

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.3% Vacancy Rate	▲	▲
-6.2M YTD Net Absorption, SF	▼	▲
\$72.73 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▼

ECONOMIC INDICATORS

	YOY Chg	Outlook
4.8M New York City Employment	▲	▲
5.0% New York City Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Total Employment Climbs to an Unprecedented High

The New York City economy continued to record healthy job growth in the fourth quarter of 2024, with total employment growing by 10,400 jobs in October and November, reaching an all-time high of nearly 4.8 million jobs. Gains were led by the private sector and education and health services employment, which reached all-time highs of 4.2 million and 1.3 million jobs, respectively. Office-using employment (financial services, professional and business services and information) increased by 12,300 jobs over the past two months, surpassing 1.5 million jobs, driven by gains in the professional, business and information services sectors. Although financial services employment dipped slightly in the fourth quarter, it was up by 1,700 jobs since the beginning of 2024.

SUPPLY AND DEMAND: Demand Soars to Highest Level Since 2019

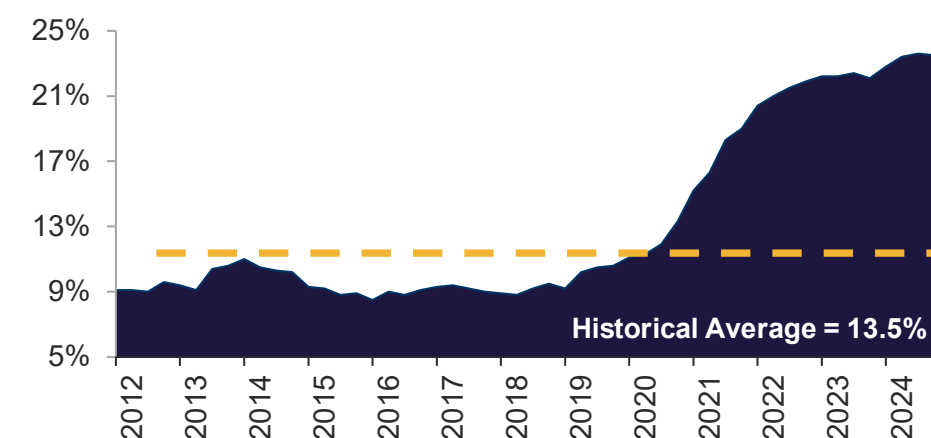
The Manhattan office market had a robust finish to 2024 with fourth quarter new leasing totaling 6.7 million square feet (msf)—the highest quarterly total since Q3 2022 and 6.3% higher than the 10-year quarterly average. The strong quarterly close brought annual leasing to 23.4 msf, outperforming the 2023 level by 30.2%. Activity was bolstered by 23 new and expansion leases greater than 100,000 square feet (sf), up from 16 in 2023. The financial services sector led demand, accounting for 31.1% of new leases greater than 10,000 sf. Combined, new leases and renewals generated the highest volume of activity since 2019 reaching 32.4 msf with two leases totaling 1.1 msf. Leases in excess of 1.0 msf occurred in only four of the past 10 years; 2015, 2018, 2019 and 2024. Six of the top 10 deals in 2024 were renewal/expansions; four of which included an expansion component of at least 100,000 sf.

Following four quarters of increasing vacancy, the Manhattan overall vacancy rate in Q4 2024 fell by 20 bps to a four-quarter low of 23.3%, as a boost in leasing helped to offset the addition of 10 blocks greater than 100,000 sf. Direct vacant space increased 0.7% to 77.3 msf, while sublease supply shrank to 20.5 msf—the lowest level in 15 quarters. Despite overall absorption registering negative 6.2 msf in 2024, Class A absorption in the fourth quarter was positive at 372,589 sf.

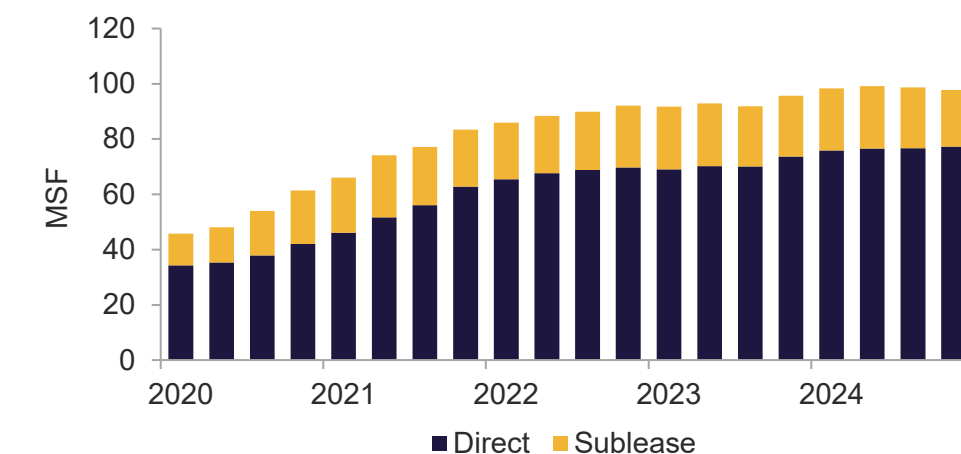
PRICING: Overall Asking Rents Remain Steady as Class A Rents Minimally Rise

Manhattan overall asking rents declined by \$0.25 per square foot (psf) during the quarter to \$72.73, while Class A rents rose marginally by \$0.07 to \$81.19 psf. Midtown asking rents fell by \$0.06 to \$78.15 psf, while Class A rents increased by \$0.23 to \$86.27 psf due to higher-priced space additions at 520 Madison Avenue. Midtown Southasking rents fell by \$1.05 to \$77.19 psf, as pricier space was leased at One Madison Avenue and 295 Lafayette Street. Downtown rents increased by \$0.15 to \$55.54 psf, with Class A rents rising by \$0.51 to \$59.22 psf, partially driven by space additions at One State Street Plaza.

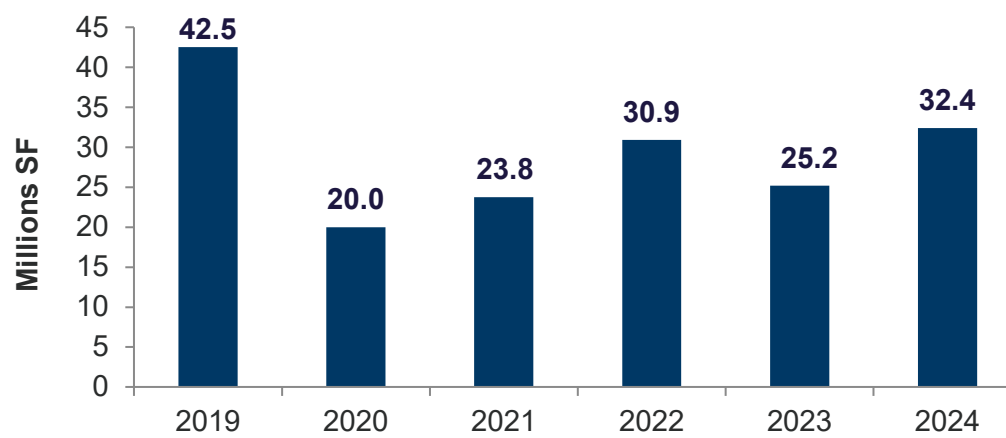
OVERALL VACANCY



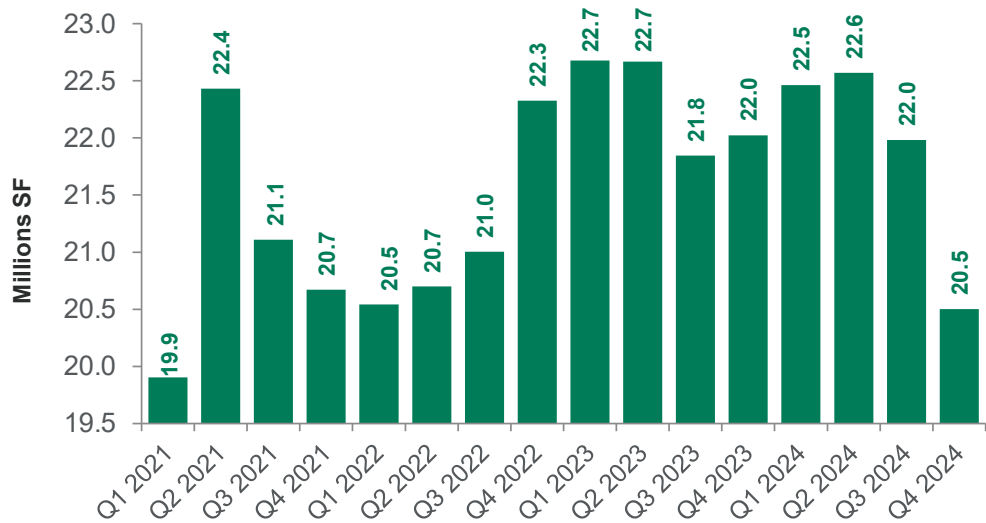
DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



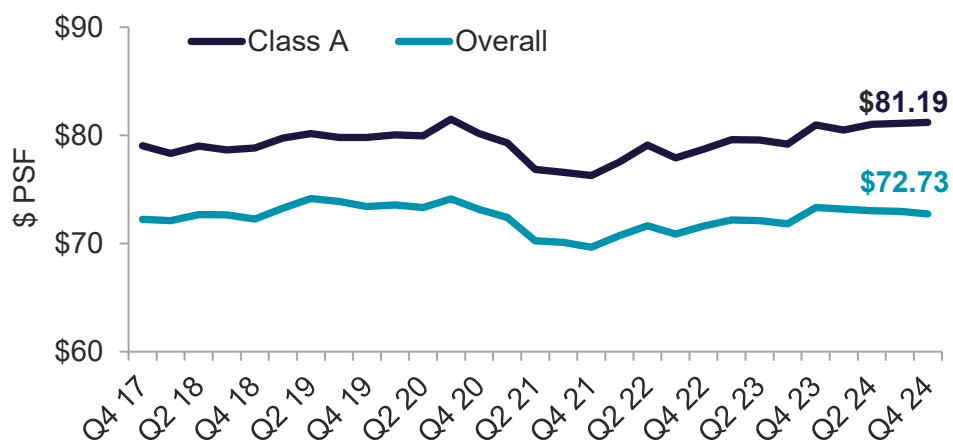
TOTAL LEASING SURGES TO HIGHEST LEVEL SINCE 2019



SUBLEASE SPACE FALLS TO LOWEST LEVEL IN 15 QUARTERS



ASKING RENT COMPARISON



MIDTOWN

Midtown new leasing surged quarter-over-quarter (QOQ) to nearly 5.3 msf, posting the highest quarterly total since Q4 2019. The uptick in demand was triggered by seven new and expansion leases greater than 100,000 sf, accounting for 39.2% of the quarterly total. Annual new leasing rose by 32.7% year-over-year (YOY) to 16.7 msf, matching the 10-year historical average. Class A leasing increased YOY by 32.7%, accounting for 82.7% of yearly activity. Midtown lease renewals measured 7.7 msf, up by 63.4% from 4.7 msf in 2023. Combined, new and lease renewals amounted to 24.3 msf—a 41.0% acceleration from 17.3 msf transacted in 2023. The majority of activity was concentrated in the Sixth Avenue/Rock Center submarket at 4.1 msf, followed by Grand Central and Park Avenue, each at 3.9 msf. The spike in leasing pushed vacancy down 20 bps to a four-quarter low of 22.3%, falling or remaining the same YOY in six of the nine submarkets. Although overall absorption ended 2024 at negative 4.1 msf, Class A absorption registered positive 599,014 sf in Q4 2024, driven by occupancy gains in seven of the nine Midtown markets. Park Avenue and Penn Station were the only two submarkets to generate positive overall absorption for the year at 707,180 sf and 341,135 sf, respectively.

MIDTOWN SOUTH

Despite an 11.3% decline in the fourth quarter to 1.1 msf, Midtown South leasing still surpassed 1.0 msf for the third consecutive quarter—a feat not seen since 2019. Annual new leasing registered 4.4 msf, up 53.9% from the 2.9 msf leased in 2023. There were 10 new leases each greater than 50,000 sf transacted during the year, representing nearly 23.0% of the annual total. With the exception of Hudson Square/West Village, four of the five Midtown South submarkets recorded a significant increase in YOY new leasing activity. New and renewal leasing achieved a combined total of 5.3 msf, up by 44.9% from 3.7 msf in 2023. Overall vacancy declined by 50 bps to 25.8% due to the absence of large block additions. The amount of sublease space on the market tapered down to 2.9 msf—the first quarter since Q2 2020 sublease space was below 3.0 msf, accounting for only 15.5% of total vacant space in Midtown South, compared to 20.4% a year ago. Despite registering negative absorption of 867,945 sf for the year, fourth quarter absorption was positive at 333,148 sf.

DOWNTOWN

Downtown new leasing fell 36.9% QOQ to 382,744 sf, as no leases over 50,000 sf were transacted, with the average lease size measuring 5,530 sf. Although Downtown leasing was down 9.3% YOY with 2.3 msf recorded, four of the six submarkets registered an uptick in activity with the exclusion of the World Trade and Insurance submarkets. Combined new and renewal transactions reached 2.7 msf in 2024, a 35.5% decline from 4.2 msf one year ago. Overall vacancy dropped by 10 bps to 24.3% and was down from 24.7% in Q1 2024. Overall 2024 absorption was negative at 1.2 msf but was positive in the Insurance and Financial West submarkets at 309,903 sf and 86,907 sf, respectively.

OUTLOOK

- The Manhattan office market is poised to continue expanding at a steady pace in 2025
- Look for demand to outpace supply of high-end quality space
- Expect financial services to continue driving the majority of demand in Manhattan

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
East Side/UN	21,567,733	4,349,807	253,370	21.3%	-132,584	-5,975	1,017,754	0	\$70.21	\$70.66
Grand Central	45,450,681	7,980,082	1,945,907	21.8%	-181,014	-564,173	3,305,474	210,886	\$66.57	\$69.62
Madison / Fifth	23,674,274	5,301,625	457,955	24.3%	-472,115	-732,392	1,630,080	135,300	\$113.00	\$122.37
Murray Hill	14,883,527	2,934,799	716,022	24.5%	160,084	-376,946	753,744	0	\$55.21	\$56.40
Park Avenue	20,792,570	1,840,192	692,651	12.2%	45,998	707,180	1,664,040	2,500,000	\$113.41	\$113.41
Penn Station	31,900,614	4,838,496	2,659,277	23.5%	349,546	341,135	2,916,012	0	\$106.58	\$115.93
Sixth Avenue/Rock Center	41,900,982	6,165,665	1,322,568	17.9%	509,359	-1,033,477	2,758,229	185,000	\$83.10	\$84.08
Times Square South	30,278,361	6,832,390	699,137	24.9%	-35,232	-782,319	1,784,851	0	\$53.45	\$69.22
West Side	30,908,797	6,305,205	2,940,469	29.9%	-108,871	-1,681,515	840,901	0	\$71.29	\$73.63
MIDTOWN TOTALS	261,357,539	46,548,261	11,687,356	22.3%	135,171	-4,128,482	16,671,085	3,031,186	\$78.15	\$86.27
Chelsea	16,975,338	3,127,538	737,218	22.8%	74,303	8,092	868,300	295,348	\$68.03	\$92.68
Greenwich/NoHo	5,491,017	1,253,353	56,971	23.9%	195,838	-135,216	352,816	54,000	\$110.16	\$122.80
Hudson Square/West Village	13,448,899	2,347,940	903,380	24.2%	-171,387	641,284	305,685	0	\$87.95	\$100.24
Madison/Union Square	31,668,461	7,760,377	899,962	27.4%	288,125	-734,646	2,502,723	0	\$72.34	\$90.00
SoHo	4,837,215	1,324,971	299,483	33.6%	-53,731	-647,459	416,114	0	\$79.00	\$82.56
MIDTOWN SOUTH TOTALS	72,420,930	15,814,179	2,897,014	25.8%	333,148	-867,945	4,445,638	349,348	\$77.19	\$94.99
City Hall	7,705,533	930,430	85,011	13.2%	-18,564	-190,607	142,652	0	\$50.12	\$51.38
Financial East	29,924,951	5,540,339	2,383,021	26.5%	-238,303	-1,036,114	932,358	0	\$51.91	\$53.73
Financial West	6,211,658	1,693,345	310,011	32.3%	-50,971	86,907	279,256	0	\$51.07	\$58.72
Insurance	12,587,451	3,733,006	358,081	32.5%	-65,233	309,903	301,804	0	\$52.32	\$57.28
TriBeCa	4,921,026	619,790	225,478	17.2%	-40,355	-104,045	68,222	0	\$65.54	\$64.96
World Trade	24,144,411	2,375,779	2,554,756	20.4%	-320,100	-293,615	575,049	0	\$64.64	\$66.08
DOWNTOWN TOTALS	85,495,030	14,892,689	5,916,358	24.3%	-733,526	-1,227,571	2,299,341	0	\$55.54	\$59.22
MANHATTAN TOTALS	419,273,499	77,255,129	20,500,728	23.3%	-265,207	-6,223,998	23,416,064	3,380,534	\$72.73	\$81.19

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
919 Third Avenue	East Side/UN	Bloomberg	1,123.54	Expansion/Renewal*
1285 Avenue of the Americas	Sixth Avenue/Rock Center	Ropes & Gray	427,622	New Lease
11 Penn Plaza	Park Avenue	Apple	397,894	Expansion/Renewal*

*Renewal portion not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
One Vanderbilt Avenue*	Grand Central	SL Green/Mori Building Co.	1,732,955	\$517.0M / \$2,712
360 Lexington Avenue	Grand Central	Savanna Real Estate Fund/ AmTrust Realty Corp JV Capstone Equities	211,884	\$65.5.M / \$309
321 West 44 Street	West Side	Vanbarton Group/ 60 Guilders JV American Exchange Group	181,021	\$40.5M / \$224

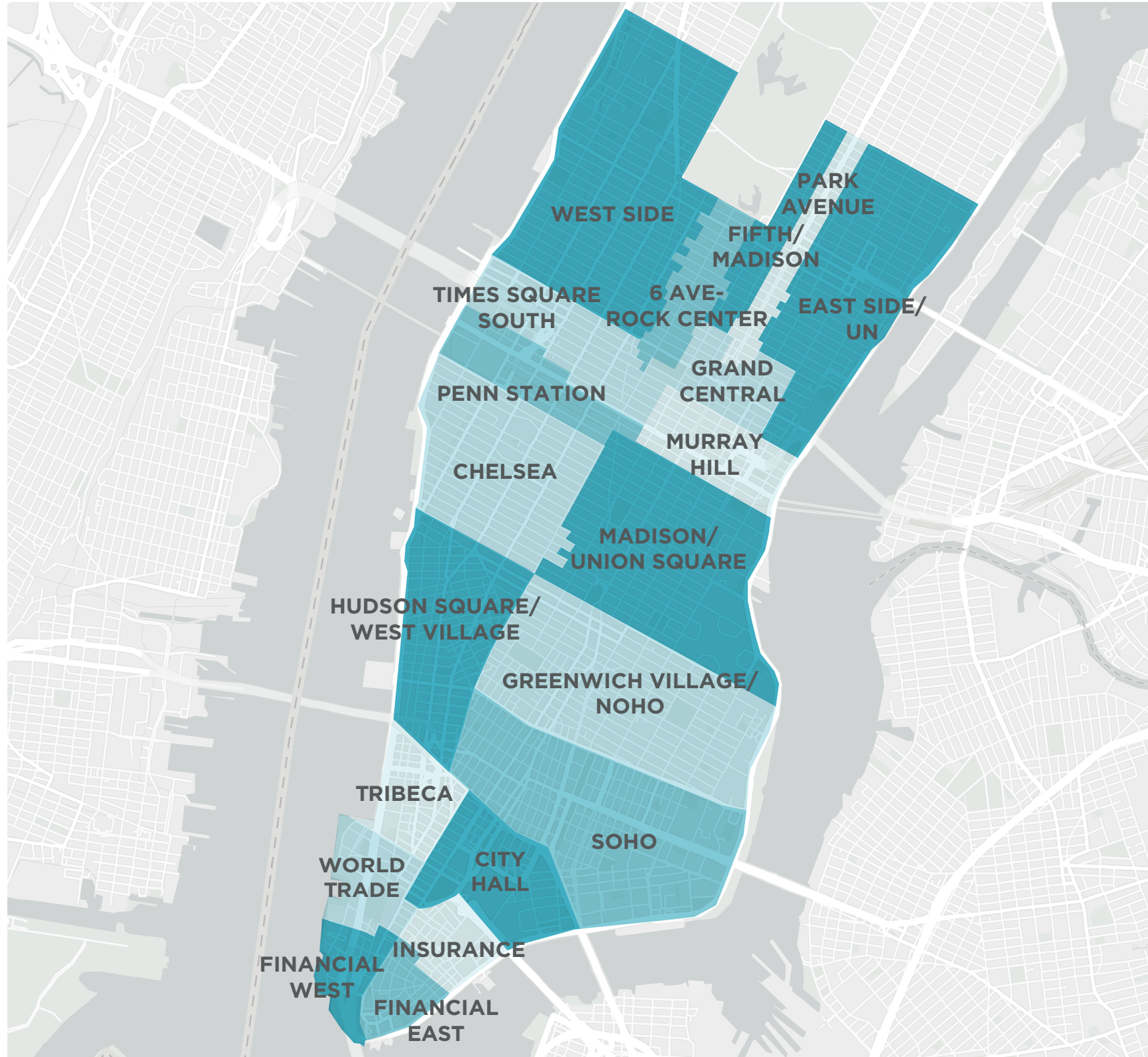
*Partial interest

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
360 Park Avenue South*	Madison/Union Square	ICONIQ Capital	451,000	Boston Properties
360 Bowery	Greenwich/NoHo	Chobani	121,284	Fourth Street Realty Holding

*Renovation

OFFICE SUBMARKETS



LORI ALBERT

Tri-State Research Director
Tel: +1 212 841 7876
lori.albert@cushwake.com

REED HATCHER

Senior Research Manager, New York City
Tel: +1 212 599 4422
reed.hatcher@cushwake.com

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