

NYC Companies Are Shedding Office Space as Work Models Change

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industries,” according to Rob Gilman of Anchin.

Manhattan office users are actively downsizing in response to changing work models. Many employees either haven't returned to the office or have only returned part-time, reducing the demand for corporate office space. As a result, both new leasing activity and lease renewals are declining in the market.

“As leases renew, many companies are looking to take less space. One reason is that people aren't coming back into the office. The working model of coming in five days a week is something that we aren't going to see for a while in some industries. There is no reason why a company needs to take the same amount of space if people are coming in fewer days per week,” Rob Gilman, co-head of the real estate group at Anchin, tells GlobeSt.com.

Overall, there is no trend in terms of the industries that are staying in the office versus those that are downsizing. “It isn't necessarily industry related. It is company by company. Each company is going to have their own rules going forward,” says Gilman.

However, financial services industries are mostly returning to the office as pre-COVID and keeping their office space. TAMI companies, on the other hand, are more actively shedding space. This includes technology firms, which have embraced work-from-home work styles. In addition, law firms, accounting firms and other professional services companies. “Law firms are giving two-to-three day per week mandates, and they are choosing to downsize,” adds Gilman.

While companies are downsizing, Gilman calls the reduction in space is insignificant, in many cases. Companies with a 200,000-square-foot space, for example, might shed 20,000 square feet and retain a 180,000-square-foot footprint. Of course, those spaces add up. According to the most recent quarterly report from CBRE, they have added up to a 19.5% vacancy rate, up 230 basis points from the same time last year. Lease renewals are down 36% and new leases are down 9%.

Although there is a trend of companies rightsizing, Gilman notes that new leasing activity hasn't ended. “There are still new companies that are leasing space and there are growing companies that are taking space,” he says. Among the companies

leasing new space is small companies transitioning from co-working properties. “Not necessarily in the budget and now they are taking less space to save money. That is not what is happening,” explains Gilman. “A company that was paying \$40 per square foot on a 100,000 square foot lease, they might only want to spend \$4 million, but now an equivalent lease.”

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