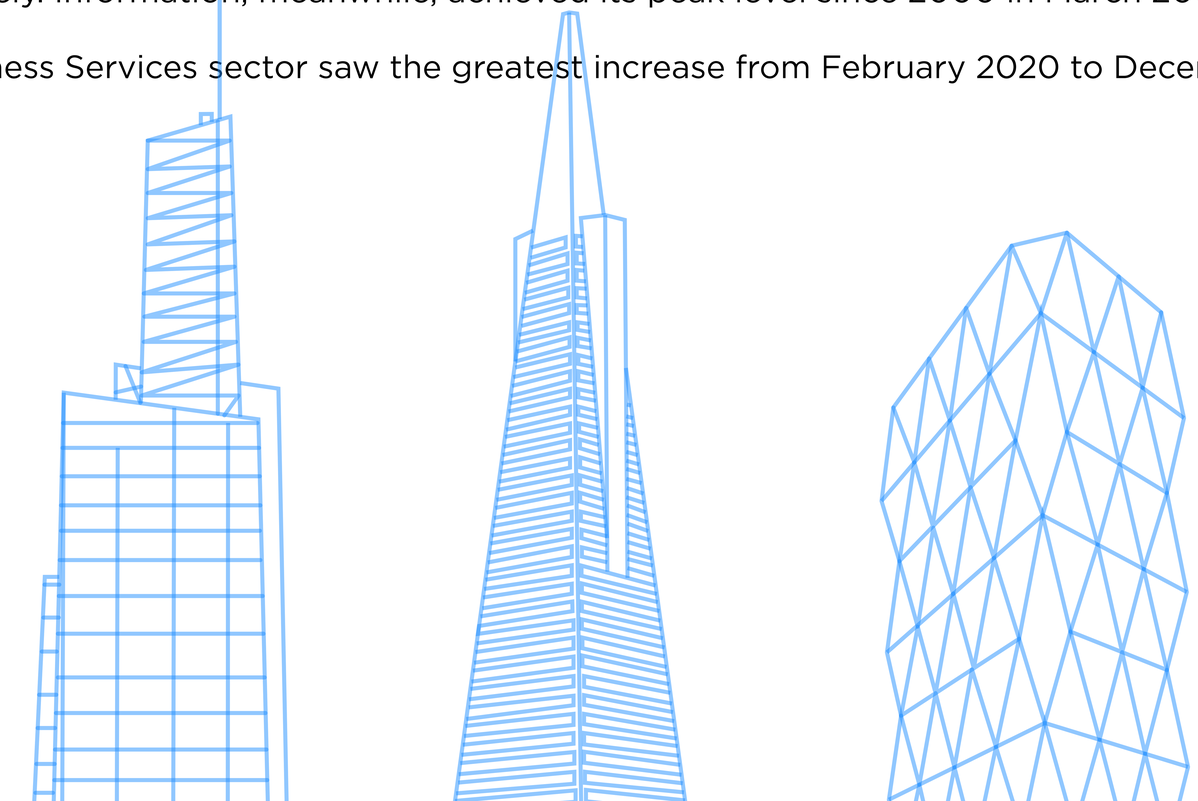
3. U.S. Financial Services and Professional Services Employment Reached Post-2000 Peak in 2023

Professional and Business Services and the Financial Services sectors reached their post-2000 peak in May 2023 and August 2023, respectively. Information, meanwhile, achieved its peak level since 2000 in March 2001 and its low in March 2021. Overall, the Professional and Business Services sector saw the greatest increase from February 2020 to December 2023, with an expansion of 7%.



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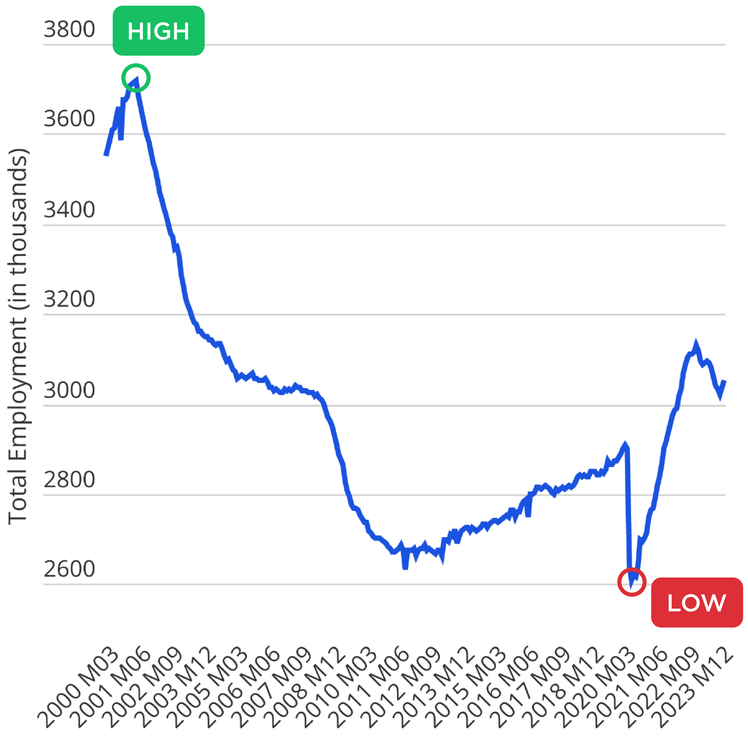
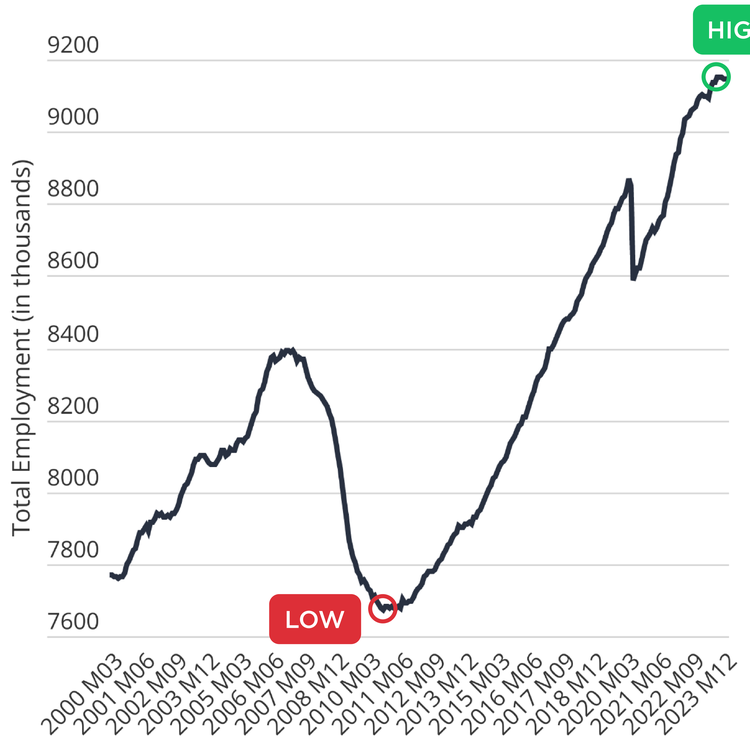
Information



Information

Financial Services



Financial Services

Professional and Business Services

Professional and Business Services

Source: U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National), All employees, thousands, financial activities, seasonally adjusted, 2000 to December 2023, data covers United States overall.

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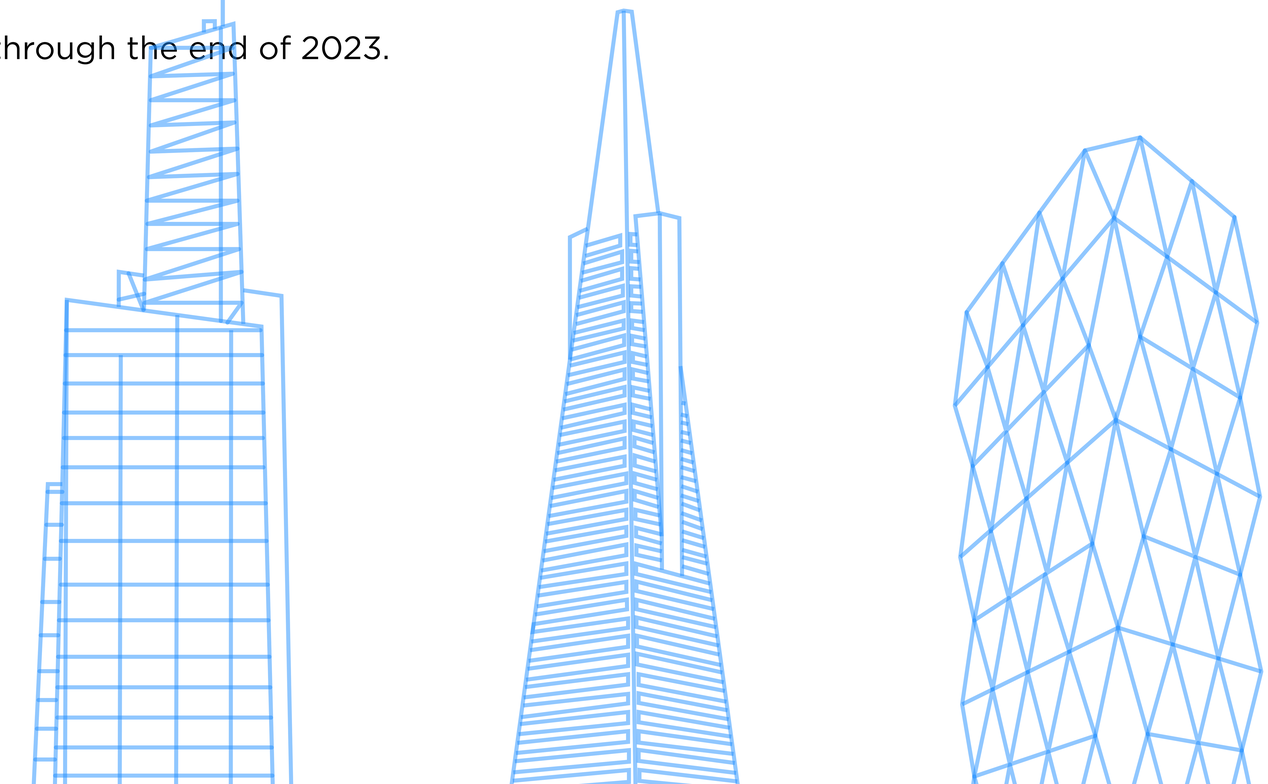
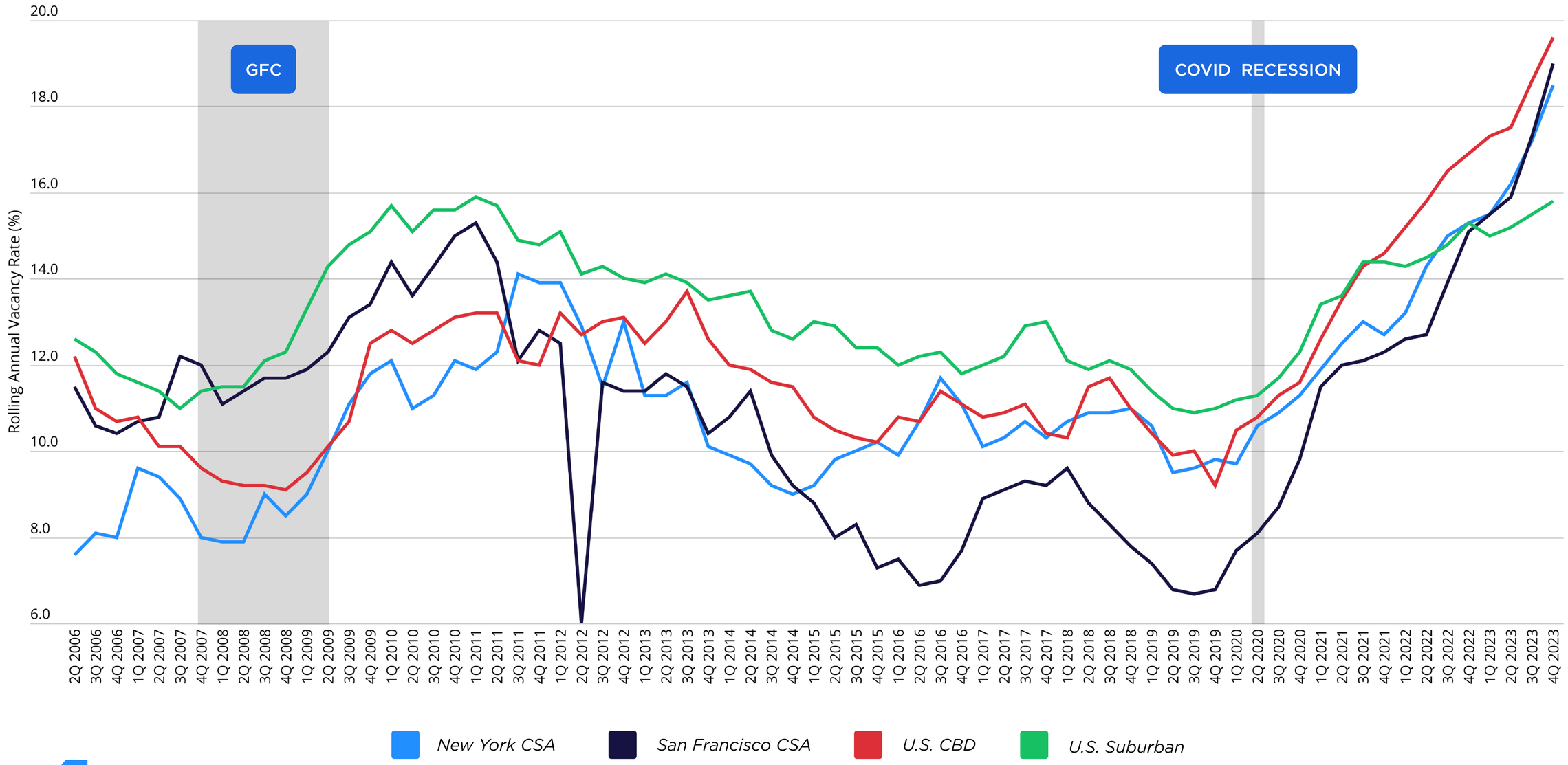
4.

New York City and San Francisco Vacancy Rates Rose Quarter Over Quarter but Trail National Central Business District Average

In the NCREIF Property Index (NPI), which reflects an index of institutional-grade assets, office vacancy rates have been steadily rising since 2020, with vacancy rates for national Central Business District (CBD) office space outpacing the suburban average since the end of 2021. The national CBD vacancy rate has surpassed its previous peak in the wake of the Great Financial Crisis and increased for 16 consecutive quarters through the end of 2023.



United States Office NCREIF Property Index, Vacancy Rates



Source: NCREIF, NPI, Vacancy Rates. The official NBER definition for the Great Financial Crisis is December 2007-June 2009. COVID-19 recession was February 2020 through April 2020.

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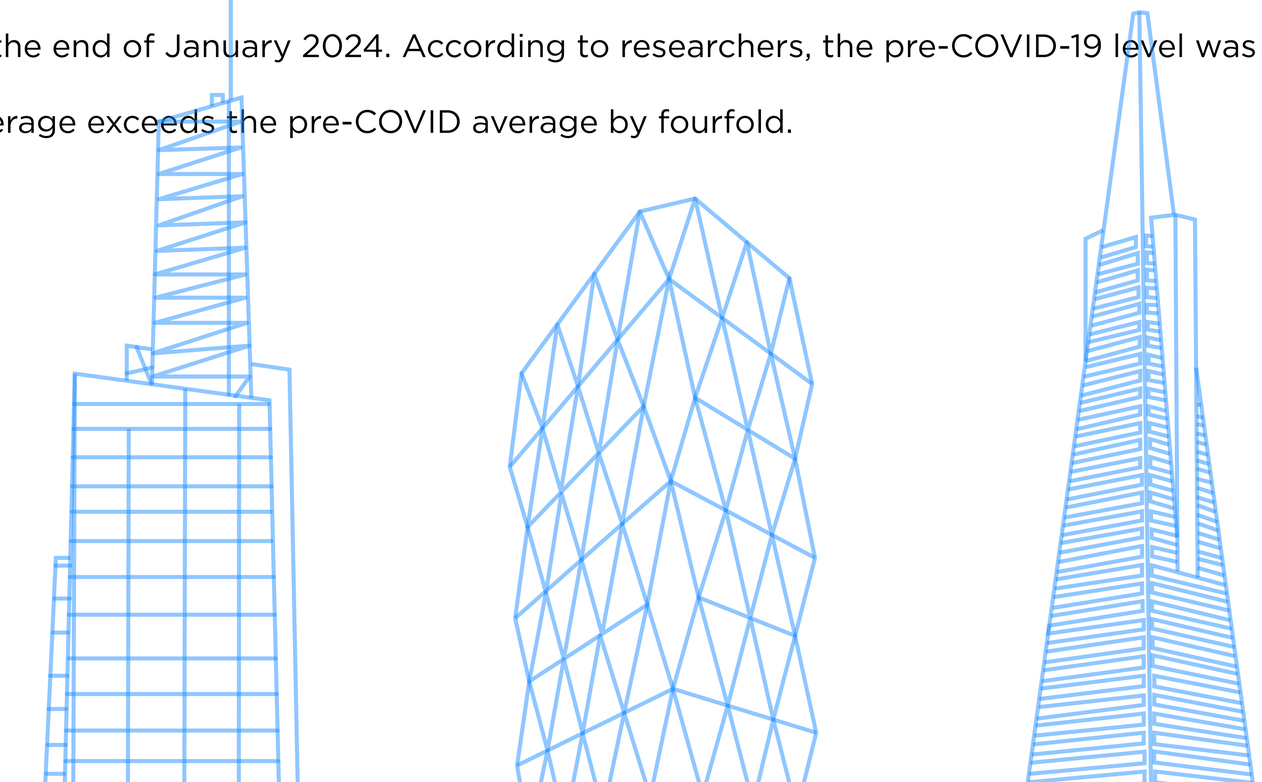
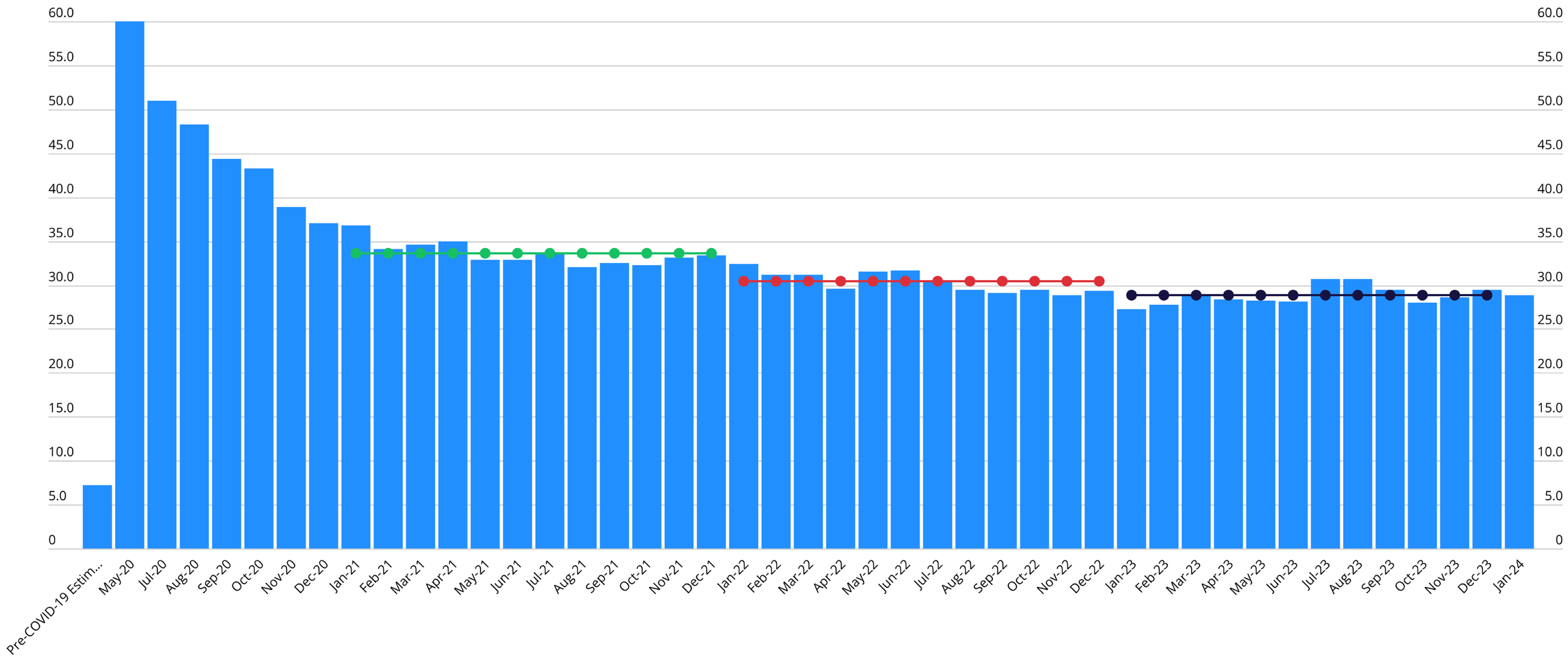
5. Remote Work Trends Hold Steady in 2023, With Approximately 30% of Days Spent Working From Home

According to insights from WFH Research and the Survey of Working Arrangements and Attitudes, the number of paid full days working from home has largely stabilized across the United States at or close to 30%. In January 2024, the survey measured 28.8% of days worked from home, up 1.7 percentage points from January 2023. The survey has maintained an average of approximately 29.2% from August 2023 through the end of January 2024. According to researchers, the pre-COVID-19 level was estimated to be around 7.2%, indicating that the latest average exceeds the pre-COVID average by fourfold.



Percentage of Paid Full Days Working From Home



Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731. Pre-Covid Estimate is 7.2%.

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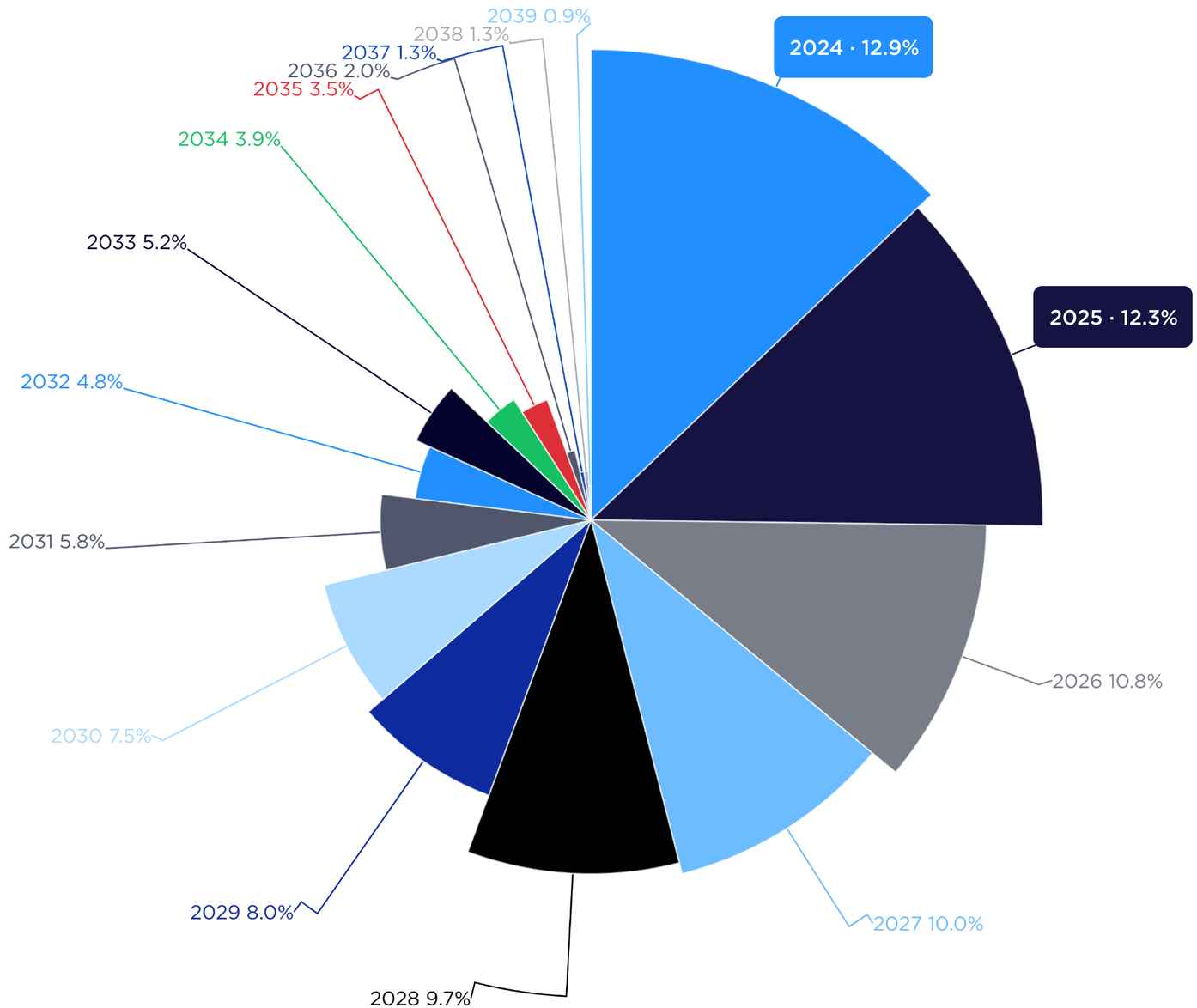
6. 2024 and 2025 Are Pivotal Years for Future Space Demand and Peak Years for Upcoming Lease Expirations

The next two years are poised to be challenging for the U.S. office market as a significant share of current office leases in gateway office markets are set to expire by the end of 2025 (25.2%), according to CompStak's data. This lease rollover is happening at the same time as a robust share of loans reaches maturity and interest rates are at their highest rates in decades, with a lack of clarity as to when or if they might start coming down over the next year. This upcoming period will also be revelatory because many office tenants have yet to decide on their post-pandemic office needs. These upcoming space decisions could provide a greater understanding of future space demand and tenant preferences. The majority of these leases rolling over were executed in 2019 and prior, despite the uptick in short-term leases signed during the depths of the pandemic.

U.S. Gateway Markets, Office Lease Expirations



Source: CompStak, excludes subleases. Includes leases expiring from 1/1/2024.

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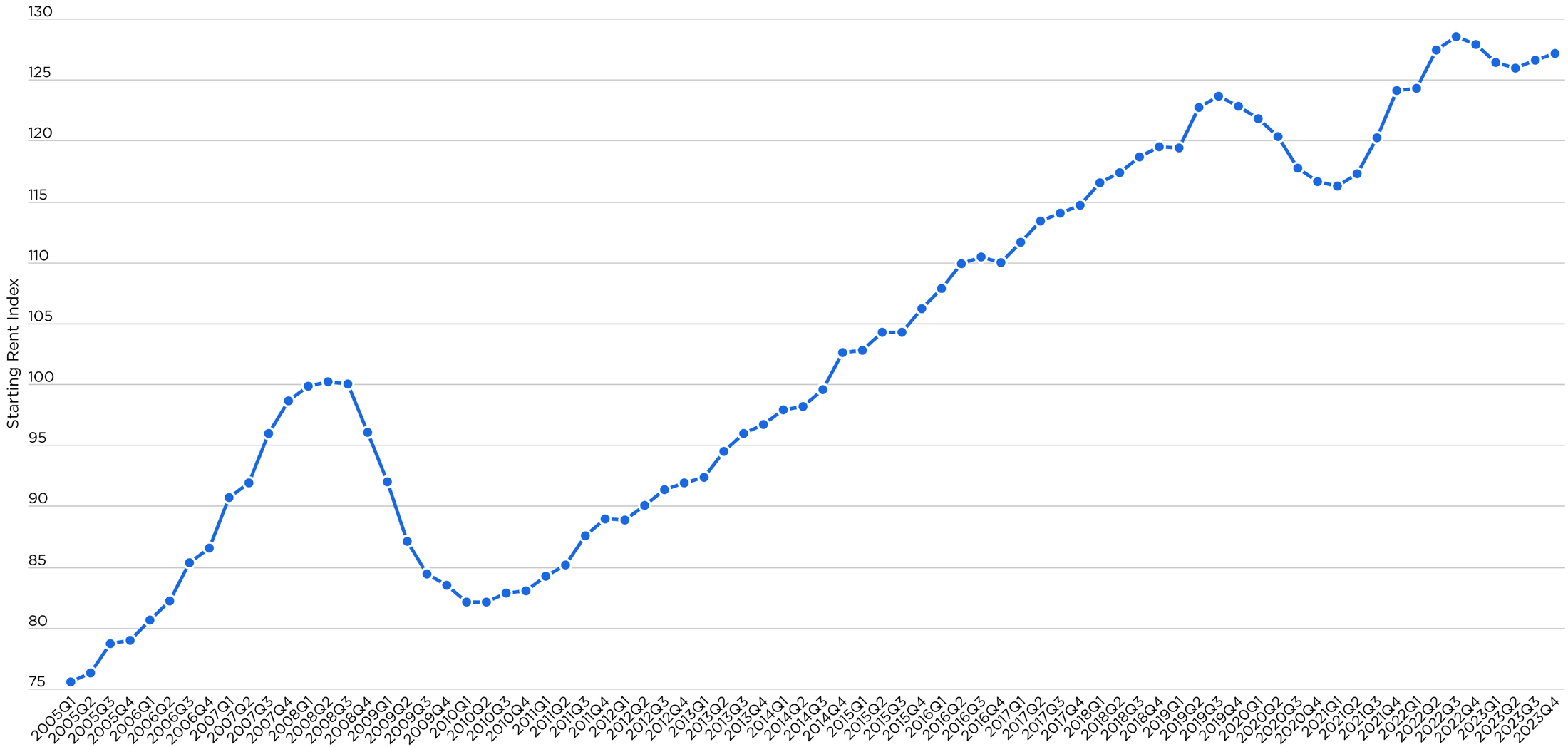
7.

National Gateway Market Rent Index Shows Rebound From 2021 Trough and Growth Over Past Two Quarters

Across U.S. gateway markets, average starting rents for closed transactions have generally shown growth since the pre-pandemic period, which can reflect the quality of spaces that are leasing rather than true overall market strength or momentum. CompStak's market rent index was constructed to better illustrate the changes in starting rents over time and compare it to a base period in the third quarter of 2008, in the depths of the Great Financial Crisis.

CompStak's gateway market rent index shows a 27% increase from the third quarter of 2008 and has surpassed its previous pre-pandemic peak in 2019 since the fourth quarter of 2021. The index steadily declined from the end of 2019 through the first quarter of 2021 before rising again. During the pandemic trough at the beginning of 2021, the starting rent index value was 16% above 2008 levels, but in the third quarter of 2019, the index was more than 23% above the base period in 2008.

U.S. Gateway Office Markets, Starting Rent Index



7.

Source: CompStak, values are indexed to third quarter of 2008. Includes the following 11 office markets: Atlanta, Bay Area, Boston, Chicago, Dallas-Fort Worth, Los Angeles -OC-Inland Empire, New York City, San Francisco, Washington D.C., Phoenix and Philadelphia

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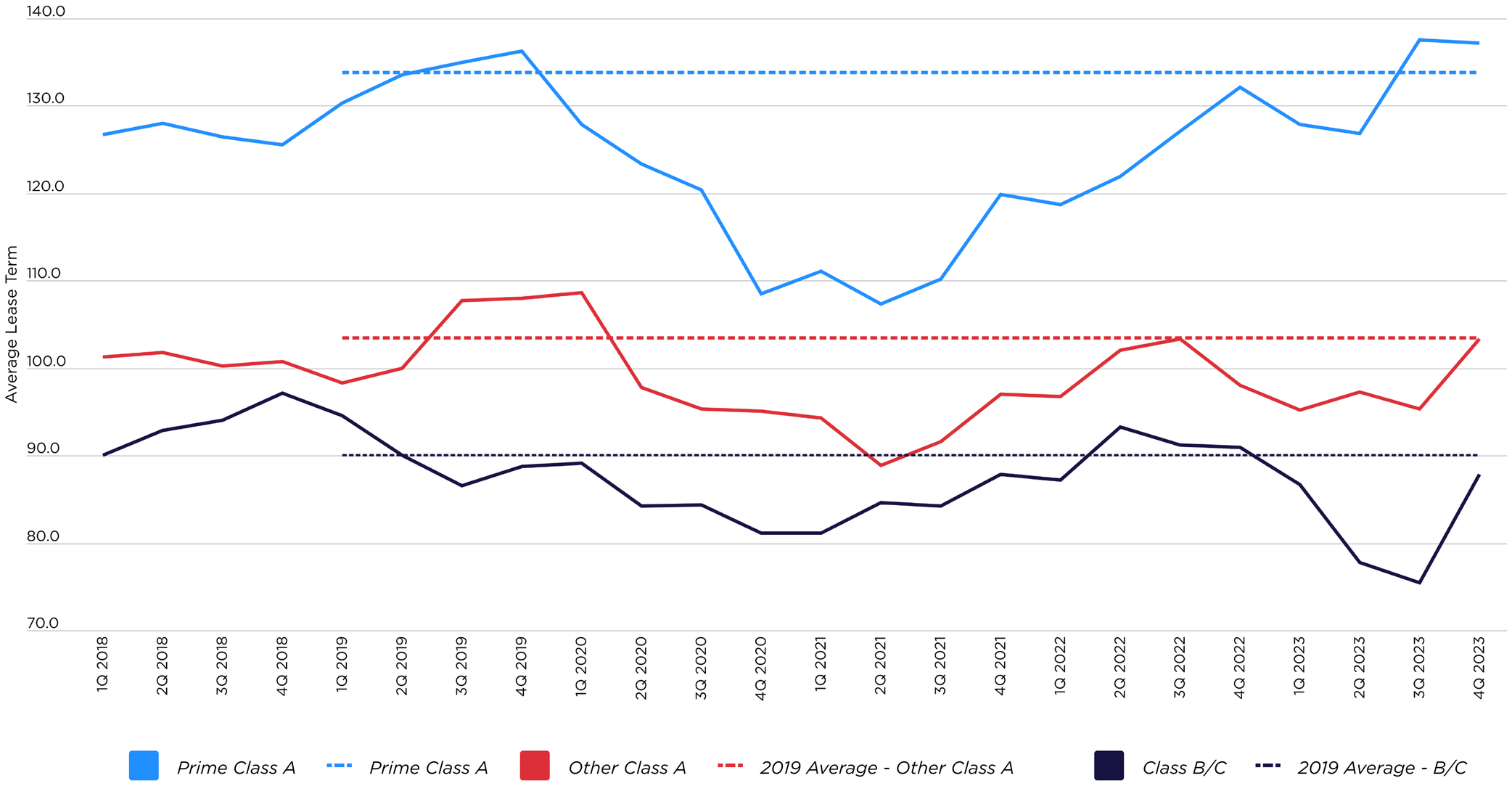
8. Average Lease Terms for Prime Class A Buildings Are Rebounding, Nearing Levels Seen in 2019

Average lease terms continue to be a statistic to watch, especially after averages dipped solidly during much of 2020 and 2021 as unease about future office needs impacted decision-makers. However, average lease terms for Prime Class A buildings have shown steady recovery to pre-pandemic levels, though they dipped most during the pandemic trough. The average lease term for Prime Class A buildings averaged 132.4 months across 2023's four quarters, down just 1% from 2019's comparable average. Meanwhile, average lease terms for other Class A buildings decreased by 5.5%, and for Class B and C properties in gateway markets, the decline was 8.9% from 2019's average.

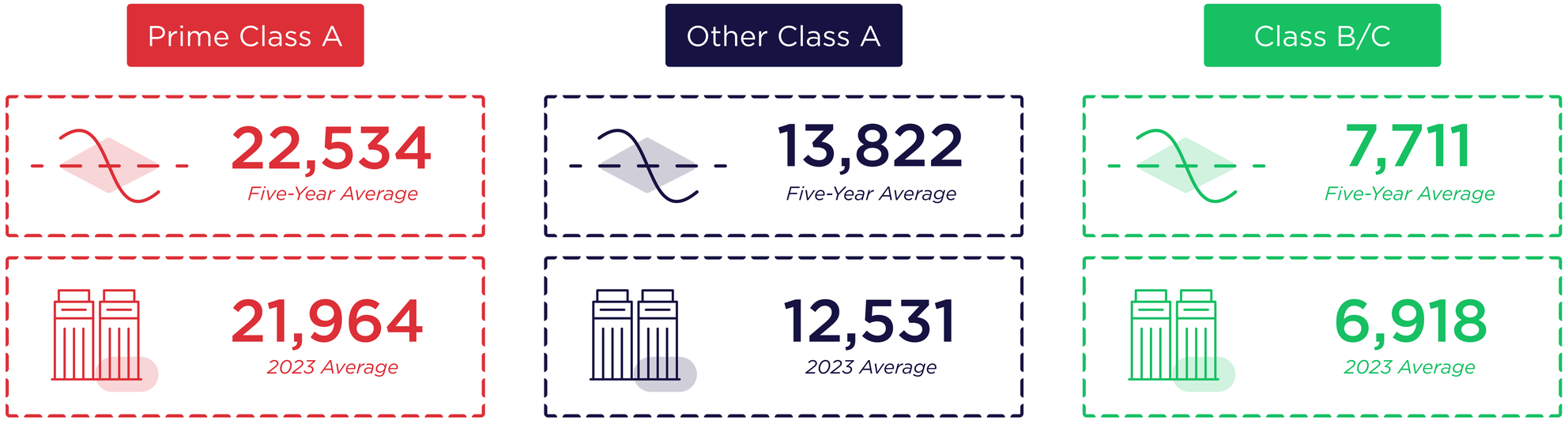
U.S. Gateway Markets, Average Lease Term



Source: CompStak. Lease terms are weighted by transaction size and quoted in months. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

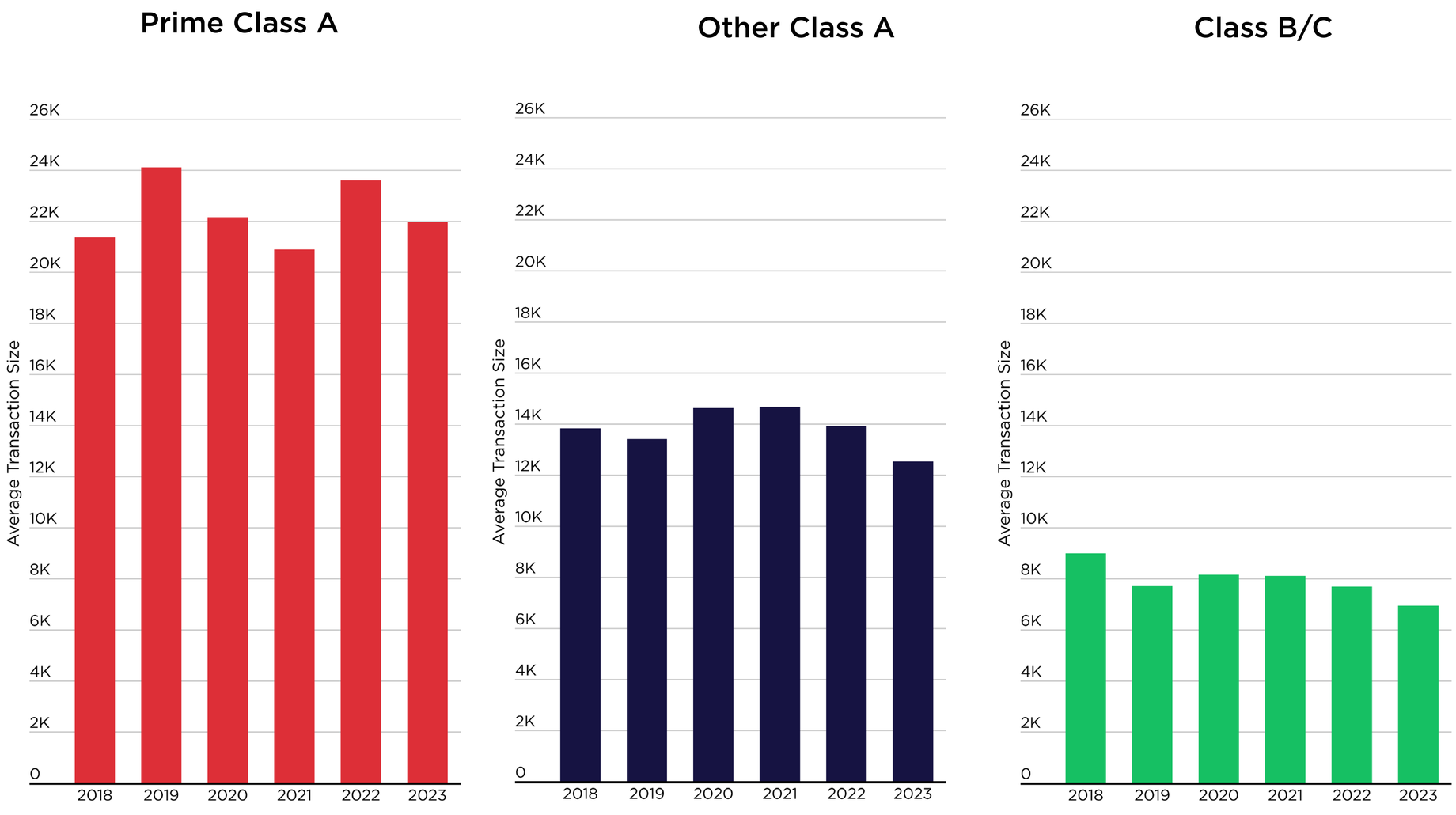
9. Average Transaction Sizes Declined Over Past Two Years for Class B/C and Non-Prime Class A Space

Many are looking to average transaction sizes to understand how much tenants are changing their space needs in the wake of COVID-19 and increased rates of remote work. Average transaction sizes also demonstrate where activity is more robust. According to CompStak's data, the average transaction size for Prime Class A transactions has ticked up from 2021's pandemic trough but declined year over year, though 2023's average is on par with 2018's level. Concurrently, the average lease size has declined each of the past two years for the rest of Class A buildings and for Class B/C buildings across gateway markets.



Source: CompStak. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

U.S. Gateway Markets, Average Transaction Size



Source: CompStak. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

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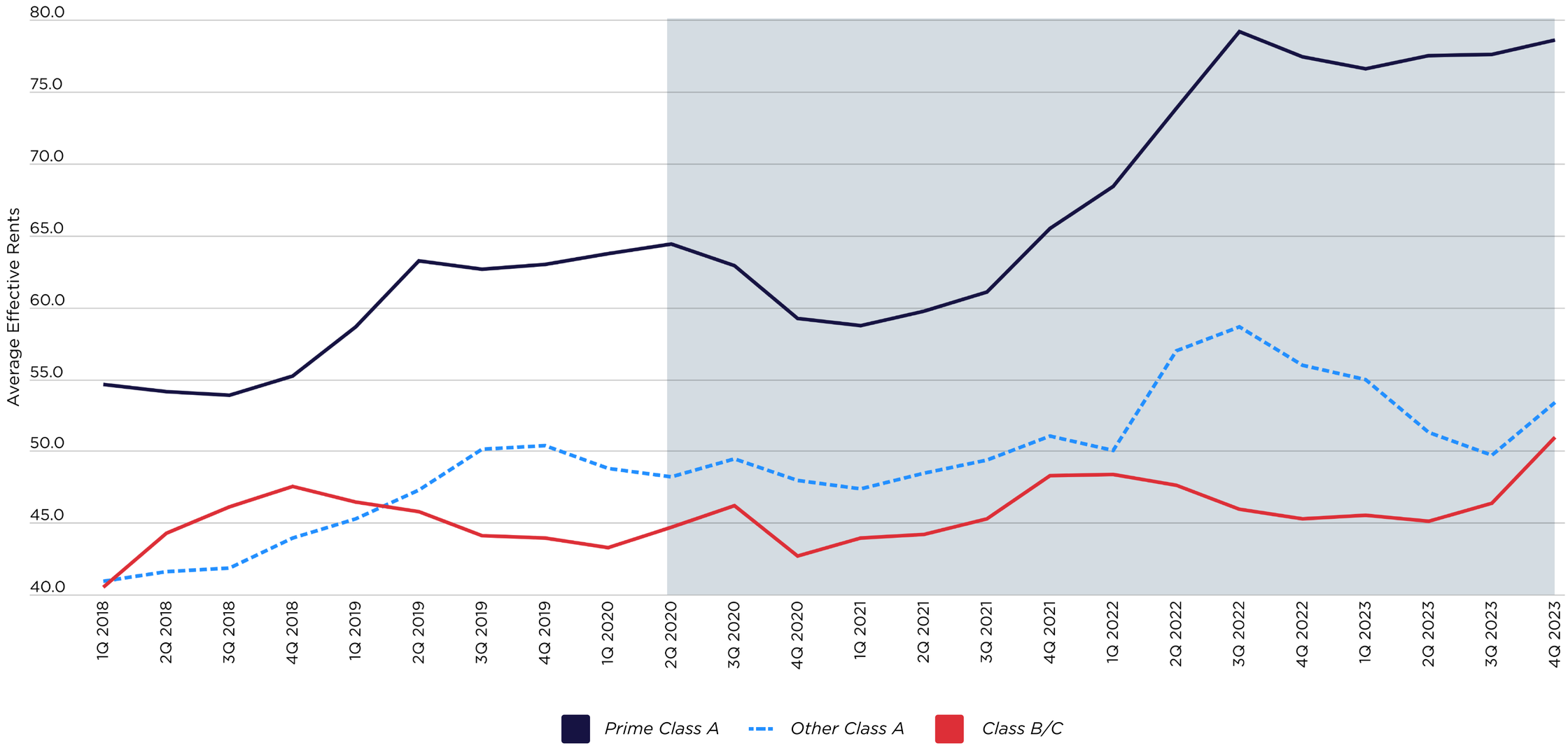
10. Prime Class A Effective Rents Have Plateaued Since End of 2022

Average effective rents, accounting for concessions, have risen fastest since pre-pandemic levels for Prime Class A buildings while the spread between rents for Prime product and the rest of Class A and B and C buildings has continued to widen across gateway office markets. Despite this change, effective rents for Prime Class A space were relatively flat during 2023 after rising steadily from the first quarter of 2021 through the third quarter of 2022. Class B/C effective rents have trended differently, increasing slightly over the past two quarters due to a wave of considerably sized leases signed for government and life-science tenants across these markets in Class B buildings. However, the spread between effective rents in Prime and non-Prime Class A buildings remains the most notable. While averaging around 28% in 2019, this gap widened to a 48% average in 2023.

U.S. Gateway Markets, Average Effective Rents



10.

Source: CompStak. Rents are weighted by transaction size. Includes direct deals only. New construction includes transactions completed within 10 years of building's built year and renovated includes transactions completed in buildings recently renovated. Effective rents are gross, quoted annually for comparison purposes and account for tenant improvement allowances and free rent, where provided.

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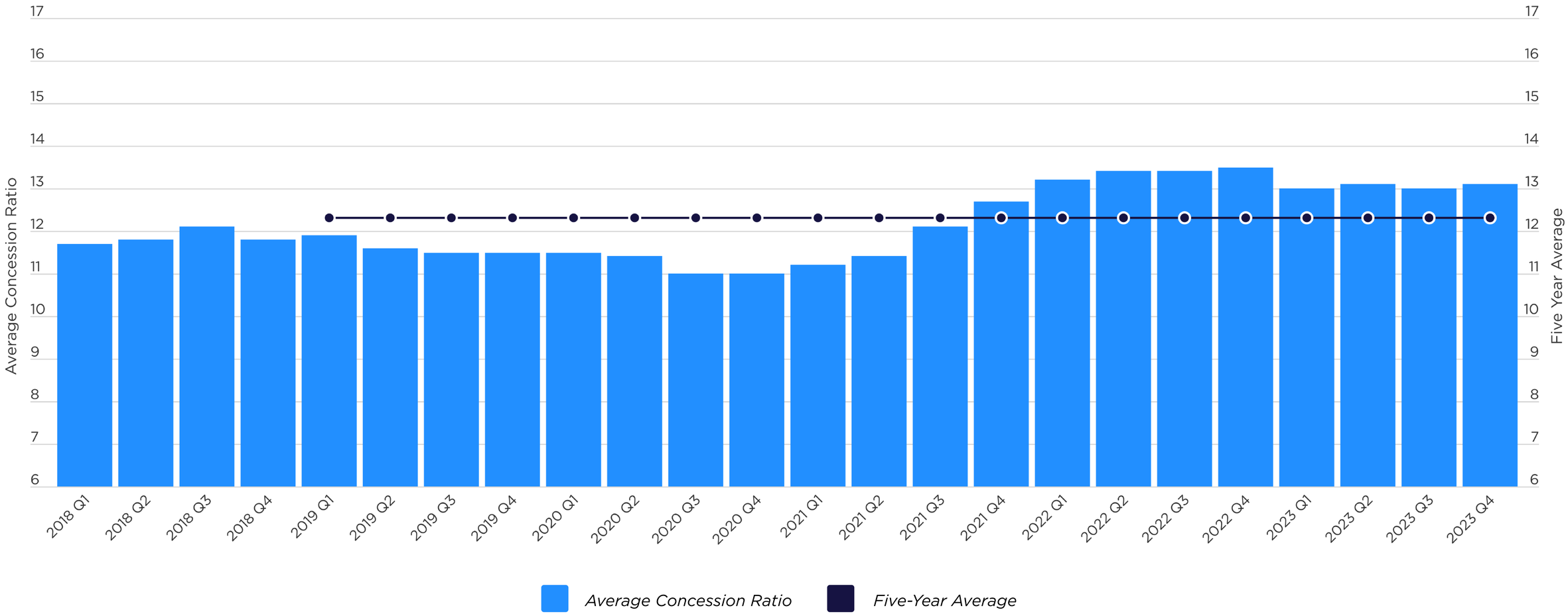
11.

Gateway Office Market Concessions up From 2019 but Declined Slightly From 2022

- The average ratio of concessions to total deal value (defined as value of free rent period plus tenant improvement allowance over total rent paid) has remained above the five-year average, 12.3%, for nine consecutive quarters. In the fourth quarter of 2019, the overall concession ratio averaged 11.5% across gateway markets but peaked at 13.5% in the fourth quarter of 2022 over this six-year period before stabilizing around 13% throughout 2023.

Gateway Markets, Average Overall Concession Ratio



Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or longer in lease term. Total rent paid excludes the free rent period.

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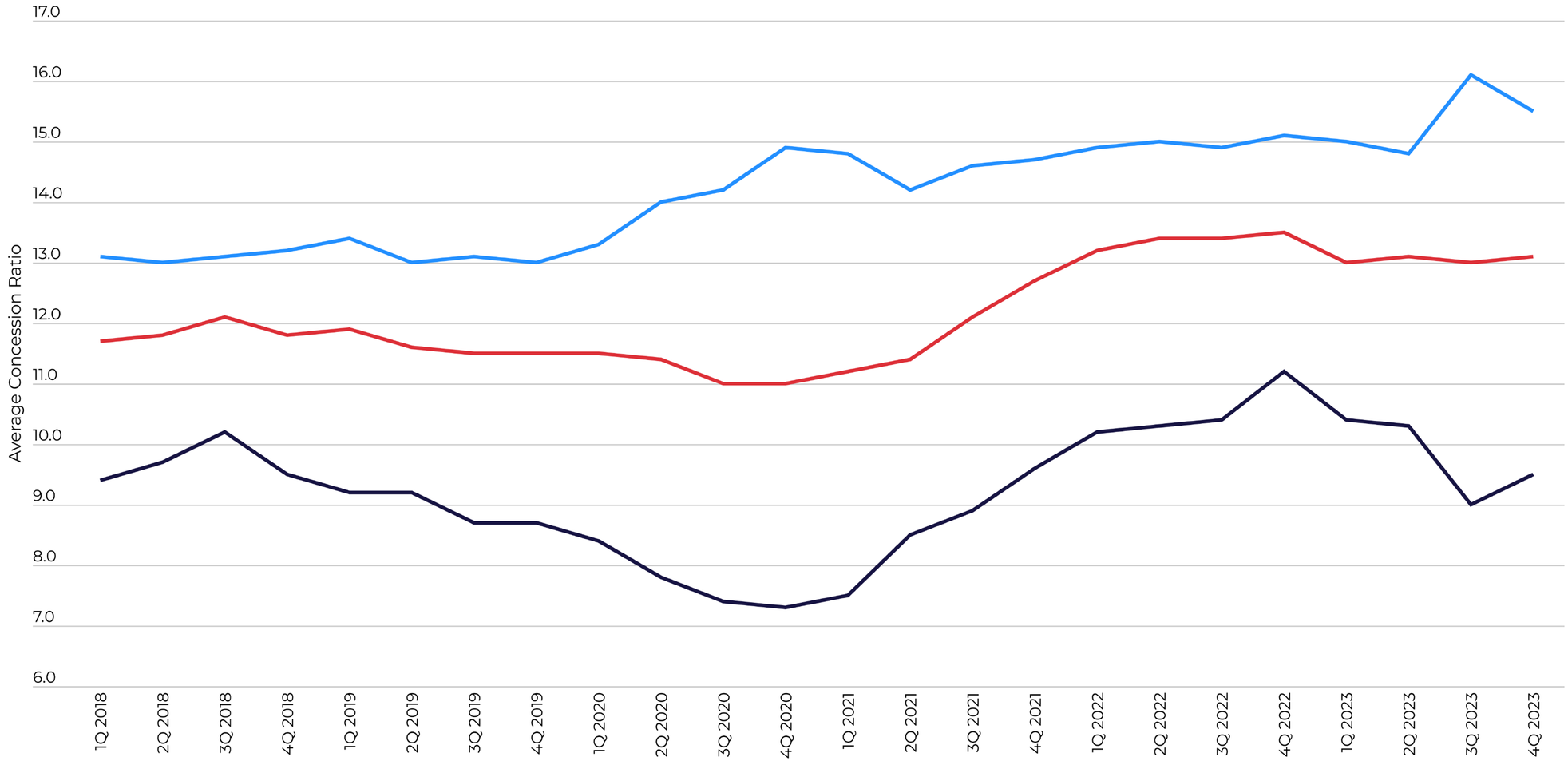
Average Concession Ratios, New Deals vs. Renewals/Extensions



Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or longer in lease term. Total rent paid excludes the free rent period.

11.

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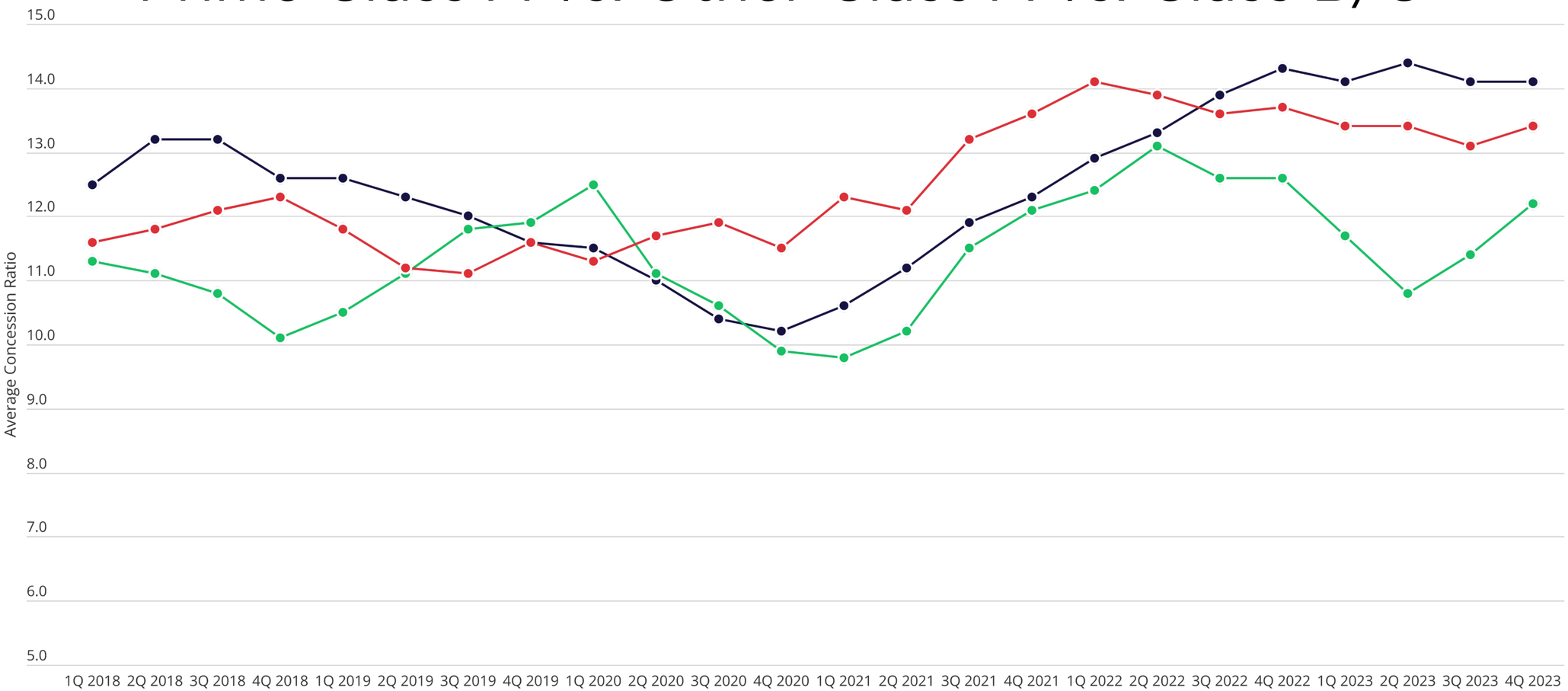
12.

Gateway Concession Ratios Are Highest for Non-Prime Class A Buildings

Non-Prime Class A buildings, defined as Class A buildings outside of new construction, trophy, or recently renovated buildings, have had the highest concession ratios for six consecutive quarters. Non-Prime Class A concession ratios averaged 14.2% during 2023, 1.7 percentage points above the five-year quarterly average. Meanwhile, concession ratios for Prime Class A properties plateaued during 2023 but still outpaced the five-year quarterly average by .70 percentage points.

Landlords are yielding more of potential deal value to concessions than before the pandemic, but this differs across building classes and relates to demand. For Class B/C buildings, concession ratios rose steadily from mid-2021 through mid-2022 but have moderated since, averaging about 11.5% during 2023, pacing close to the five-year quarterly average. This can indicate that Class B/C landlords may be less willing to offer higher concessions relative to deal value.

Average Concession Ratios, Prime Class A vs. Other Class A vs. Class B/C



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Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or more in lease term. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

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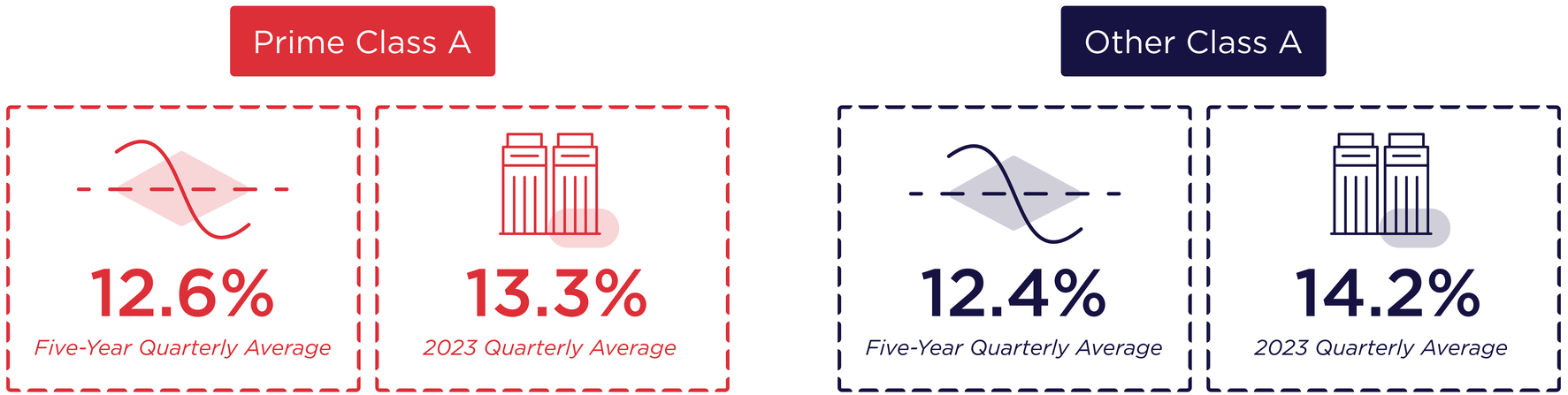
Prime Class A vs. Other Class A vs. Class B/C



Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or more in lease term. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

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13.

Among Most Valuable Deals, the Average Lease Term for New Leases Outpaced the Average for Renewals

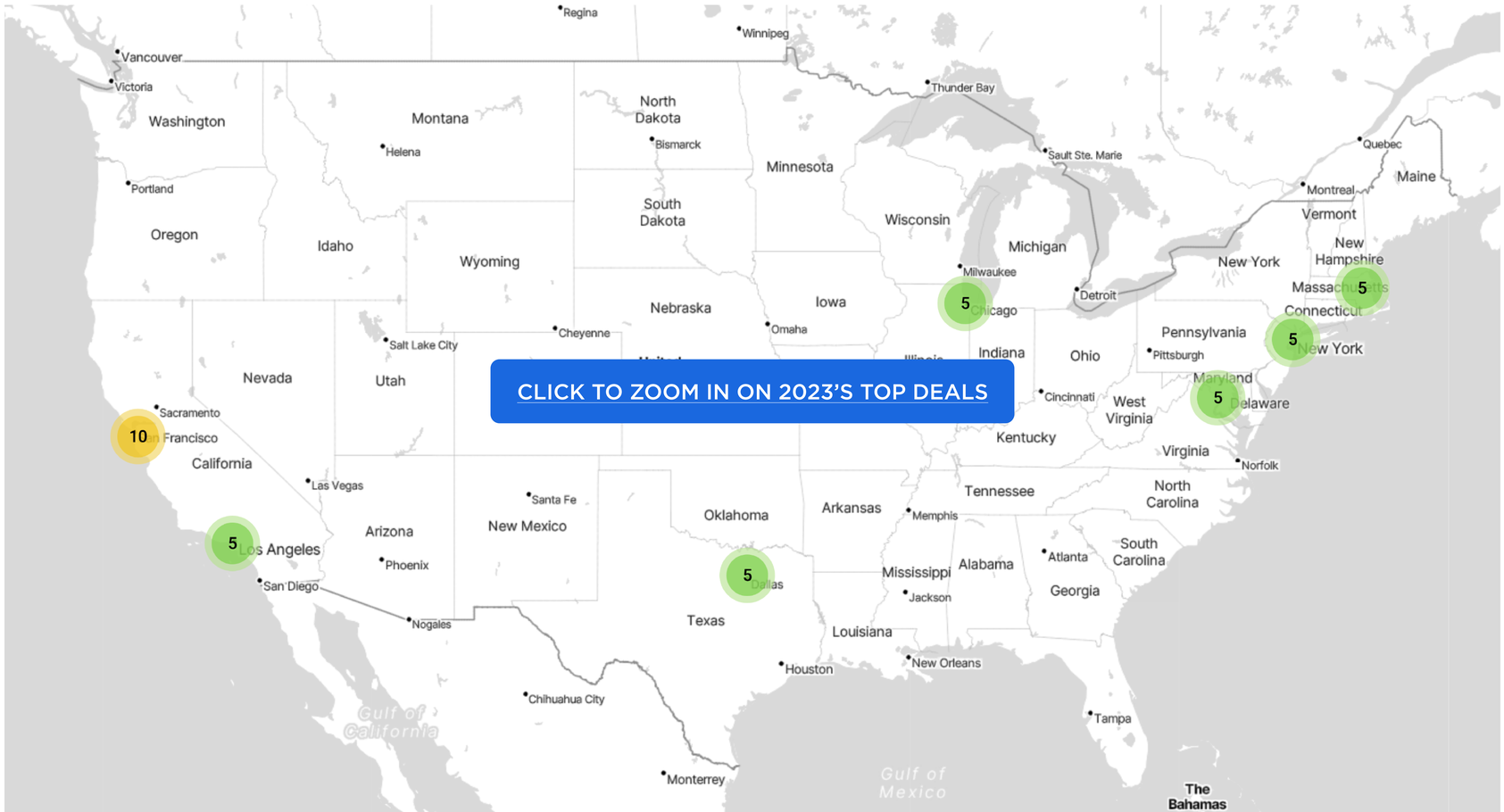
CompStak evaluated the top most valuable leases (by total consideration) completed in 2023 in major markets, focusing on those ranking within the top five. In 2023, these most valuable office deals were concentrated in new transactions. Landlords capturing these most valuable transactions overall included Boston Properties, Stonebridge Properties, The Rockefeller Group, and The Sobrato Organization, among others.

These transactions also tended to be located in urban areas either in or near a central business or financial district. Among these most valuable office deals of 2023, the average size of new leases was smaller and with an average term of almost 24% longer compared to that of renewals. Also, several of these most valuable deals in new transactions were concentrated in Boston and came with some of the highest work value among the deals analyzed, averaging over $210 per square foot. This is no surprise, as Boston remains a top market for Life Science tenants, which require specialized and highly customized spaces.

Washington, D.C., saw some of the longest-term leases signed by government tenants and consequently accompanied by considerable free-rent concessions. The office market in the nation's capital is heavily reliant on government agencies and legal firms, some of whom managed to extract significant concessions from landlords.

Most Valuable Deals in Select Gateway Markets

San Francisco, Bay Area, Chicago, Dallas, Los Angeles, NYC, Boston and Washington D.C.



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Source: CompStak. Includes the top five most valuable office leases (by total consideration) in the Bay Area, Boston, Chicago, Dallas, Los Angeles, New York City, San Francisco, and Washington D.C. markets in 2023.

13.

FIRE, Legal Services, and Government Captured Majority of Most Valuable Deals in 2023

Among the top five most valuable deals completed in these select markets in 2023, tenants in the FIRE, Legal Services and Government sectors signed the majority of these deals. Two New York City law firms topped the list for most valuable deals among the markets analyzed. They included a lease from Davis Polk & Wardwell at 450 Lexington Avenue and Paul, Weiss, Rifkind, Wharton & Garrison's relocation to 1345 Avenue of the Americas. Despite market headwinds, Washington, D.C., also captured sizable deals by value from tenants in the Legal Services as well as Government sectors.

Most Valuable Deals in Select Gateway Markets

Bay Area							San Francisco						
Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry	Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry
1	Sony	2207 Bridgepointe Parkway	San Mateo	440,000	$170.2 Million	TAMI	1	Cisco	500 Terry Francois Boulevard	Mission Bay/China Basin	234,537	$149.4 Million	TAMI
2	Internal Revenue Services/IRS	55 South Market Street	Downtown San Jose	123,940	$114.8 Million	Government	2	Stifel	1 Montgomery Street	North Financial District	68,446	$49.7 Million	FIRE
3	Roblox	2850 South Delaware Street	San Mateo	179,496	$86.4 Million	TAMI	3	Autodesk	1 Market Street	South Financial District	92,820	$45.6 Million	TAMI
4	Texas Instruments	4555 Great America Parkway	Santa Clara	205,774	$84.6 Million	TAMI	4	Gibson Dunn	1 Embarcadero Center	North Financial District	41,000	$34.1 Million	Legal Services
5	Patient Square Capital	2884 Sand Hill Road	Menlo Park	24,754	$71.5 Million	FIRE	5	Bank of the West	180 Montgomery Street	North Financial District	49,399	$32.3 Million	FIRE
Chicago							**Dallas**						
Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry	Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry
1	Harrison Street	917 West Fulton Market	North Chicago	170,000	$129.1 Million	FIRE	1	HF Sinclair	2323 Victory Avenue	Uptown Turtle Creek	90,609	$54.4 Million	Other
2	Winston & Strawn	300 North LaSalle Street	CBD River North	148,248	$81.5 Million	Legal Services	2	Crestron Electronics	7250 Dallas Parkway	Upper Tollway	56,408	$40.3 Million	Other
3	Teachers Insurance and Annuity Association of America ("TIAA")	333 West Upper Wacker Drive	CBD West Loop	165,689	$41.4 Million	FIRE	3	M Financial	2699 Howell Street	Uptown Turtle Creek	51,224	$31.2 Million	FIRE
4	Neal Gerber & Eisenberg	225 West Randolph Street	CBD West Loop	90,000	$37.5 Million	Legal Services	4	Westwood Montessori	14295 Midway Road	Addison Quorum Bent Tree	98,108	$29.4 Million	Other
5	Federal Aviation Administration	9600 West Bryn Mawr Avenue	O'Hare	108,094	$33.2 Million	Government	5	Fossil	901 South Central Expressway	Richardson	254,971	$23.0 Million	Other

Source: CompStak. Includes the top five most valuable office leases (by total consideration) in the Bay Area, Boston, Chicago, Dallas, Los Angeles, San Francisco, and Washington D.C. markets in 2023.

13.

Most Valuable Deals in Select Gateway Markets

Boston							New York City						
Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry	Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry
1	Ginkgo BioWorks	1 Au Bon Pain Way	Seaport	262,543	$343.0 Million	Life Science	1	Davis Polk & Wardwell	450 Lexington Avenue	Park Avenue	710,000	$1.5 Billion	Legal Services
2	Orbital Therapeutics	100 Binney Street	East Cambridge	166,000	$131.9 Million	Life Science	2	Paul, Weiss, Rifkind, Wharton & Garrison	1345 Avenue of the Americas	Sixth Avenue	765,931	$1.5 Billion	Legal Services
3	Goulston & Storrs	1 Post Office Square	Financial District	104,000	$87.6 Million	Legal Services	3	Department of Citywide Administrative Services	110 William Street	City Hall/Insurance	640,744	$641.4 Million	Government
4	McKinsey & Company	115 Federal Street	Financial District	90,000	$81.8 Million	Professional Services	4	PJT Partners	280 Park Avenue	Park Avenue	270,000	$546.8 Million	FIRE
5	Dragonfly	180 3rd Avenue	Waltham Watertown	110,000	$75.1 Million	Life Science	5	Weill Cornell Medicine	575 Lexington Avenue	Midtown Eastside	216,266	$470.7 Million	Other
Los Angeles							**Washington D.C.**						
Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry	Ranking	Tenant	Address	Submarket	Transaction Size	Total Rent Over Lease	Industry
1	Ares Management	1800 Avenue of the Stars	Brentwood / Westwood	206,222	$167.4 Million	FIRE	1	United States Securities and Exchange Commission	100 F Street Northeast	DC NoMa	709,403	$195.2 Million	Government
2	City of Los Angeles	555 West 5th Street	Downtown Los Angeles	297,571	$119.6 Million	Government	2	Crowell & Moring	600 5th Street Northwest	DC East End	199,346	$161.4 Million	Legal Services
3	County of Los Angeles	1500 Hughes Way	South East LA	207,289	$116.3 Million	Government	3	Federal Bureau of Investigation	15030 Conference Center Drive	VA Chantilly / Centreville	156,000	$117 Million	Government
4	Sony	5750 Wilshire Boulevard	Mid-Wilshire	225,539	$93.1 Million	TAMI	4	Hunton Andrews Kurth	2200 Pennsylvania Avenue Northwest	DC CBD	130,110	$116.7 Million	Legal Services
5	Apple	12015-12045 Waterfront Drive	Lower Westside	93,949	$88.2 Million	TAMI	5	Securities and Exchange Commission (SEC)	600 2nd Street Northeast	DC NoMa	361,833	$103.1 Million	Government

Source: CompStak. Includes the top five most valuable office leases (by total consideration) in the Bay Area, Boston, Chicago, Dallas, Los Angeles, San Francisco, and Washington D.C. markets in 2023.

13.

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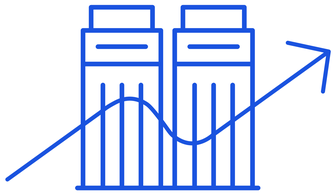
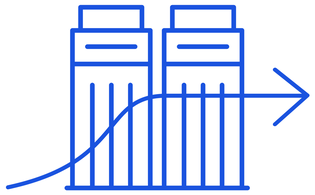
14

New York City's Office Market

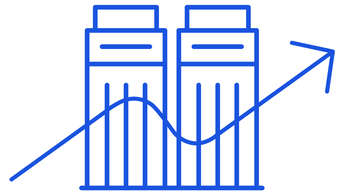
In this next segment, CompStak evaluated office market statistics for New York City in particular and uncovered the following major findings:



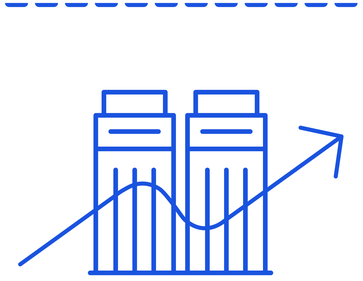
Effective rents for closed lease transactions in New York City's Prime Class A buildings reached a peak in the beginning of 2023 but have dipped in subsequent quarters, while still outpacing 2019 figures. Meanwhile, Class B/C effective rents have increased slightly throughout 2023.



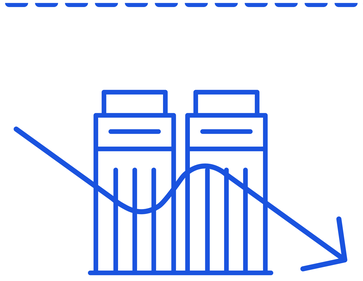
Lease term lengths for Prime Class A space have rebounded the quickest to pre-2020 levels. However, the average lease terms for Class B/C transactions in 2023 are still below 2019 levels and have largely plateaued since at least the end of 2021.



New York City **office-using employment** is down 2% from its post-pandemic peak but still exceeds its pre-pandemic level for now, boosted by Financial Services and Professional Services employment levels, according to the Bureau of Labor Statistics (BLS).



Levels of concessions given to New York City transactions remain well above pre-pandemic levels, and during 2024 the average **concession ratio** reached 12.1%, outpacing the five-year average by 1.9 percentage points.

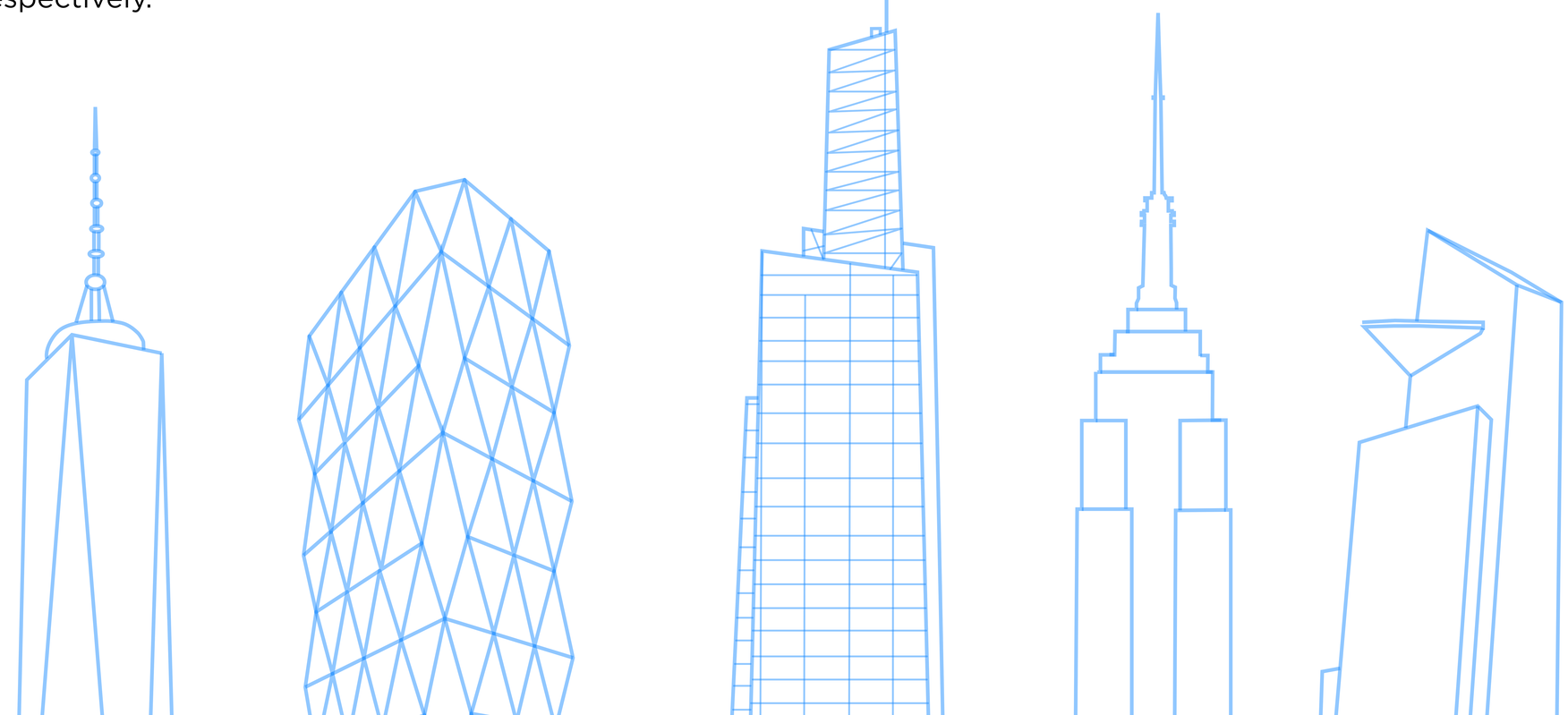


FIRE, followed by TAMI tenants, accounted for the largest share of **Manhattan office relocations**, according to data tracked by CompStak since April 2020. A majority of the relocating tenants in the FIRE and TAMI sectors moved to newer buildings, with a 60% and 57.5% share, respectively.

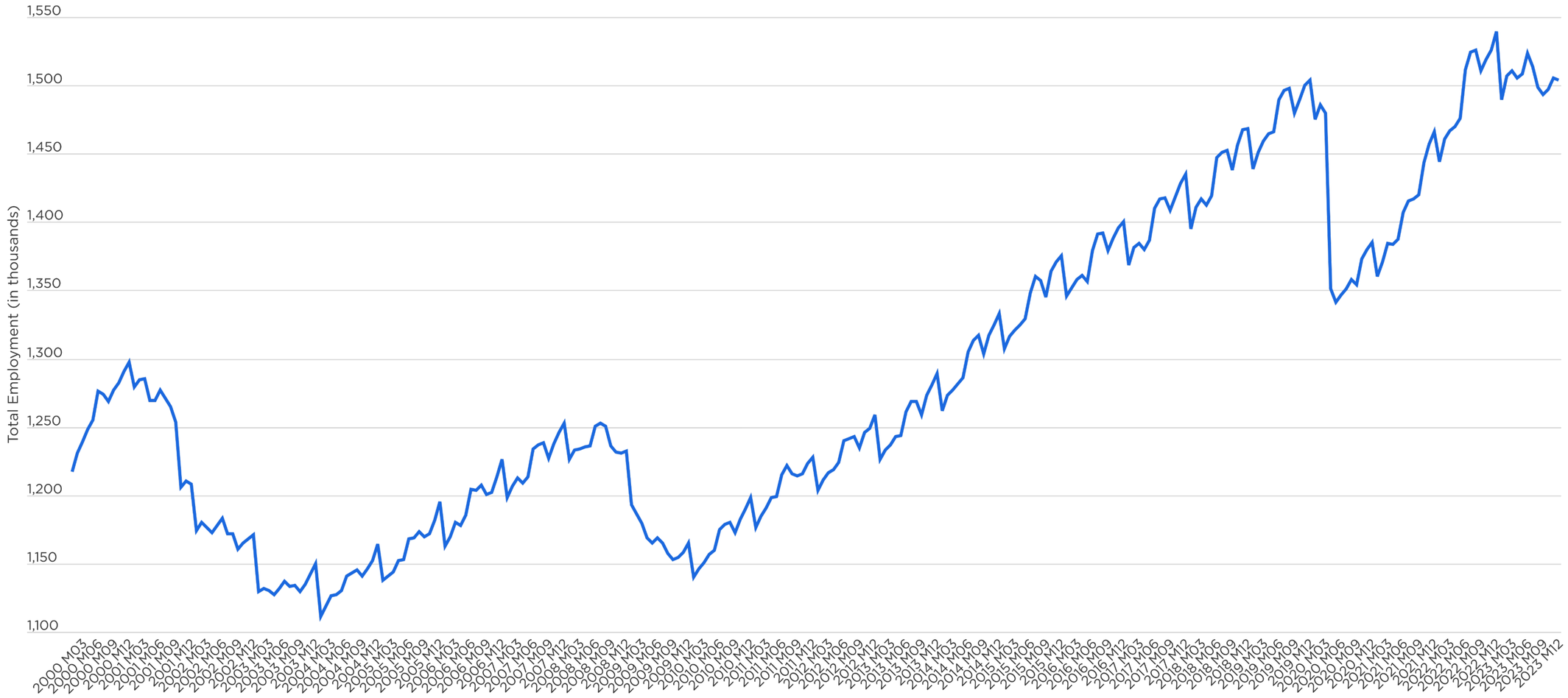
14.

15. New York City Office-Using Employment

New York City's office-using employment figure, once a bellwether for future space demand, peaked post-pandemic in December 2022. Since then, it has declined by approximately 2%, though it remains 2% higher than January 2020 levels. Among the traditional office-using sectors, Financial Services and Professional and Business Services are within 1.6% and 0.7% of their post-pandemic peaks, respectively.



New York City Total Office-Using Employment



Source: U.S. Bureau of Labor Statistics, not seasonally adjusted. Office-using includes the sum of Information, Professional and Business Services and Financial services employment.

15.

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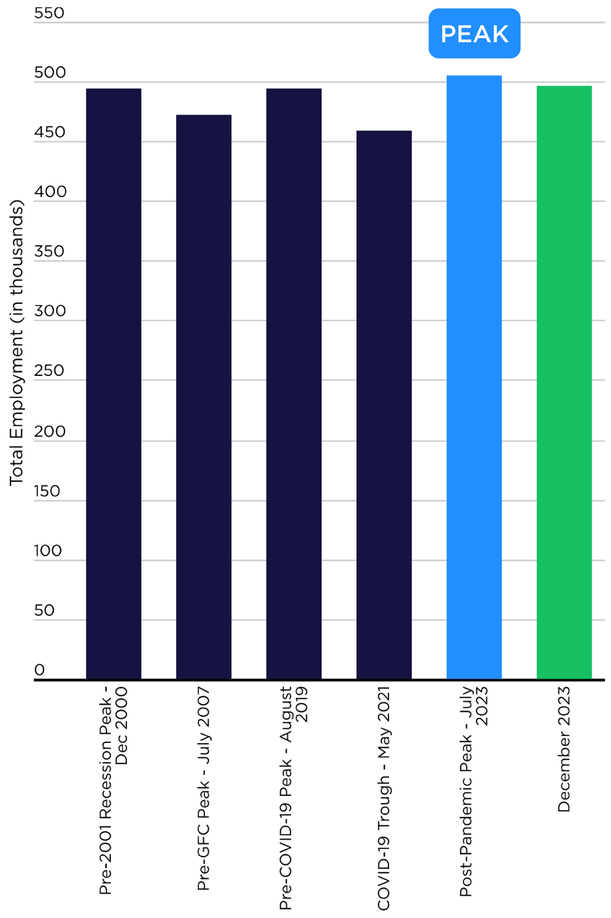
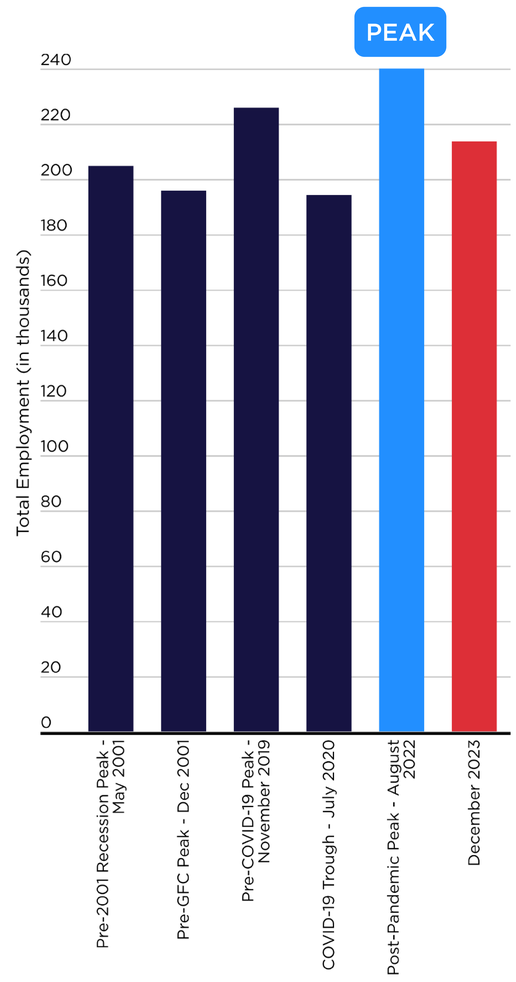
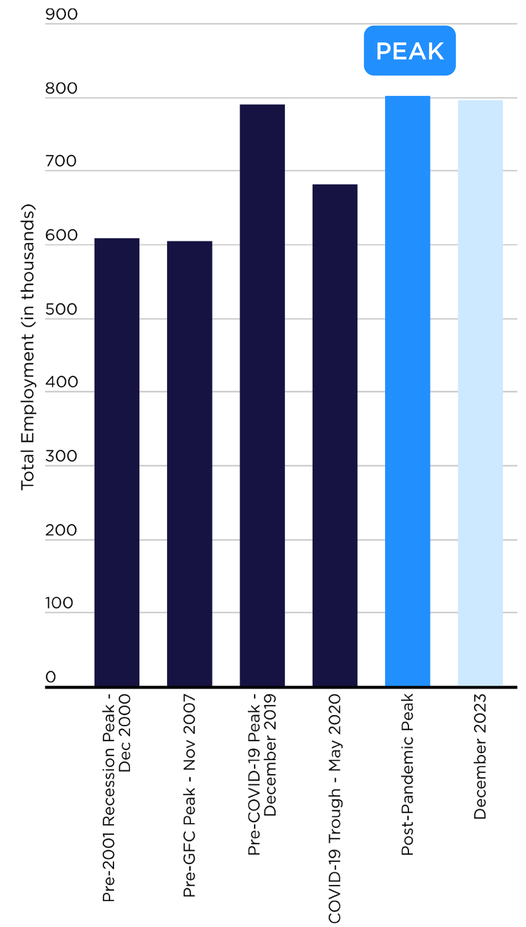
Financial Services



Information



Professional and Business Services



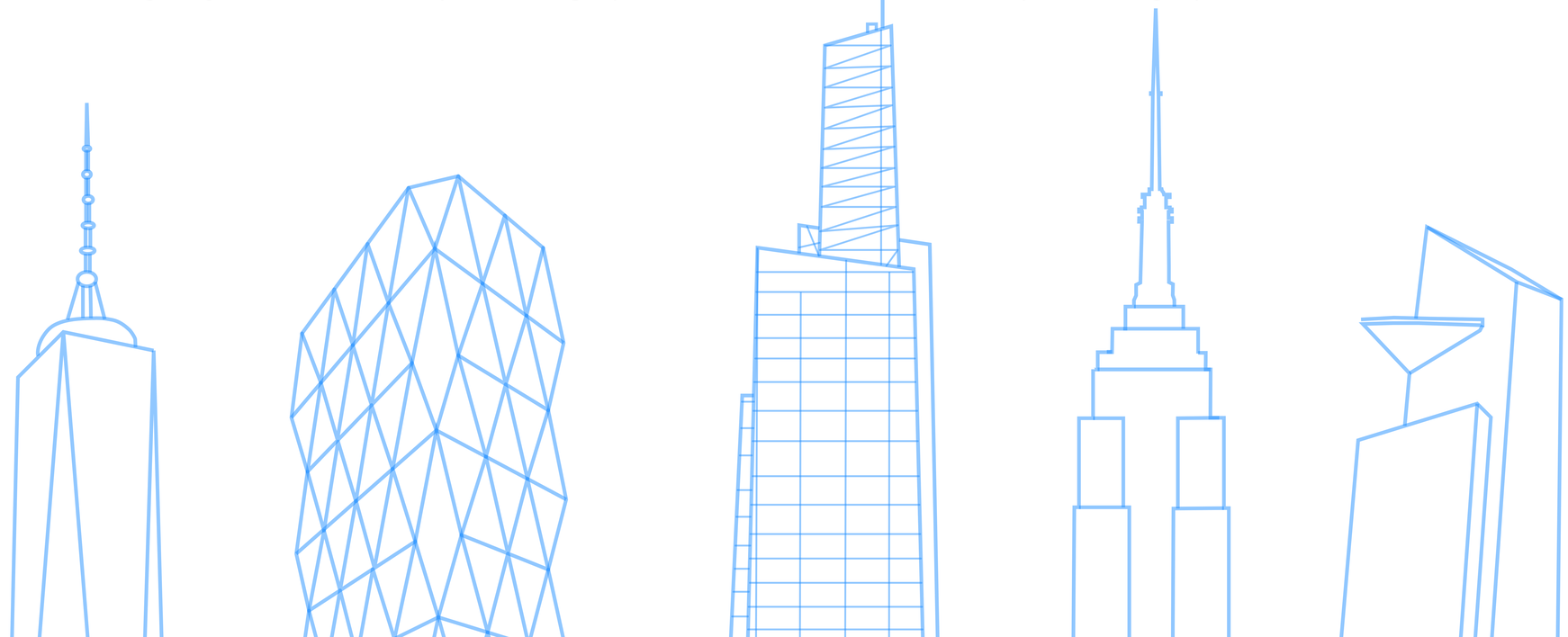
15.

Source: U.S. Bureau of Labor Statistics, not seasonally adjusted. Office-using includes the sum of Information, Professional and Business Services and Financial services employment. Recessions as defined by NBER - National Bureau of Economic Research - https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions

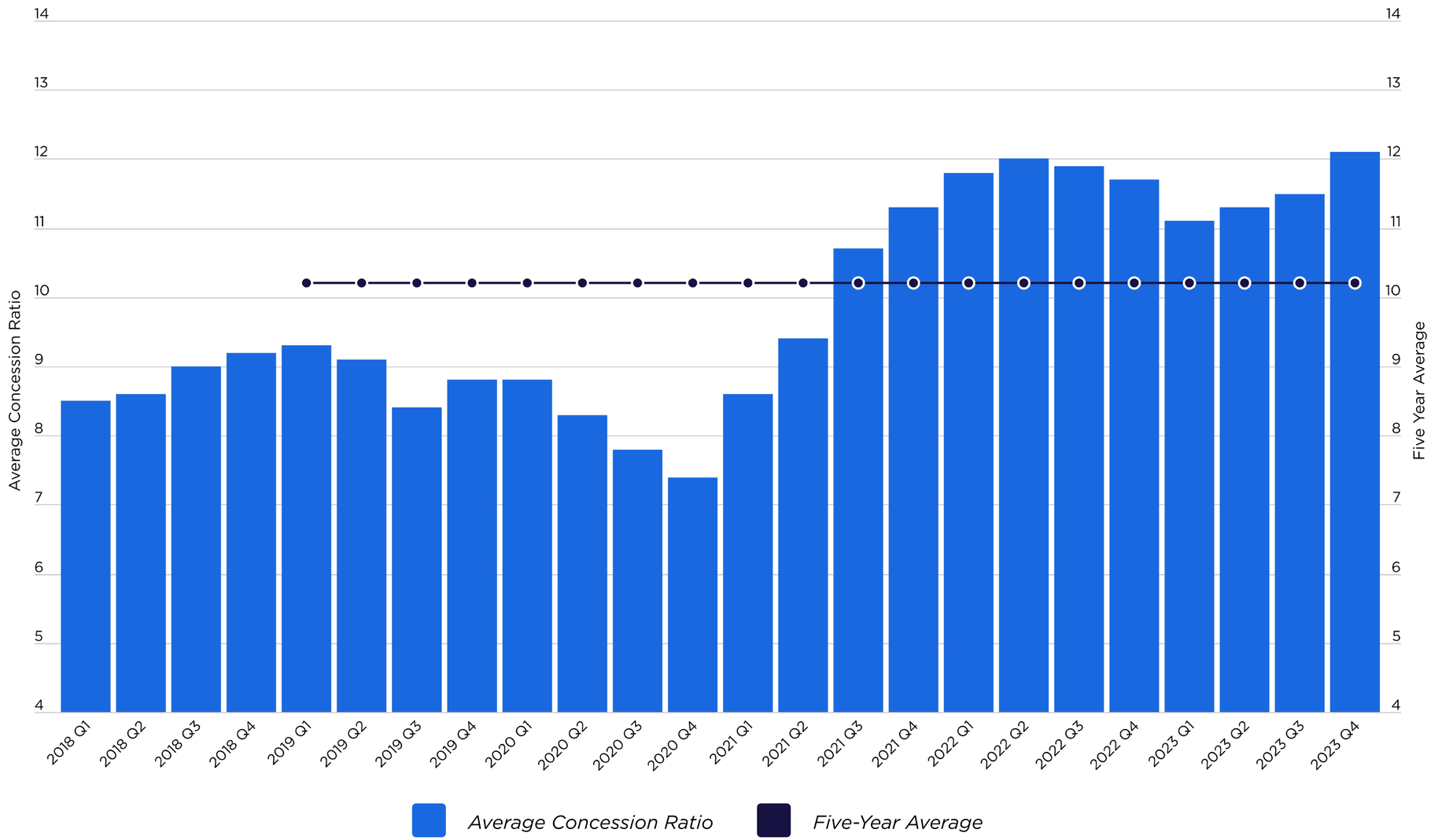
16.

New York City Overall Concession Ratios Rose for Four Consecutive Quarters in 2023

New York City's average ratio of concessions to the total deal value (defined as the value of the free-rent period plus tenant improvement allowance over the total rent paid) has remained above the five-year average since the third quarter of 2021. While gateway markets overall have stayed stable, the concession ratio in the New York City market has consistently increased throughout 2023. Concession ratios are significantly higher for new deals compared to renewals, with the quarterly average in 2023 surpassing 2019's average by more than 3.5 percentage points for new deals and 1.9 percentage points for renewals.



Average Concession Ratios, New York City



16.

Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or more in lease term. New York City only.

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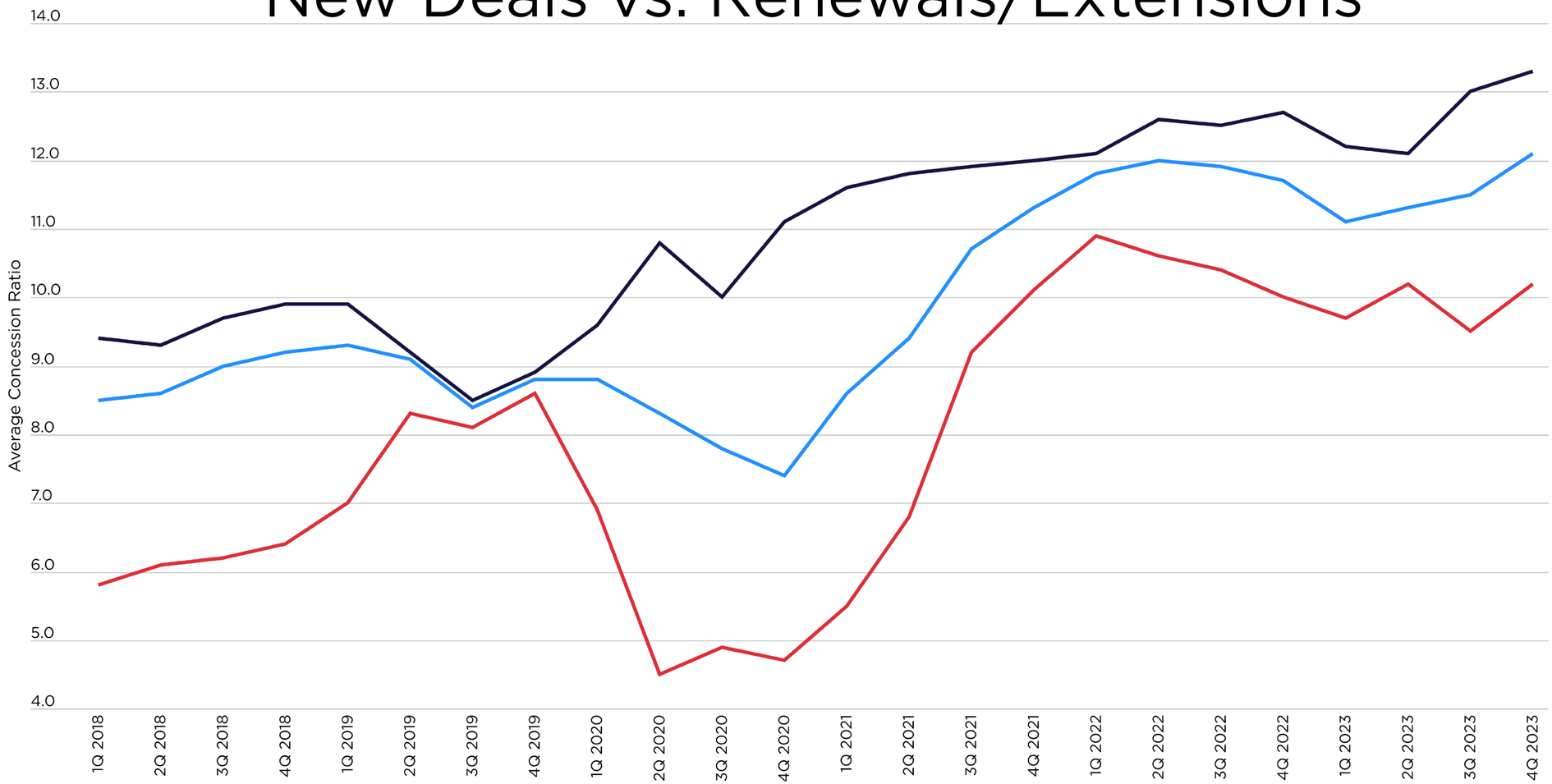
Average Concession Ratios, New Deals vs. Renewals/Extensions



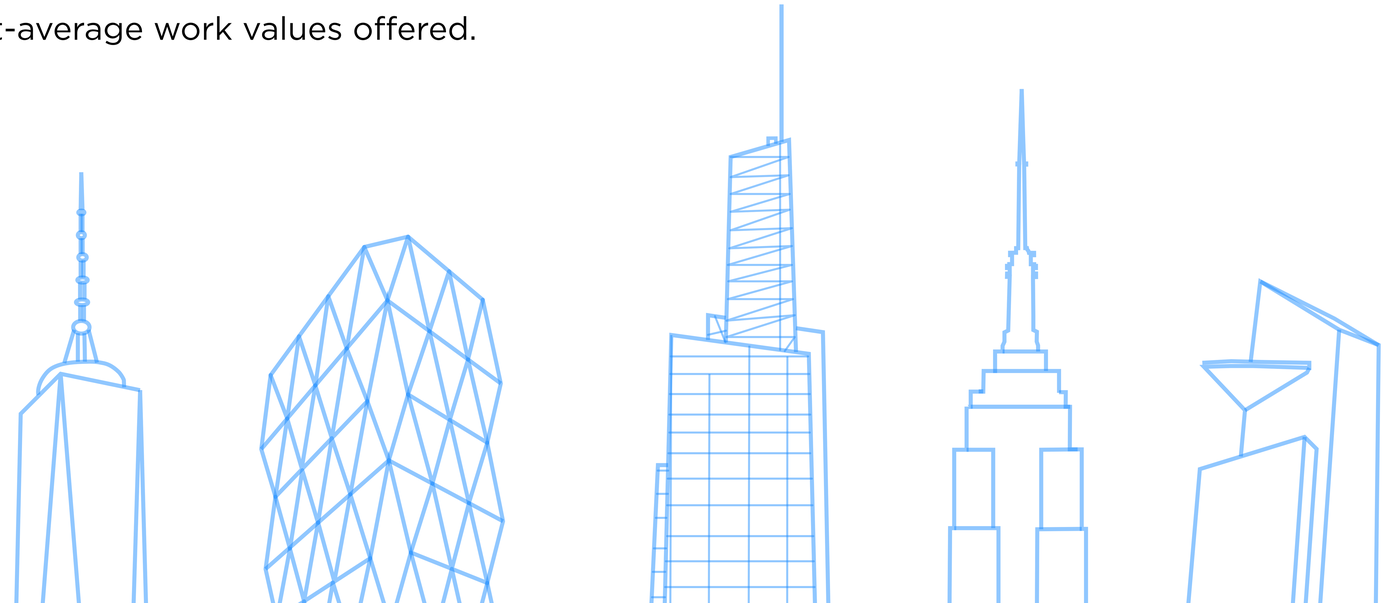
16.

Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or more in lease term. New York City only.

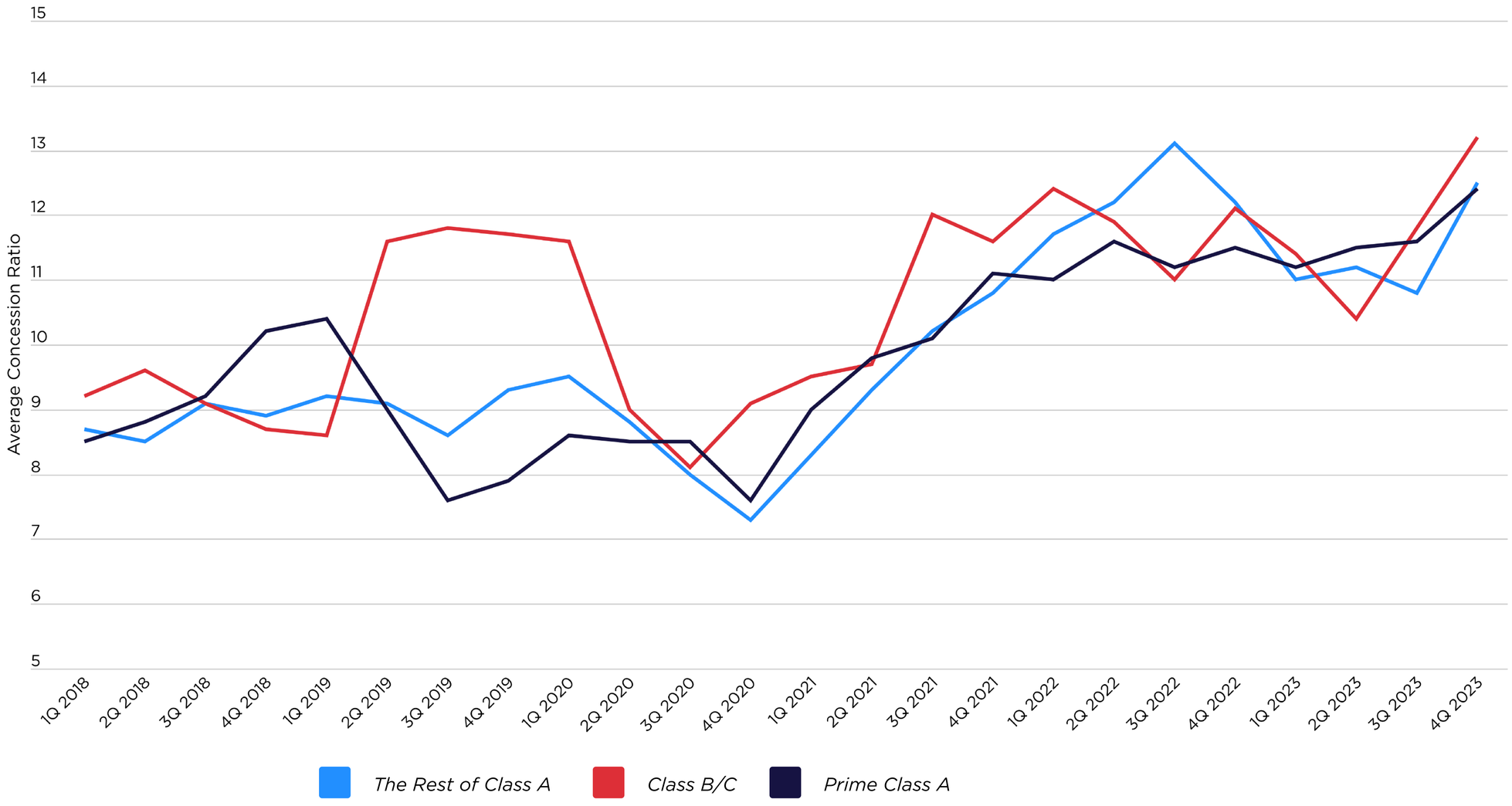
17.

New York City's Concession Ratios Are Comparable Across Building Classes in 2023 and Above Five-Year Average

Breaking up New York City's average concession ratios across building classes demonstrates that concession ratios are trending similarly across building types, among closed transactions. Across these building classes, concession ratios are up from 2019 levels, with the sharpest increase exhibited in Prime Class A buildings. Concession ratios averaged 9.1% in the non-Prime Class A category during 2019 but were up 2.3 percentage points in 2023. Meanwhile, Class B/C concession ratios are up just 0.7 percentage points over the same period but up 2.6 percentage points from 2018, according to CompStak data. Leases executed by coworking or shared-office provider companies in Class B buildings helped push up values during the 2019 period preceding the pandemic, due to higher-than-market-average work values offered.



Average Concession Ratios, Prime Class A vs. Other Class A vs. Class B/C



17.

Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or more in lease term. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated), includes New York City only.

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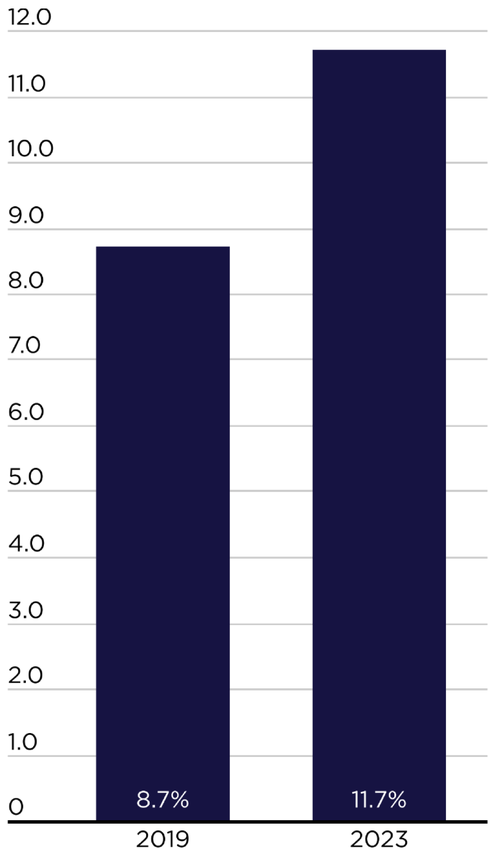
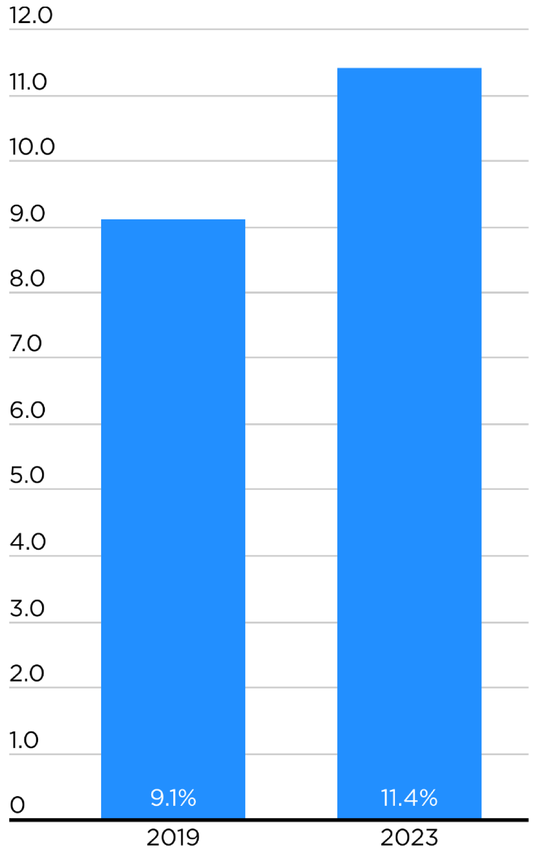
Prime Class A Quarterly Average Concession Ratio



Other Class A Quarterly Average Concession Ratio



Class B/C Quarterly Average Concession Ratio

17.

Source: CompStak, concession ratios are weighted by transaction size, includes direct deals over 5,000 square feet and 12 months or more in lease term. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated). New York City only.

COMPSTAK

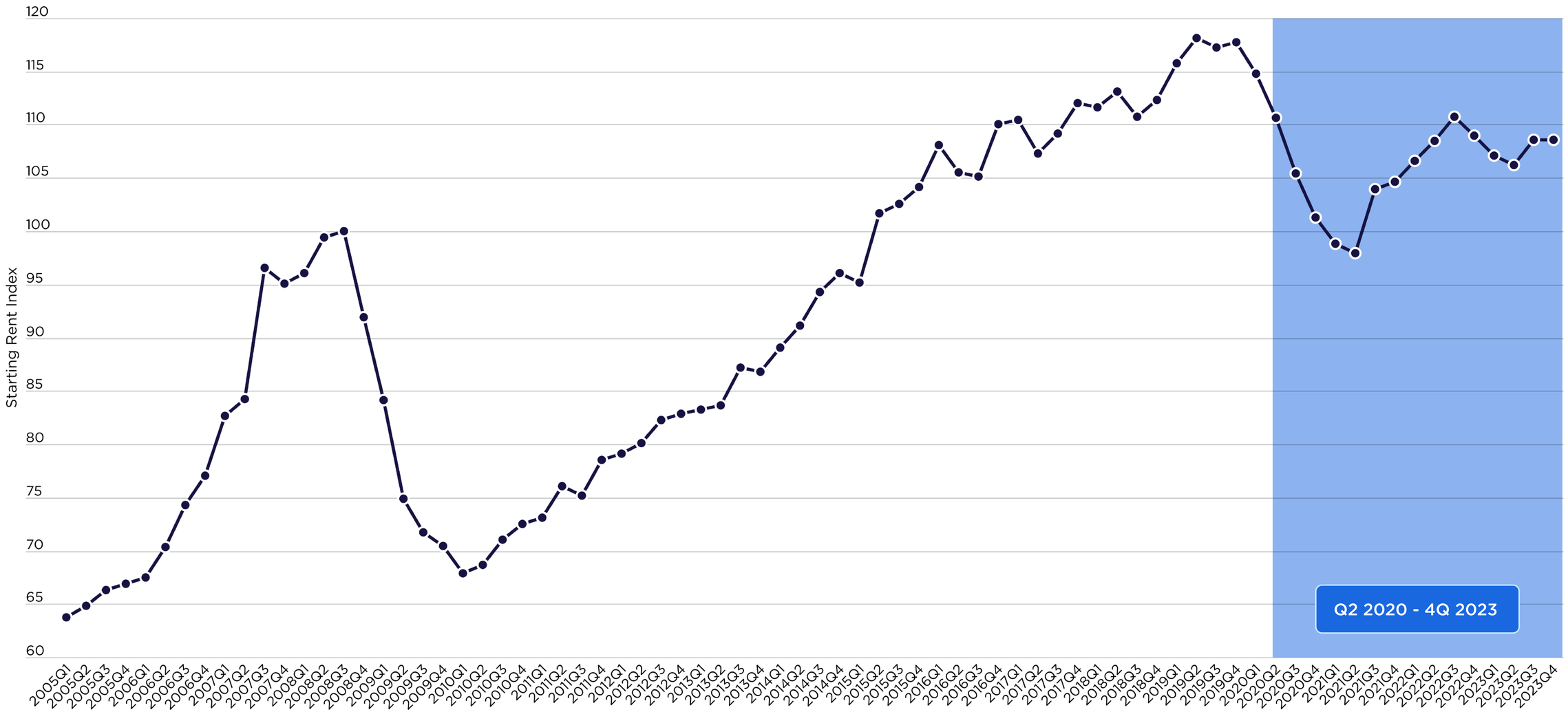
18.

NYC Market Rent Index Shows Increase From 2021 Trough but Remains Below 2019 Levels

According to CompStak's New York City office market starting rent index, there has been an 8% increase from the third quarter of 2008. This growth, however, is overshadowed by the gateway index, which indicates a more significant 27% increase over the same period.

While the gateway office market rent index demonstrates an increase in starting rents from pre-pandemic levels, New York City's index yields opposite results. The index moved upward from the second quarter of 2021 through the third quarter of 2022 before showing signs of stabilizing. It has yet to reach levels achieved in the quarters just preceding the onset of COVID-19.

New York City Office Market Starting Rent Index



Starting Rent Index

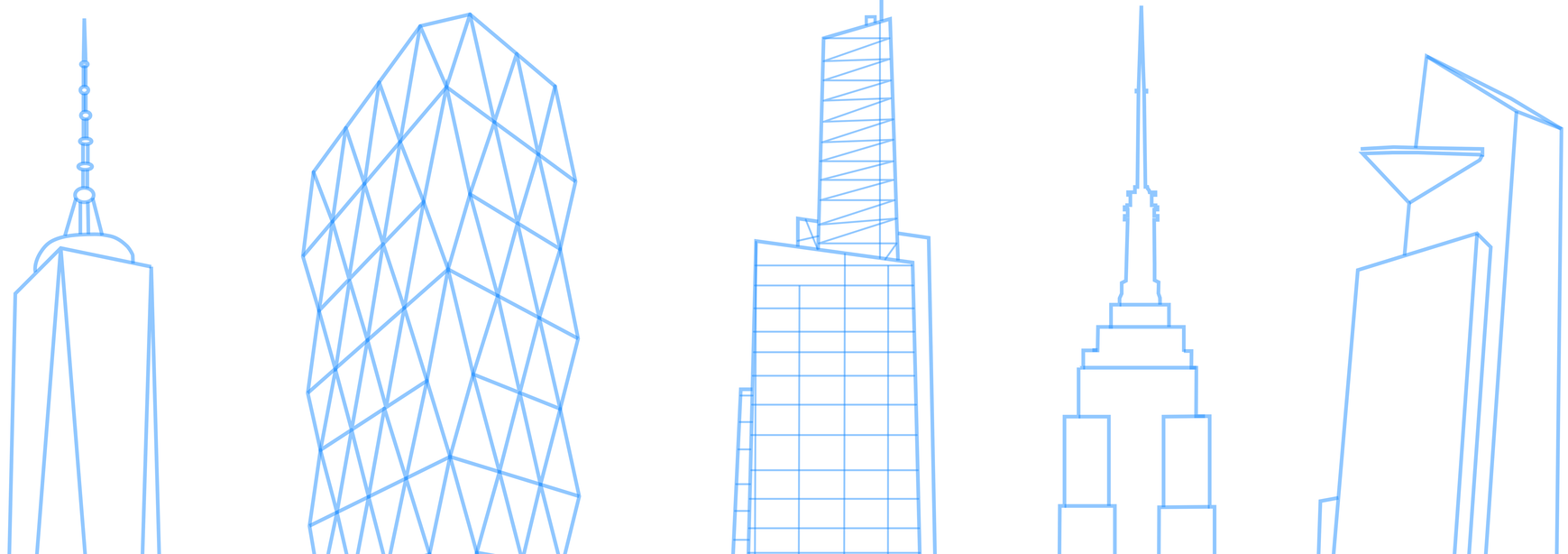
Source: CompStak, values are indexed to third quarter of 2008.

18.

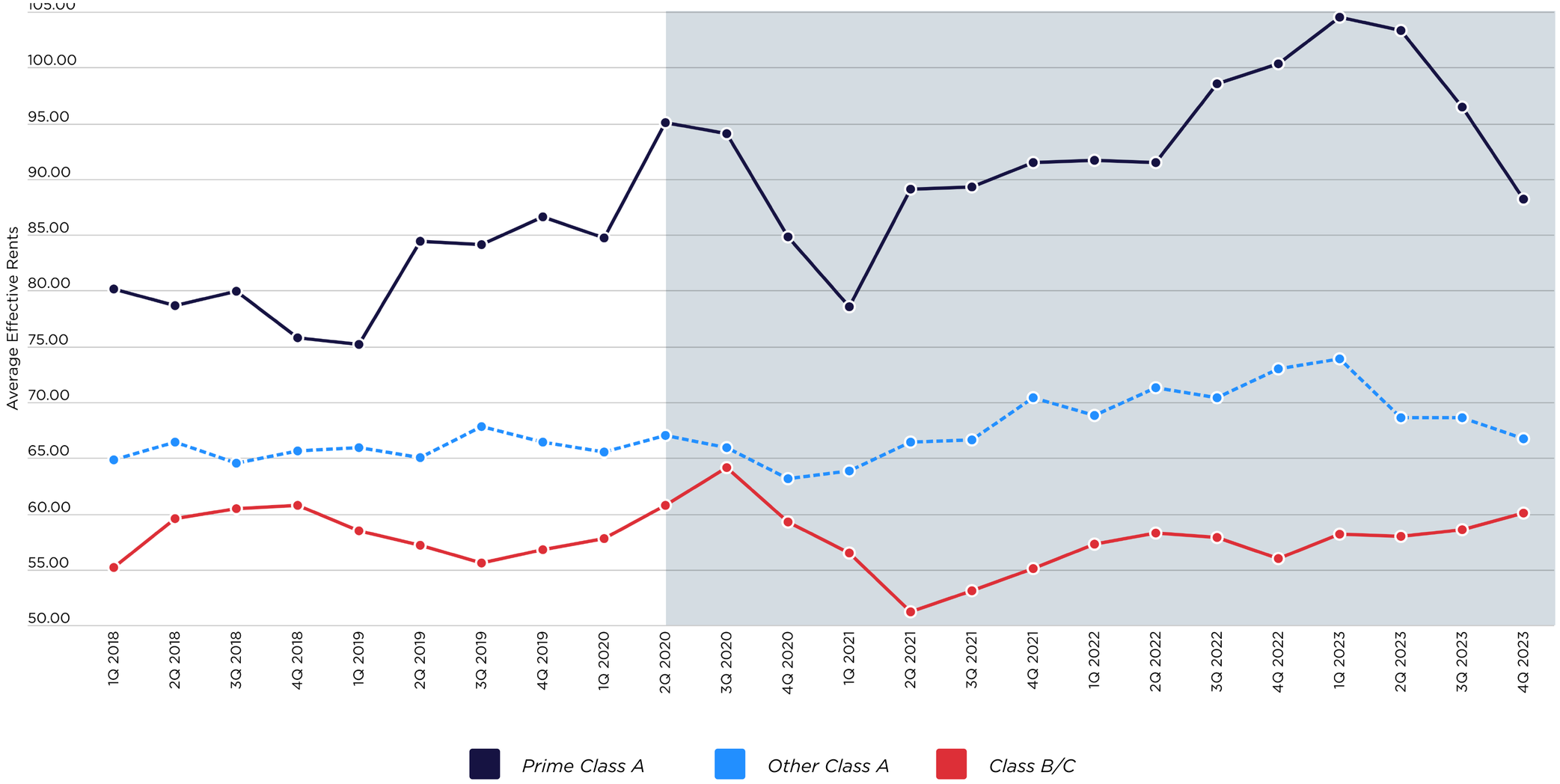
19.

NYC Effective Rents for Prime Class A Office Transactions Are up Most From 2019, but Dipped Over the Last Two Quarters

New York City's effective rents for Prime Class A office space are up 18.8% from the 2019 quarterly average to the comparable statistic for 2023, outpacing rates of change for other Class A buildings and for Class B/C transactions. However, Class B/C effective rents have increased the past two consecutive quarters and are now up 17.3% from their trough in 2021. Meanwhile, Prime Class A effective rents have declined from their prior peak in the first quarter of 2023, despite the average age of buildings involved in transactions remaining stable from 2022 to 2023 overall. The starting rent for these transactions averaged nearly $115 per square foot across 2023's four quarters, but the effective rent averaged nearly 17% lower over this period, marking the largest spread during the 2018 through 2023 period.



New York City, Average Effective Rents



19.

Source: CompStak. Rents are weighted by transaction size. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated). Effective rents are gross and quoted annually for comparison purposes.

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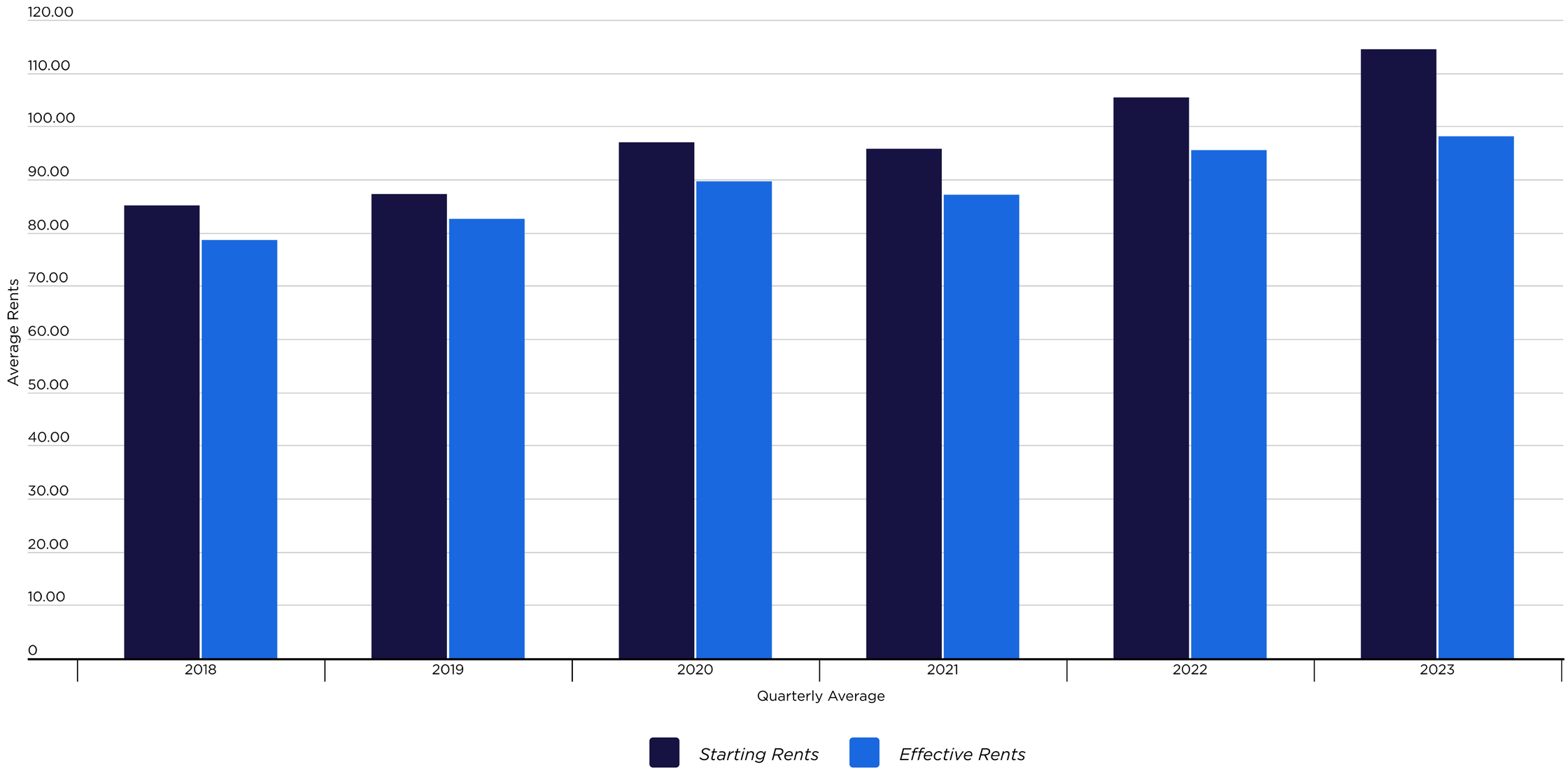
Prime Class A, Average Starting vs. Effective Rents



19.

Source: CompStak. Rents are weighted by transaction size. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated). Effective and starting rents are gross and quoted annually for comparison purposes.

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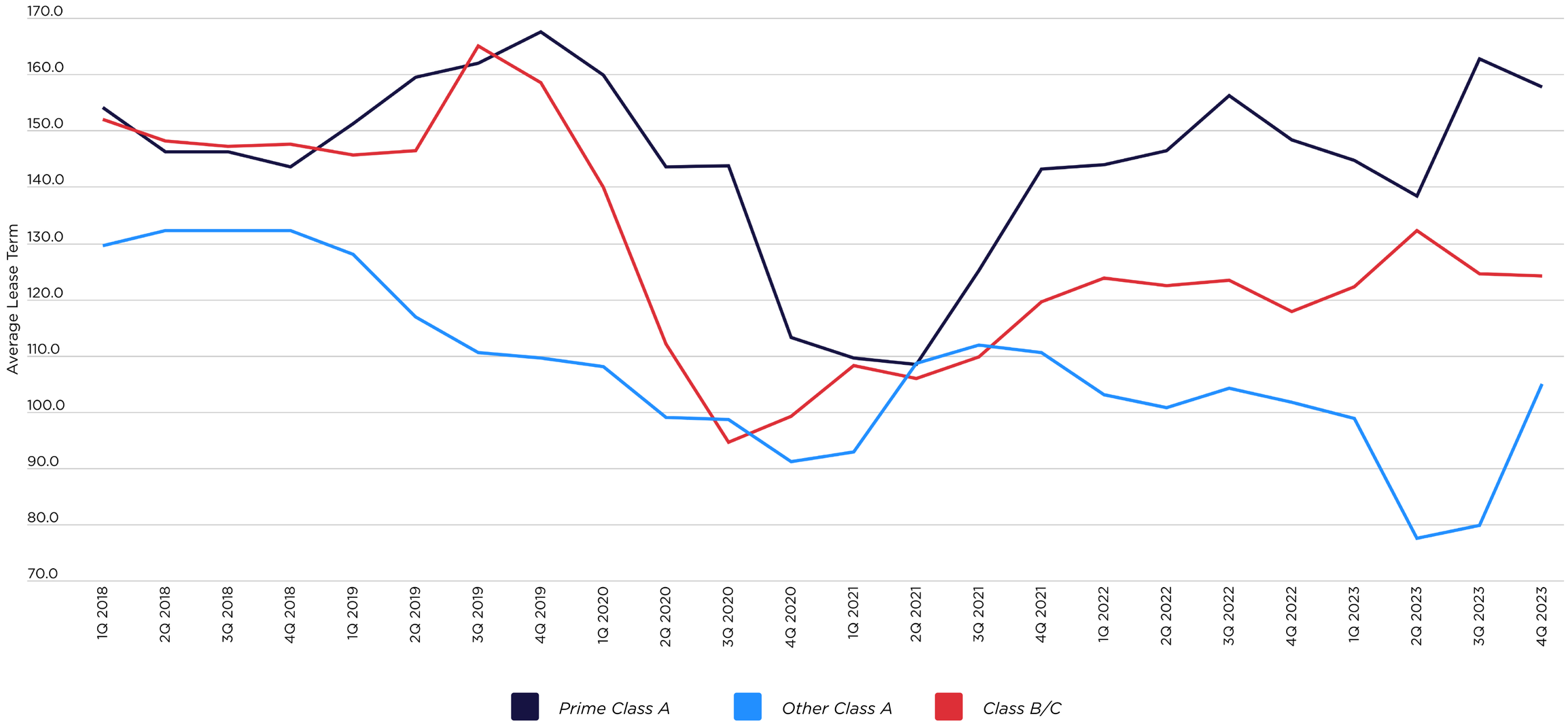
20. 2023 NYC Average Lease Terms Down From 2019 Across Office Building Classes

Average lease terms for executed deals in 2023 still fell short from 2019 levels across Prime Class A space, as well as other Class A and B/C completed office transactions in New York City. However, Prime Class A lease terms have come closest to filling the gap: Lease terms for this part of the market were 9.1 months shorter in 2023 as compared to 2019's quarterly average. Class B/C's average lease term across 2023's quarters fell short of eight years, despite an uptick at the end of the year due to large leases like Polo Ralph Lauren's 10-year renewal at 601 West 26th Street.

New York City, Average Lease Terms



20.

Source: CompStak. Lease terms are weighted by transaction size. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

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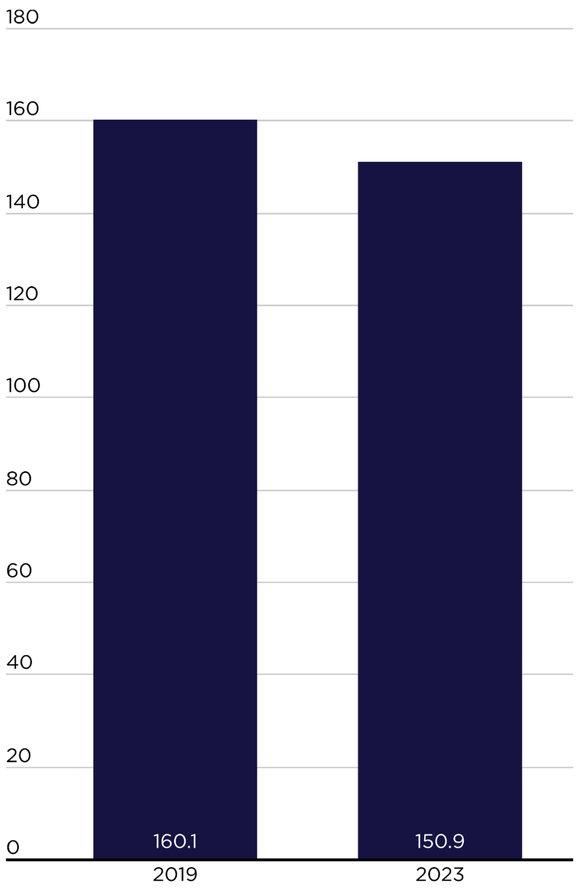
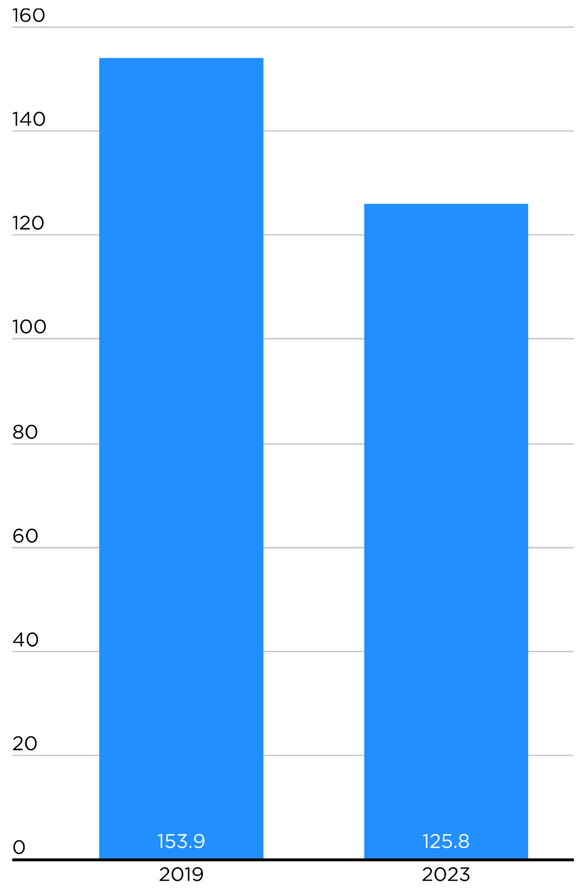
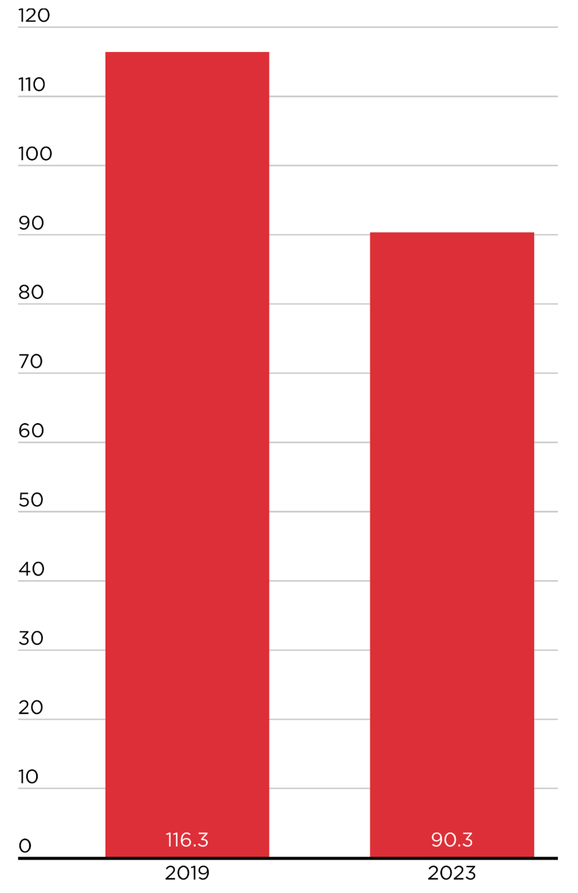
Prime Class A Quarterly Average



Other Class A Quarterly Average



Class B/C Quarterly Average



Source: CompStak. Lease terms are weighted by transaction size and quoted in months. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

20.

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21.

Prime Class A Reached Peak Transaction Sizes Since 2019 While Class B/C Demonstrates Resilience

Among closed transactions, New York City's average lease size has recovered to or surpassed pre-pandemic levels in 2018 or 2019 across Prime Class A buildings and Class B or C office buildings. Other Class A buildings, excluding those deemed "Prime," experienced a decrease in the average transaction size from 2020 through 2022. However, there was an uptick in 2023, though it still remained below the levels seen in 2019.

Average transaction size for deals closed in Prime Class A product, including trophy, new construction, or recently renovated Class A buildings, reached its highest level since 2019 in 2023, and surpassed the five-year average of 35,634 square feet. While much of the concern on falling demand centers around the future of Class B and C buildings, closed transaction sizes in New York City's office market in these building classes have increased each year since 2020. The average for 2023 among Class B/C transactions was driven up by a 530,000-square-foot lease from New York City government in Downtown Manhattan as well as Polo Ralph Lauren's renewal in Chelsea for more than 254,000 square feet.

New York City, Average Transaction Size

Prime Class A

35,634
Five-Year Average

38,579
2023 Average

Other Class A

24,510
Five-Year Average

23,759
2023 Average

Class B/C

10,880
Five-Year Average

14,593
2023 Average

Source: CompStak. Includes direct deals only. Prime Class A includes trophy, new construction (transactions completed within 10 years of building's built year and renovated Class A buildings (includes transactions completed in buildings recently renovated).

21.

22.

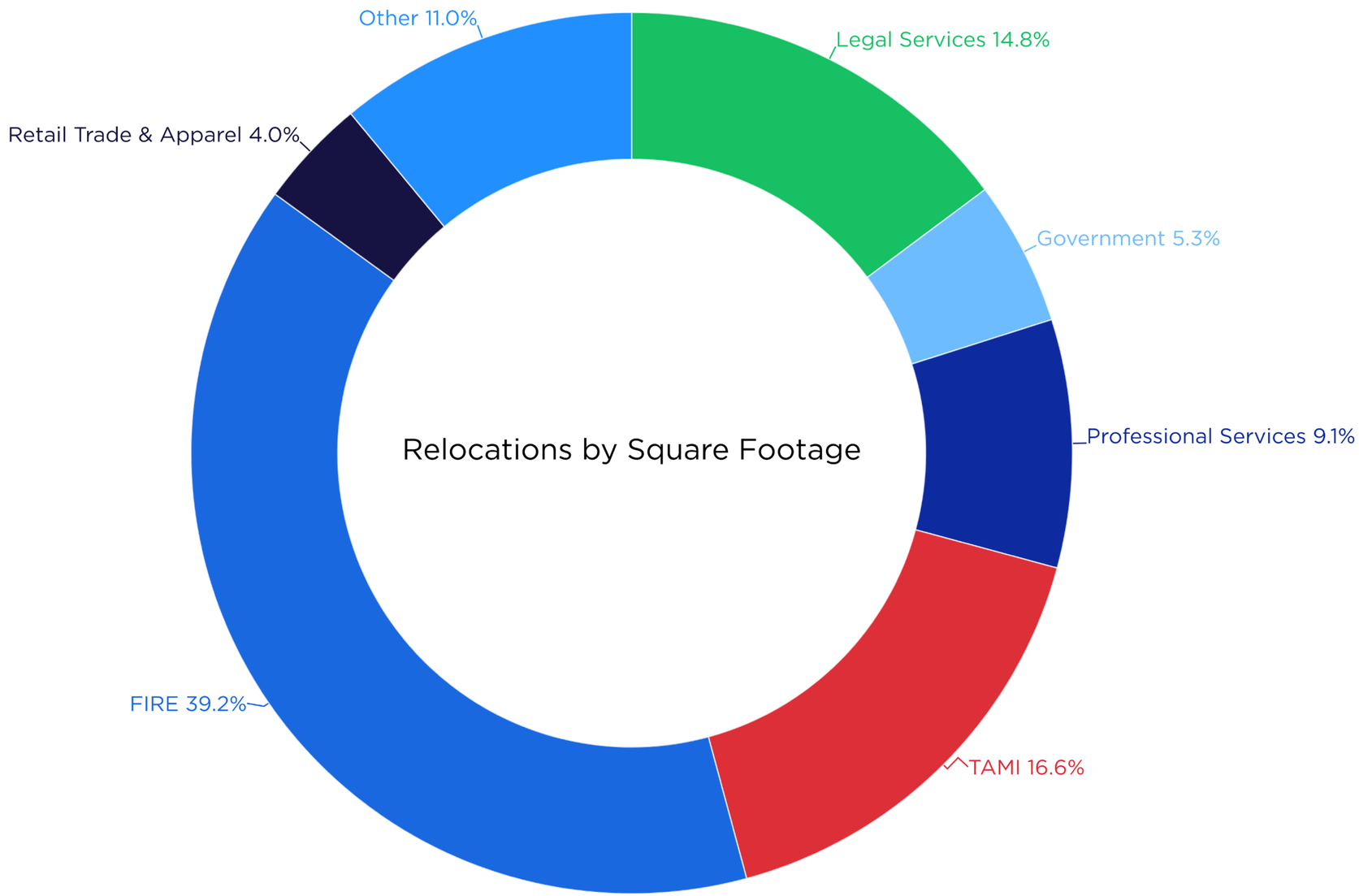
FIRE and TAMI Tenants Make Up Lion's Share of NYC Relocations Tracked Since April 2020

The FIRE sector (39.2%), followed by the TAMI sector (16.6%), accounted for the largest share of relocations by total square footage since April 1, 2020, according to CompStak's tracked relocations.

The most notable relocations included D.E. Shaw, the global investment firm, which topped FIRE relocations and will be moving from the Sixth Avenue submarket to a 282,505-square-foot space in Hudson Yards in 2022. IBM's relocation to 1 Madison Avenue in Gramercy Park/Union Square was among the largest TAMI moves, while Freshfields Bruckhaus Deringer's move from Midtown Eastside to World Trade Center ranked high for sizable Legal Services relocations since April 2020.

CompStak last analyzed this in fall 2022 upon CompStak's move to 675 Avenue of the Americas from 36 Cooper Square, both located in Midtown South.

New York City Relocations by Industry from April 2020



22.

Source: CompStak, data covers relocations to Manhattan office spaces from within New York City since April 2020.

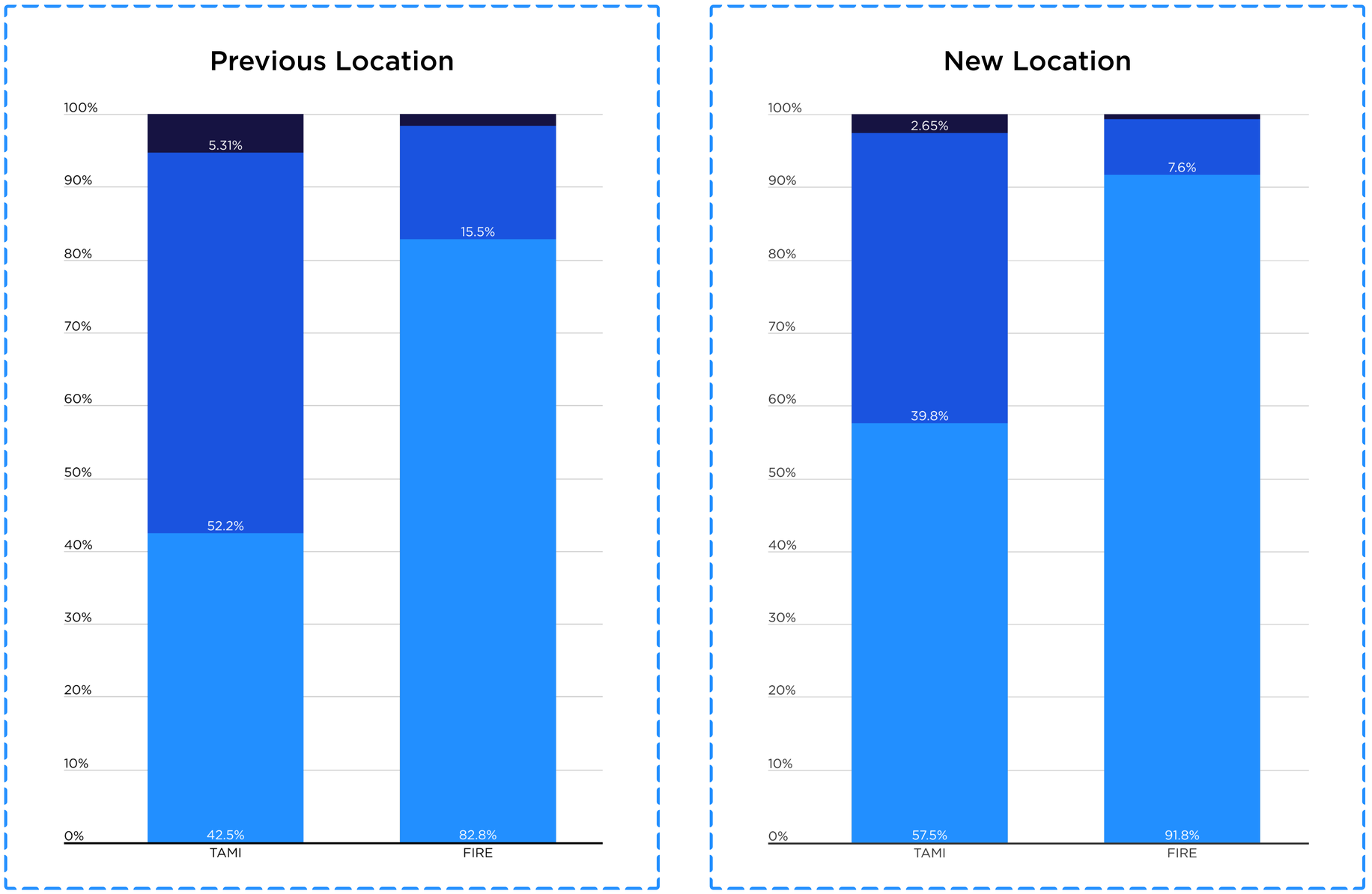
COMPSTAK

23.

TAMI and FIRE Tenants Preferred Moving to Larger, Newer, and Higher-Class Buildings

Since April 2020, the average size of the previous building of relocating TAMI and FIRE tenants is 672,461 square feet, while that of the newer location is 869,656 square feet. Most relocating tenants in both sectors opted for newer buildings, as well as ones of the equivalent or higher building class. Overall, more than 60% of tenants moved from one Class A building to another, but 16.2% upgraded their space from a Class B to a Class A building.

23.



Source: CompStak, data covers relocations to Manhattan office spaces from within New York City since April 2020.

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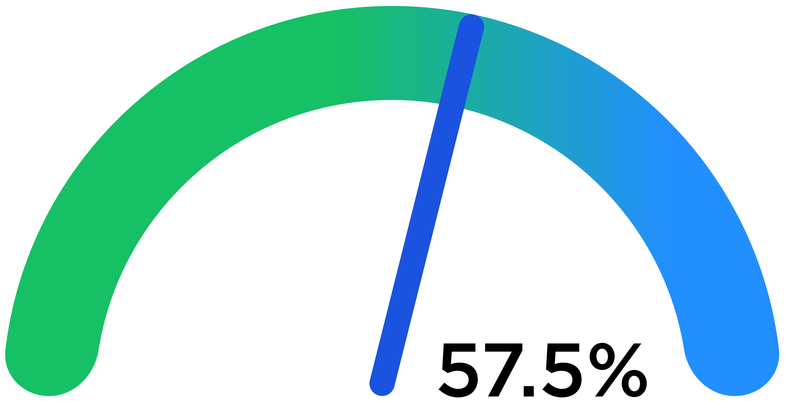
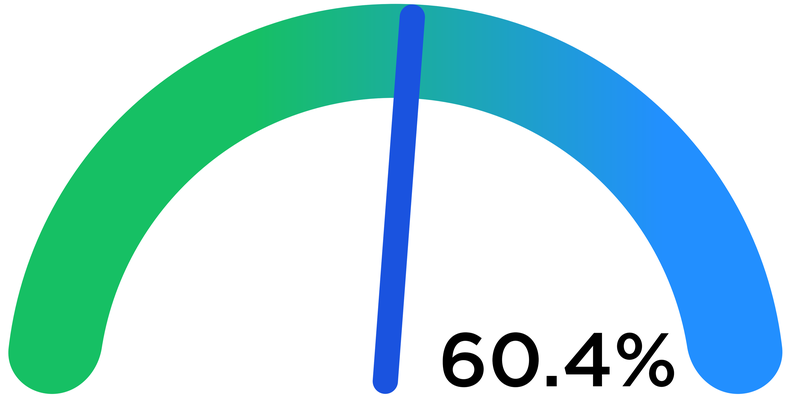
Share of Tenants Relocating to Newer Buildings

TAMI



SHARE OF TAMI TENANTS MOVING TO NEWER BUILDINGS

FIRE



SHARE OF FIRE TENANTS MOVING TO NEWER BUILDINGS

Source: CompStak, data covers relocations to Manhattan office spaces from within New York City since April 2020. The age of the building was analyzed by the maximum of the built and renovated year.

23.

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ALL TENANTS

60.1% *MOVED FROM ONE CLASS A BUILDING TO ANOTHER*

16.2% *MOVED FROM CLASS B TO CLASS A*

19.2% *MOVED TO A HIGHER CLASS ALTOGETHER*

TAMI TENANTS

31% *MOVED FROM ONE CLASS A BUILDING TO ANOTHER*

23.9% *MOVED FROM CLASS B TO CLASS A*

29.2% *MOVED TO A HIGHER CLASS ALTOGETHER*

Source: CompStak, data covers relocations to Manhattan office spaces from within New York City since April 2020.

23.

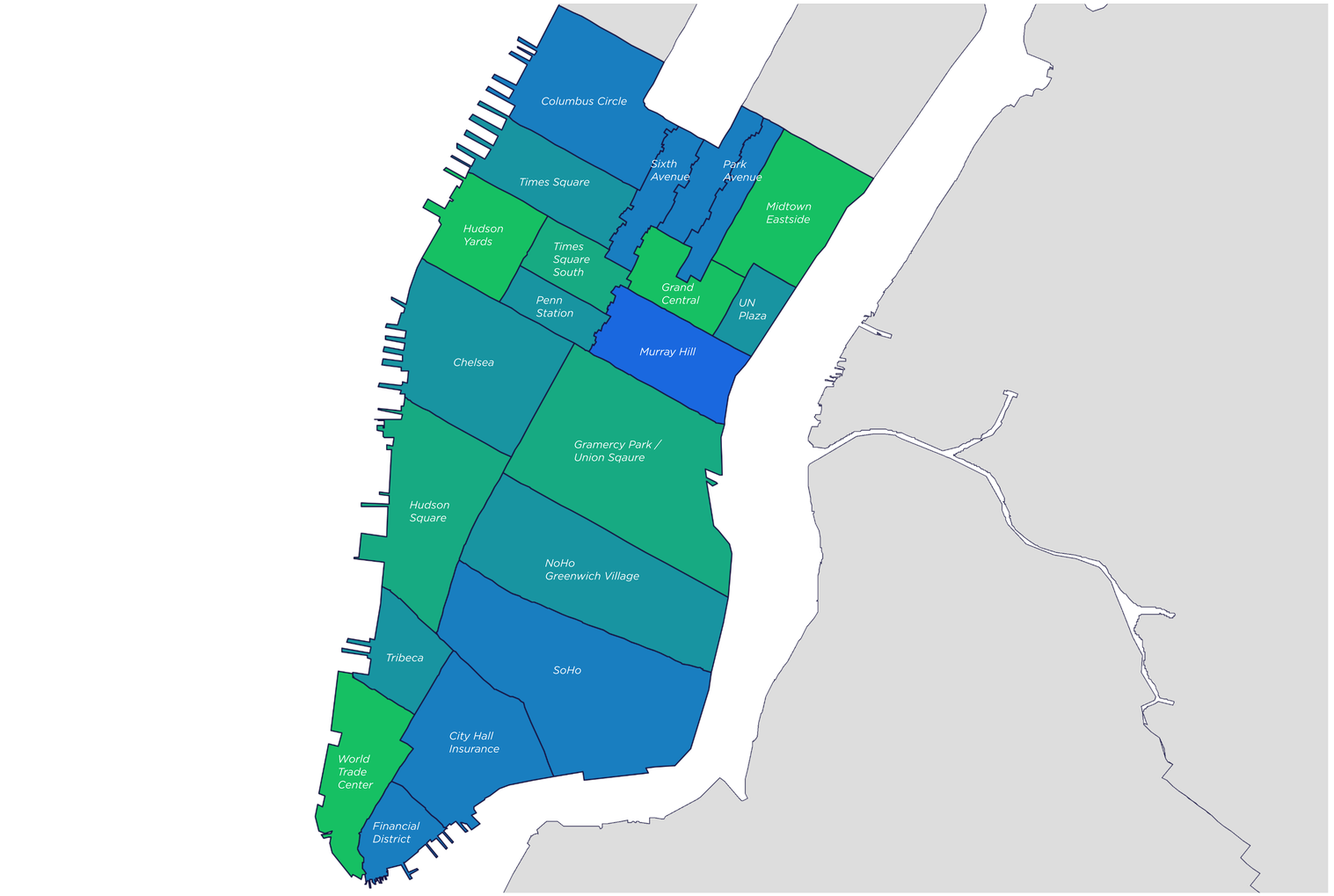
COMPSTAK

24. Grand Central Gained Most Relocating Tenants While Murray Hill Saw Biggest Exodus

Among the 21 Manhattan submarkets analyzed by CompStak and relocations tracked since April 2020, six submarkets yieled a net gain in their share of total tenants since April 2020, while nine lost and six remained stable.

Of all the submarkets, Grand Central saw the greatest net gain in office relocations, followed by Hudson Yards, World Trade Center, and Midtown Eastside. The Murray Hill submarket, meanwhile, saw the greatest net outflow of relocating tenants, alongside Sixth Avenue and Park Avenue, according to relocation data tracked by CompStak.

Change in Submarket Share, Prior Locations vs. New Locations



24.

Source: CompStak. Data represents change in percentage share of total number of tenants located in CompStak NYC submarkets among the relocations tracked since April 2020. If a tenant had multiple prior locations, the largest prior location by footprint was analyzed only.

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FOR MORE MARKET INSIGHTS FROM COMPSTAK PLEASE VISIT:

COMPSTAK.COM

FOR MEDIA INQUIRES, REACH OUT TO:

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NOTES:

- *Unless otherwise noted, data presented is sourced from CompStak and covers 11 major U.S. office markets including: Atlanta, Bay Area, Boston, Chicago, Dallas-Fort Worth, Los Angeles -OC-Inland Empire, New York City, San Francisco, and Washington D.C. and Philadelphia through 2023-year end.*

- *Concession ratios are defined as the ratio of the total value of concessions including free months and/or tenant improvement allowances to the total rent over term (not excluding free rent).*

- *Effective rents account for concessions including free rent and work value, where provided.*

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