



TRANSWESTERN

# DOWNTOWN MANHATTAN OFFICE MARKET

## Q4 2024



### TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	5.4	5.3	↑	7.7	↔
NET ABSORPTION (Thousands SF)	(351.4)	938.3	↓	(440.3)	↑
OVERALL VACANCY RATE	21.0%	19.9%	↑	16.4%	↔
OVERALL VACANT SF (MSF)	19.2	18.2	↑	15.2	↔
UNDER CONSTRUCTION (MSF)	0.2	0.2	↔	0.1	↔
ASKING RENT (PSF)	\$55.09	\$55.48	↓	\$58.29	↔
SALES VOLUME (Millions)	\$99.9	\$7.7	↑	\$272.1	↑

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

## DOWNTOWN TAKES A BREATHER

Downtown leasing dipped below 500,000 SF in the fourth quarter, bringing the year’s total to just 2.7 MSF. Availability increased from last quarter and rents fell, both from Q3 and from a year ago. Quarterly absorption was negative for Q4, but the strong third quarter helped drive positive absorption for the full year, ahead of 2023’s total. While excess sublet availability is still a concern, the removal of underused space through redevelopment and residential conversion continues and should help submarket fundamentals as we begin the new year.

“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. “While Downtown’s leasing velocity remained somewhat muted compared to the rest of Manhattan, absorption has been positive in four of the last six quarters. That steady level of activity indicates growing market confidence among tenants as well as select landlords who are well positioned to take advantage of the market dynamics.”

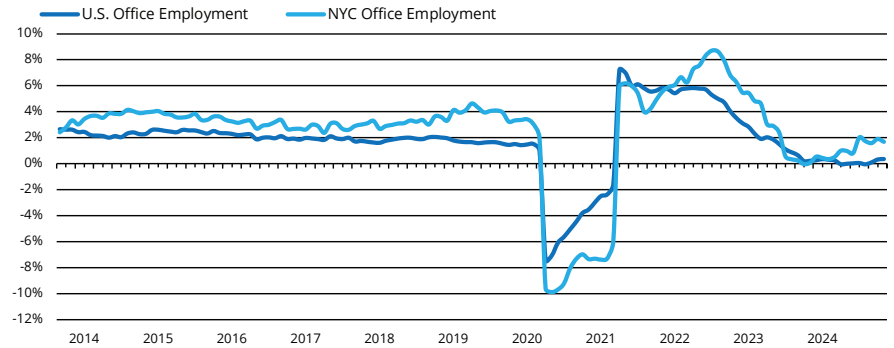


### ECONOMY

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

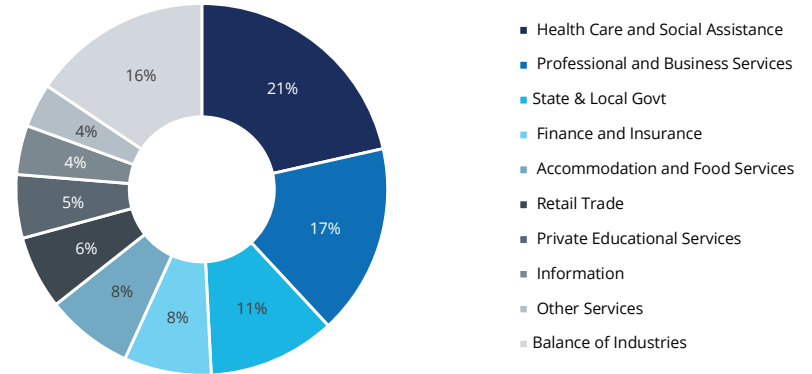
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Job growth was below 1% per annum during the first half of 2024 but has accelerated since July, most recently to 1.7%.
- The unemployment rate in New York City currently stands at 5.4%, the upper 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, but 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



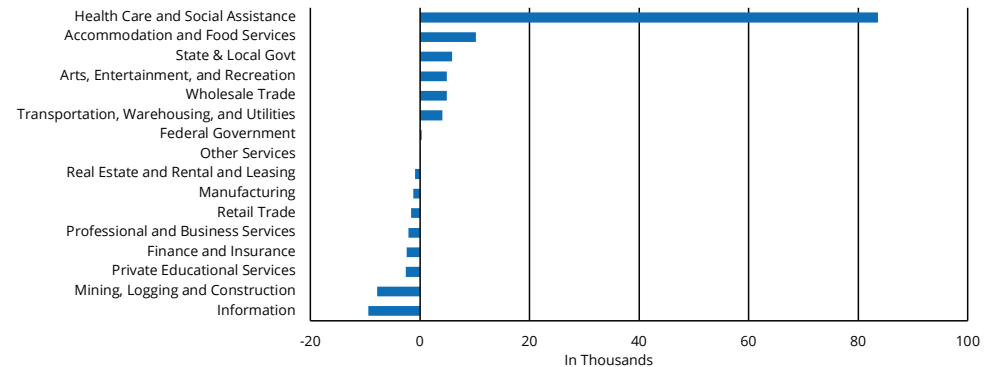
### SHARE OF EMPLOYEES BY INDUSTRY

New York City | November 2024



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

New York City



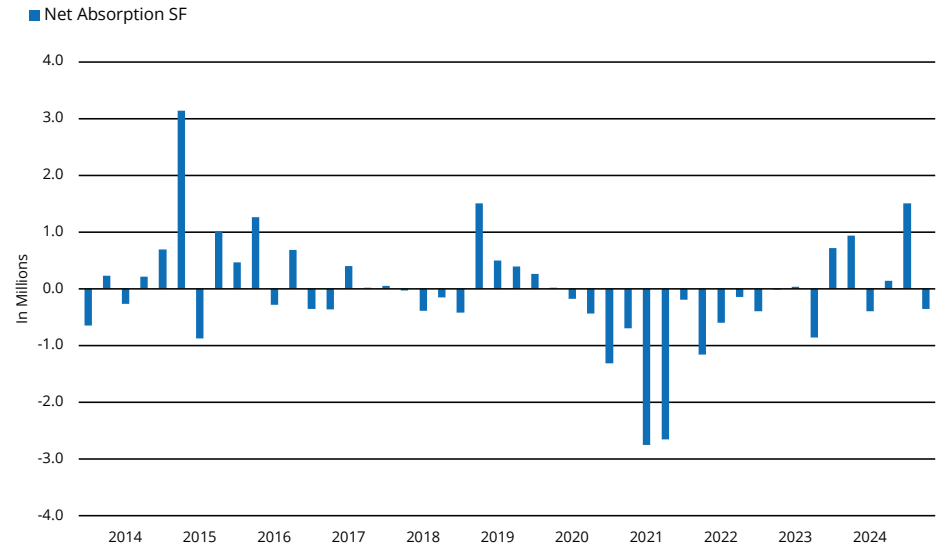


### NET ABSORPTION

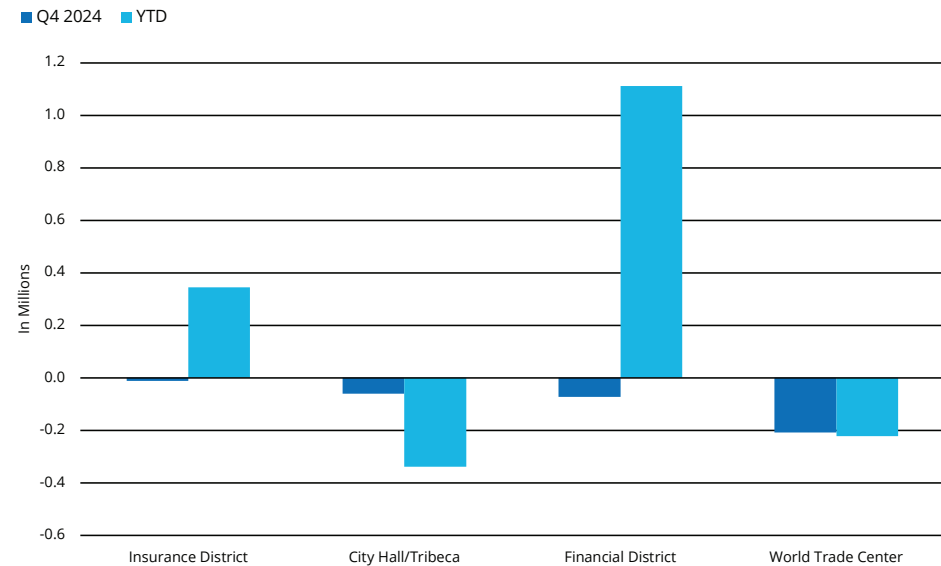
#### Absorption returns to negative territory

- Absorption was negative in all of Downtown’s submarkets in Q4 2024, leaving the total at negative 351,400 SF. Full year absorption was positive at 896,100 SF, mostly owing to strong results in Q3, and putting 2024’s total ahead of the 828,800 SF taken up in 2023.
- The World Trade Center submarket logged Downtown’s lowest quarterly absorption at negative 207,300 SF. A 331,500 SF sublet block addition from Dotdash Meredith at 225 Liberty Street was a major factor in the low tally, which contributed to 222,200 SF of negative absorption over the full year.
- The Financial District submarket was faced with large block additions at 80 Maiden Lane (117,500 SF), One State Street Plaza (81,500 SF), and 14 Wall Street (74,100 SF), though these were somewhat counteracted by the withdrawal of spaces at 100 Wall Street, 1 Liberty Plaza, and 140 Broadway. Full-year demand was very strong at 1.1 MSF; the robust result was largely driven by Q3 activity, including the withdrawal of two entire buildings now targeted for residential conversion (80 Pine Street and 77 Water Street).
- Downtown’s absorption has been positive in four of the last six quarters as underused and outdated spaces are removed, strengthening the area’s ongoing recovery. While submarket fundamentals are still somewhat tepid, the area should continue to improve as it benefits from these changing dynamics.

### NET ABSORPTION - DOWNTOWN



### NET ABSORPTION BY SUBMARKET



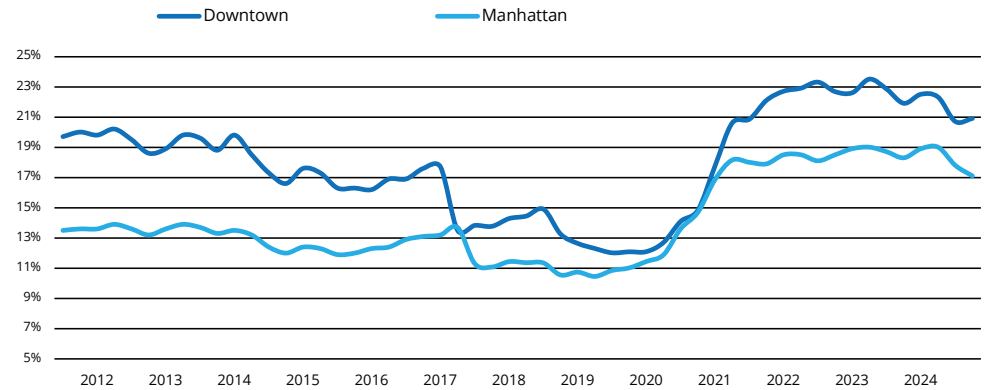


### AVAILABILITY

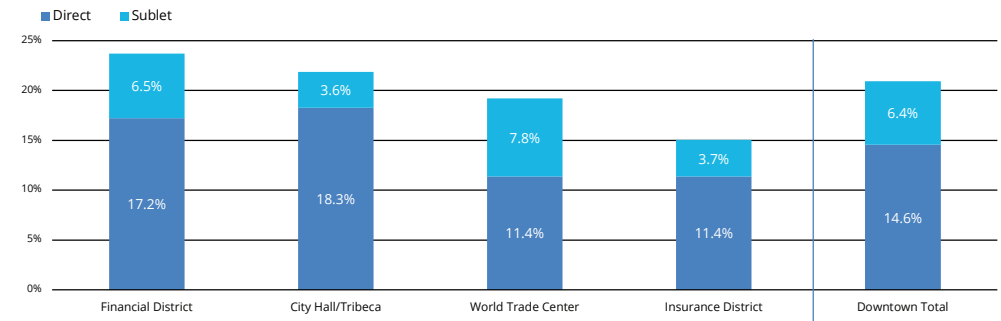
#### Availability ticks upward

- Downtown’s availability rate has been stair-stepping its way downward, but increased 0.2 percentage points [pp] in Q4. The current rate of 20.9% is a full percentage point below the year-ago level, though still several points higher than the average 15% availability rate seen between 2015 and 2019.
- Both direct and sublet availabilities increased in the fourth quarter. Downtown’s sublet availability rate now measures 6.4%, just 0.1 pp below the year-ago level. Perhaps more significantly, sublet space represents about 30% of Downtown’s total availability, well above the ratio across Manhattan (23.4%).
- Overall availability increased to 19.2% in the World Trade Center submarket, driven upward by the increase in sublet space, while direct availability was unchanged. Sublet space now accounts for more than 40% of all available space in this submarket, with hefty sublet availabilities at 225 Liberty Street (448,100 SF), 1 Liberty Plaza (372,700 SF) and One World Trade (667,200 SF).
- Downtown’s Financial District submarket has one of the highest availability levels in all of Manhattan at 23.7%. The sublet availability rate saw a small decrease this quarter but was counteracted by an increase in direct availability, leaving the overall rate unchanged from Q3.
- There are currently almost 30 Downtown assets that have at least 200,000 SF of space available, many of which include large blocks of sublease space. These availabilities present attractive, discounted opportunities for large occupiers. There are also at least nine buildings being evaluated for residential or partial residential conversion; removal of these assets from active marketing will help availability tighten further.

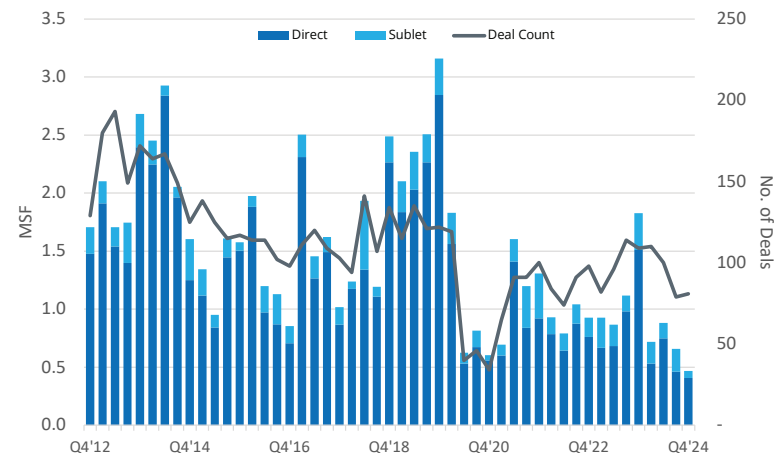
### SUBMARKET AVAILABILITY VS MANHATTAN



### SUBMARKET AVAILABILITY



### DOWNTOWN LEASING ACTIVITY



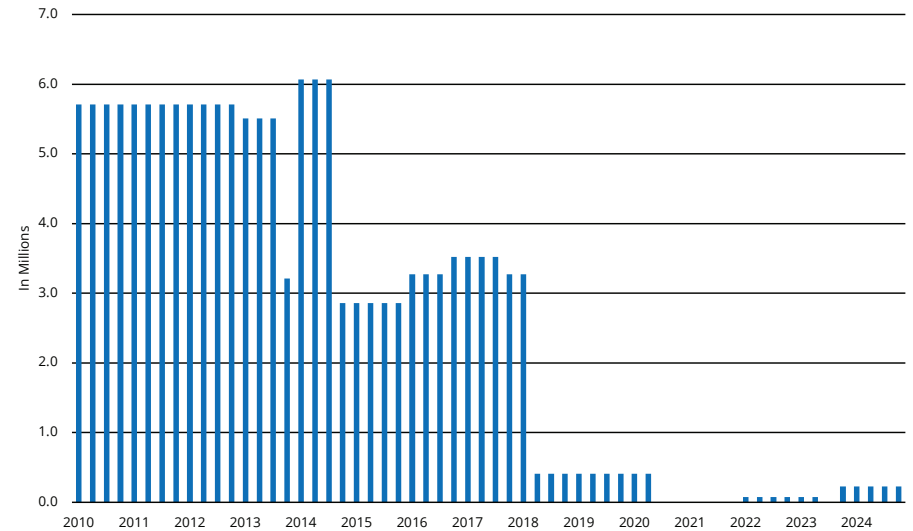


### UNDER CONSTRUCTION

#### Downtown transformation continues

- Construction in Downtown Manhattan remains near its lowest level in a decade as high office vacancies shift the focus away from spec development. Instead, developers are concentrating on renovations and repositioning.
- Major renovations recently wrapped up at 111 Wall Street, while 1980s-era assets like 60 Wall Street and 161 Water Street (previously known as 175 Water Street) are now undergoing significant transformation and modernization. The latter building was one of the first recipients of a new tax abatement through NYC’s M-CORE program, which is designed to help finance renovations at aging office properties.
- Downtown’s only notable ground-up office construction, a tower at 250 Water Street in the Insurance District, is expected to deliver in 2025 and will include 230,000 SF of office space at its base, though it is not yet available for leasing.
- Additionally, there is about 3.8 MSF of new Class A office product proposed Downtown. Most of this space is represented by a 2.8 MSF tower addressed at 2 World Trade; Amex has been rumored to be a potential anchor.
- Roughly 75% of Downtown’s rentable space was built prior to 2014 and has not been renovated in the last decade. While large new properties are unlikely to get approved without an anchor tenant in place, occupiers faced with the very limited pipeline are beginning to recognize the need to step up or risk missing out. It will also be important to monitor whether the lack of new stock and removal of outdated buildings for residential use will lead to increased activity in Downtown’s plethora of Class B space.

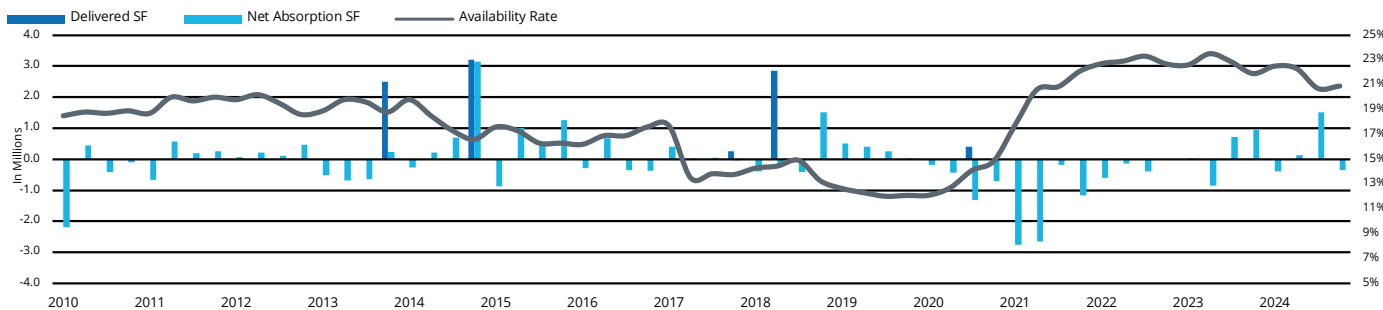
### UNDER CONSTRUCTION - DOWNTOWN



### DOWNTOWN CONSTRUCTION/RENOVATIONS IN PROGRESS

PROPERTY	SUBMARKET	RBA	STATUS	YEAR EXPECTED
250 Water St	Insurance District	230,000	Under Construction	2025s
60 Wall St	Financial District	1,625,500	Under Renovation	2025
161 / 175 Water Street	Insurance District	725,900	Under Renovation	2026

### DELIVERY IMPACT ON KEY INDICATORS



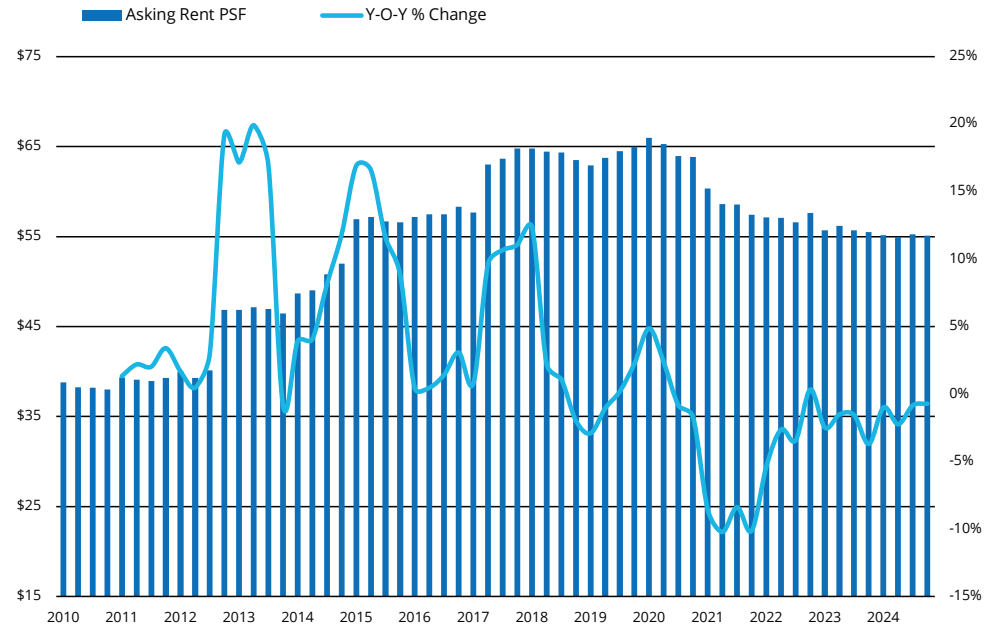


### RENTAL RATES

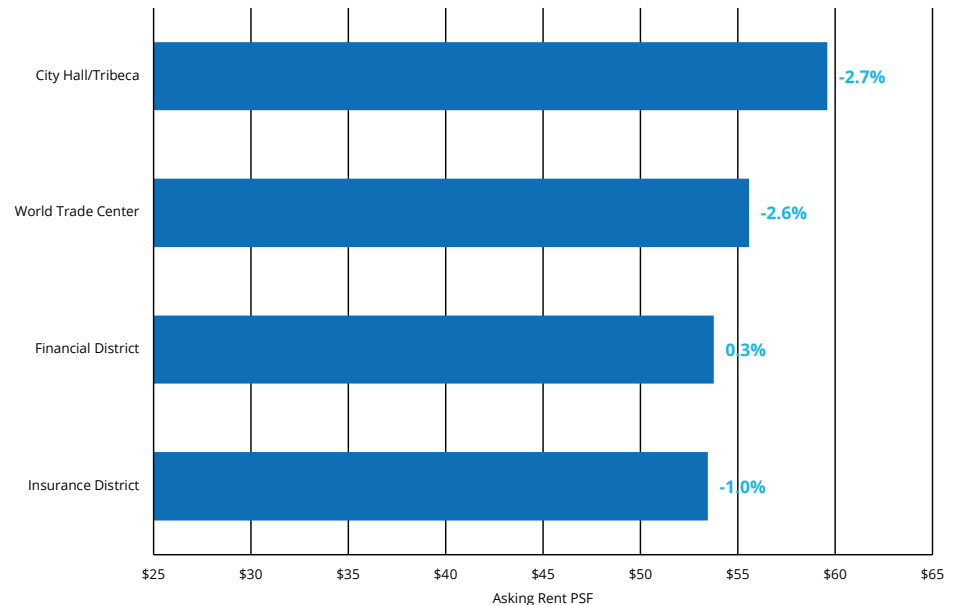
#### Downtown rents still decreasing

- Downtown rents decreased mildly in Q4, with both Class A and Class B seeing a reduction in asking rates. All of Downtown’s submarkets saw very mild changes from last quarter.
- The Downtown average asking rent is now \$55.09 PSF, about 0.7% below the year-ago level and 27% below the overall Manhattan average.
- Most of Downtown’s recent large leases were signed in Class A space, which removes this higher priced space from the submarket average. As a result, the submarket is left with large amounts of lower-priced Class B space, reducing the overall asking rate. The high proportion of sublet space Downtown, also citing lower asking rates, compounds this problem.
- Downtown’s rents have been gradually decreasing over the last few years and are now back in line with 2015-2016 levels. These “rolled back” rates represent increased opportunities for tenants, particularly at non-trophy and Class B assets, as well as high-vacancy buildings. Large concession packages are still being offered as enticement, and the area’s ongoing reinvention should draw further interest from occupiers as we move through 2025.

### ASKING RENT - DOWNTOWN



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



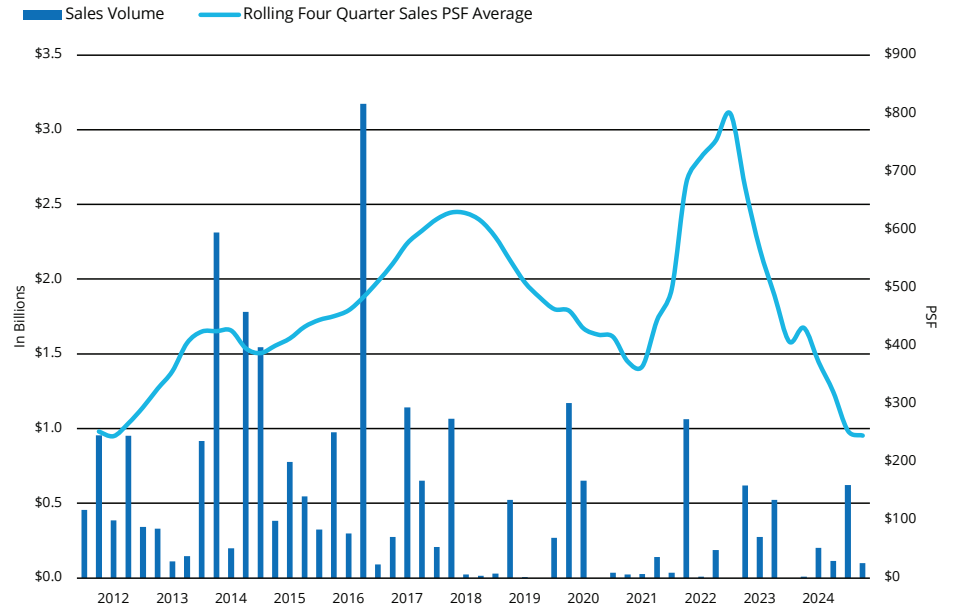


### SALES

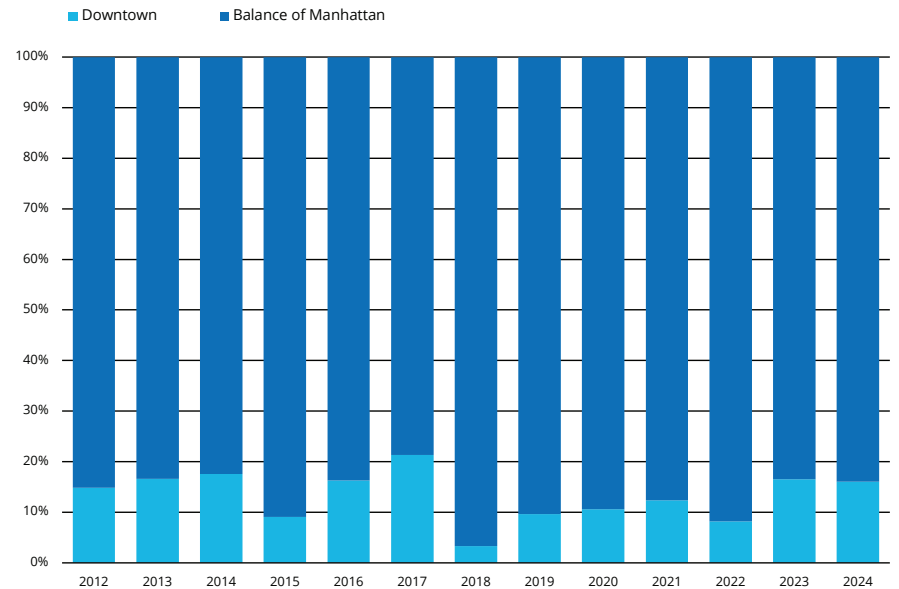
#### Transaction volume rises as investors confront changing landscape

- Downtown logged \$99.9 million in office sales this quarter, bringing the annual volume to just over \$1 billion, ahead of the \$803.6 million traded in 2023.
- The only major asset to trade in Q4 was 77 Water Street in the Financial District submarket. The 600,000 SF tower sold to Vanbarton Group for \$95.5 million, working out to just \$159 PSF for the sellers, William Kaufman Organization, Travelers Insurance, and Principal RE Investors. Vanbarton plans to convert the building to residential use with as many as 600 units proposed.
- Lingering uncertainty in the current economic climate has left many investors reluctant to take on more debt and more risk, but some 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, particularly as more Downtown assets are eyed for conversion.

### SALES VOLUME - DOWNTOWN



### DOWNTOWN % OF MANHATTAN SALES VOLUME





**NOTABLE LEASES**

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
LEGAL AID SOCIETY	55 Water St	Financial District	Sublease	44,000
SCIAME CONSTRUCTION	14 Wall St	Financial District	Renewal	37,200
INTERNATIONAL AIDS VACCINE INITIATIVE	125 Broad St	Financial District	Renewal	23,000

**NOTABLE NEW AVAILABILITIES**

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
225 LIBERTY ST	World Trade Center	331,500	Sublet
80 MAIDEN LN	Financial District	117,500	Direct
ONE STATE ST PLZ	Financial District	81,500	Direct
14 WALL ST	Financial District	74,100	Sublet

**NOTABLE SALES**

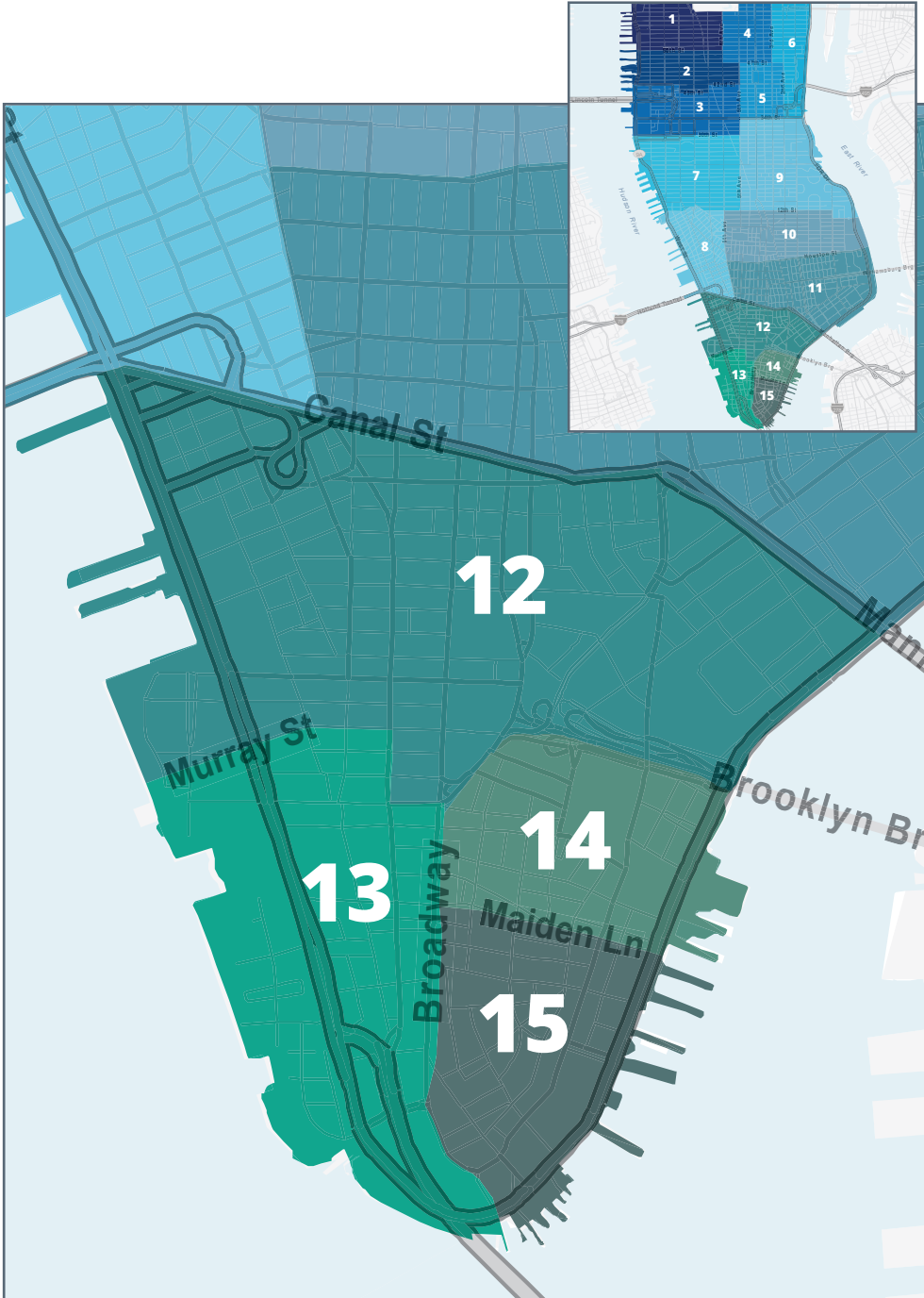
ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
77 WATER ST	Financial District	\$95,500,000	600,000	\$159	Vanbarton Group	William Kaufman Organization, Travelers Insurance, Principal RE Investors



**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
CITY HALL/TRIBECA	10,203,658	-60,891	-338,497	21.9%	24.3%	\$61.86	\$50.68	\$59.60
FINANCIAL DISTRICT	37,790,090	-71,957	1,111,177	23.7%	26.0%	\$54.07	\$47.97	\$53.77
INSURANCE DISTRICT	9,638,494	-11,239	345,561	15.0%	18.9%	\$58.19	\$40.55	\$53.46
WORLD TRADE CENTER	33,994,700	-207,304	-222,155	19.2%	15.0%	\$57.02	\$43.89	\$55.58
<b>DOWNTOWN TOTAL</b>	<b>91,626,942</b>	<b>-351,391</b>	<b>896,086</b>	<b>20.9%</b>	<b>21.0%</b>	<b>\$56.21</b>	<b>\$45.60</b>	<b>\$55.09</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

[Corrie Slewett](#)

Research Manager - New York  
National Tenant Advisory Research Leader

[Corrie.Slewett@transwestern.com](mailto:Corrie.Slewett@transwestern.com)  
212.537.7690

### ABOUT TRANSWESTERN

Part of the Transwestern companies, Transwestern Real Estate Services (TRS) strives to add value for investors, owners, and occupiers across all commercial property types. Fueled by a holistic perspective of the real estate life cycle, agility and creativity are hallmarks of our approach, while vast national resources and sound market intelligence underpin customized recommendations and property solutions.

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](http://transwestern.com) and [@Transwestern](https://twitter.com/Transwestern).

Copyright ©2025 Transwestern. All rights reserved. No part of this work may be reproduced or distributed to third parties without written permission of the copyright owner. The information contained in this report was gathered by Transwestern from various primary and secondary sources believed to be reliable. Transwestern, however, makes no representation concerning the accuracy or completeness of such information and expressly disclaims any responsibility for any inaccuracy contained herein.