



TRANSWESTERN

MIDTOWN SOUTH 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)	485.6	(404.6)	↑	(470.8)	↑
OVERALL VACANCY RATE	19.6%	19.3%	↑	15.0%	↔
OVERALL VACANT SF (MSF)	15.9	15.6	↑	12.0	↔
UNDER CONSTRUCTION (MSF)	1.5	0.3	↑	1.2	↔
ASKING RENT (PSF)	\$85.62	\$81.85	↑	\$78.60	↑
SALES VOLUME (Millions)	\$800.5	\$451.8	↑	\$593.2	↑

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

MIDTOWN SOUTH ADVANCES AGAIN

After some setbacks in the first half of 2024, Midtown South is moving forward once again. The fourth quarter saw positive absorption and decreasing availability with nearly 1.2 MSF of leasing completed in the submarket. Asking rents took a step down from Q3 as some higher priced space was leased out but are ahead of their year-ago level, lifted by over a million square feet of brand-new trophy space that was added to the mix during 2024.

“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 activity remains concentrated in 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.”

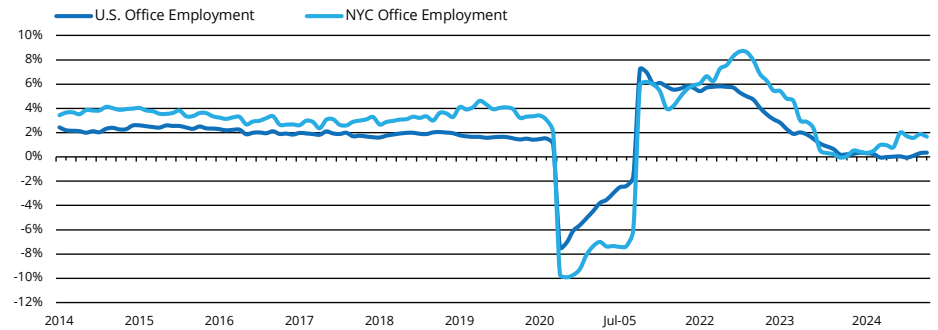


ECONOMY

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

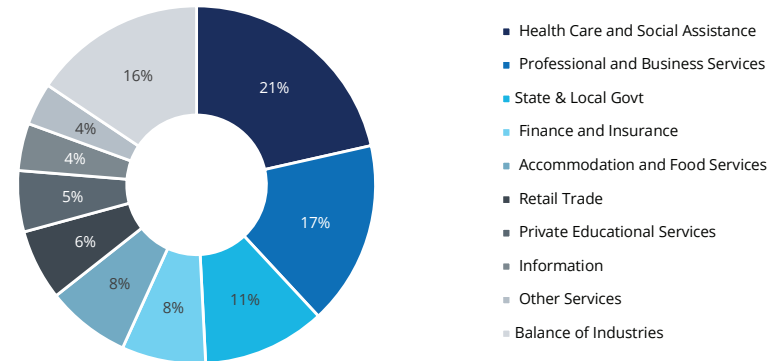
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Job growth was below 1% per annum during the first half of 2024 but has accelerated since July, most recently to 1.7%.
- The unemployment rate in New York City currently stands at 5.4%, the upper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



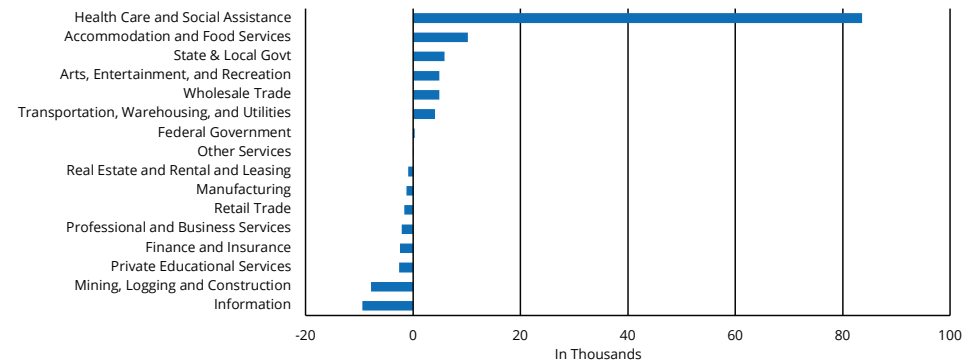
SHARE OF EMPLOYEES BY INDUSTRY

New York City | November 2024



Y-O-Y CHANGE IN JOBS BY INDUSTRY

New York City



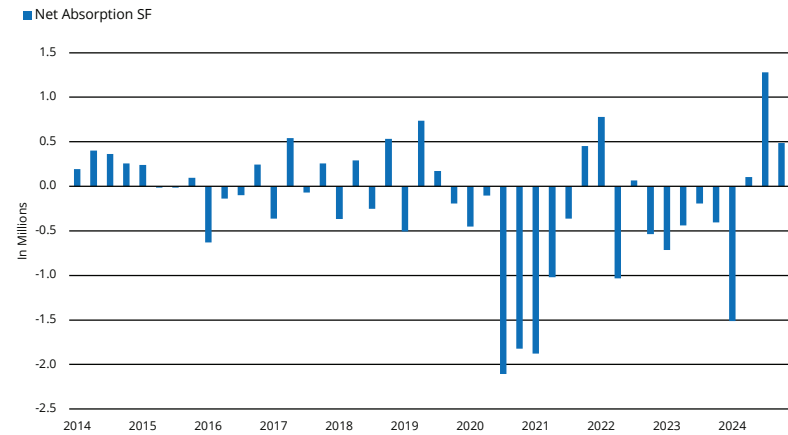


NET ABSORPTION

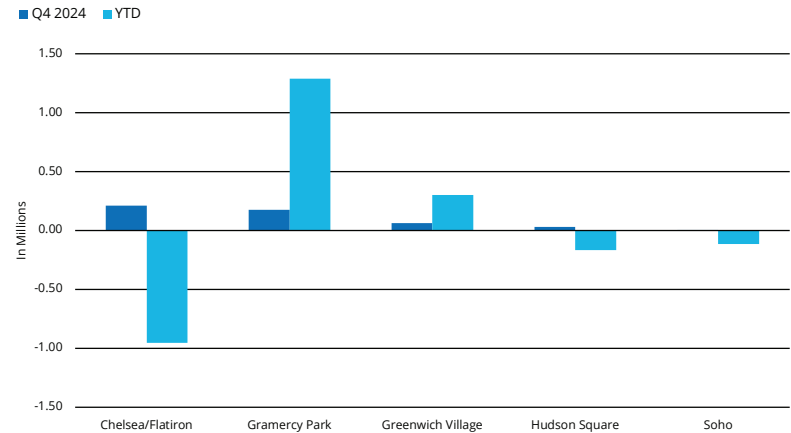
Positive momentum continues in Midtown South

- Midtown South logged 485,600 SF of positive absorption in Q4, though a significant portion of the take-up came from the withdrawal of previously offered space, rather than through leasing. Absorption for the full year measured 357,000 SF, the first positive result since 2019 and well ahead of the negative 1.8 MSF logged in 2023.
- Midtown South’s largest lease was at Soho’s Puck Building (295 Lafayette Street), where OpenAI signed for 86,600 SF, but space additions elsewhere in the submarket kept absorption flat.
- The Chelsea/Flatiron submarket registered the highest quarterly absorption at 211,400 SF. The submarket banked a 53,200 SF lease from Capital One at 130 Fifth Avenue, a 35,200 SF lease from GTS at 625 Avenue of the Americas and a 34,400 SF sublease from the National Museum of Mathematics at neighboring 635 Avenue of the Americas.
- The Gramercy Park submarket logged 177,000 SF of positive demand with moderately sized deals such as The Malin coworking firm’s 32,700 SF at 895-899 Broadway, healthtech company Nayya, taking 29,900 SF at 215 Park Avenue South, and William Grant & Sons, signing for 27,200 SF at 902 Broadway.
- While absorption has been predominantly negative in Midtown South for the last three years, it is beginning to turn around, with leases from tech and financial companies dominating over the last six months. We foresee further improvement in 2025 from both the rebounding tech sector and the new and upgraded inventory arriving in the coming quarters.

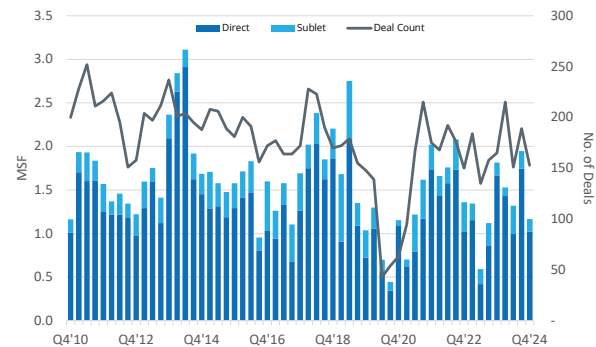
NET ABSORPTION - MIDTOWN SOUTH



NET ABSORPTION BY SUBMARKET



MIDTOWN SOUTH LEASING ACTIVITY



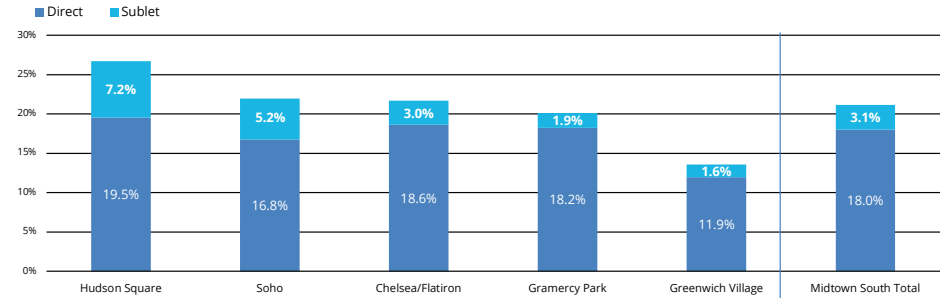


AVAILABILITY

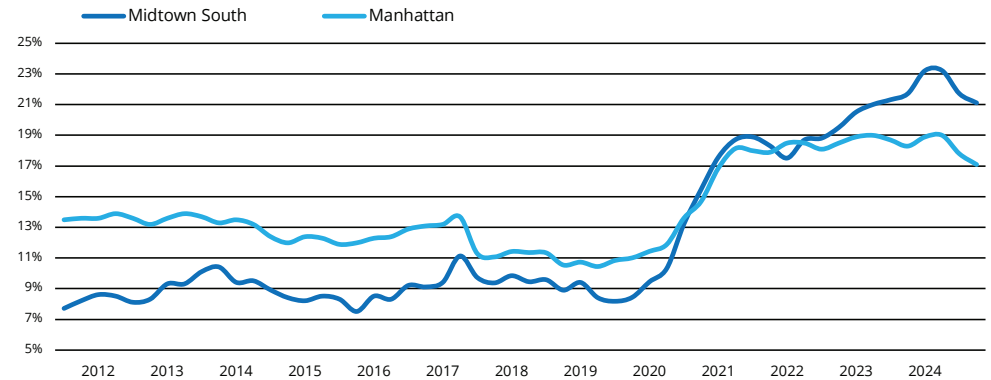
Availability decreases again

- Midtown South’s availability rate tightened 0.6 percentage points [pp] from Q3, landing at 21.1% in the fourth quarter. Both sublet and direct availabilities decreased, leaving the overall rate 0.6 pp below the year-ago level.
- Sublet availability in Midtown South descended to 3.1% in Q4, the lowest point since mid-2020. Perhaps more telling, available sublet space of 2.5 MSF represents just 14.7% of the total, compared with 23.2% across Manhattan overall.
- Greenwich Village availability has fallen by more than 4.0 pp over the last year. The submarket has the lowest overall availability in Midtown South at 13.6%, while its sublet availability of 1.6% is one of the lowest in Manhattan.
- In contrast, Hudson Square continues to have the highest availability rate in all of Manhattan at 26.7%, as well as one of the highest sublet availabilities at 7.2%. Topping the list, 345 Hudson Square has direct and sublet availabilities of more than 300,000 SF each, while One Soho Square’s direct and sublet availabilities exceed 125,000 SF each. Hudson Square’s recent additions of standalone headquarters for Disney and Google should help drive more interest and improve occupancies in the near term.
- Midtown South’s rising availability level has reversed course and should decrease further in 2025. The tech sector, already well-established in the submarket, is beginning to rebound, and occupiers in sectors like finance and education are also being drawn to Midtown South’s new and upgraded spaces.

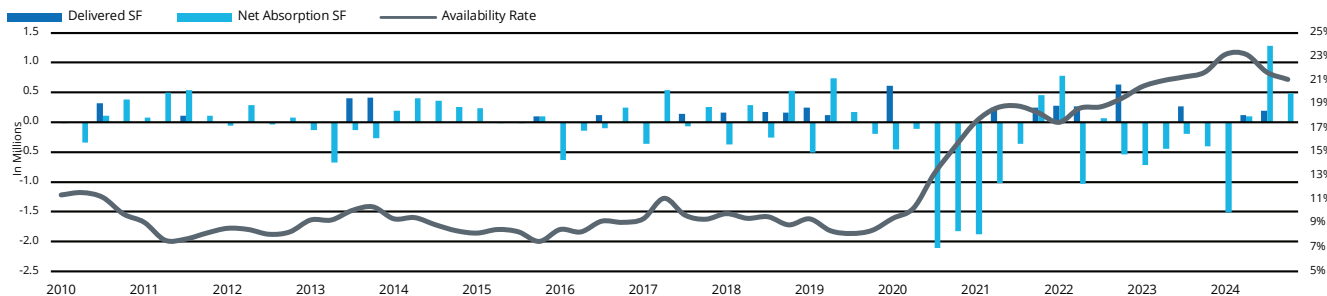
SUBMARKET AVAILABILITY



SUBMARKET AVAILABILITY VS MANHATTAN



DELIVERY IMPACT ON KEY INDICATORS



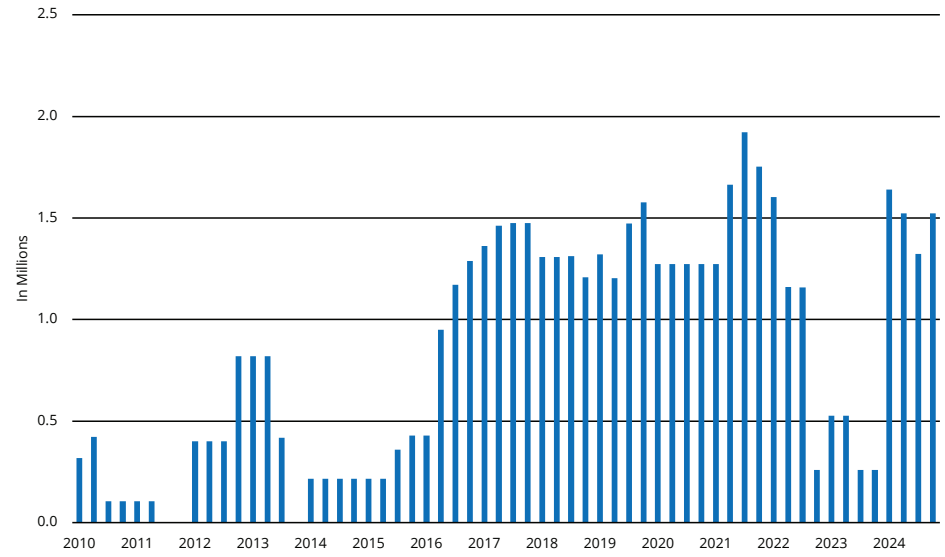


UNDER CONSTRUCTION

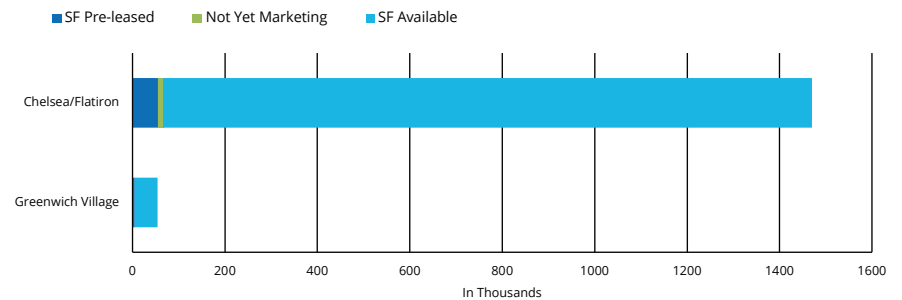
New development transforming Midtown South

- Outside of owner-occupied assets, Midtown South has about 1.5 MSF of high-quality core office properties under construction, far more than Midtown or Downtown. Nearly all of the under-construction space is now available for lease, presenting attractive, immediate opportunities for tenants seeking a footprint in this evolving district.
- Midtown South’s largest new project is actually the renovation of a century-old, full-block structure; Terminal Warehouse, at 271 Eleventh Avenue in Chelsea/Flatiron, is giving way to four modern office buildings totaling over a million square feet. Other new construction in Chelsea/Flatiron includes Le Gallerie (132 West 14th Street), the Hudson Arts Building (220 Eleventh Avenue), and One High Line. All of these are expected to deliver in 2025, as is 1 St. Marks Place in the Greenwich Village submarket, which will leave construction levels near their lowest in a decade.
- There is an additional 1.8 MSF of core office product proposed or planned in Midtown South. Most of this stock is encompassed by another mammoth development in Chelsea/Flatiron, the 1.1 MSF West Chelsea Waterfront tower, at 260 Twelfth Avenue. Also proposed are a 430,800 SF tower at One Grand Street in Hudson Square and a 301,200 SF tower at 3 West 29th Street in Chelsea/Flatiron.
- An improvement in market conditions and investor sentiment, along with the securing of an anchor tenant, are essential in getting these proposed projects underway. That may not be as difficult as it previously was; as large occupiers confront the very limited pipeline, there will be more urgency to step up or risk missing out. It will also be important to monitor whether the inflow to these new top-tier assets will trickle over to increased activity in Class B buildings.

UNDER CONSTRUCTION - MIDTOWN SOUTH



UNDER CONSTRUCTION BY SUBMARKET



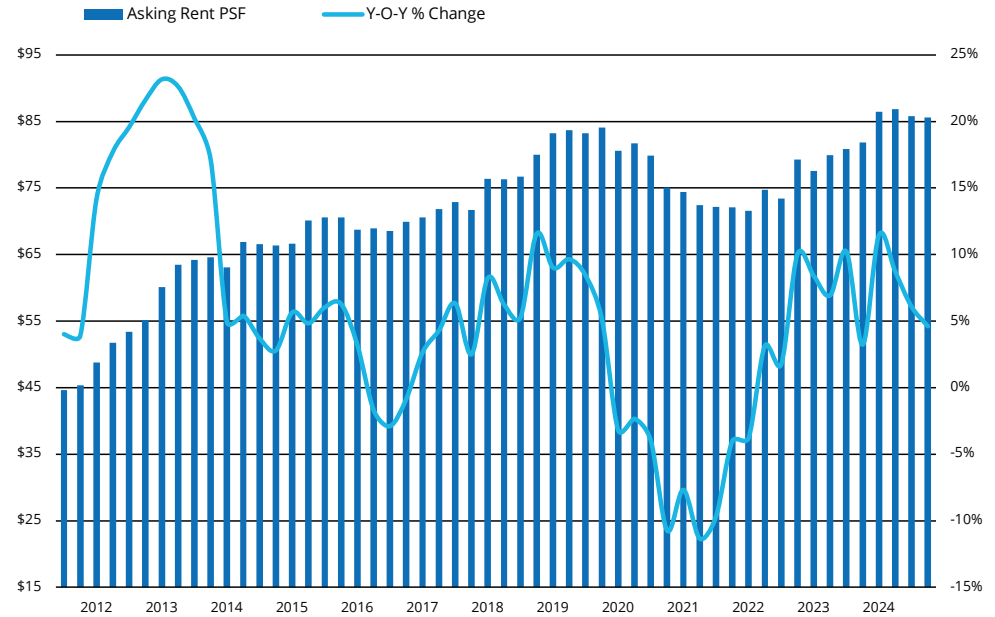


RENTAL RATES

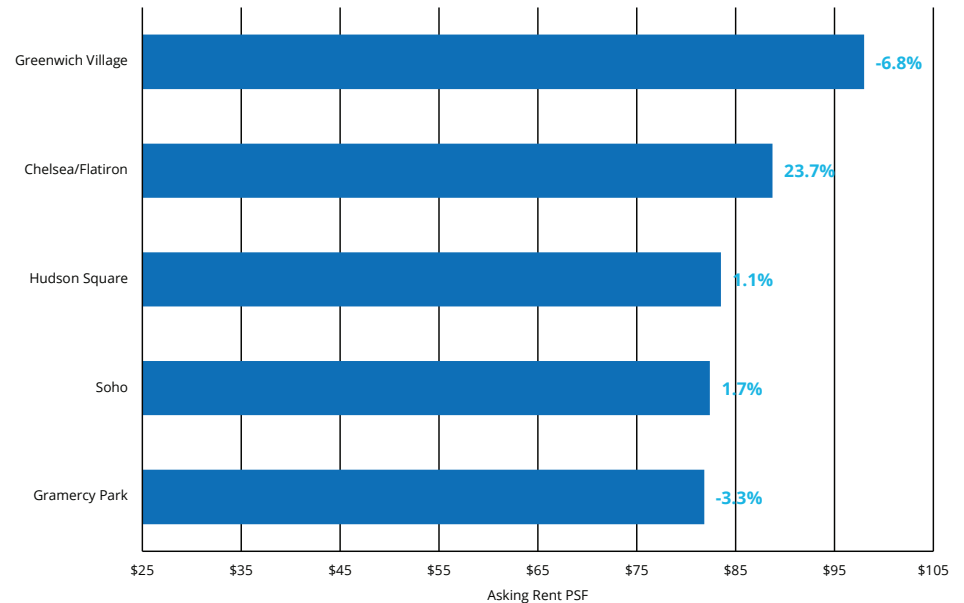
Trophy space keeping rents elevated

- Midtown South asking rents closed the year at \$85.62 PSF, about 4.6% higher than a year ago. While rents have experienced a mild decrease from their mid-year peak of \$86.86 PSF, they remain nearly 2% higher than the 2019 level.
- Midtown South had the fastest rent growth among Manhattan’s three major submarkets from 2014-2019, averaging 4.8% per annum, and is approaching this pace once again. Additionally, asking rents in Midtown South have surpassed their Midtown counterparts in each of the last five quarters and are now 4.1% higher.
- Rent growth has been accelerated by the delivery of Class A and trophy space and was boosted by the marketing of brand-new premium space at Terminal Warehouse beginning in Q1 2024. Pricing varies among the project’s four office buildings, from the upper \$80s PSF at the low end to nearly \$200 PSF for the best-appointed spaces.
- Other projects that are driving up Midtown South’s asking rates include One Madison Avenue in Gramercy Park, 611 Broadway in Soho, and the nearly completed Hudson Arts Building in Chelsea/Flatiron, which has full availability of 199,000 SF and is asking \$150 PSF.
- While rents at premium spaces are keeping asking rates elevated, we are also seeing increased opportunities for occupiers at non-trophy and Class B assets. Large concession packages are still being offered to entice tenants, but these will become more scarce as availability tightens.

ASKING RENT - MIDTOWN SOUTH



ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



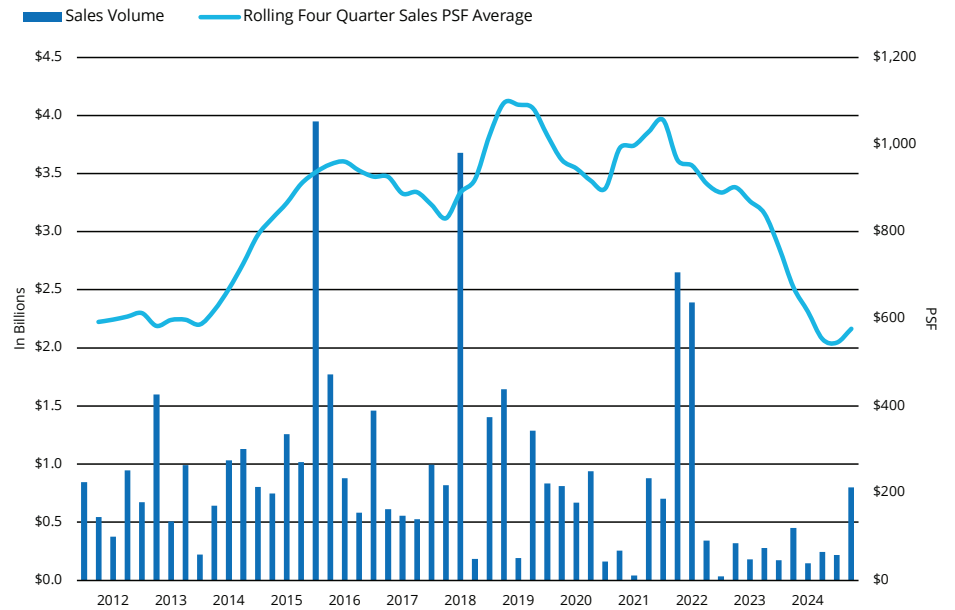


SALES

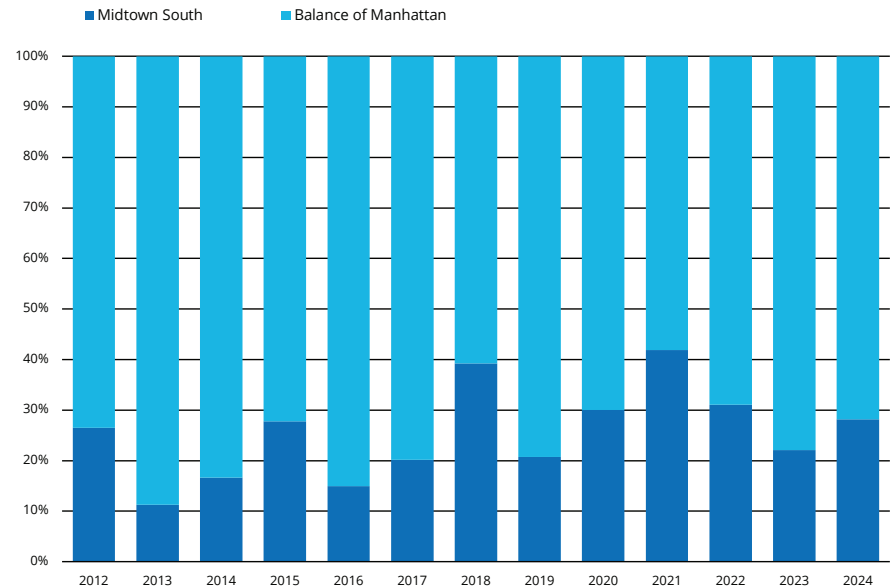
Midtown South sees active sales quarter

- Office sales volume in Midtown South jumped to \$1.2 billion in the fourth quarter, more than the previous three quarters combined, as several prominent properties traded hands. Over \$1.8 billion was dealt in 2024, well ahead of the \$1.1 billion traded in 2023, but far below the ten-year average of \$3.7 billion.
- Midtown South logged some of Manhattan’s top sales in Q4. The largest of these was Morgan Stanley’s sale of 2 Park Avenue to Haddad Brands. The 1920s era tower, in the Gramercy Park submarket, sold for \$357 million, though this was a huge haircut from its \$519 million sale in 2007. In another Gramercy Park trade, 470 Park Avenue South sold to Williams Equities for \$245 million.
- Trading was active in several other Midtown South submarkets as well. In Chelsea/Flatiron, RXR sold a 50% stake in 620 Avenue of the Americas to Hudson Bay Capital, valuing the building at \$328.7 million; Savanna purchased 799 Broadway in Greenwich Village for \$255 million, translating to \$1,401 PSF; and the pair of Soho office buildings known as Essex Crossing traded to Deutsche Bank for a combined \$237 million.
- Sales have been returning, albeit slowly, 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 SOUTH



MIDTOWN SOUTH % OF MANHATTAN SALES VOLUME





NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
OPENAI	295 Lafayette St	Soho	Direct	86,600
CAPITAL ONE	130 Fifth Ave	Chelsea/Flatiron	Direct	53,200
SQUARE	375 West Broadway	Soho	Direct	43,700
GTS	625 Ave of the Americas	Chelsea/Flatiron	Direct	35,200
NATIONAL MUSEUM OF MATHEMATICS	635 Ave of the Americas	Chelsea/Flatiron	Sublease / Direct	34,400

NOTABLE NEW AVAILABILITIES

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
601 W 26TH ST	Chelsea/Flatiron	196,150	Direct
115 FIFTH AVE	Gramercy Park	62,600	Direct

NOTABLE SALES

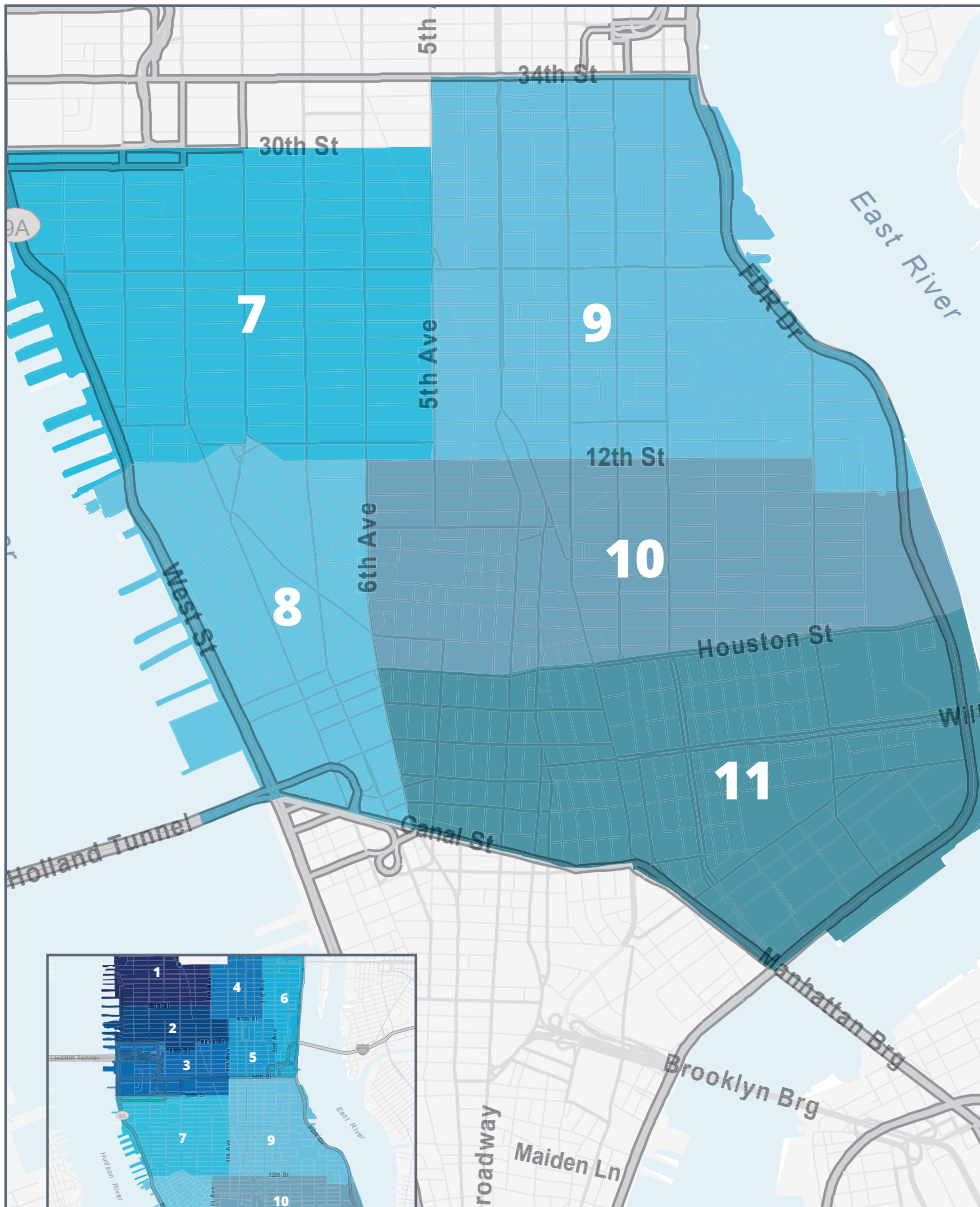
ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
2 PARK AVE	Gramercy Park	\$357,000,000	965,000	\$370	Haddad Brands	Morgan Stanley
620 AVE OF THE AMERICAS	Chelsea/Flatiron	\$328,700,000	472,000	\$696	Hudson Bay Capital	RXR Realty
799 BROADWAY	Greenwich Village	\$255,000,000	182,000	\$1,401	Savanna	Columbia Property Trust Inc, Cannon Hill Capital Partners
470 PARK AVE S	Gramercy Park	\$245,000,000	292,100	\$839	Williams Equities	PGIM Real Estate JV SJP Properties
180 BROOME ST	Soho	\$119,764,243	190,000	\$630	Deutsche Bank	Goldman Sachs, Taconic Investment Partners, BFC Partners, Prusik Group, L&M Dev Prtnrs
202 BROOME ST	Soho	\$117,219,355	210,000	\$558	Deutsche Bank	Goldman Sachs, Taconic Investment Partners, BFC Partners, Prusik Group, L&M Dev Prtnrs



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
CHELSEA/FLATIRON	27,929,311	211,358	-954,205	21.7%	17.7%	\$125.34	\$59.44	\$88.73
GRAMERCY PARK	32,002,030	176,999	1,289,894	20.1%	20.3%	\$103.38	\$63.93	\$81.82
GREENWICH VILLAGE	5,624,012	61,315	302,194	13.6%	21.8%	\$73.39	\$111.64	\$97.97
HUDSON SQUARE	9,782,319	30,075	-165,097	26.7%	24.1%	\$85.66	\$79.29	\$83.49
SOHO	6,087,779	5,829	-115,777	21.9%	15.1%	\$89.13	\$75.70	\$82.41
MIDTOWN SOUTH TOTAL	81,425,451	485,576	357,009	21.1%	19.6%	\$106.91	\$67.23	\$85.62



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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