

# MIDTOWN MANHATTAN OFFICE MARKET

Q4 2024



## TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE (NYC)	5.4	5.3	↑	7.7	↔
NET ABSORPTION (Thousands SF)	2,496.2	1,429.9	↑	(463.5)	↑
OVERALL VACANCY RATE	15.3%	15.4%	↓	12.9%	↔
OVERALL VACANT SF (MSF)	43.4	44.0	↓	36.6	↔
UNDER CONSTRUCTION (MSF)	0.5	0.5	↔	6.0	↔
ASKING RENT (PSF)	\$82.22	\$80.86	↑	\$80.05	↑
SALES VOLUME (Millions)	\$2,110.1	\$1,242.7	↑	\$1,064.4	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

## LARGE DEALS DRIVE ROBUST LEASING IN MIDTOWN

Midtown leasing topped 6.9 million square feet in the fourth quarter, contributing to 24.5 MSF of deals in 2024 and accounting for more than 80% of Manhattan activity. There were five leases exceeding 300,000 SF, led by a 924,800 SF renewal and expansion from Bloomberg at 919 Third Avenue. Both Class A and Class B recorded positive absorption, contributing to one of the highest quarterly results in over a decade, and availability dropped to its lowest point since late 2020. Asking rents continued their upward momentum as both new and newly renovated spaces remained in demand.

“Both quarterly and yearly results point to the office market being in a better position as we enter 2025,” said Chase Gordon, Senior Vice President, Transwestern. “Most notably, leasing velocity picked up over the second half of 2024, and most of the activity remains concentrated in Midtown as well as top tier assets located near major transit hubs. This level of activity indicates increased market confidence among tenants as well as select landlords who are well positioned to take advantage of the market dynamics.”

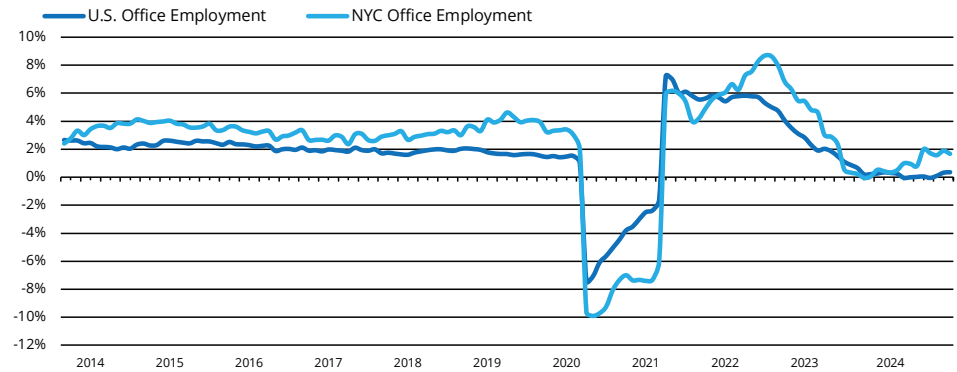


### ECONOMY

#### NYC's office jobs continue to increase ahead of the national pace

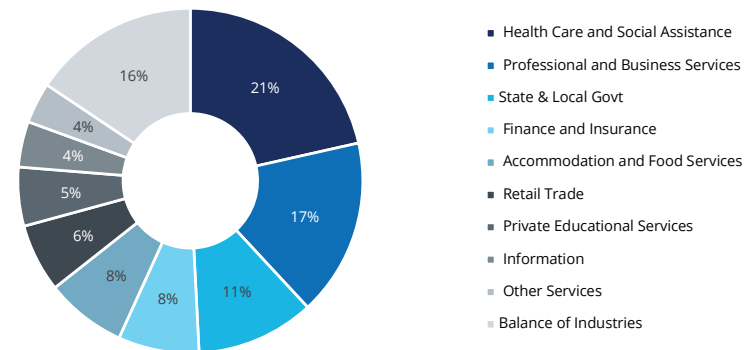
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Job growth was below 1% per annum during the first half of 2024 but has accelerated since July, most recently to 1.7%.
- The unemployment rate in New York City currently stands at 5.4%, the upper edge of the tight range it has occupied for the last two years. The national unemployment rate is 4.2%, compared with its early 2020 bottom of 3.5%.
- Hiring for office jobs also improved nationally, but growth remains flat compared with NYC's pace.
- The Health Care & Social Assistance industry continues to dominate NYC's job creation with roughly 83,600 new jobs added over the past year. This far surpasses all other sectors, though significant increases were also seen in the Accommodation & Food Services sector and the State and Local Government sectors. On the downside, some of the larger office-using sectors coped with a net loss of jobs over the past year.
- As the commercial real estate market stabilizes further, long-term decision making by occupiers is becoming less fraught. New York's diverse business economy provides a strong foundation that will continue to propel the city forward, and employment growth in traditional office-using sectors should lead to further confidence as we move through 2025.

### Y-O-Y CHANGE IN OFFICE JOBS



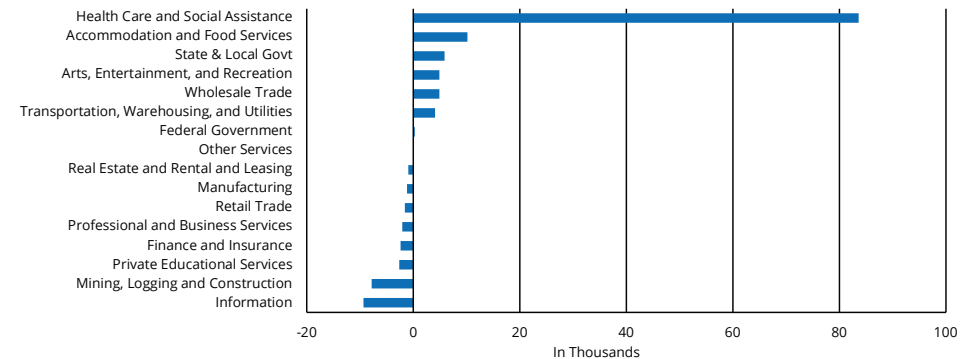
### SHARE OF EMPLOYEES BY INDUSTRY

New York City | November 2024



### Y-O-Y CHANGE IN JOBS BY INDUSTRY

New York City



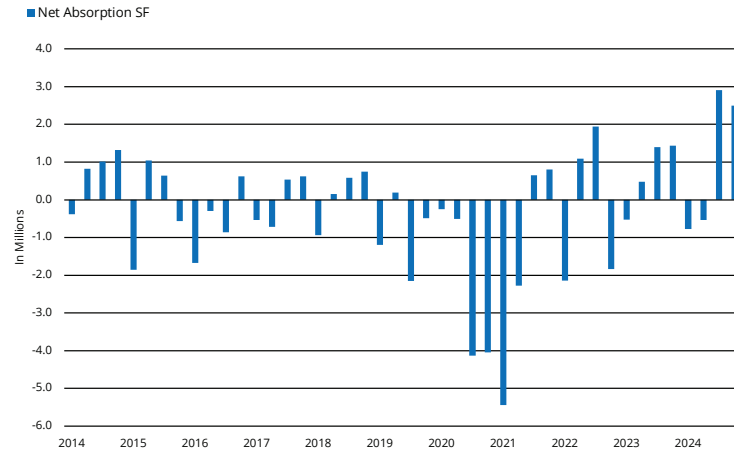


### NET ABSORPTION

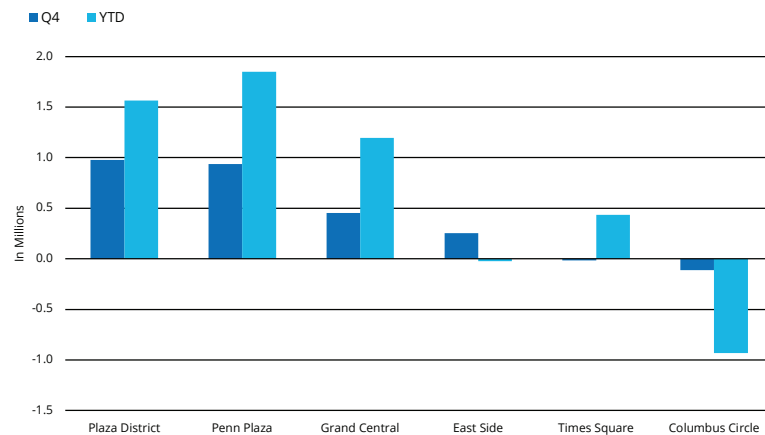
#### Robust leasing drives strong absorption

- Midtown absorption reached 2.5 MSF in the fourth quarter, one of the highest totals seen in the last decade. The elevated result was largely driven by leasing, in contrast with Q3, which was heavily boosted by withdrawals, such as those at 5 Times Square (tapped for partial residential conversion) and 135 W 50th Street (sold at auction and withdrawn from the market). The last two quarters' robust take-up contributed to 4.1 MSF of absorption in 2024, the highest in at least ten years, and well ahead of the 2.8 MSF recorded in 2023.
- The largest new lease of the quarter was Citadel's 491,100 SF signing at 660 Fifth Avenue in the Plaza District submarket. This submarket, which recorded Midtown's highest absorption at 975,700 SF, also scored two large renewal/expansions at 375 Park Avenue: Blue Owl Capital signed for 237,100 SF and Churchill Asset Management took 78,200 SF. Full year absorption in the Plaza District was 1.6 MSF.
- Penn Plaza came in slightly ahead of the Plaza District with 1.8 MSF of take-up in 2024. In-quarter absorption of 937,500 SF was boosted by WeWork's 303,700 SF lease, signed on behalf of Amazon at 330 West 34th Street, and TPG's 301,300 SF lease at The Spiral (66 Hudson Boulevard).
- Surpassing all of these deals was Bloomberg's 924,800 SF renewal and expansion at 919 Third Avenue. The global tech/media company added almost 176,000 SF to its existing footprint, helping drive 255,100 SF of absorption in the East Side submarket, though full-year take-up was flat.
- Midtown claimed the bulk of Manhattan's fourth quarter leases, as tenants flocked to its trophy assets in transit-friendly locations. The recent spate of long term deals and expansions by notable tenants are indicators of continued confidence, boding well for improved submarket absorption in 2025.

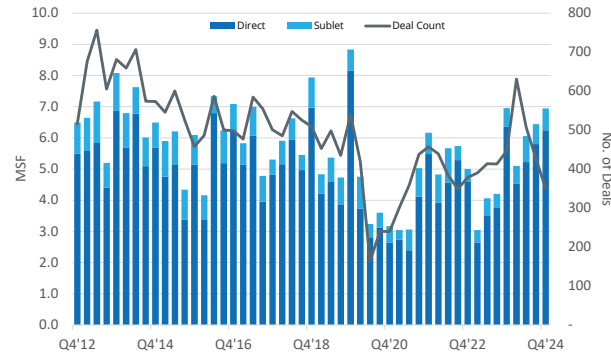
### NET ABSORPTION - MIDTOWN



### NET ABSORPTION BY SUBMARKET



### MIDTOWN LEASING ACTIVITY



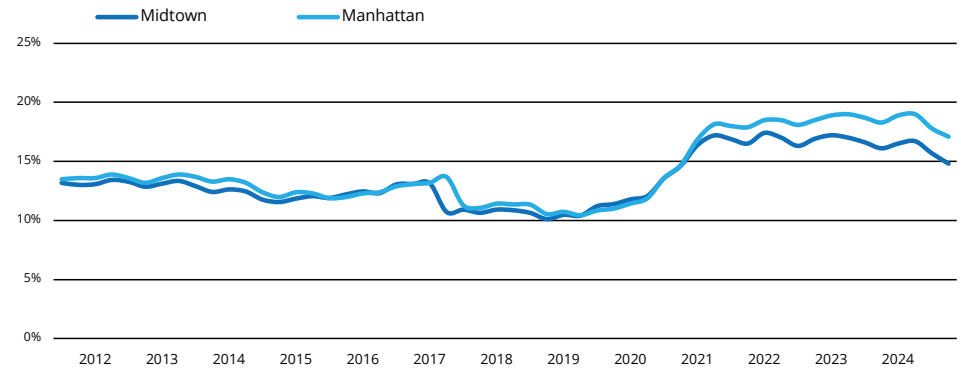


### AVAILABILITY

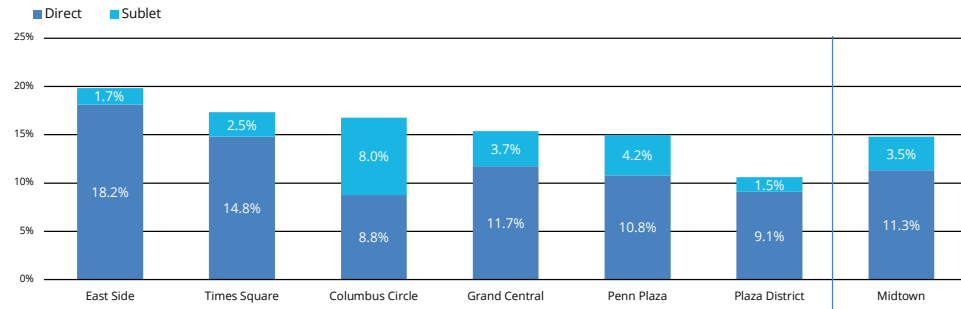
#### Midtown availability hits four-year low

- Midtown’s overall availability rate decreased by 0.9 percentage points [pp] to 14.8% in Q4 2024, the lowest since late 2020 and 1.3 pp lower than a year ago. For reference, the submarket’s average availability from 2015 to 2020 was 11.5%.
- Both sublet and direct availability decreased from Q3, with sublet availability falling to 3.5%, a hair above its year-ago level. Two of Midtown’s submarkets, the East Side and the Plaza District, have sublet availability rates below 1.8%, some of the lowest levels in Manhattan.
- The Plaza District also has the lowest overall availability in Manhattan at 10.6%. The rate has fallen by more than 2 pp over the last two quarters as strong leasing was bolstered by strategic space removals. Large withdrawals this quarter included direct blocks of 69,300 SF at 150 East 58th Street and 56,600 SF at 299 Park Avenue, and a 70,100 SF sublet block at 375 Park Avenue.
- Most of Midtown’s submarkets registered a decrease in availability in Q4. The exception was Columbus Circle, which rose 0.2 pp to 16.8%. The submarket did score one of the largest leases, Ropes & Gray’s 390,800 SF direct deal at 1285 Avenue of the Americas, but there was no change in availability as the company is taking over space that was not being actively marketed.
- As the flight to quality continues to tighten availability levels at Midtown’s trophy assets, we expect Class B to take on some of the overflow. Excess sublet space remains a concern, but current conditions still favor tenants who are actively looking for a home in the submarket.

### SUBMARKET AVAILABILITY VS MANHATTAN



### SUBMARKET AVAILABILITY



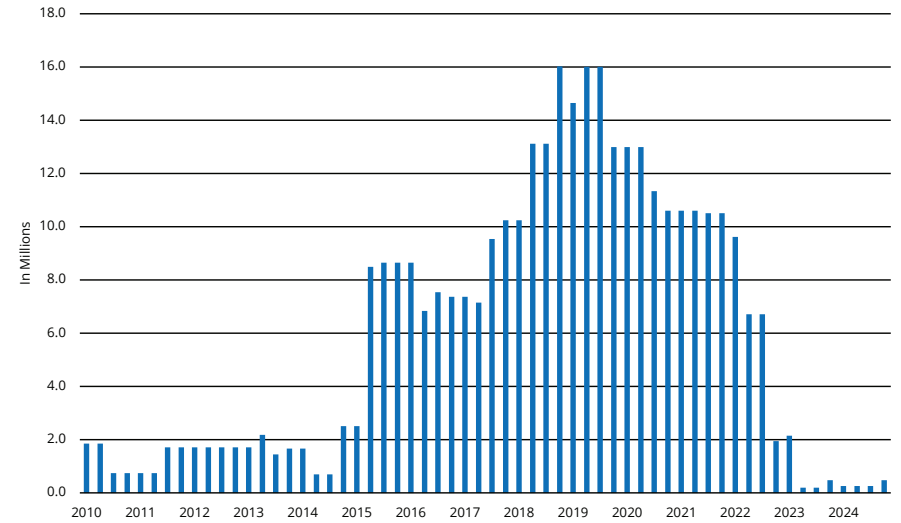


### UNDER CONSTRUCTION

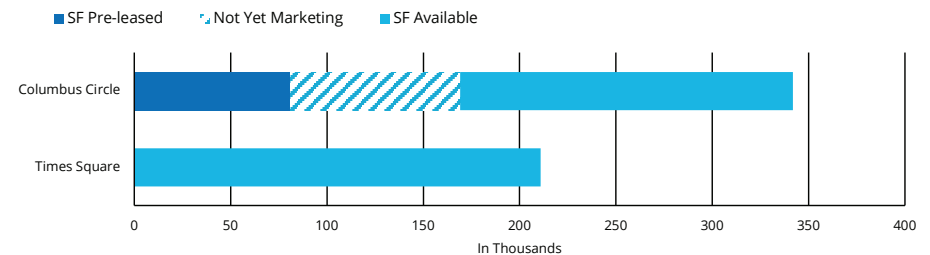
#### Development and redevelopment seek a balance

- New office construction in Midtown remains near its lowest level in more than a decade. Some of the few active projects include 125 West 57th Street (260,000 SF), the first new core addition to the Columbus Circle submarket since 2014, and a 211,000 SF tower at 520 Fifth Avenue in the Times Square submarket, which topped out in October. In a promising sign, ground was broken on a new MTA entrance at 343 Madison Avenue in Grand Central, though not for the building itself.
- Amid the dearth of new construction, existing assets are relying on renovations and capital improvements in order to compete for tenants. In Penn Plaza, PENN 2 has nearly 1.3 MSF of recently renovated space available, while the East Side’s 850 Third Avenue was an early recipient of an M-CORE tax abatement, designed to finance renovations at aging properties.
- In addition, there is nearly 9 million SF of new office product proposed in Midtown, dominated by several multi-use projects with large office components. These include Citadel’s Enterprise Building (350 Park Avenue), Related’s 70 Hudson Yards, Extell’s 570 Fifth Avenue, Georgetown’s West Chelsea Waterfront (260 Twelfth Avenue) and RXR’s Commodore (175 Park Avenue). While buildings of this scope would likely require the securing of an anchor tenant before getting underway, this may be less difficult than in previous years; large users faced with a very limited pipeline will recognize the need to step up or risk missing out.
- In the meantime, it will be important to monitor whether continued demand for top tier assets, coupled with the lack of new stock, will lead to increased activity in secondary markets and Class B buildings.

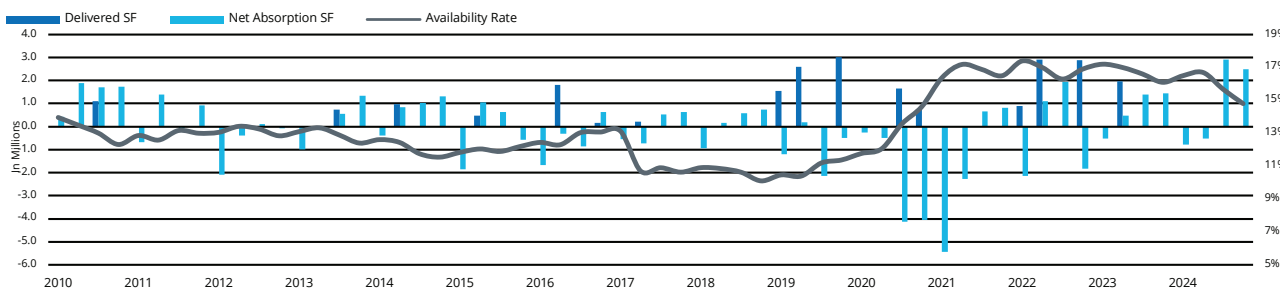
### UNDER CONSTRUCTION - MIDTOWN



### UNDER CONSTRUCTION BY SUBMARKET



### DELIVERY IMPACT ON KEY INDICATORS



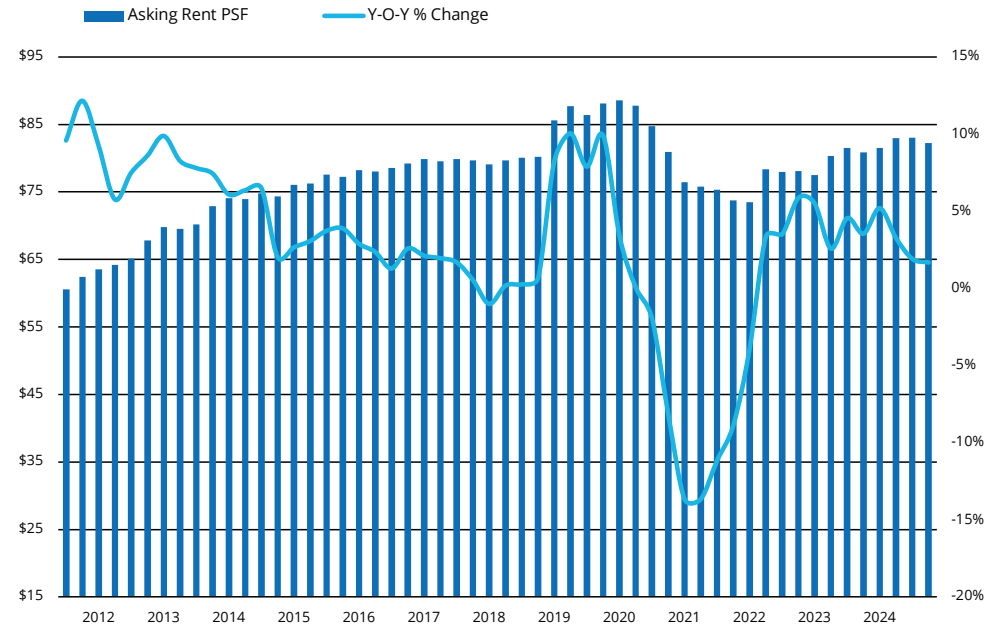


### RENTAL RATES

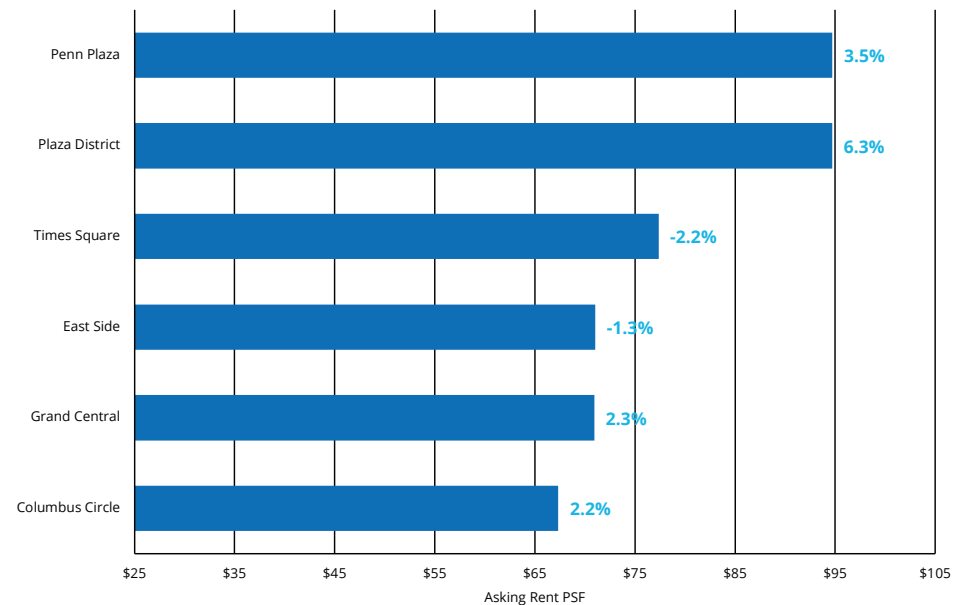
#### Decrease in trophy availability generates lower asking rents

- Midtown’s average asking rent decreased 1.0% to \$82.22 PSF in the fourth quarter, as high priced spaced was leased up, leaving lower priced spaces behind. Despite the quarterly decline, rents have seen eleven consecutive quarters of annual growth, beginning with Q2 2022, and are 1.7% higher than a year ago.
- Recent rent growth can be largely attributed to high asking prices at new and renovated trophy assets like 550 Madison Avenue, 9 West 57th Street, 30 Hudson Yards, Lever House (390 Park Avenue), and 425 Park Avenue, all with asking rates over \$200 PSF. Several of these have availabilities exceeding 100,000 SF. Average Class A rents are within 5% of their early 2020 peak and 2.7% higher than their year-ago level.
- Meanwhile, the excess sublet space that has been applying downward pressure on asking rates has begun to ease. Midtown’s available sublet space peaked at 12.5 MSF in early 2023, and has since decreased by more than 2.6 MSF, removing a sizable amount of this lower-priced space from the submarket average.
- Despite fluctuating market conditions, the newest trophy and Class A+ spaces with upgraded amenities are fetching premium prices. The other side of this coin is that we are seeing increased opportunities for tenants in terms of asking rents and concessions at non-trophy and Class B assets, particularly those with high vacancies and those not well situated for public transportation.

### ASKING RENT - MIDTOWN



### ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



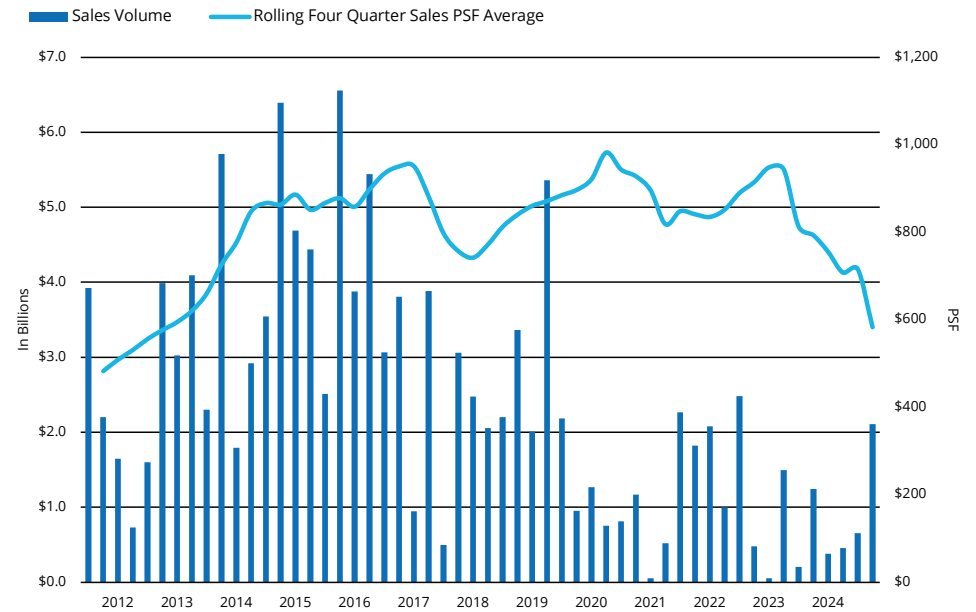


### SALES

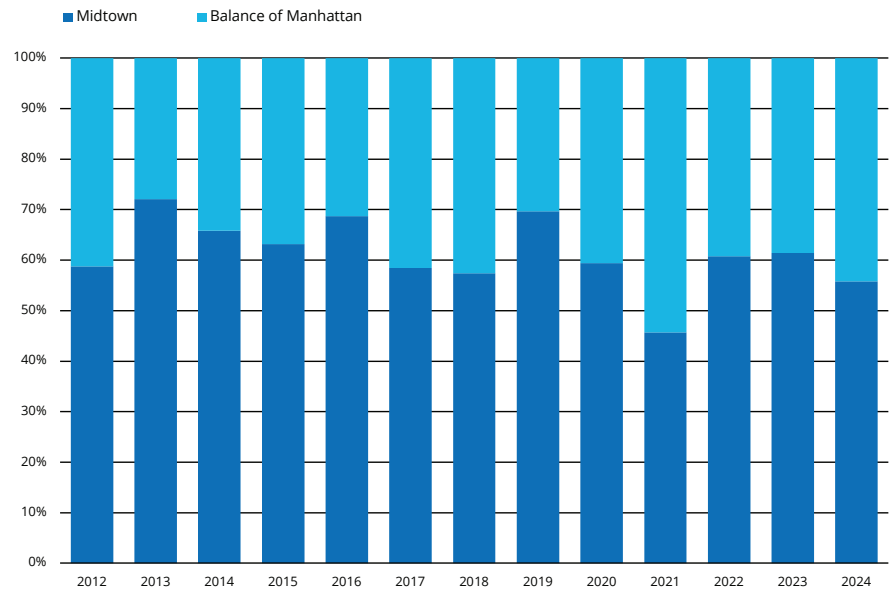
#### Office sales gaining momentum

- Midtown office sales took a big step up in Q4, reaching \$2.1 billion, almost double the quarterly average recorded over the last five years. Total volume for 2024 was \$3.6 billion, compared with \$3.0 billion in 2023.
- Midtown’s Plaza District submarket was the site of three major sales this quarter. Extell bought 655 Madison Avenue for \$159.4 million, working out to \$804 PSF for sellers Jamestown and Williams Equities. Around the corner, Morgan Stanley sold 500 Park Avenue to SL Green for \$130 million, or \$650 PSF. Additionally, Munich RE and MEAG bought 320 Park Avenue from Mutual of America for an undisclosed sum; the deal was estimated to have closed between \$500 and \$525 million.
- Stakes were also traded in two colossal Midtown buildings, though pricing was mostly kept under wraps. In the Grand Central submarket, Mori Building bought a minority stake in 1 Vanderbilt from SL Green; the deal was said to value the building at \$4.7 billion. Across town, Apollo Global RE bought a minority stake in 5 Times Square from RXR. That building is now slated for a partial residential conversion.
- Another notable transaction was the sale of 1375 Broadway in Penn Plaza for \$185.2 million. American Exchange Group and 60 Guilders bought the building from Declaration Capital and Savanna for \$361 PSF.
- Sales have accelerated over the past year as more clarity has come to the market regarding valuations, and some investors are scooping up distressed assets at bargain prices. While debt remains costly, the recent interest rate cuts will help attract further activity in coming quarters.

### SALES VOLUME - MIDTOWN



### MIDTOWN % OF MANHATTAN SALES VOLUME





## NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
BLOOMBERG	919 Third Ave	East Side	Renewal / Expansion	924,800
CITADEL	660 Fifth Ave	Plaza District	Direct	491,100
ROPES & GRAY	1285 Avenue of the Americas	Columbus Circle	Direct	390,800
WEWORK ON BEHALF OF AMAZON	330 W 34th St	Penn Plaza	Direct	303,700
TPG	66 Hudson Blvd	Penn Plaza	Direct	301,300

## NOTABLE NEW AVAILABILITIES

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
1185 AVE OF THE AMERICAS	Midtown	232,300	Direct
315 W 36TH ST	Penn Plaza	139,900	Direct
1345 AVE OF THE AMERICAS	Columbus Circle	84,700	Sublet
477 MADISON AVE	Plaza District	80,900	Direct
685 THIRD AVE	Grand Central	72,100	Direct

## NOTABLE SALES

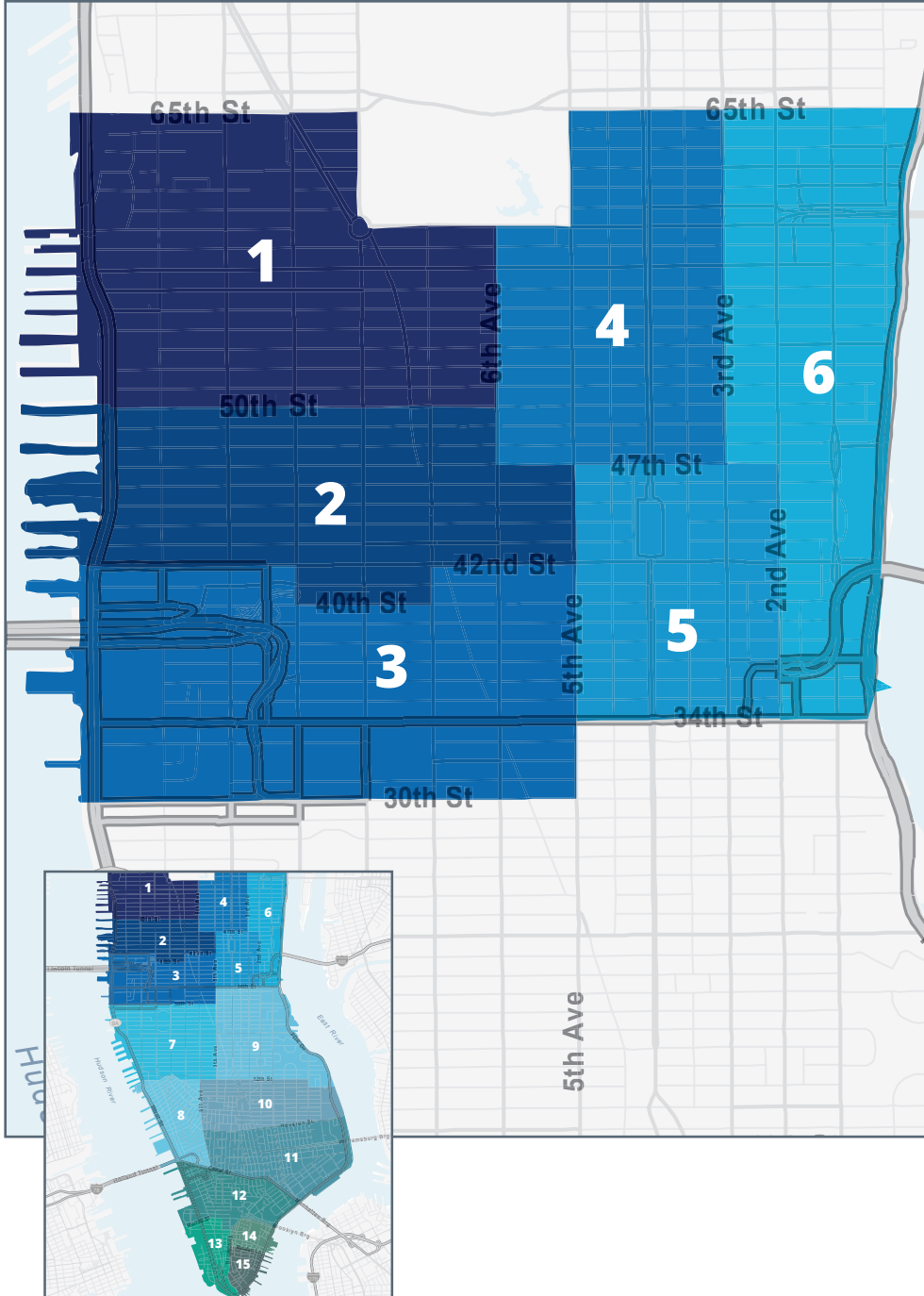
ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
320 PARK AVE	Plaza District	NA	766,000	NA	Munich RE, MEAG	Mutual of America
ONE VANDERBILT	Grand Central	NA	1,733,000	NA	Mori Building	SL Green
5 TIMES SQUARE (LEASEHOLD)	Times Square	NA	1,132,870	NA	Apollo Global RE	RXR Realty
1375 BROADWAY	Penn Plaza	\$185,201,900	513,000	\$361	American Exchange Group, 60 Guilders	Declaration Capital, Savanna
655 MADISON AVE	Plaza District	\$159,433,334	198,347	\$804	Extell	Jamestown, Williams Equities
500 PARK AVE	Plaza District	\$130,000,000	200,000	\$650	SL Green	Morgan Stanley



**MARKET INDICATORS**

All Classes of Space | Q4 2024

SUBMARKET	INVENTORY SF	NET ABSORPTION SF	YTD NET ABSORPTION SF	OVERALL AVAILABILITY RATE	OVERALL VACANCY RATE	CLASS A AVERAGE RENT PSF	CLASS B AVERAGE RENT PSF	OVERALL AVERAGE RENT PSF
COLUMBUS CIRCLE	30,574,072	-111,442	-931,623	16.8%	15.2%	\$69.50	\$58.49	\$67.34
EAST SIDE	14,849,946	255,107	-22,566	19.8%	17.6%	\$71.65	\$62.73	\$71.03
GRAND CENTRAL	57,205,087	454,261	1,194,145	15.4%	15.6%	\$69.82	\$76.74	\$70.93
PENN PLAZA	69,510,449	937,509	1,849,174	15.0%	16.3%	\$115.36	\$54.23	\$94.72
PLAZA DISTRICT	69,936,889	975,739	1,565,607	10.6%	12.5%	\$95.10	\$87.79	\$94.70
TIMES SQUARE	42,235,090	-14,959	436,034	17.3%	16.9%	\$81.80	\$58.12	\$77.36
<b>MIDTOWN TOTAL</b>	<b>284,311,533</b>	<b>2,496,215</b>	<b>4,090,771</b>	<b>14.8%</b>	<b>15.3%</b>	<b>\$87.17</b>	<b>\$61.24</b>	<b>\$82.22</b>



### NEW YORK OFFICE SUBMARKETS

#### Midtown

- 1** Columbus Circle
- 2** Times Square
- 3** Penn Plaza
- 4** Plaza District
- 5** Grand Central
- 6** East Side

#### Midtown South

- 7** Chelsea/Flatiron
- 8** Hudson Square
- 9** Gramercy Park
- 10** Greenwich Village
- 11** SoHo

#### Downtown

- 12** City Hall/Tribeca
- 13** World Trade Center
- 14** Insurance District
- 15** Financial District

### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in Manhattan. This report includes single-tenant and multi-tenant Class A and B office properties with at least 100,000 SF in Midtown, 50,000 SF in Midtown South, and 75,000 SF in Downtown.

### FOR MORE INFORMATION

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### ABOUT TRANSWESTERN

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