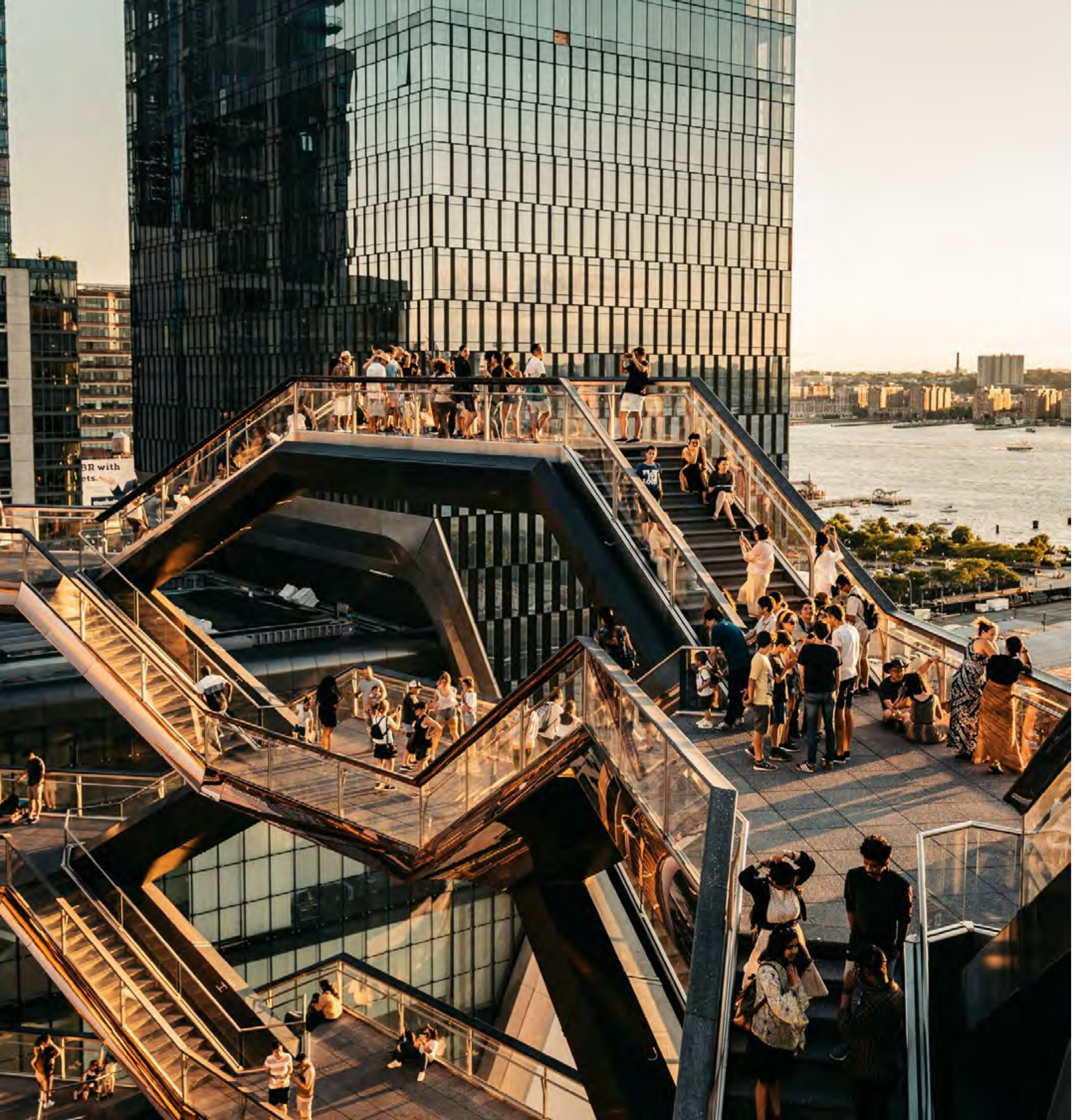


Manhattan office market report

Q2 2025

AVISON YOUNG

Manhattan office market trends

20.6 msf

Leasing activity in 2025 reached its highest first-half total since 2018

2025's first half leasing activity in Manhattan has reached 20.6 million square feet (msf); 17.2% higher than that of H1 2024.

The number of 100k+ square feet (sf) transactions in H1 2025 has reached the highest first half-year amount since 2019 with 21 transactions. This increase in leasing activity has been led by the banking, finance, insurance & real estate industry, which has accounted for just over a third of all activity this year.

16.4%

Manhattan availability rate hits lowest value since 2020

Manhattan's overall availability rate of 16.4% in Q2 2025 marks the lowest availability rate in over four years. Year-over-year, the overall availability rate dropped by 320 basis points (bps) from 19.6%. This drop came from a decrease in both direct and sublet available space, which currently sit at 69.1 msf and 15.0 msf, respectively.

When accounting for the desirability of space quality, which includes factors like potential conversions, property classifications, and other mitigating elements, the availability rate drops even further.

$30 psf

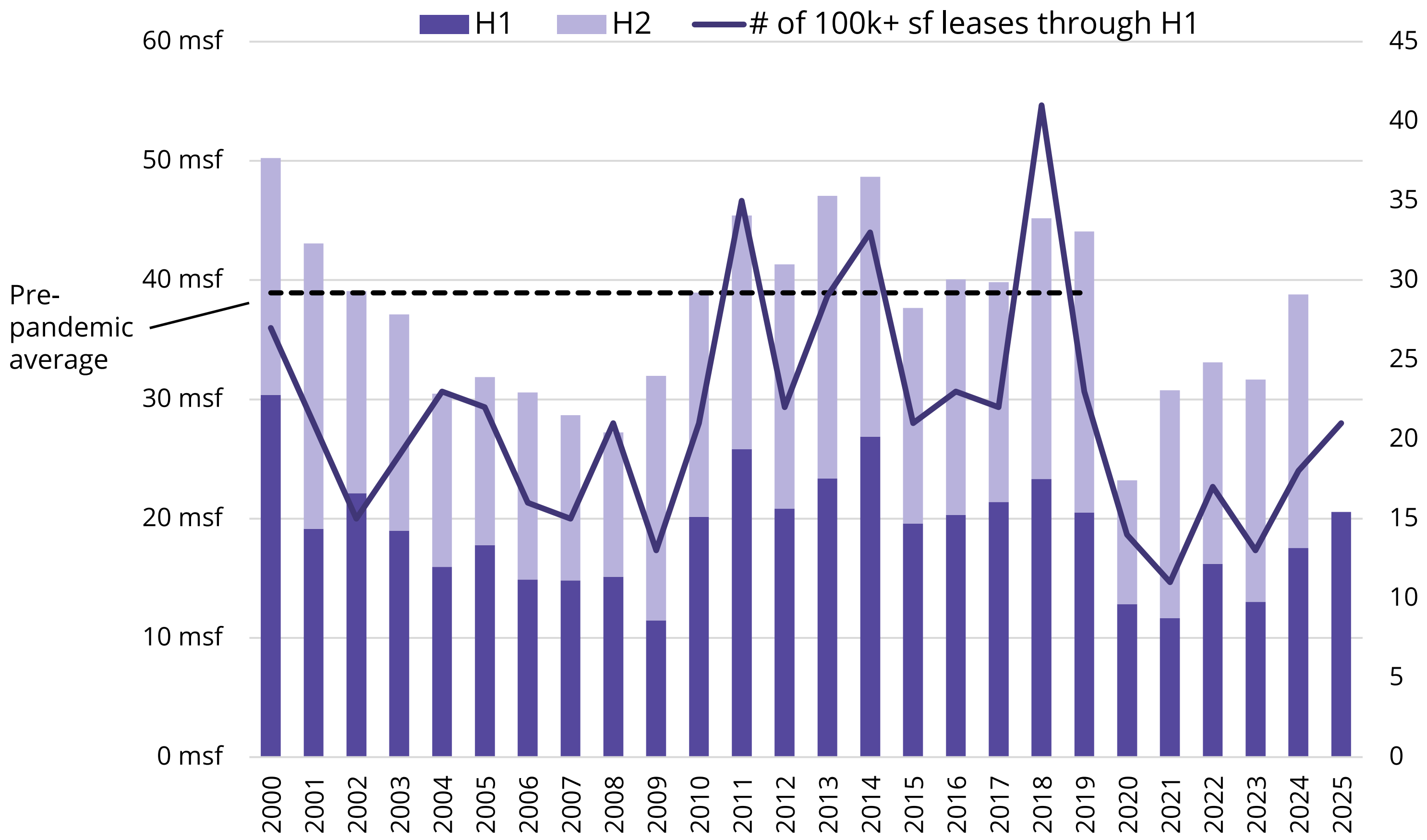
Gap between class A base and net effective rents reaches highest value to date

The difference between class A base and net effective rents has reached a record high $30 per square foot (psf), while trophy properties have seen their gap narrow to $23 psf.

This widening spread for class A reflects the substantial concession packages landlords are offering to remain competitive, even as they hold firm on rents. On the other hand, steady demand and increased competition for trophy space has allowed landlords to reduce incentives and slightly elevate rents. We expect class A to follow the same trend seen by trophy properties over the next 12-18 months.

Source: Avison Young Market Intelligence, CoStar

Leasing activity

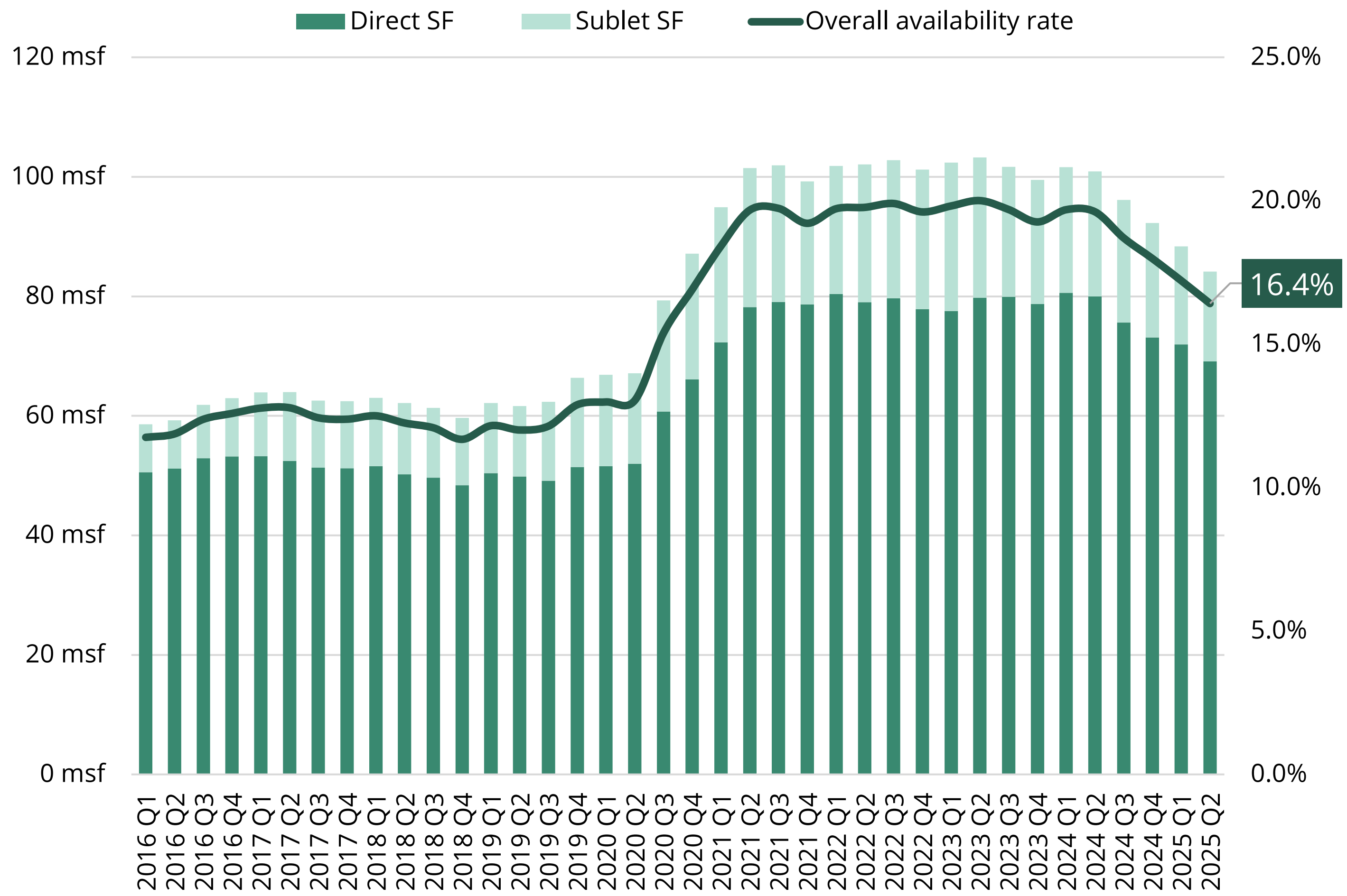


Year-to-date, there has been 20.6 msf of leasing activity across Manhattan, the highest H1 value since 2018 (23.3 msf).

This increase in activity has been led by 21 leases of 100k+ sf, the most seen in the first half of a year since 2019 (23).

Source: Avison Young Market Intelligence, CoStar

Available space

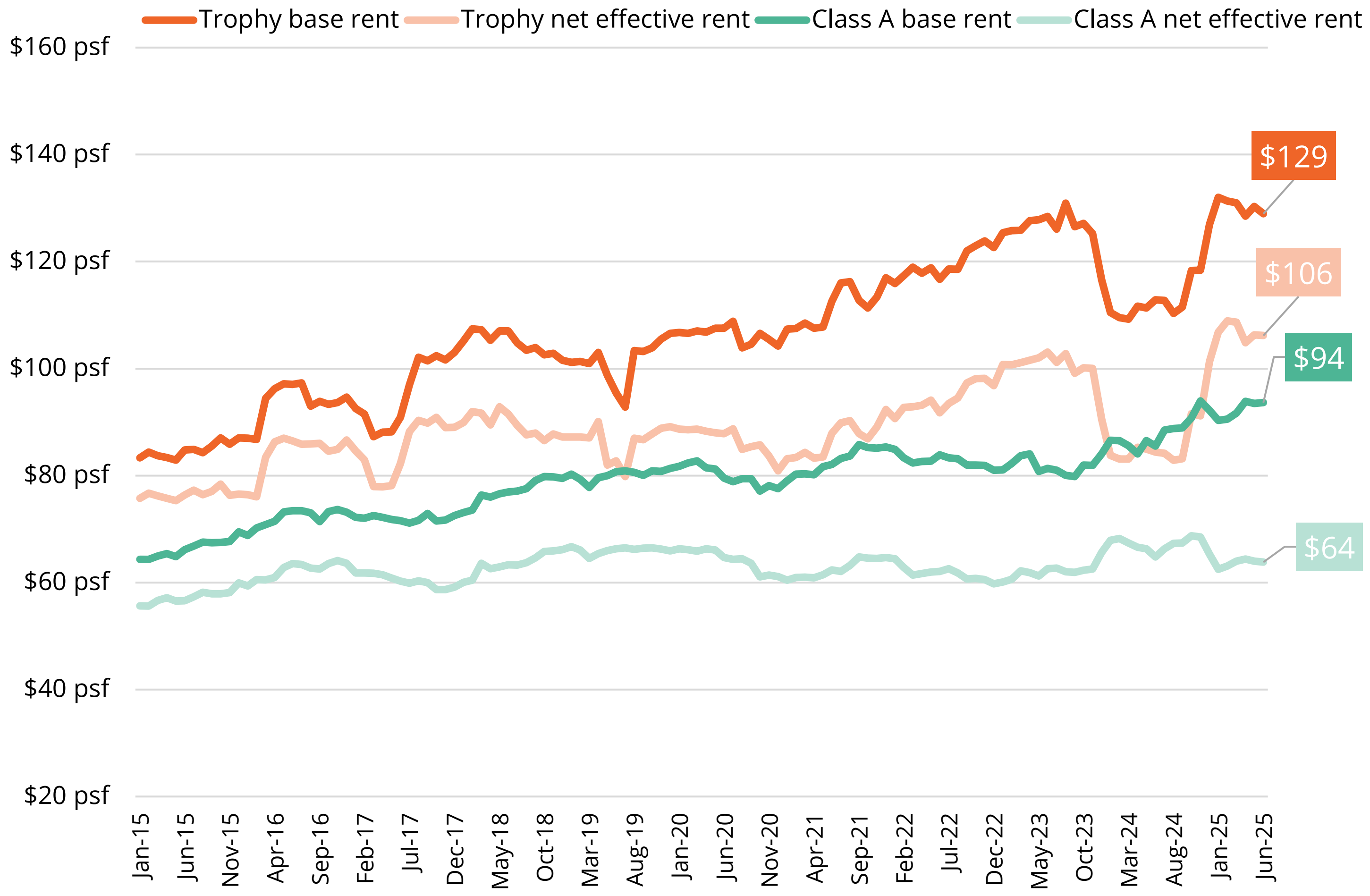


The overall availability rate has continued to drop as demand approaches pre-pandemic levels. The rate now sits at 16.4%, down 350-bps from its peak in Q2 2023.

This marks the lowest rate since Q3 2020 (15.4%), driven by a notable drop in both direct and sublet availability - down 3.9% and 8.4% quarter-over-quarter, respectively.

Source: Avison Young Market Intelligence, CoStar

Base and net effective rents by class



Note: Direct relocations only. Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Class A properties represent the top 25% but not the top 10%.
Source: Avison Young Market Intelligence, CoStar

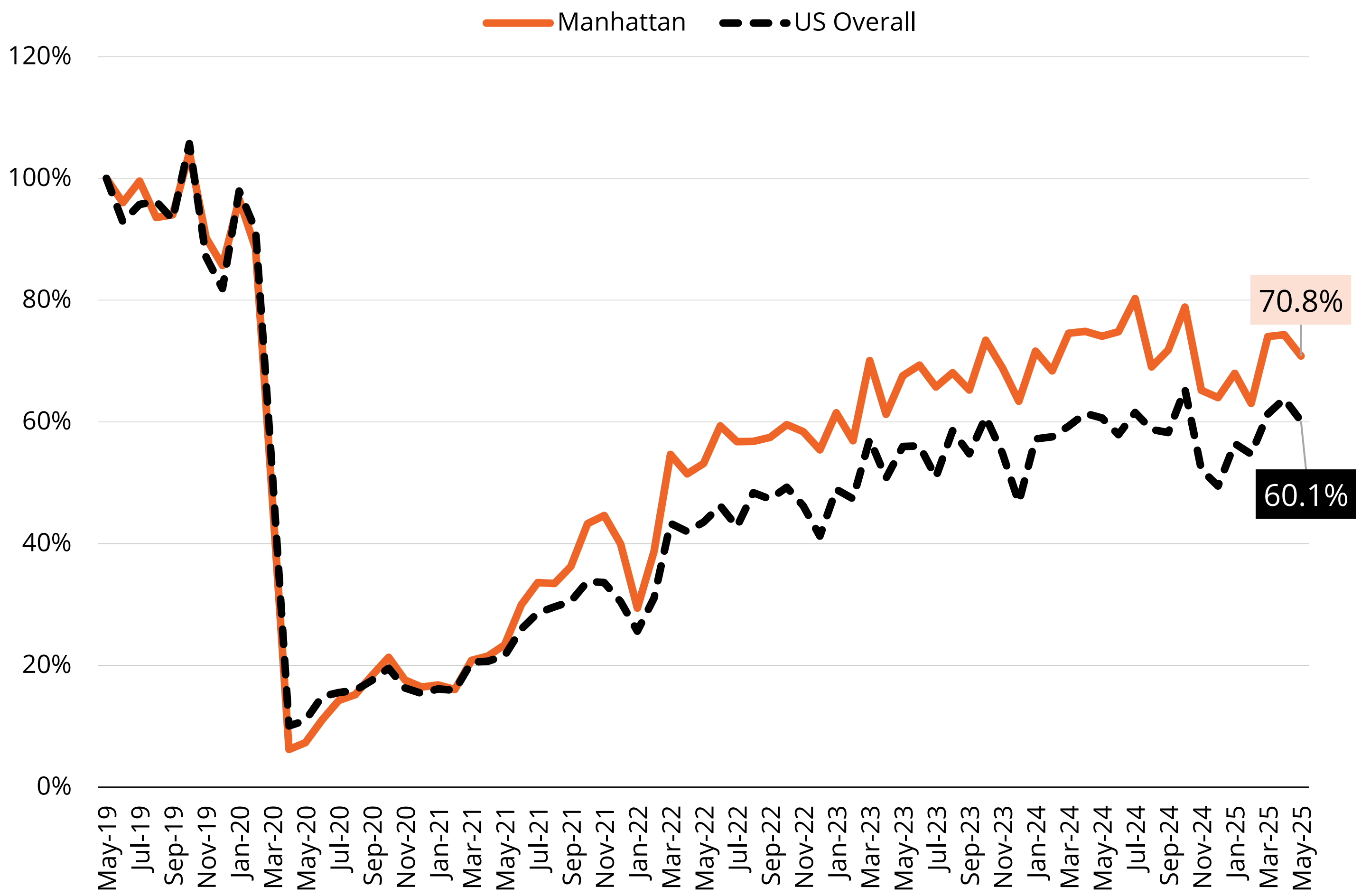
Due to high demand, trophy base and net effective rents remain high and sit at $129 psf and $106 psf, respectively. Meanwhile, class A base and net effective rents have respectively increased by 3.6% and 2.1% year-to-date.

Additionally, class A properties are experiencing the widest gap between base and net effective rents, driven by elevated concession packages aimed at attracting and retaining tenants.

Market drivers

Examining more prevailing office trends

Manhattan office busyness, May 2025 vs. May 2019

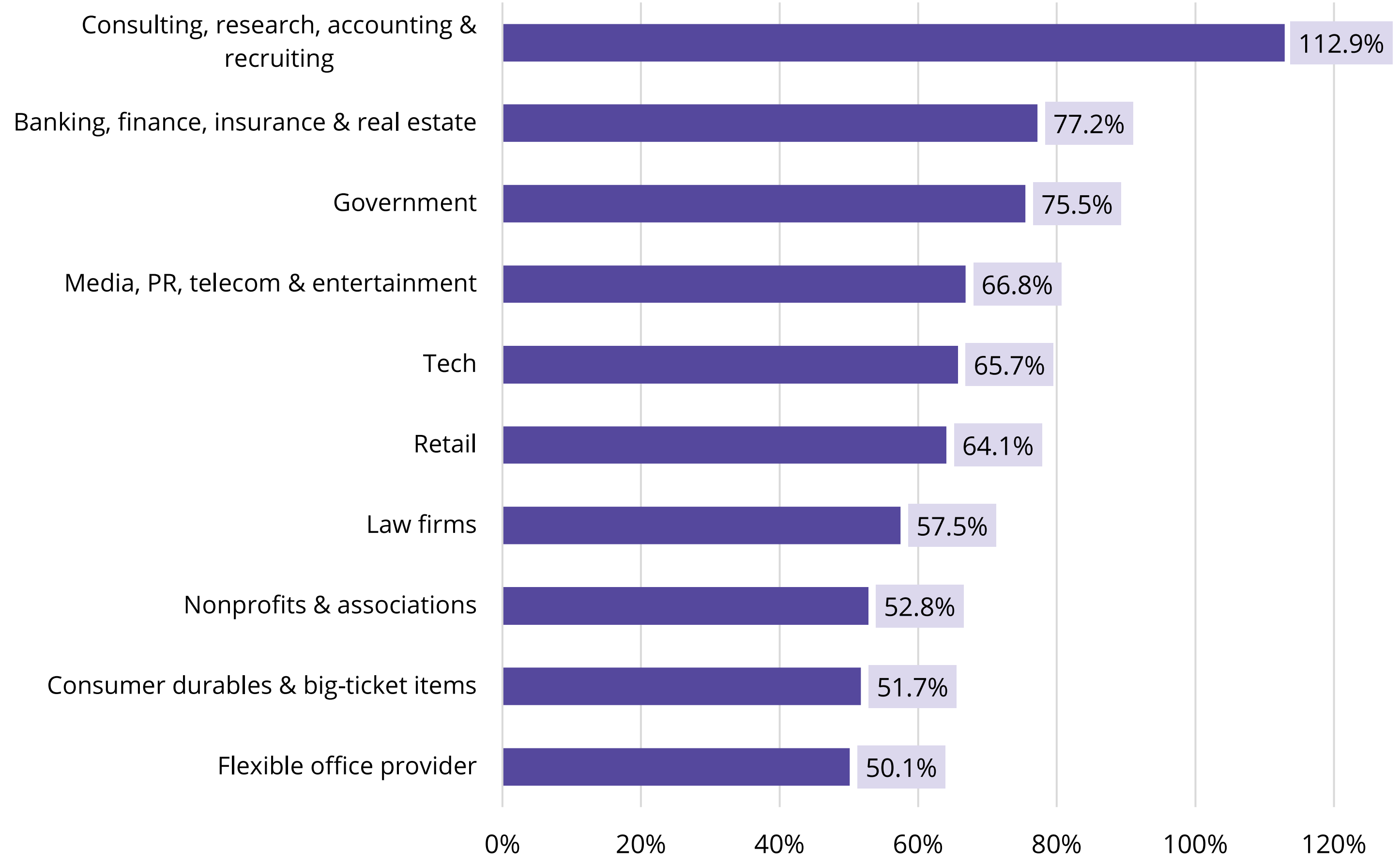


Source: Avison Young Market Intelligence, Placer.ai

As of May 2025, Manhattan office buildings are operating at 70.8% of their May 2019 busyness levels.

Given Manhattan's position as one of the nation's strongest office markets, it's not surprising that this rate outpaces the U.S. average of 60.1%.

Manhattan office busyness by major industry, May 2025 vs. May 2019

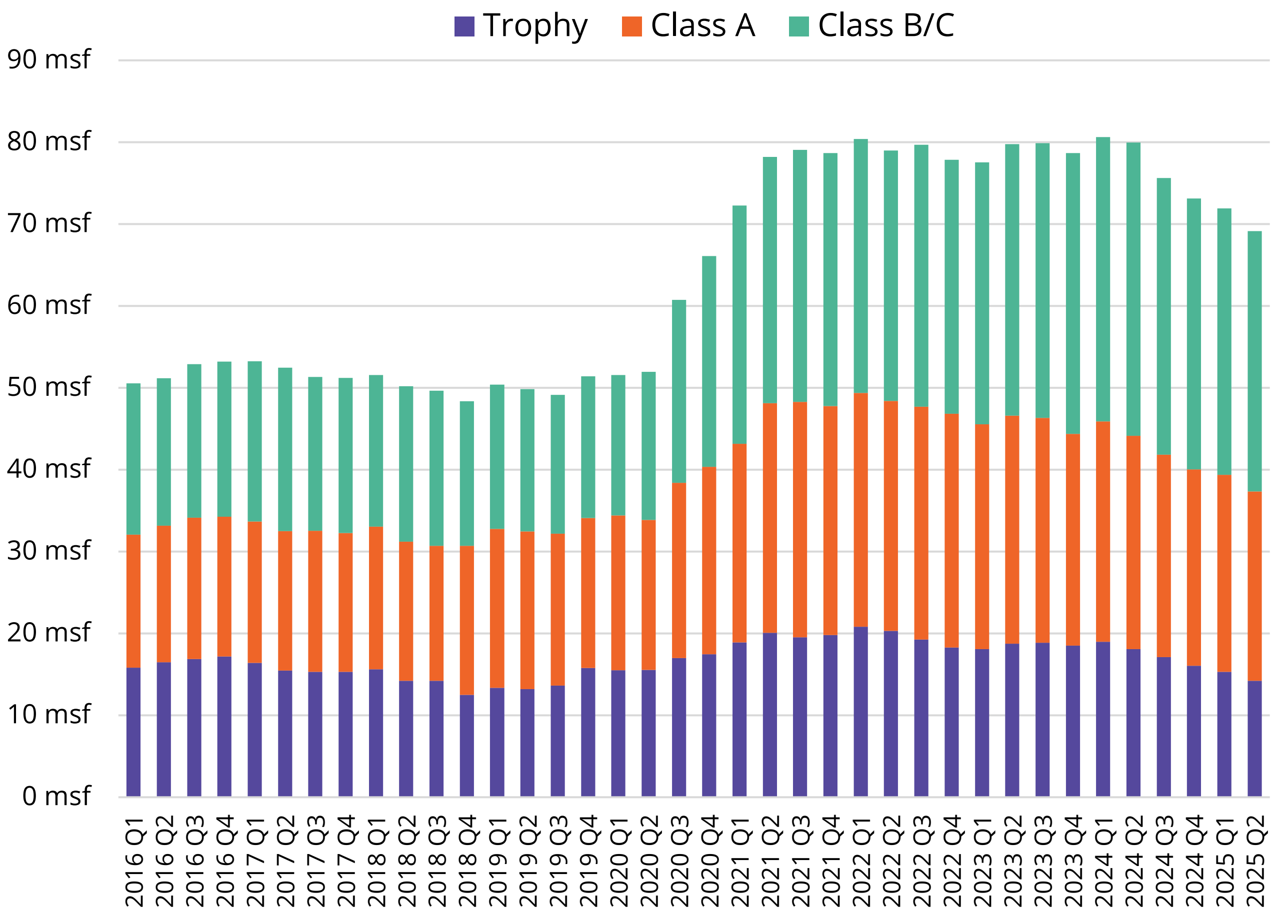


Source: Avison Young Market Intelligence, Placer.ai

Certain industries across Manhattan have seen stronger office busyness than others. For example, the consulting, research, accounting & recruiting industry was 12.9% busier in May 2025 compared to May 2019.

Other major industries like banking, finance, insurance & real estate, and government have seen strong office busyness figures due to their industries’ return to office requirements.

Available direct space

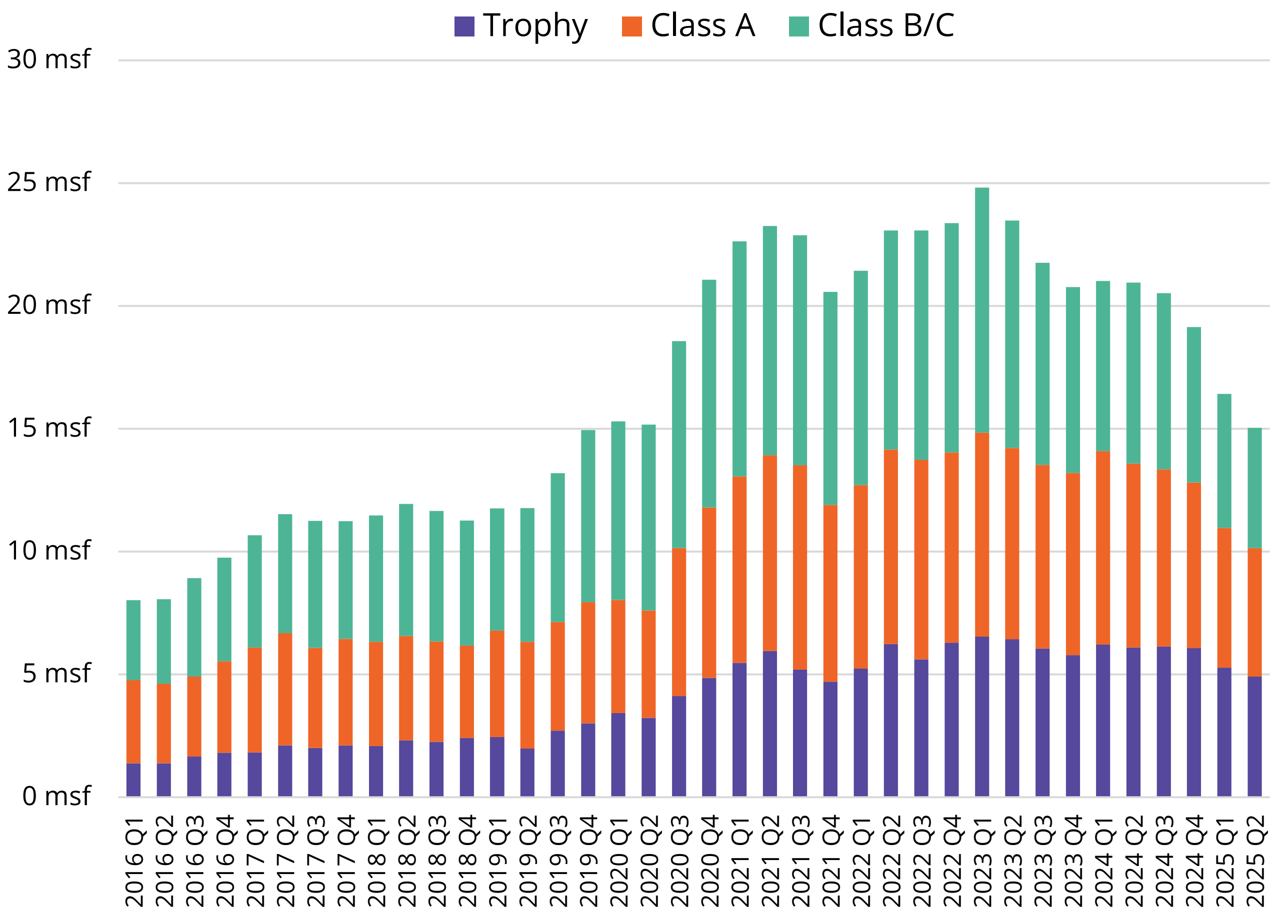


Direct available space sits at 69.1 msf, the lowest since Q4 2020. Trophy space saw the biggest quarter-over-quarter decrease at 7.0% and dropped to 14.2 msf, its lowest value in over five years.

As Manhattan's supply continues to tighten, the volume of direct available space is gradually returning to pre-pandemic levels.

Source: Avison Young Market Intelligence, CoStar

Available sublet space

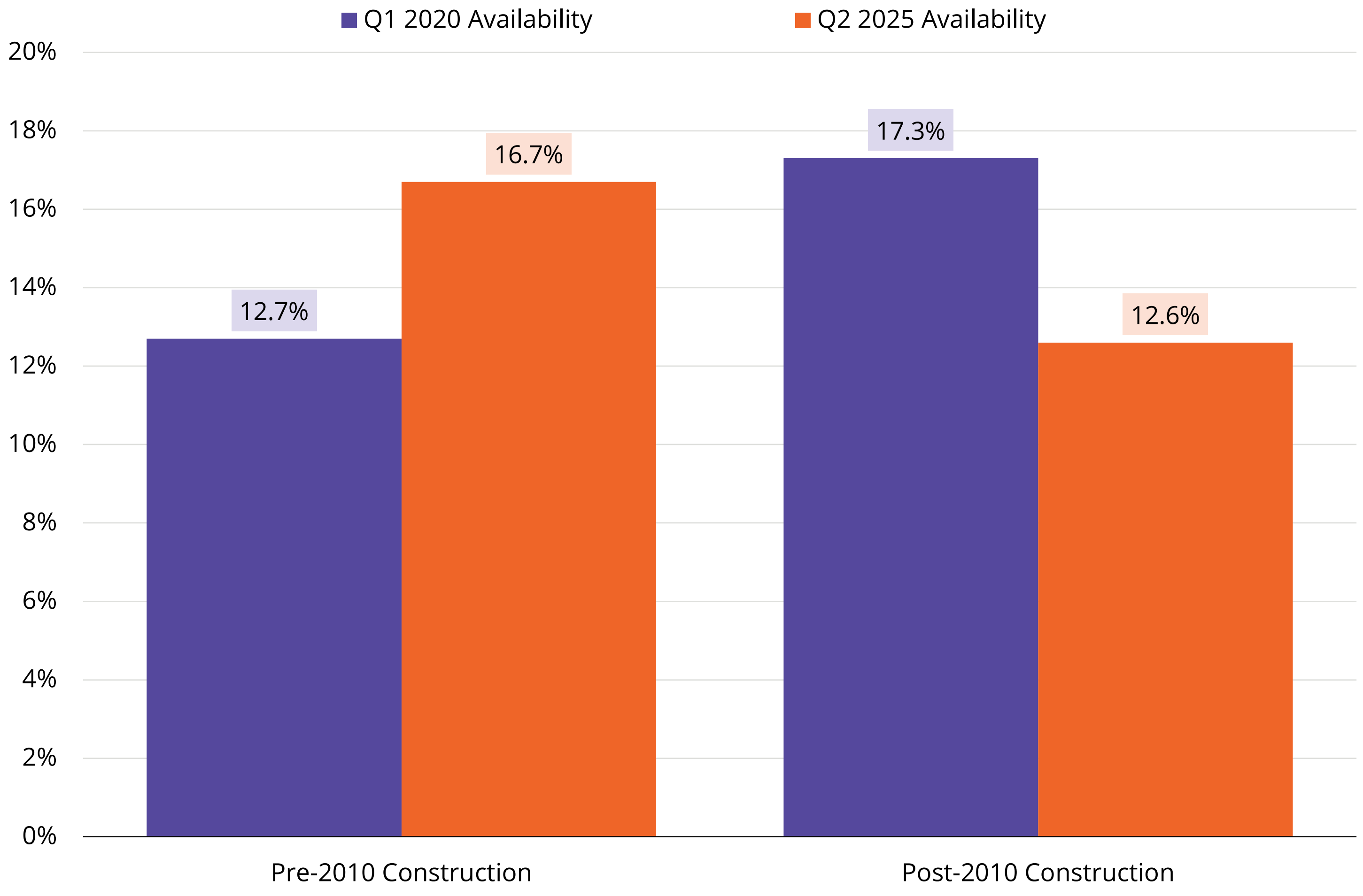


Source: Avison Young Market Intelligence, CoStar

Sublet available space is currently at 15.0 msf, down 8.4% quarter-over-quarter and the lowest since Q4 2019.

Every asset class saw a quarter-over-quarter decrease in sublet available space, with class B/C seeing the biggest drop at 10.1%. Class A saw the next largest drop at 8.3%, followed by trophy at 6.8%.

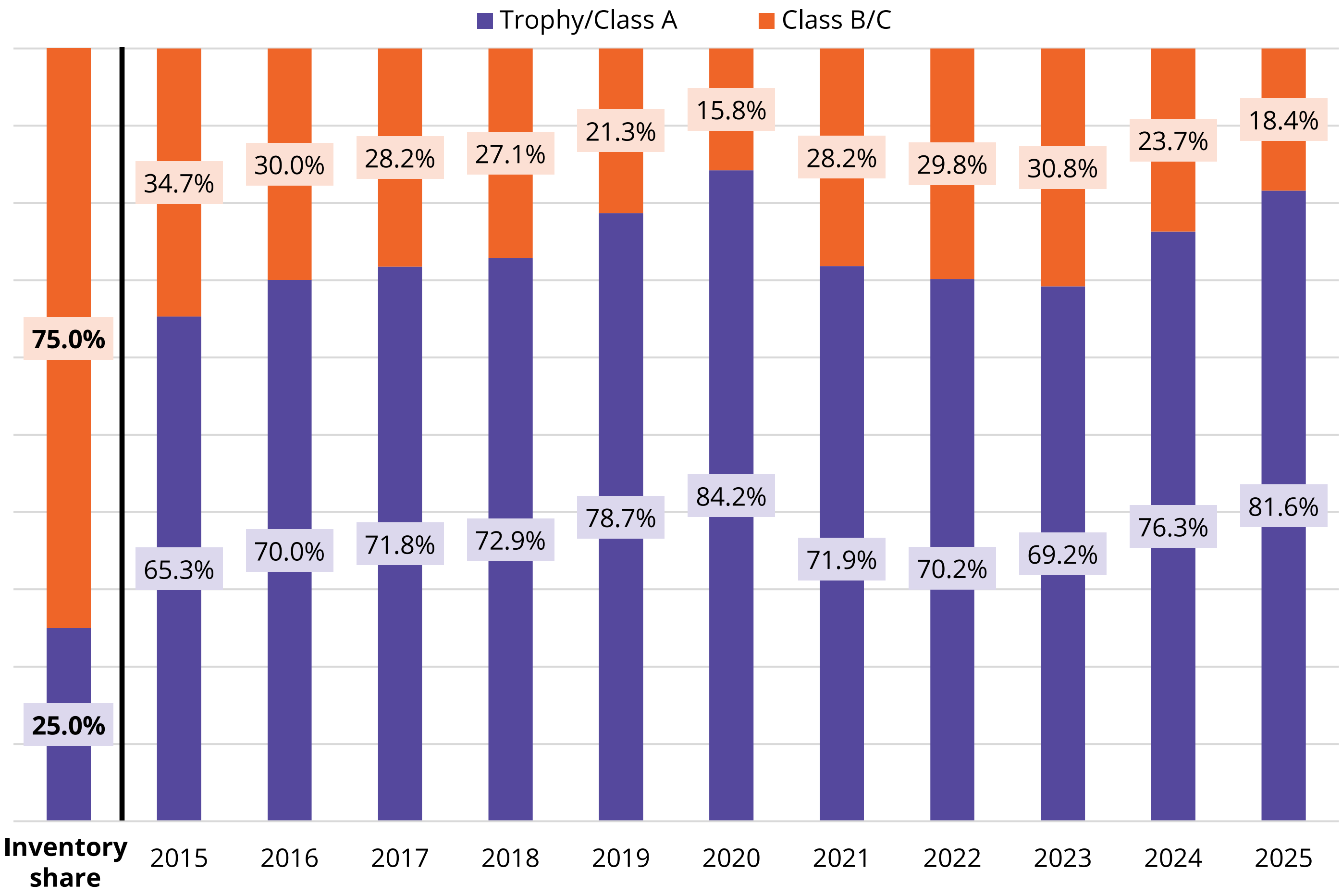
Availability by vintage, Q2 2025 vs. Q1 2020



Availability in Manhattan buildings built before 2010 has risen from 12.7% in Q1 2020 to 16.7% in Q2 2025. In contrast, newer buildings constructed after 2010 have seen availability decline from 17.3% to 12.6% over the same period.

Source: Avison Young Market Intelligence

Transaction activity by asset class, by square footage

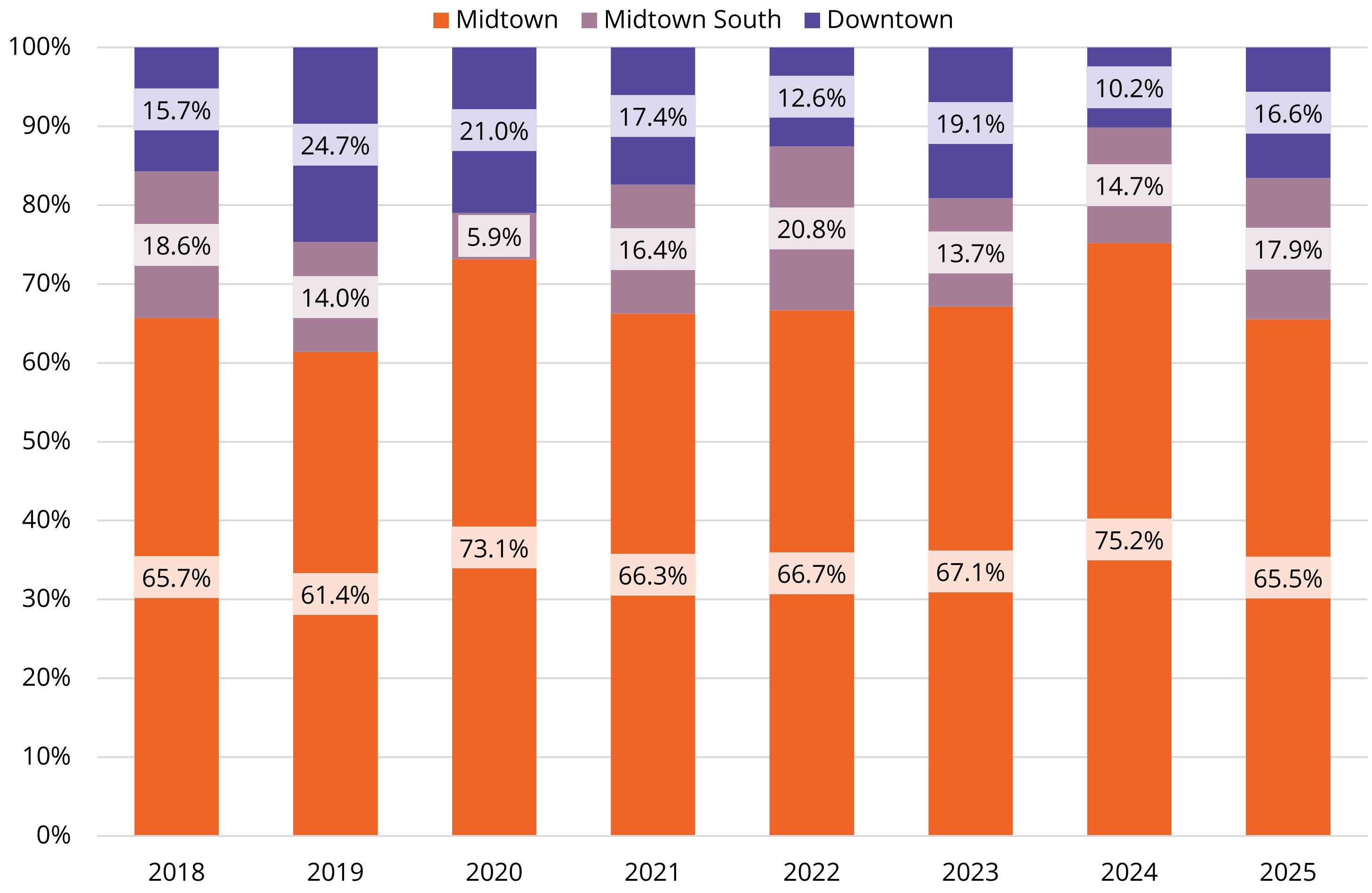


Year-to-date, trophy and class A properties have captured 81.6% of Manhattan leasing activity by class- highlighting the continued flight to quality as tenants prioritize newer, high-end space over aging class B/C product.

Despite representing just the top 25% of inventory, trophy and class A properties have accounted for the vast majority of leasing this year, far outpacing their market share.

Trophy properties represent the top 10% of the Manhattan office market in terms of rents and build date. Class A properties represent the top 25% but not the top 10%.
Source: Avison Young Market Intelligence, CoStar

Transaction activity by Manhattan market

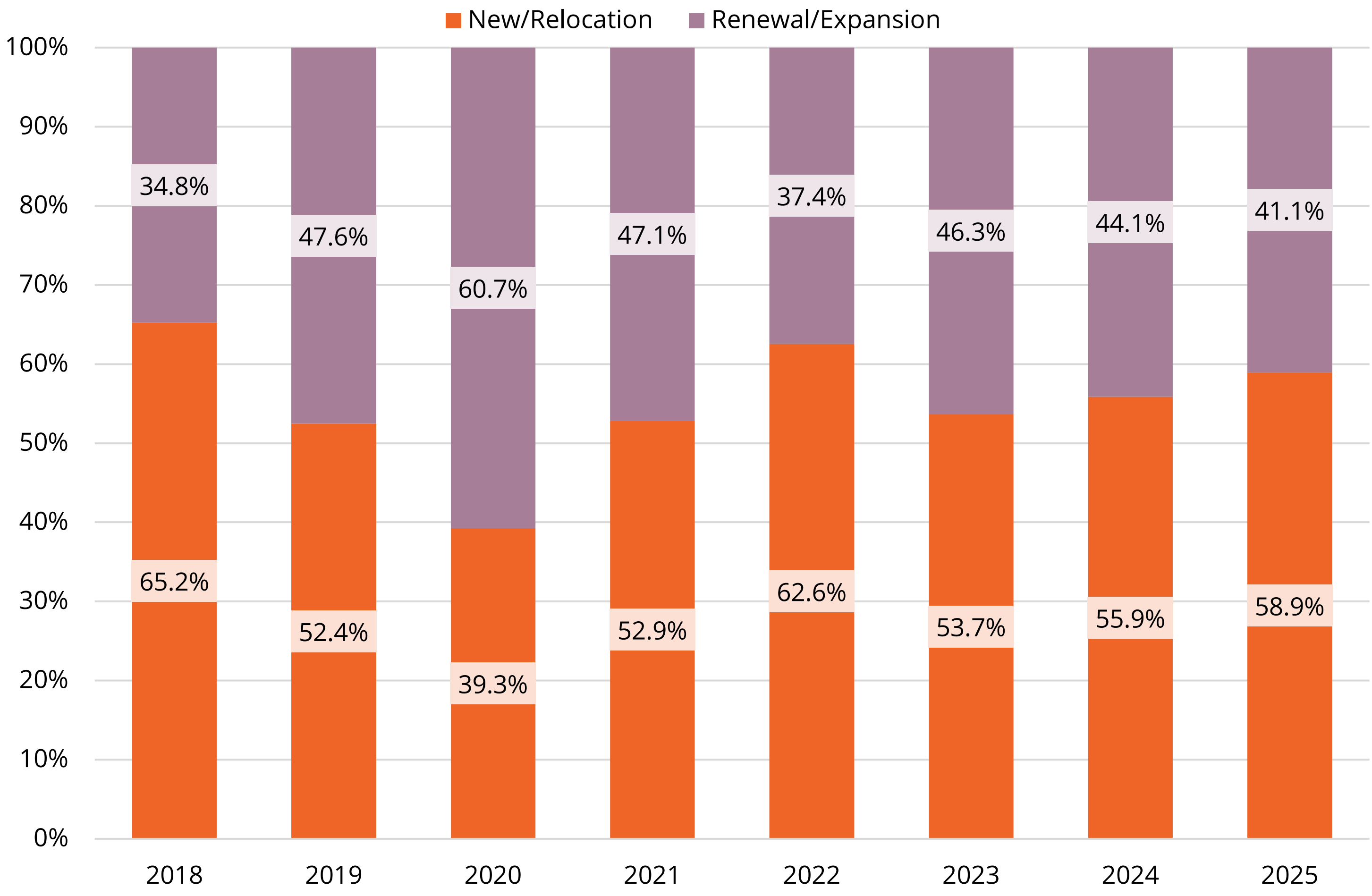


Source: Avison Young Market Intelligence, CoStar

While Midtown continues to account for the largest portion of transaction activity, both Midtown South and Downtown have seen heightened activity as Midtown supply continues to shrink and demand flows over to other areas of the city.

Year-to-date, Midtown South has captured its highest share of Manhattan leasing activity since 2022. This has been driven by NYU's 1.1 msf lease at 770 Broadway, along with major deals at 200 Fifth Avenue (Goodwin Proctor, 244k sf) and 114 Fifth Avenue (Capital One, 97k sf).

Transaction activity by lease type

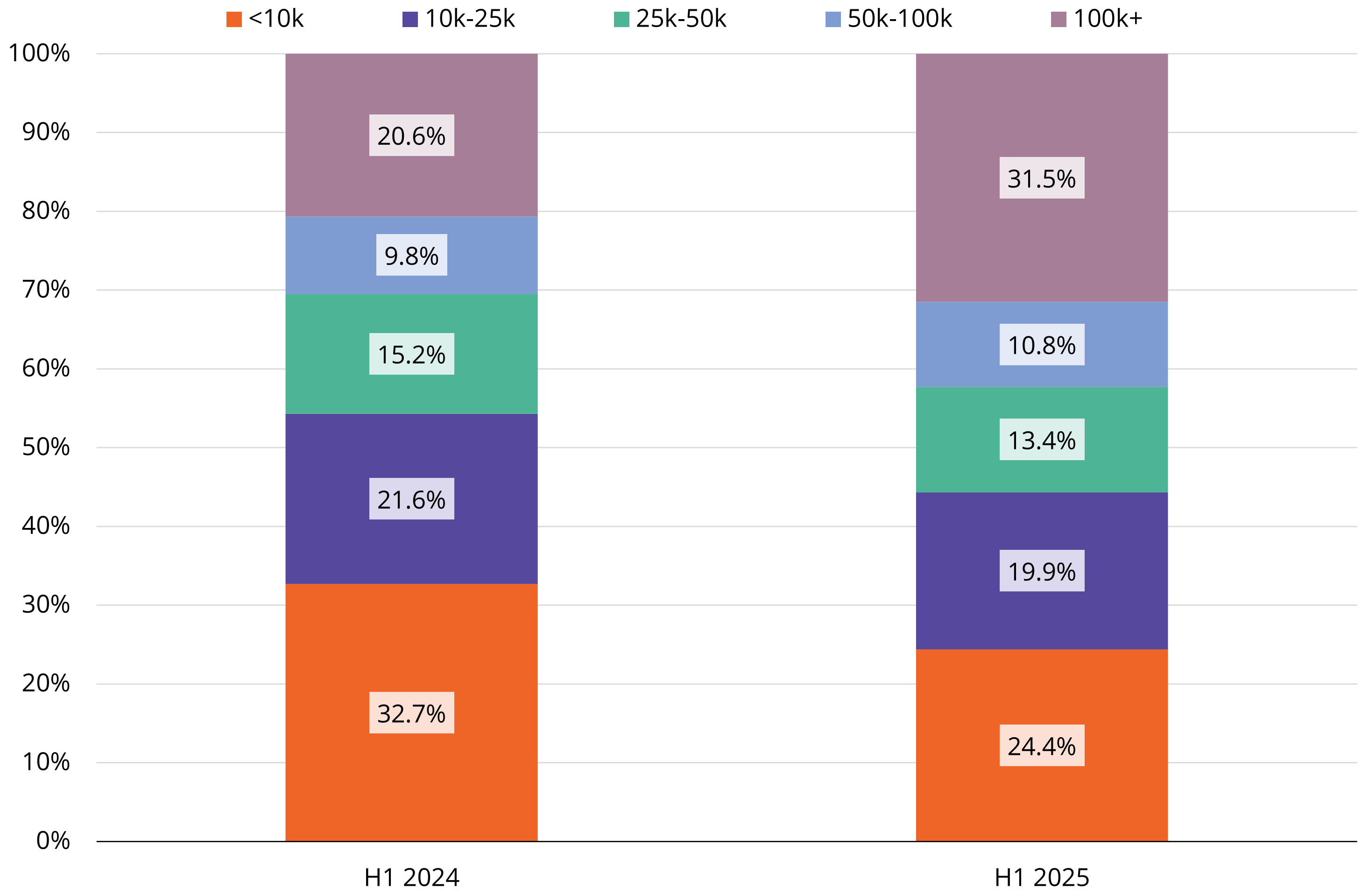


New/relocation leases have made up 58.9% of leasing activity this year, the highest share since 2022.

Meanwhile, renewals/expansions saw a 300-bps decrease in share of activity and sit at 41.1% for the year.

Source: Avison Young Market Intelligence, CoStar

Manhattan leasing activity by size tranche, H1 2024 vs. H1 2025

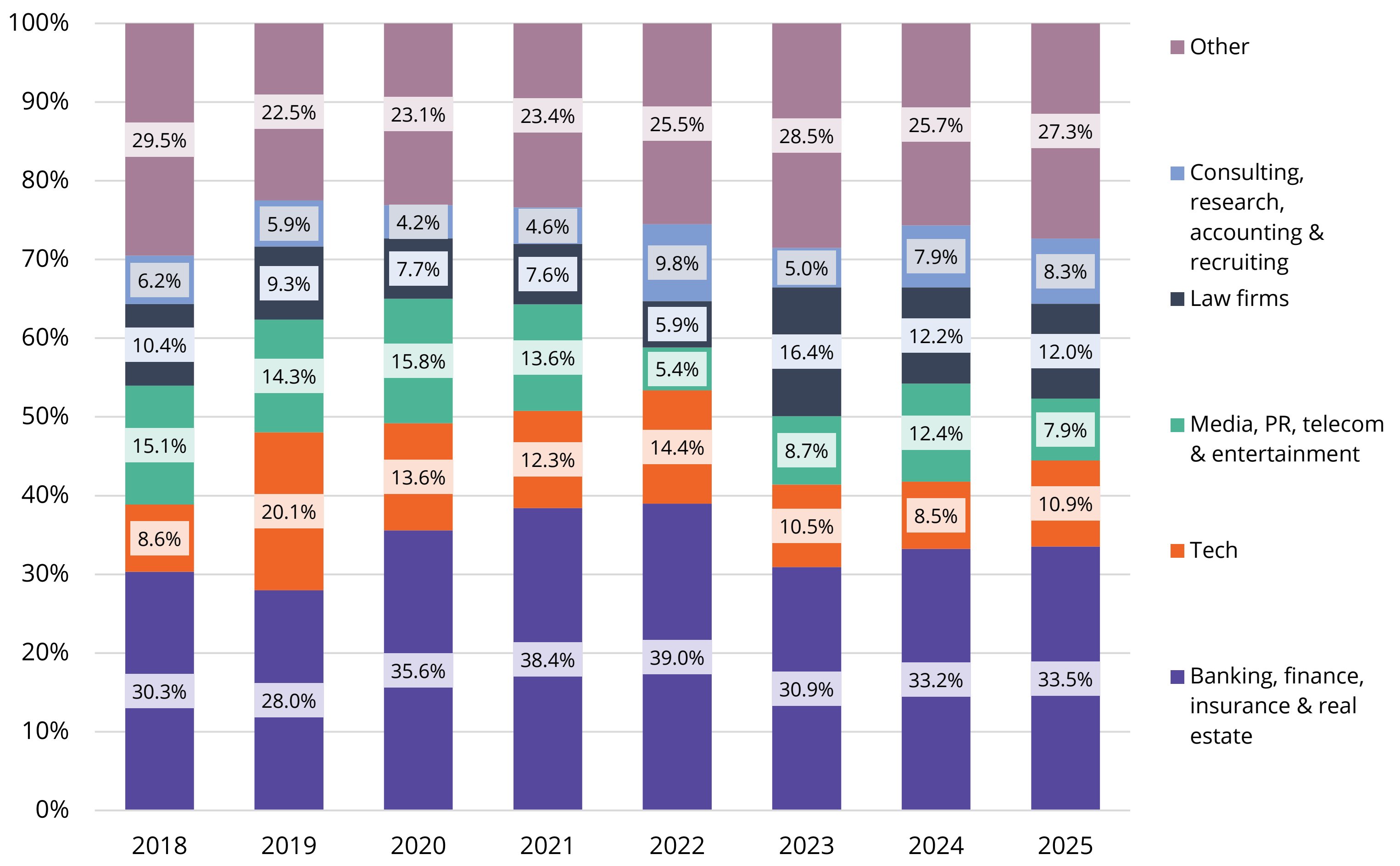


In the first half of 2024, small leases of less than 10k sf accounted for the majority of activity by size tranche at 32.7%.

However, the complete opposite has been true in 2025. Year-to-date, large-block leases of 100k+ sf have accounted for 31.5% of total activity by square footage. Additionally, leases 50k-100k sf saw a slight year-over-year increase in share while the smaller size tranches saw decreases.

Source: Avison Young Market Intelligence, CoStar

Leasing activity share by industry

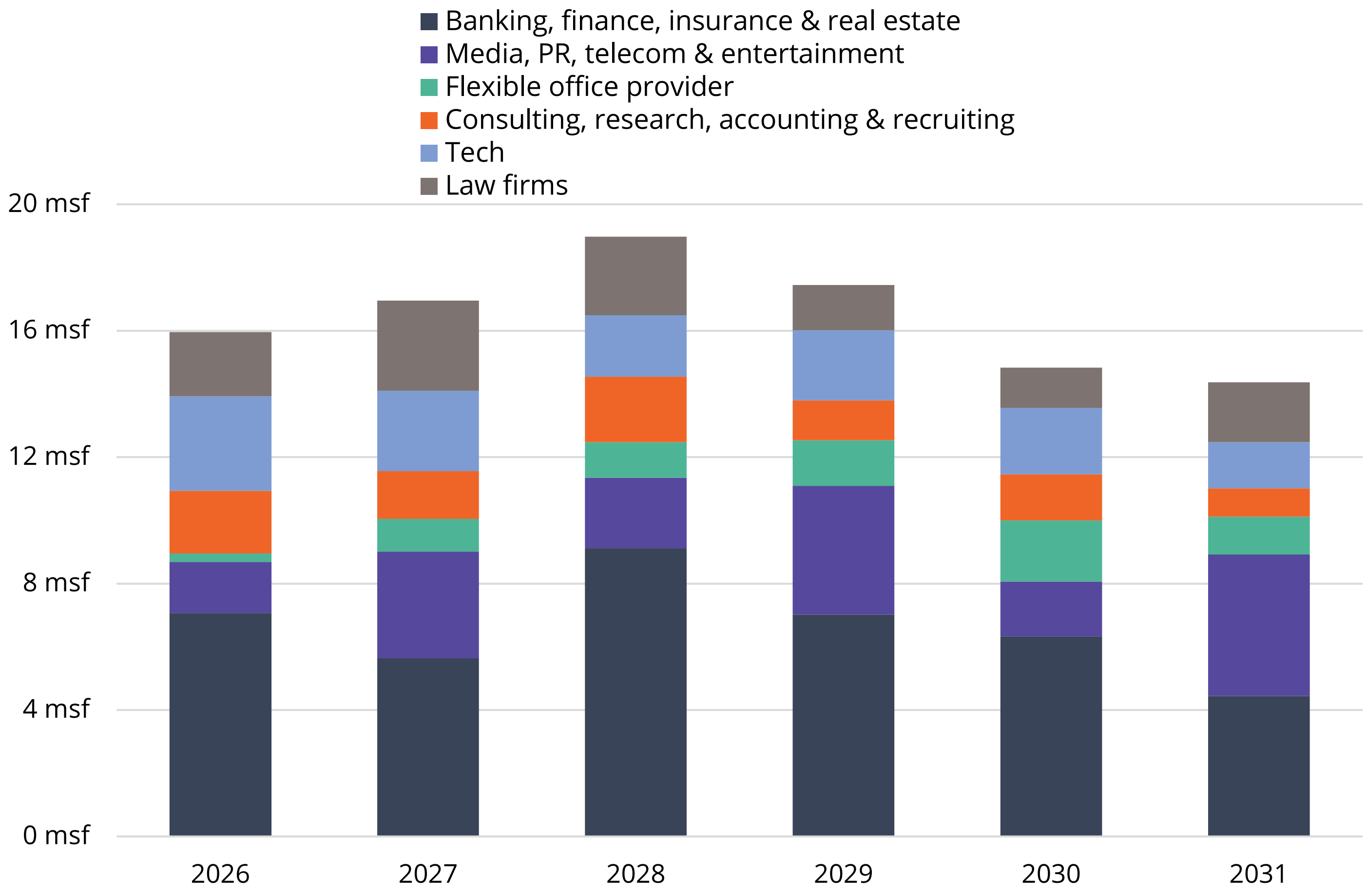


Note: Other includes retail, engineering, architecture, construction & building materials, government, flexible office provider & education.
Source: Avison Young Market Intelligence

Among Manhattan's major office-using industries, banking, finance, insurance, & real estate maintain the largest market share, reflecting their substantial footprint in the city.

Meanwhile, the emergence and prevalence of artificial intelligence in everyday life has prompted tech firms to become active players in the Manhattan office market. Year-to-date, the tech sector has seen its highest share of activity since 2022.

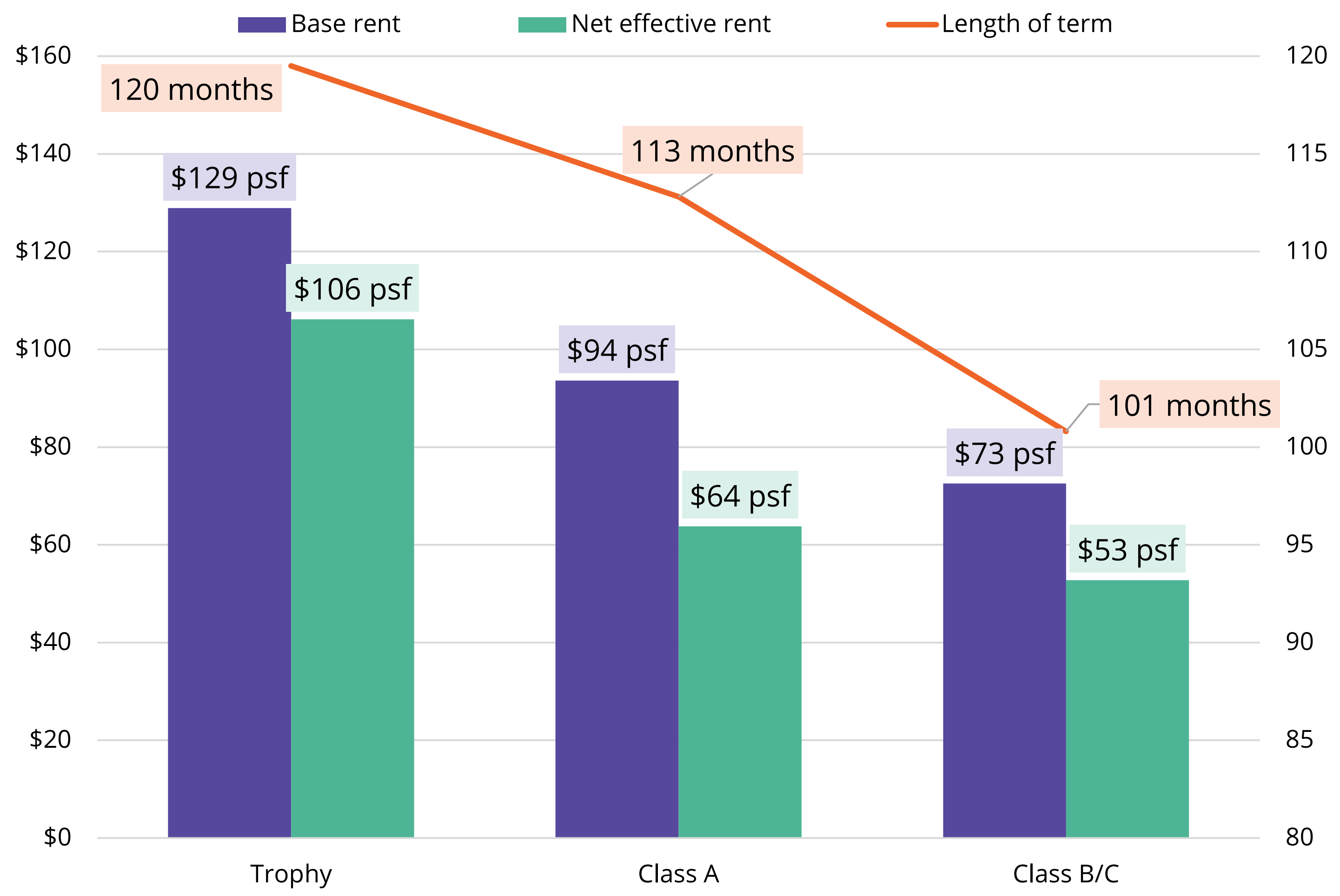
Upcoming lease expirations by major industry



From 2026 to 2031, tenants in banking, finance, insurance, & real estate account for 40.2% of office lease expirations by square footage- totaling 39.6 msf. Media, PR, telecom, & entertainment follow at 17.8%, or 17.5 msf.

Source: Avison Young Market Intelligence

Lease economics by class

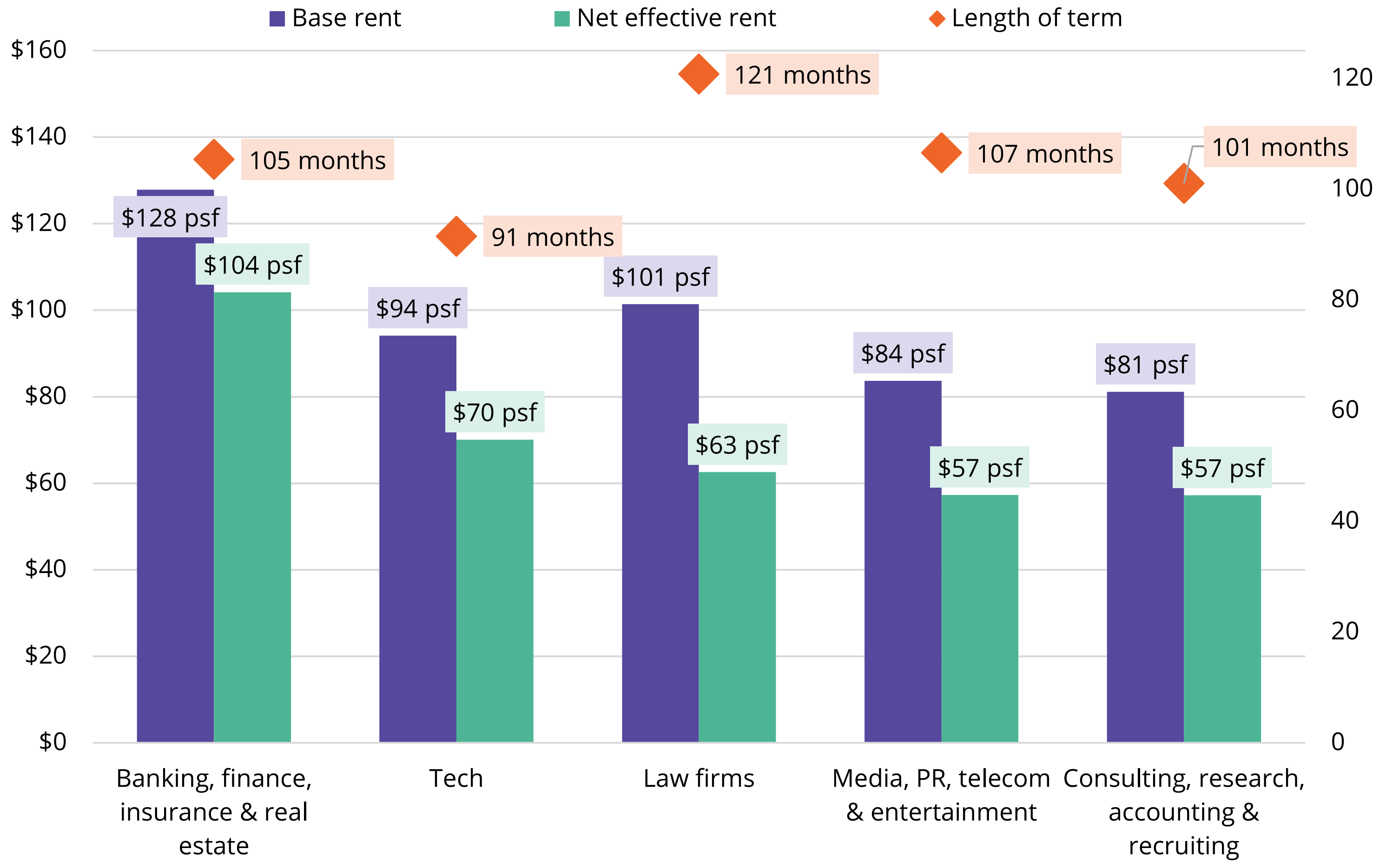


As supply tightens in the higher-end segment of the market, occupiers have opted for longer lease terms.

While trophy leases continue to see the longest average term at 120 months, class A has creeped up to 113 as the gap between the average lengths gets smaller.

Direct relocations only. 12-month average, weighted by lease size.
Source: Avison Young Market Intelligence, CoStar

Lease economics by industry

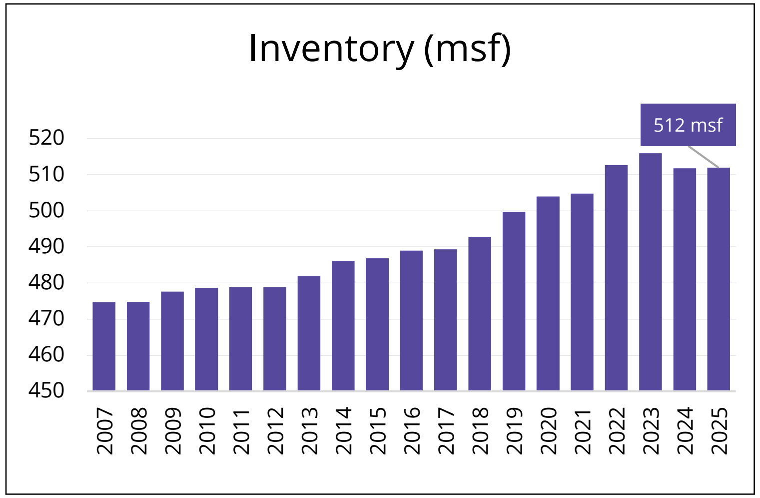


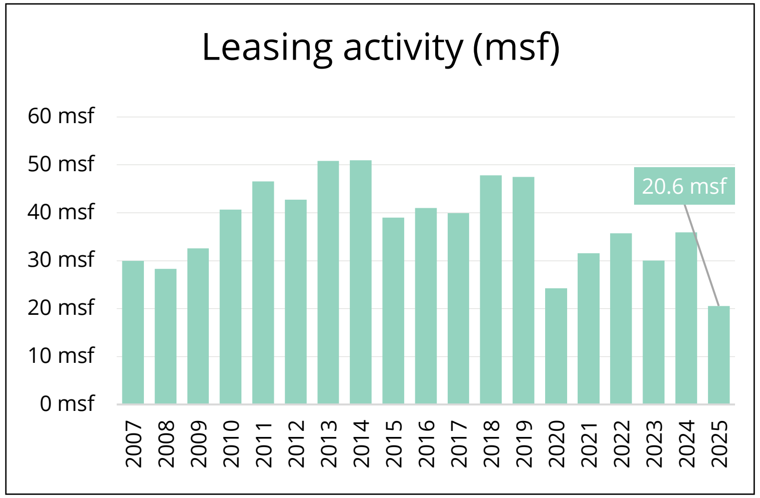
Direct relocations only. 12-month average, weighted by lease size.
Source: Avison Young Market Intelligence, CoStar

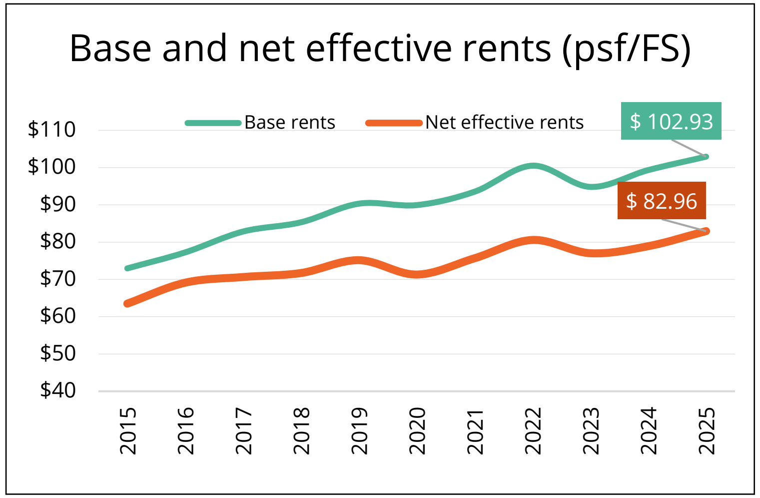
Over the past 12 months, banking, finance, insurance & real estate tenants have seen the highest average base rent of $128 psf and law firms continue to sign the longest lease terms on average at 121 months.

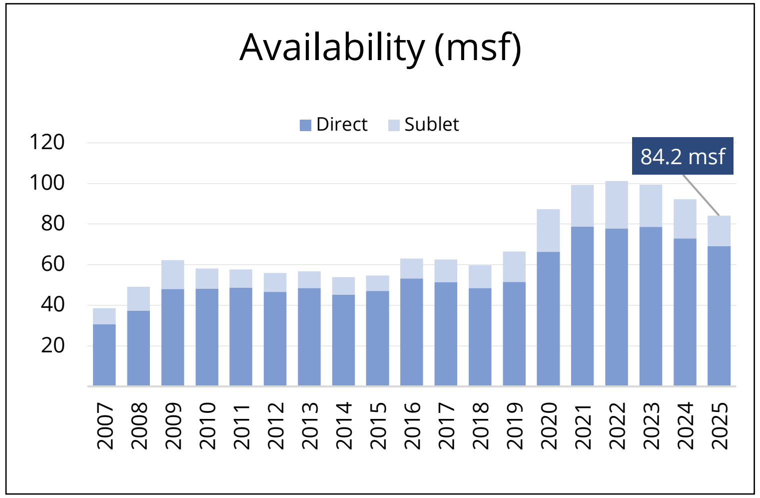
Appendix

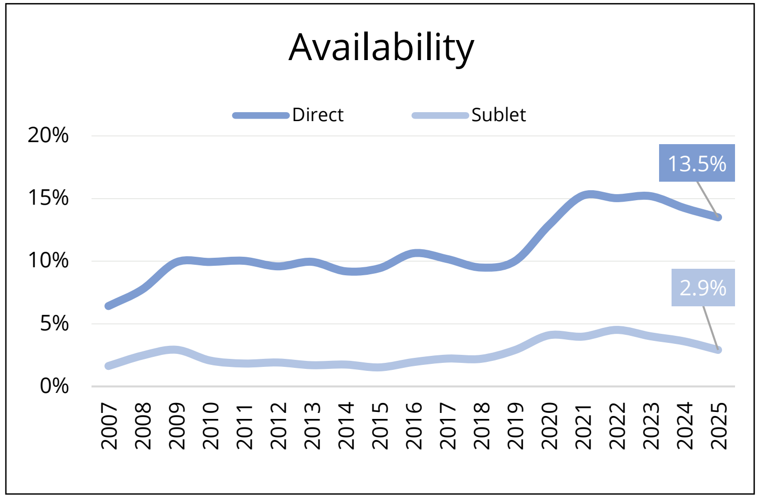
Manhattan office market indicators

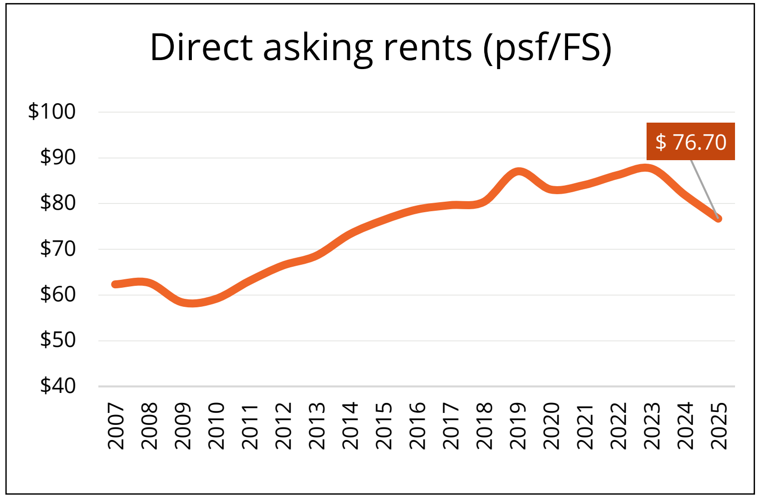












Source: Avison Young Market Intelligence, CoStar

Manhattan office market activity

Notable Q2 2025 leasing activity

Tenant	Address	Submarket	Sign date	Size sf	Transaction type	Lease type
NYU	770 Broadway	Greenwich Village	May 2025	1,067,383	New	Direct
Deloitte	70 Hudson Yards	Hudson Yards	Apr 2025	800,000	New	Direct
United Nations Association	2 United Nations Plaza	Midtown East	Apr 2025	425,190	Renewal	Direct
Amazon	452 Fifth Avenue	Grand Central	Apr 2025	330,000	New	Direct
Goodwin Procter	200 Fifth Avenue	Flatiron District/Gramercy Park	Apr 2025	244,433	New	Direct

Large contiguous space availabilities added in Q2 2025

Address	Submarket	Space type	Block size sf	Date available
230 Park Avenue	Grand Central	Direct	286,812	Apr 2026
805 Third Avenue	Midtown East	Direct	254,002	Jan 2027
55 Water Street	Water Street Corridor	Direct	196,694	Oct 2025
1 West 39th Street	Grand Central	Direct	126,401	Jul 2025
28 Liberty Street	Financial District	Direct	101,958	Aug 2026

Manhattan office market stats

Submarket	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Annual direct asking rent psf FS
Central Park	31,138,254	-	11.6%	3.0%	14.6%	$105.56
Grand Central	80,047,754	717,312	10.8%	2.3%	13.1%	$86.13
Hudson Yards	19,487,097	-	5.4%	3.6%	9.0%	$153.52
Midtown Core	59,058,199	199,000	9.1%	2.1%	11.3%	$104.97
Midtown East	23,551,517	-	14.6%	1.4%	16.0%	$71.61
Midtown West	3,410,794	-	15.6%	24.3%	39.9%	$64.73
Murray Hill	10,946,421	-	16.1%	1.8%	17.9%	$68.41
Penn Station	52,597,263	-	15.6%	2.1%	17.7%	$74.07
Times Square	35,147,791	-	17.7%	5.1%	22.8%	$65.43
Midtown Total	**315,385,090**	**916,312**	**12.3%**	**2.8%**	**15.1%**	**$82.73**
Chelsea	17,260,444	158,180	23.3%	3.3%	26.6%	$58.97
East Village	744,085	-	9.3%	8.8%	18.1%	-
Flatiron District/Gramercy Park	40,516,107	-	15.1%	0.9%	16.0%	$76.85
Greenwich Village	7,248,154	-	12.1%	0.7%	12.8%	$126.12
Hudson Square	10,356,262	-	16.7%	3.6%	20.3%	$73.18
Lower East Side	2,774,603	-	23.9%	5.9%	29.8%	$67.77
Meatpacking District	8,256,022	-	3.7%	2.4%	6.1%	$127.15
SoHo	6,570,727	-	14.2%	1.0%	15.2%	$89.52
West Village	293,542	60,674	30.3%	0.0%	30.3%	$62.94
Midtown South Total	**94,019,946**	**218,854**	**15.8%**	**2.0%**	**17.8%**	**$78.21**
City Hall	7,754,185	-	15.0%	2.1%	17.1%	$53.55
Financial District	43,910,586	-	19.6%	3.2%	22.8%	$67.11
Tribeca	7,652,442	-	14.9%	2.6%	17.5%	$78.72
Water Street Corridor	18,270,530	-	13.3%	7.4%	20.7%	$60.51
World Trade Center	22,769,692	-	7.8%	4.7%	12.5%	$79.02
Downtown Total	**100,357,435**	**-**	**15.1%**	**4.2%**	**19.3%**	**$66.90**
Upper East Side	554,077	-	3.8%	0.5%	4.3%	-
Upper West Side	1,603,866	-	11.7%	0.0%	11.7%	$40.19
Manhattan Total	**511,920,414**	**1,135,166**	**13.5%**	**2.9%**	**16.4%**	**$76.70**

Source: Avison Young Market Intelligence, CoStar

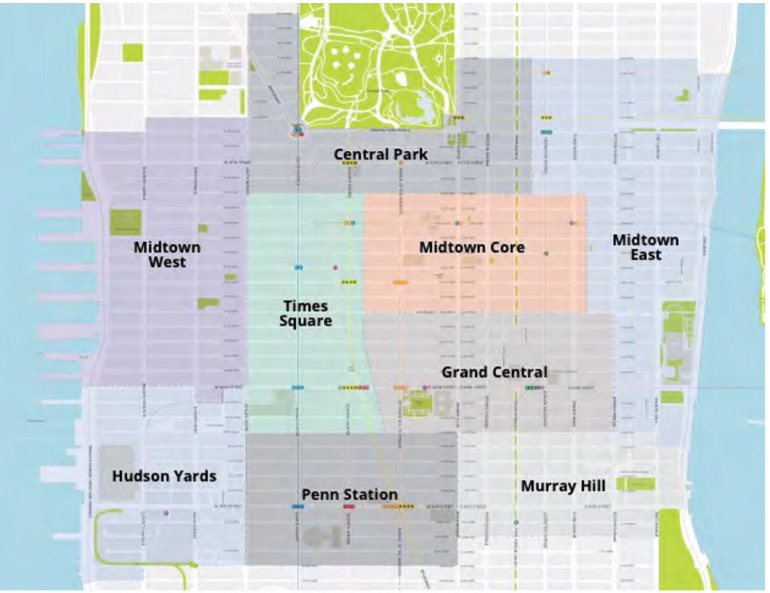
Manhattan office market stats by class

Class	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Annual direct asking rent psf FS
Trophy	138,000,466	357,180	10.3%	3.6%	13.9%	$111.06
Class A	157,761,162	777,986	14.6%	3.3%	17.9%	$83.89
Class B/C	216,158,786	-	14.7%	2.3%	17.0%	$60.87
Market Total	**511,920,414**	**1,135,166**	**13.5%**	**2.9%**	**16.4%**	**$76.70**

Source: Avison Young Market Intelligence, CoStar

Manhattan submarket map

Midtown



Midtown South

Downtown

Click here to download larger maps

Source: AVANT by Avison Young

New

2025 Outlook
MID-YEAR

The second half of 2025 is coming into focus. What does it mean for the office market?

Our top Market Intelligence experts break it down – sector by sector – so you can move into the second half of 2025 with clarity and confidence.

Explore now

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and information visit **avisonyoung.com**

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