

BRIEF | Evolving Workforces

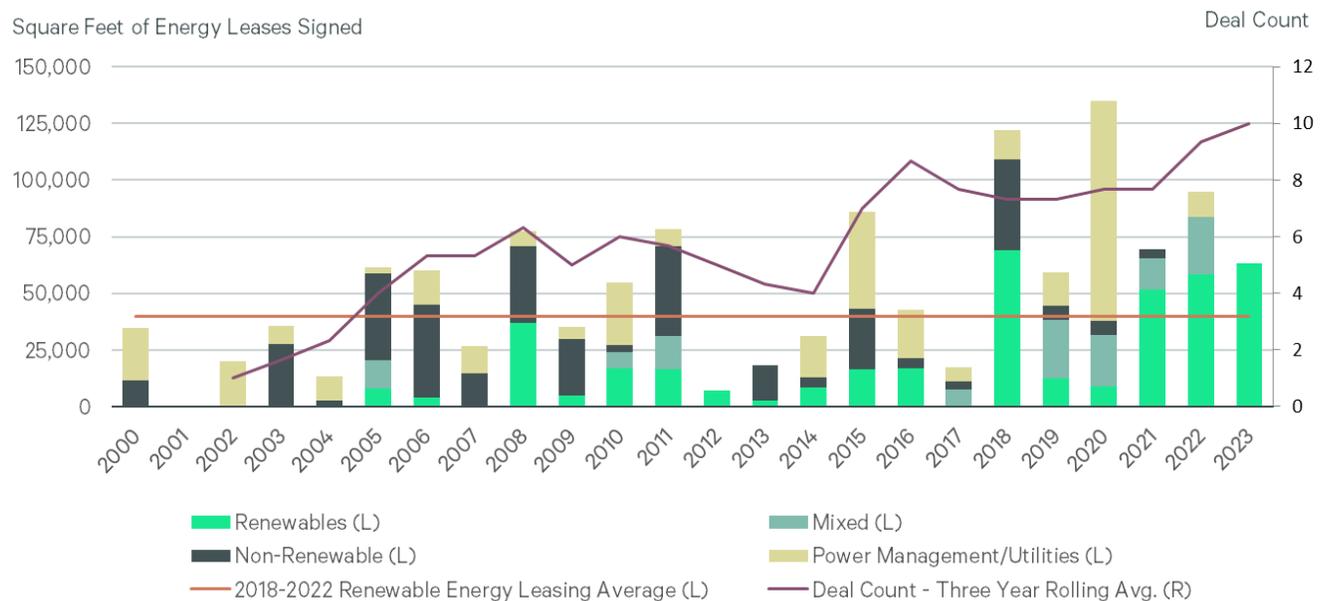
# NYC’s Energy-Related Leasing Rises in Response to State’s Transition to Renewables

New York State’s drive to source 70% of its power from renewable sources by 2030 and to have a zero-emission electric sector by 2040 has made a noticeable appearance in New York City’s office leasing market.

Over \$50 billion has been committed to the state’s energy transition since 2019 with most of this funding going toward offshore windmills, solar arrays and battery storage, electric vehicle charging stations, and a nearly 350-mile-long clean energy transmission line. These projects are in various stages of development.

While still modest, a growing number of energy-related firms are setting up bases or expanding their office presence in New York City as they look to capitalize on New York’s nascent green energy transition. Over four years after New York State laid out its transition goals in the Climate Leadership and Protection Act (passed July 2019), green-energy related businesses and the investment firms that back them are signing leases at a record pace.

**FIGURE 01: Green Energy Firms Advance on NYC as State Money Flows to Energy Transition**  
Office Leases by Renewable and Non-Renewable Energy-Related Firms, 2000-2023\*



\*Renewable firms include those solely involved in wind and solar energy technologies and renewable energy transmission infrastructure while non-renewable firms are those solely involved in carbon-based energy production. Mixed companies work with both carbon-based and renewable energy services.

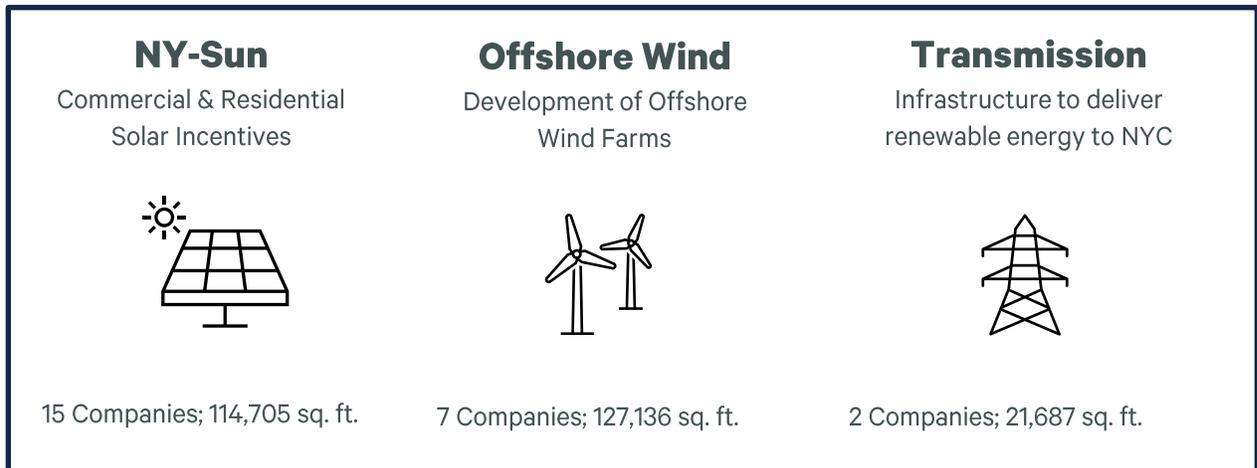
Source: CBRE Research, Q1 2024.

Local production of renewable energy provides economic development opportunities that New York could not access in a fossil-fuel driven economy. Three of the best years for energy-related leasing in New York City have occurred since 2018, and 65% of energy-related leasing since 2018 has been for companies involved in renewables compared to 26% for all energy leases between 2000 and 2017.

A record 13 energy-related firms -including a record nine renewable companies – signed leases in 2022, following a strong year in 2021 when 10 energy-related leases – of which seven were renewable firms – were signed. In 2023, eight energy-related firms – all renewable – signed NYC leases.

**FIGURE 02:** Aggregate NYC Leasing by Companies Working on New York State’s Transition Programs Between 2019 and 2023

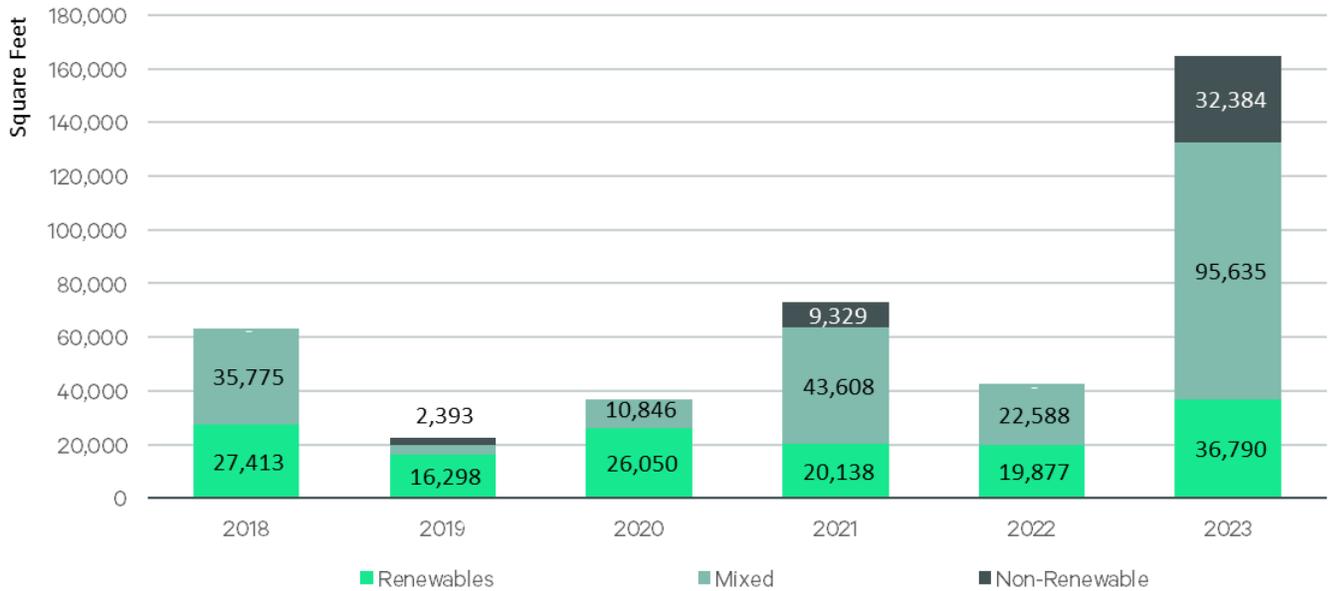
Leases Signed by Firms Involved in Climate Leadership and Protection Act Programs (passed July 2019)



Source: CBRE Research, Q1 2024.

Many of New York’s renewable energy projects are backed by investment firms that are also located in New York. These firms provide the capital needed by renewable energy providers to build wind, solar, and other reduced-impact energy infrastructure across the state and globally. Since 2018, 27 private equity and business services firms with a specialized focus on energy-related investment have leased 400,000 sq. ft. in Manhattan with 12 of these firms holding all-renewable portfolios. Energy-related investment leasing hit 165,000 sq. ft. across ten transactions in 2023 against the backdrop of the state’s advancing energy transition programs.

FIGURE 03: Manhattan Leasing by Investment Firms Focused on the Energy Industry, 2018-2023



Source: CBRE Research, Q1 2024.

Several regulatory and financial challenges remain for the state's energy transition, chief among which are rising development costs. Despite this, the State appears committed to its goal of achieving a clean grid by 2040. While the current roster of clean energy developers, servicers, and investors may shift over time and in response to project challenges, it is clear that developing an in-state energy industry will generate some demand for commercial real estate as companies involved in operating and maintaining green infrastructure and managing the power they generate set up shop.

While energy-related enterprises are not expected to become a major occupier of office space, the state's pivot to renewables creates a local energy industry where one did not previously exist. Whatever setbacks occur, the drive towards a carbon-free grid will create new opportunities for green energy companies, engineering firms, and the funders who back these ventures to establish operations in New York City.

Even as turmoil within the programs arises, it's likely that the state's energy transition will muscle forward with upsides for the city's property markets.

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