

INVESTMENT FORECAST

Office
New York City Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2025

Outer Boroughs Maintain Momentum as Manhattan Attracts Investors and Tenants

Recovery in New York County lifts retail outlook. The metro's retail landscape enters 2025 on strong tailwinds after its job growth rate climbed into the nation's top 10 last year, supporting income growth in the upper tier of major markets. Expanding affluent neighborhoods in Brooklyn and Northeast Queens are expected to experience sustained demand from necessity-oriented tenants, with leasing activity historically elevated in 2024. Vacancy in the Bronx and South Queens should remain tight despite financial pressures that could impact lower-income households, while Downtown Brooklyn may lag amid a slower office recovery. In contrast, rising tourism and office occupancy in Manhattan will aid retail leasing, particularly in Midtown, where vacancy fell in 2024 for the first time since 2019. Congestion pricing may further reshape leasing dynamics if upheld. Foot traffic within the zone rose 4.6 percent in January, compared with the same month in 2024. Tenants with minimal delivery needs, such as service providers and those selling low-turnover goods, may benefit the most.

Strengthening fundamentals aid institutional demand. Retail transaction volume increased in 2024 as institutional activity grew, particularly in Manhattan. Improved office attendance is set to uphold buyer demand for ground-floor space in premium office buildings, while tightening retail vacancy may spur interest in renovating outdated properties. A growing population in Brooklyn is likely to maintain the appeal of grocery stores and discount retailers, which offer reliable cash flows. The borough's lower entry costs should also sustain private buyer demand. Coney Island could gain investment appeal after posting record multifamily absorption last year. The area stands to benefit from ongoing redevelopment, including a \$42 million sports arena upgrade.

2025 MARKET FORECAST

+1.5%



EMPLOYMENT: Job growth moderates this year as the metro adds 70,000 positions. Strengthened leisure and hospitality hiring last year should continue amid rising tourism.

700,000
sq. ft.



CONSTRUCTION: Following last year's smallest delivery slate on record, completions will rise slightly. Most new supply is concentrated in Brooklyn near Williamsburg and Long Island City.

-10 bps



VACANCY: Limited development and steady job growth are poised to drive vacancy compression. At 3.9 percent, the metro's rate will closely align with its long-term average.

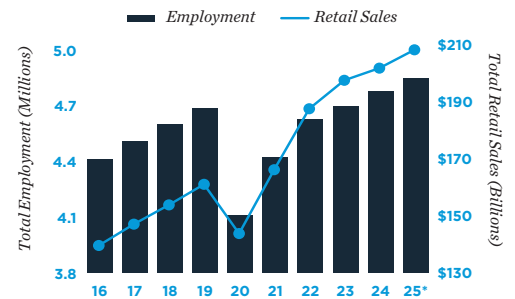
+3.4%



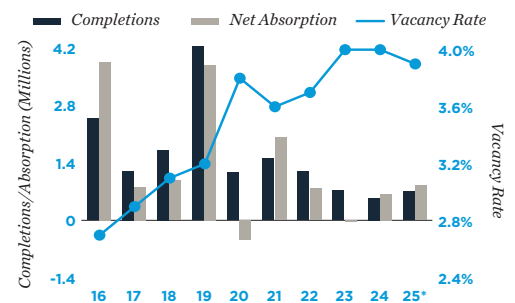
RENT: After strong gains last year, rent growth is expected to remain above the metro's historical average, with the mean asking rate reaching \$64.25 per square foot by year-end.

INVESTMENT: Northeast Queens should attract investors after vacancy nearly hit an all-time low last year, ranking among the 10 least vacant submarkets nationwide with at least 20 million square feet of inventory.

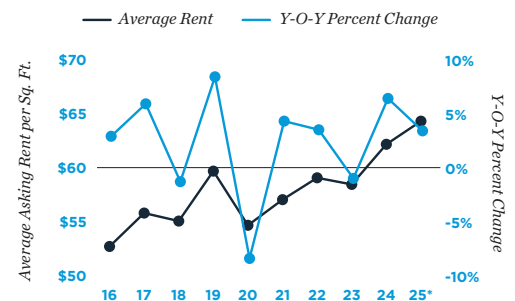
Economic Trends



Supply and Demand



Rent Trends



* Forecast

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of December 2024. Effective rent is equal to asking rent less concessions. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and apartment data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.