



TRANSWESTERN

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)	2,630.4	1,963.6	↑	(1,374.6)	↑
OVERALL VACANCY RATE	17.2%	17.0%	↑	14.0%	↔
OVERALL VACANT SF (MSF)	78.5	77.8	↑	63.8	↔
UNDER CONSTRUCTION (MSF)	2.4	1.1	↑	7.3	↑
ASKING RENT (PSF)	\$75.70	\$74.09	↑	\$74.06	↑
SALES VOLUME (Millions)	\$3,418.0	\$1,702	↑	\$1,909.2	↑

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

LARGE COMMITMENTS DRIVE ROBUST LEASING

Manhattan leasing topped 33.2 MSF in 2024, the best result since 2019. Five deals exceeding 300,000 SF were signed in the fourth quarter, boosting the 8.6 MSF quarterly leasing total. Absorption was robust in both Class A and B space, and availability descended to its lowest level in nearly four years as desirable spaces were scooped up and less favorable offerings were pulled from marketing. Rents decreased mildly after making steady gains through most of 2024, ending higher year-over-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. “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.”

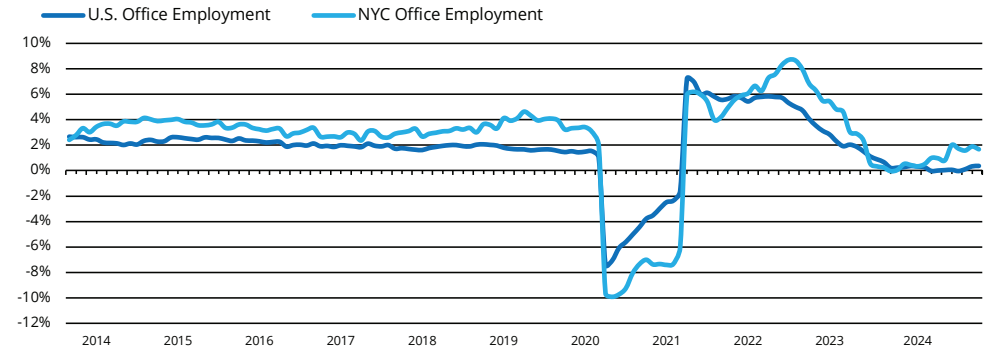


ECONOMY

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

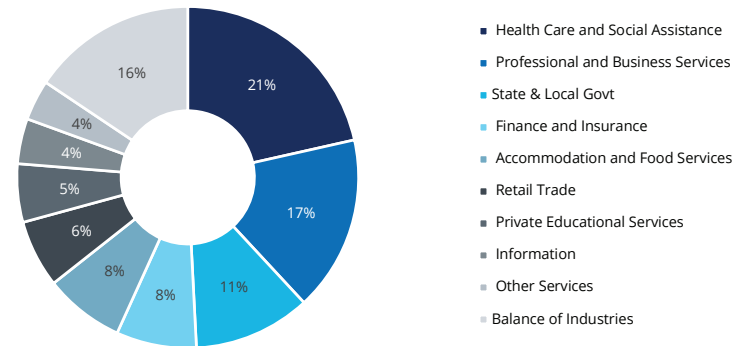
- New York City's office-using sectors now support more than 2.1 million jobs, a peak level for the region. Job growth was modest for most of 2024, but recently accelerated to 1.7% year-over-year.
- The unemployment rate in New York City currently stands at 5.4%, the upper edge of the tight range it 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 about 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



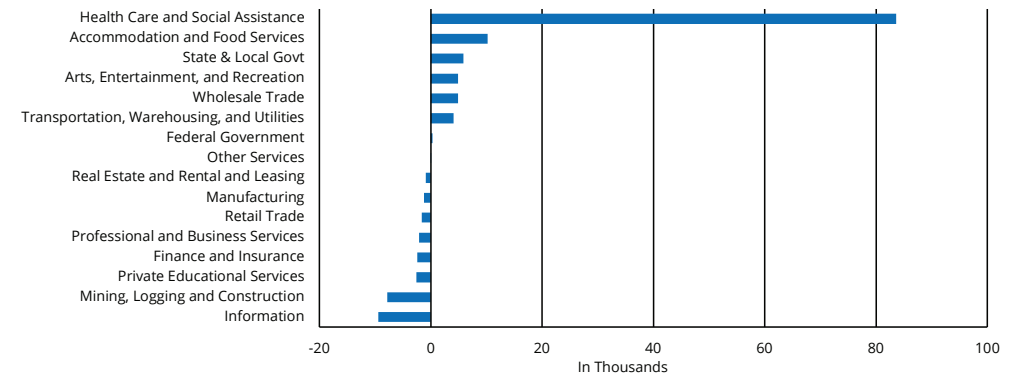
SHARE OF EMPLOYEES BY INDUSTRY

New York City | November 2024



Y-O-Y CHANGE IN JOBS BY INDUSTRY

New York City



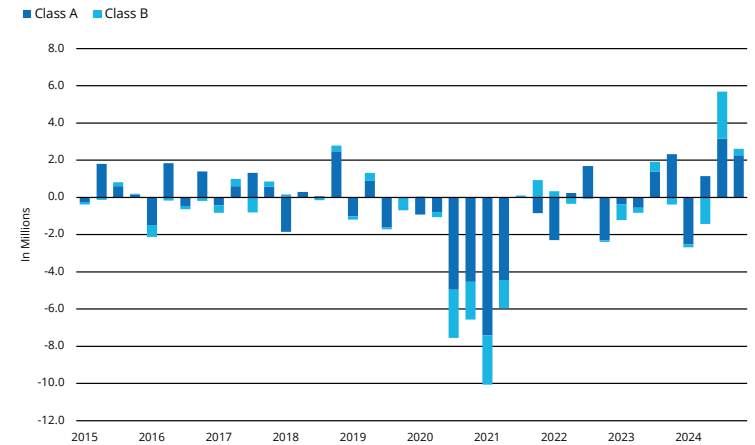


NET ABSORPTION

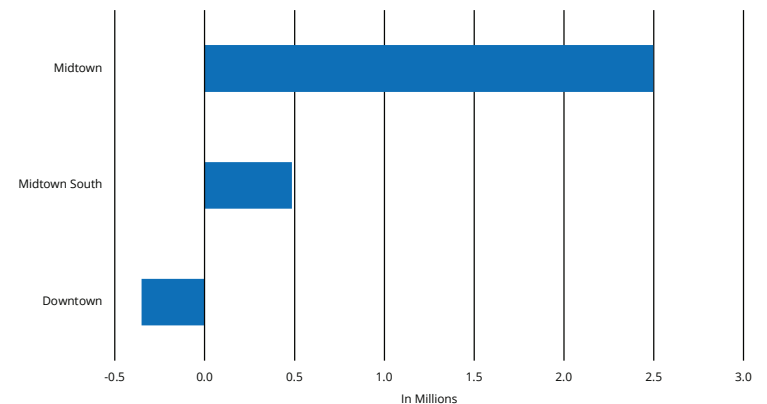
Absorption soars on leasing and restructuring

- New York City logged solid net absorption of 2.6 MSF in Q4, one of the strongest results since 2014, with positive results in both Class A and Class B space. Absorption for 2024 reached 5.3 MSF, the highest in a decade and almost triple the 2023 level of 1.9 MSF.
- Quarterly absorption was boosted by ten leases exceeding 100,000 SF, most of which were new deals or expansions. The largest, Bloomberg’s 924,800 SF lease at 919 Third Avenue, included a 175,800 SF expansion portion. There were also new leases from Citadel (491,100 SF) at 660 Fifth Avenue, Ropes & Gray (390,800 SF) at 1285 Avenue of the Americas, WeWork on behalf of Amazon (303,700 SF) at 330 West 34th Street, TPG (301,300 SF) at 66 Hudson Boulevard, and Alvarez & Marsal (220,200 SF) at 100 Park Avenue.
- All of the above deals were located in Midtown, which achieved the highest quarterly absorption among Manhattan’s submarkets at 2.5 MSF. Full-year absorption was 4.1 MSF, marking a fourth straight year of improvement.
- Midtown South recorded 485,600 SF of net absorption, incorporating new leases from OpenAI (86,600 SF) at 295 Lafayette Street, Capital One (53,200 SF) at 130 Fifth Avenue, and Square (43,700 SF) at 375 West Broadway. The submarket’s full-year absorption was 357,000 SF, the first positive result since 2019 and well above 2023’s negative 1.8 MSF.
- Downtown, absorption returned to negative territory amid limited leasing; the submarket’s largest deal was the Legal Aid Society’s 44,000 SF sublease from S&P Global at 55 Water Street. Full-year absorption was 896,100 SF, lifted by a strong third quarter and finishing just ahead of the 828,800 SF recorded in 2023.
- Manhattan is experiencing improvement in leasing velocity as tenants seek to lock in deals at Class A and trophy spaces before they disappear. However, this does not tell the full story, as much of the positive absorption is related to changing market dynamics, including the ongoing removal of once-prime office space for conversion or renovation.

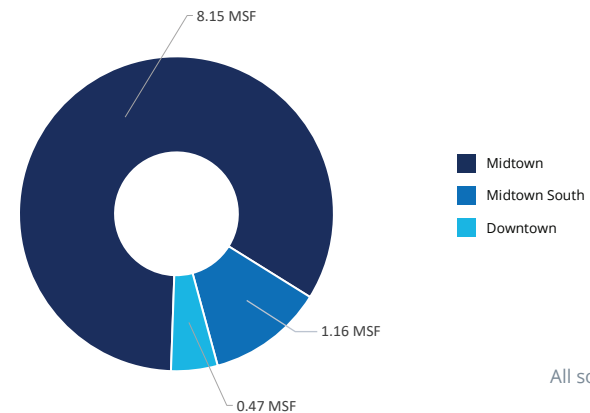
NET ABSORPTION BY CLASS



NET ABSORPTION BY SUBMARKET – Q4 2024



SHARE OF LEASING BY SUBMARKET



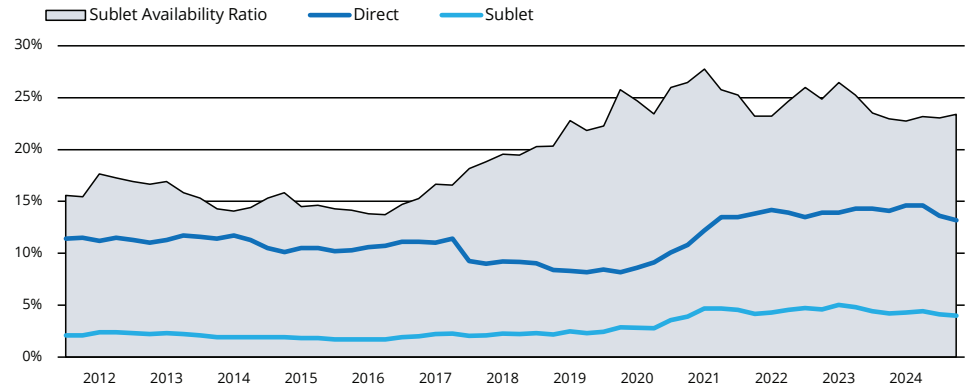


AVAILABILITY

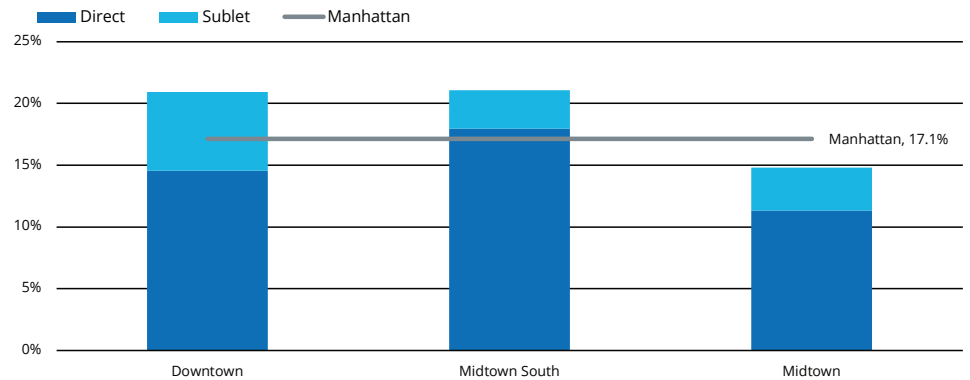
Availability falls further, lowest since early 2021

- Manhattan’s availability rate declined 0.7 percentage points [pp] to 17.1% in Q4, as both sublet and direct availability decreased. As with absorption, some of the improvement can be attributed to the withdrawal of offered spaces, indicating a market in flux.
- Currently, sublet availability is at 4.0%, the tightest since year-end 2020. The amount of available sublet space in Manhattan has decreased to 18.2 MSF, a drop of 21% from its early 2023 peak.
- Midtown South continues to register Manhattan’s highest overall availability at 21.1%, though this is a 0.6 pp decrease from last quarter. Along with moderate leasing activity, the submarket benefited from the withdrawal of 100,000 SF of sublet space at 2 Park Avenue, along with direct blocks removed at 511 West 25th Street (80,700 SF) and 90 Fifth Avenue (75,600 SF). In contrast to its high overall availability, Midtown South has the lowest sublet availability in Manhattan at 3.1%.
- In Midtown, overall availability fell to 14.8% amid its burst of leasing and is now at its lowest level since late 2020. Sublet availability of 3.5% is on par with the year-ago level.
- Downtown’s availability increased 0.2 pp from Q3 to 20.9%, still below its year-end 2023 level. Direct block additions of 117,500 SF at 80 Maiden Lane and 81,500 SF at One State Street Plaza contributed to the rise in availability, as did a 331,500 SF sublet block addition from Dotdash Meredith at 225 Liberty Street. Sublet availability of 6.4% remains the highest among Manhattan’s three submarkets, representing more than 30% of Downtown’s available total.
- Availability will tighten further as leasing momentum improves and buildings continue to be evaluated for conversion or redevelopment. For now, however, it’s still a tenants’ market as large availabilities persist throughout the city, particularly in the Class B space.

DIRECT VS SUBLET AVAILABILITY RATE



AVAILABILITY RATE BY SUBMARKET



All sources: CoStar, Transwestern

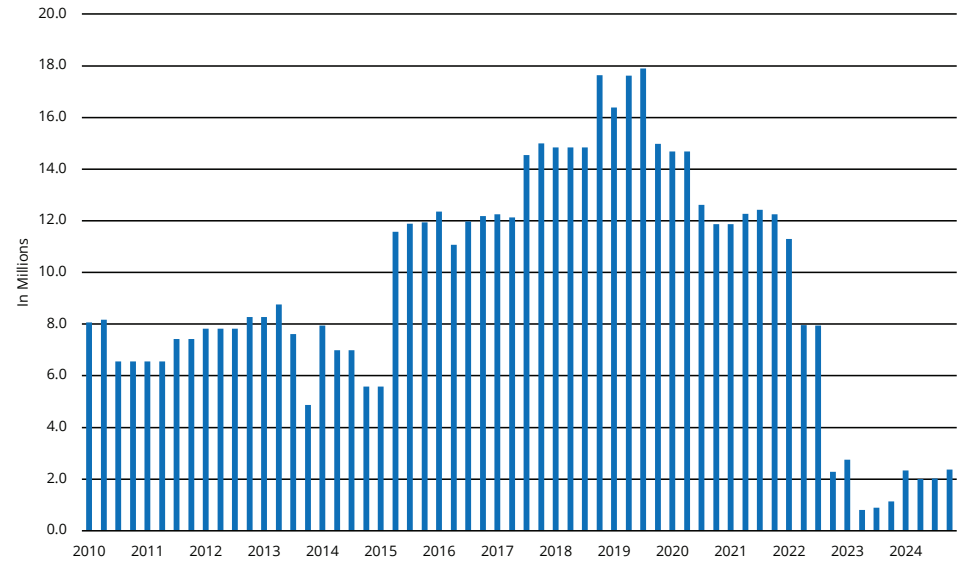


UNDER CONSTRUCTION AND RECENT DELIVERIES

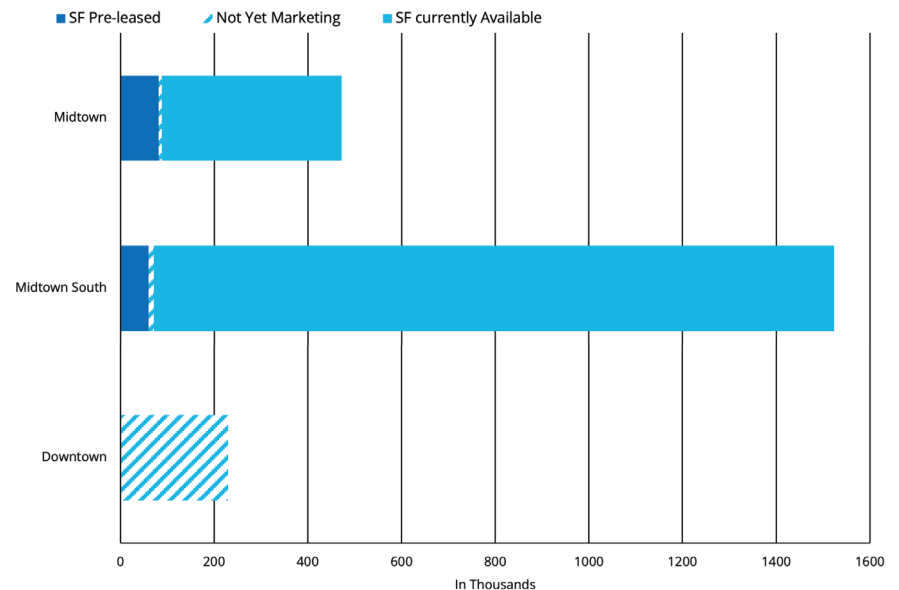
New construction gives way to redevelopment

- Construction in Manhattan remains near its lowest level in a decade as developers shift focus, seeking instead to transform underperforming assets via renovations and capital improvements. These include buildings like Midtown’s PENN2 and the former Banco Santander Building at 45 East 53rd Street, now known as Park 53, which recently completed major overhauls, and Downtown’s 60 Wall Street and 161 Water Street (formerly 175 Water Street), where work is ongoing.
- Outside of owner-occupied assets, there is just 2.3 MSF of new ground-up construction underway in the borough, most of it due to complete in 2025.
- The largest new construction project is itself something of a renovation. Terminal Warehouse, at 271 Eleventh Avenue in Midtown South, is reinventing a century-old full-block structure as four modern office buildings, totaling over a million square feet. Midtown South is the most active submarket for new construction, which also includes Le Gallerie (132 W 14th Street), 220 Eleventh Avenue, One High Line, and 1 Saint Marks Place.
- Downtown, a new office tower is rising at 250 Water Street. In Midtown, new office construction includes 520 Fifth Avenue, which will feature 100 residential condo units on its upper floors, 125 West 57th Street, and Boston Properties’ 343 Madison Avenue, where ground was recently broken for an entrance to the Long Island Railroad, though not for the building itself.
- An additional 15 MSF of Class A office product is proposed across Manhattan, including five projects anticipated to top 1 million SF each: 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.

UNDER CONSTRUCTION



UNDER CONSTRUCTION BY SUBMARKET



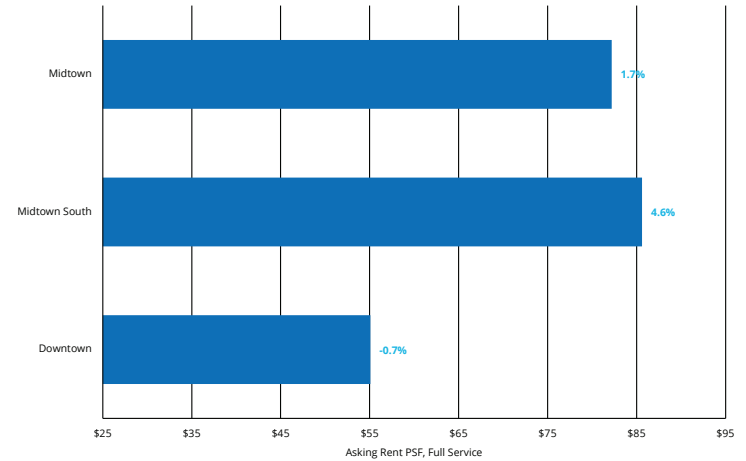


RENTAL RATES

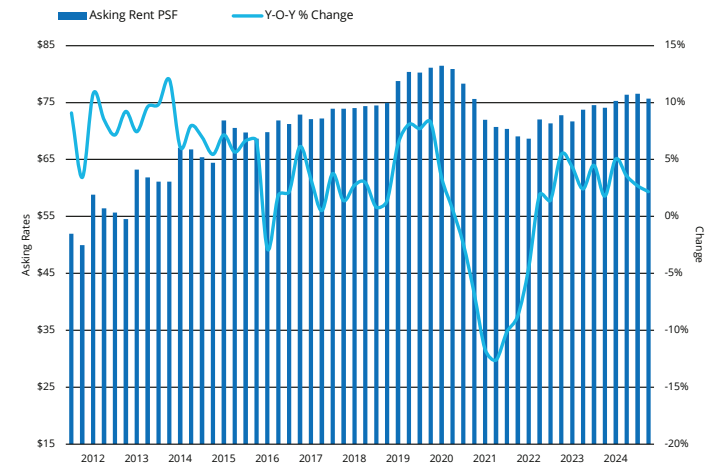
Asking rents pull back as high-priced spaces are absorbed

- Manhattan asking rents decreased in Q4 as a number of higher-priced spaces disappeared from the available pool. The current average asking rent of \$75.70 PSF is down 1.1% from Q3, though still 2.2% higher than a year ago. Increases have been driven by a combination of premium pricing at trophy buildings, and high availability at brand new spaces. Notably, Class A rents increased year-over-year, while Class B asking rates decreased.
- In Midtown South, top of the line properties like One Madison, 220 Eleventh Avenue, and Terminal Warehouse are asking upwards of \$150 PSF for well-appointed spaces. These high rates gave Midtown South rents a 4.6% bump from a year ago to \$85.62 PSF, the highest in Manhattan.
- Downtown rents fell 0.7% year-over-year to \$55.09 PSF in Q4. Since peaking in 2019, Downtown asking rents have decreased in all but three quarters, pressured by the large amount of available sublet space and the shortage of upgraded assets in the submarket.
- In Midtown, rents fell 1% from Q3 to \$82.22 PSF. Pricing is indicative of the “tale of two markets” – while asking prices of \$200 and up are evident at desirable properties like 550 Madison Avenue, 1 Bryant Park, 9 West 57th Street, 30 Hudson Yards, 425 Park Avenue, and Lever House (390 Park Avenue), the robust leasing activity this quarter removed some higher priced space from the market, leaving lower-priced offerings behind.
- The newest trophy and Class A+ spaces continue to fetch premium prices as the market improves. On the other hand, we are seeing increased opportunities for tenants at non-trophy and Class B properties. Larger concession packages are still in play across the board, but as trophy space becomes more scarce, so will the more generous offers.

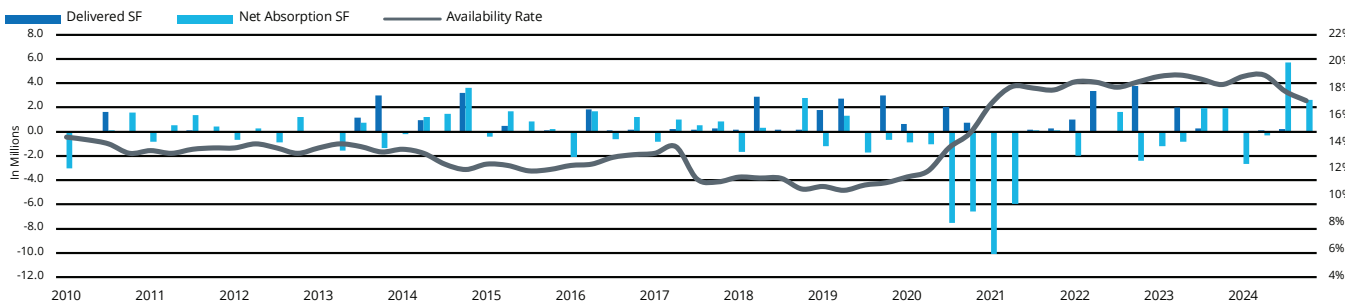
ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



ASKING RENT



DELIVERY IMPACT ON KEY INDICATORS



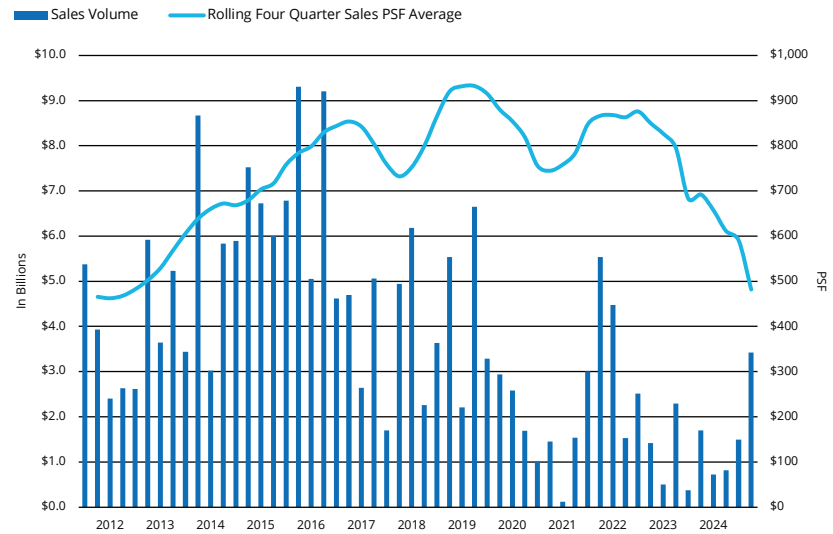


SALES

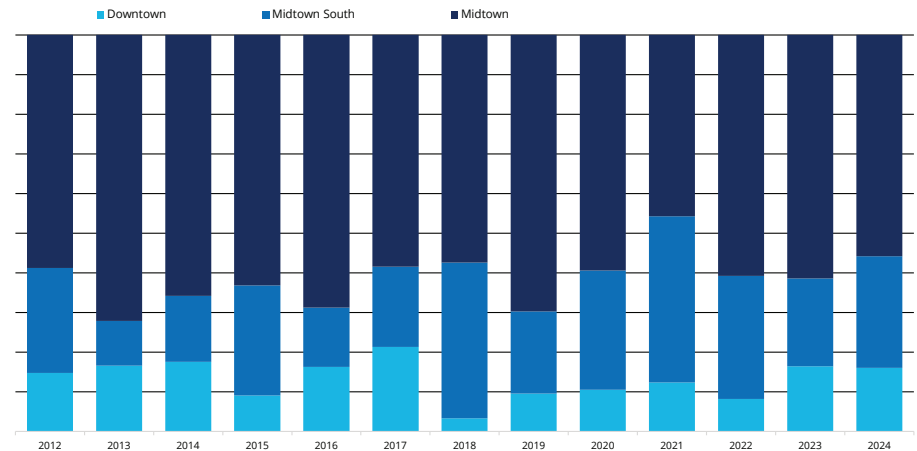
Transaction volume on the rise

- Manhattan office sales volume measured \$3.4 billion in Q4 2024, the third straight quarter of increase. Volume for 2024 topped \$6.4 billion, about 32% higher than the \$4.9 billion traded in 2023, though still far below the 10-year four-quarter rolling sales average of \$14.4 billion.
- There were several large transactions in Midtown South this quarter. Haddad Brands bought 2 Park Avenue from Morgan Stanley for \$357 million, a huge haircut from its \$519 million sale in 2007. Additionally, 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 for \$255 million, translating to \$1,401 PSF; 470 Park Avenue South sold to Williams Equities and Jamestown for \$245 million; and the pair of office buildings known as Essex Crossing traded to Deutsche Bank for a combined \$237 million.
- Midtown also logged several significant deals in Q4: 1375 Broadway sold for \$185.2 million to the American Exchange Group and 60 Guilders, 655 Madison Avenue traded to Extell for \$159.4 million, and 500 Park Avenue sold to SL Green for \$130 million.
- In addition, several major deals were publicized without pricing: Munich RE and MEAG took a majority stake in the Mutual of America building at 320 Park Avenue (estimated price between \$500 and \$525 million), Mori Building bought a minority stake in 1 Vanderbilt from SL Green in a deal that valued the building at \$4.7 billion, and Apollo Global RE bought a minority stake in 5 Times Square, now slated for a partial residential conversion, from RXR.
- Sales have been ramping up 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



OFFICE SALES BY SUBMARKET





NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
BLOOMBERG	919 Third Ave	Midtown	Renewal / Expansion	924,800
CITADEL	660 Fifth Ave	Midtown	Direct	491,100
ROPES & GRAY	1285 Avenue of the Americas	Midtown	Direct	390,800
WEWORK ON BEHALF OF AMAZON	330 W 34th St	Midtown	Direct	303,700
TPG	66 Hudson Blvd	Midtown	Direct	301,300
WINSTON & STRAWN	200 Park Ave	Midtown	Renewal	237,800
BLUE OWL	375 Park Ave	Midtown	Renewal / Expansion	237,100

NOTABLE NEW AVAILABILITIES

ADDRESS	SUBMARKET	SF ADDED	SPACE TYPE
225 LIBERTY ST	Downtown	331,500	Sublet
1185 AVE OF THE AMERICAS	Midtown	232,300	Direct
601 W 26TH ST	Midtown South	196,150	Direct
315 W 36TH ST	Midtown	139,900	Direct
80 MAIDEN LN	Downtown	117,500	Direct

NOTABLE SALES

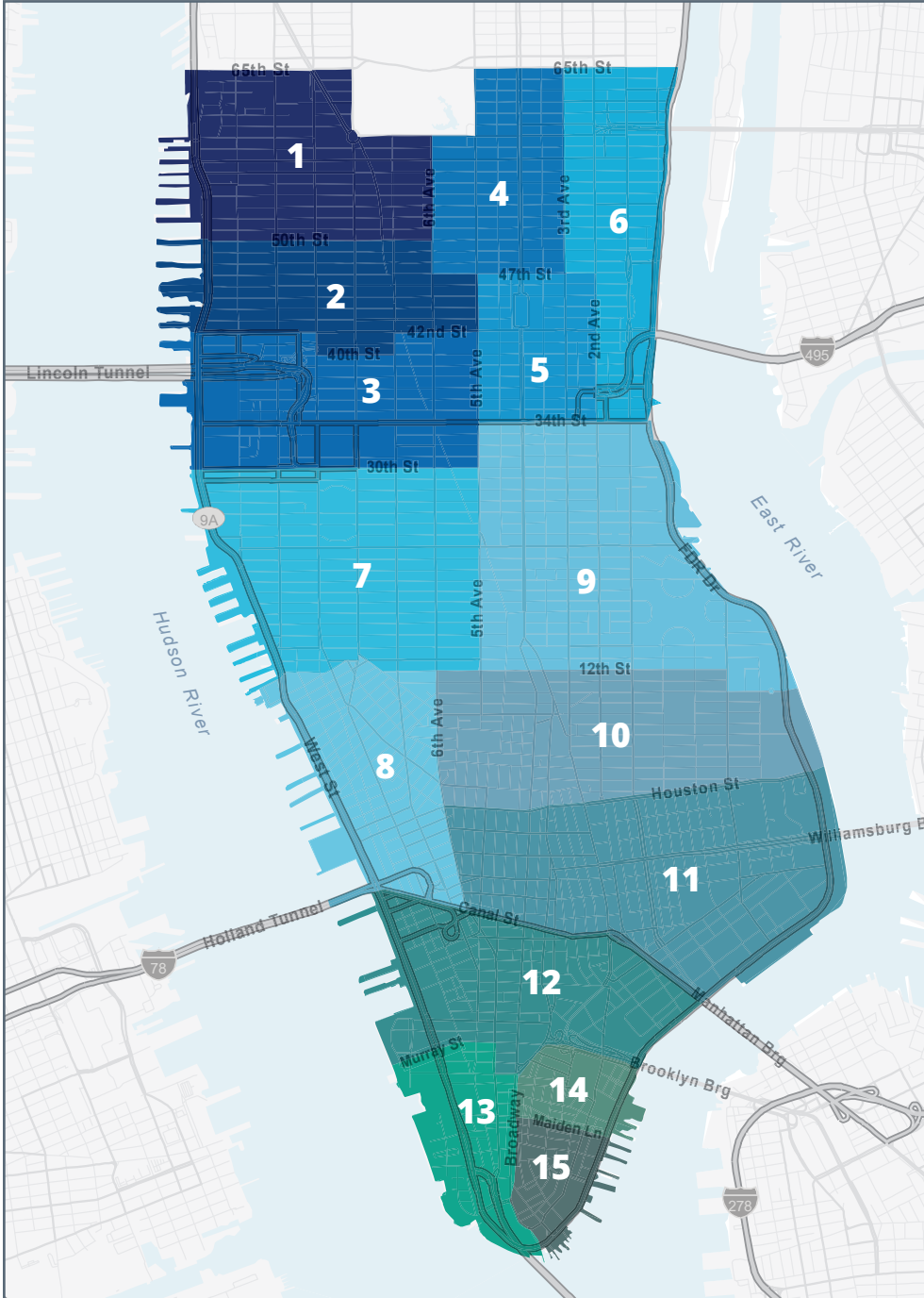
ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
320 PARK AVE	Midtown	NA	766,000	NA	Munich RE, MEAG	Mutual of America
ONE VANDERBILT	Midtown	NA	1,733,000	NA	Mori Building	SL Green
5 TIMES SQUARE (LEASEHOLD)	Midtown	NA	1,132,870	NA	Apollo Global RE	RXR Realty
2 PARK AVE	Midtown South	\$357,000,000	965,000	\$370	Haddad Brands	Morgan Stanley
620 AVE OF THE AMERICAS	Midtown South	\$328,700,000	472,000	\$696	Hudson Bay Capital	RXR Realty
799 BROADWAY	Midtown South	\$255,000,000	182,000	\$1,401	Savanna	Columbia Property Trust Inc, Cannon Hill Capital Partners
470 PARK AVE S	Midtown South	\$245,000,000	292,100	\$839	Williams Equities JV Jamestown	PGIM Real Estate JV SJP Properties
1375 BROADWAY	Midtown	\$185,201,900	513,000	\$361	American Exchange Group, 60 Guilders	Declaration Capital, Savanna
655 MADISON AVE	Midtown	\$159,433,334	198,347	\$804	Extell	Jamestown, Williams Equities



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
DOWNTOWN TOTAL	91,626,942	-351,391	896,086	20.9%	21.0%	\$56.21	\$45.60	\$55.09
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
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
MIDTOWN TOTAL	284,311,533	2,496,215	4,090,771	14.8%	15.3%	\$87.17	\$61.24	\$82.22
TOTAL	457,363,926	2,630,400	5,343,866	17.1%	17.2%	\$79.85	\$61.85	\$75.70



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

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 and @Transwestern.

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