INVESTMENT FORECAST

Office

New York City Metro Area

2025

Prime Office Space Demand Extends Beyond Midtown, Fueling Metrowide Leasing Activity

Tenant needs build across multiple submarkets. New York's office market recovery is expected to continue in 2025, following last year's record-setting net absorption. Demand for high-end, transit-accessible space should continue to drive Midtown leasing, where about 40 agreements over 100,000 square feet were signed last year, nearly doubling 2023 levels. Major 2025 move-ins should reinforce fundamentals, which include commitments of 500,000 square feet by Citadel and 300,000 square feet each by WeWork and Apollo. Midtown South and Downtown also noted post-pandemic net absorption highs last year, signaling a broadening of leasing activity across the metro. Tighter Class A supply in Midtown may draw some tenants to these neighborhoods, while limited availability of top-tier space keeps others in their existing, slightly older buildings. Meanwhile, demand for smaller, cost-effective floor plans should sustain momentum in Brooklyn and Queens, where absorption levels reached a three-year high in 2024.

Premium space shortages elevate redevelopment interest. A tightening supply of Class A space is set to maintain investor interest in centrally located trophy assets, with some potentially repositioning outdated buildings. Local Law 97, which requires emissions reporting starting in May 2025 for properties over 25,000 square feet, could shift some investment strategies. Owners will face fines for late reporting and exceeding carbon emission limits, which are scheduled to become more stringent after 2030. Meanwhile, historically low multifamily vacancy alongside New York's City of Yes initiative, which expands the scope of eligible conversions, may drive interest in full or partial residential conversions. Private buyers may target sub-25,000-square-foot buildings, where steady demand from smaller, price-sensitive tenants has kept vacancy near 5 percent.

2025 MARKET FORECAST

+1.5% — **EMPLOYMENT:** The metro's workforce is set to expand by 70,000 positions this year. After two consecutive years of decline, the traditionally office-using sector will add a nation-leading 12,000 roles.

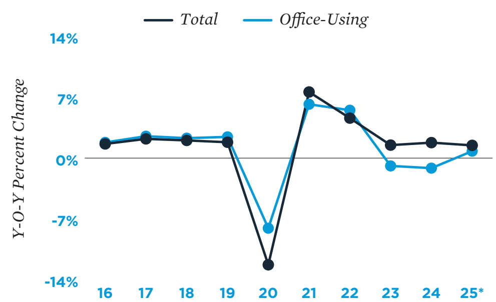
4,500,000 *sq. ft.* — **CONSTRUCTION:** Deliveries will inch up slightly this year but remain below the past decade's norm. J.P. Morgan's 2.5 million-square-foot headquarters accounts for the bulk of this year's completions.

-60 bps — **VACANCY:** Strong pre-leasing of new supply and anticipated growth in office-centric hiring support a continued decline in vacancy. The metro's rate reaches 15.1 percent, returning to 2020 levels.

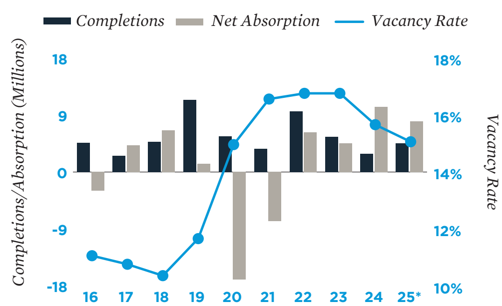
+0.5% — **RENT:** Vacancy almost 500 basis points above pre-pandemic norms will limit rent growth. The metro's average asking rate ticks up to $54.09 per square foot by year-end, aligning with its long-term mean.

INVESTMENT: *Transit-oriented assets are likely to see heightened investor interest, if congestion pricing laws remain in place. This trend and clusters of tech firms may draw attention to areas such as Chelsea and Flatiron.*

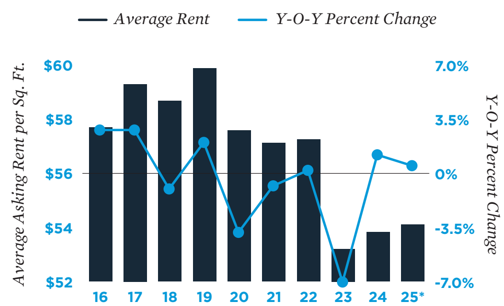
Employment Trends



Supply and Demand



Rent Trends



* Forecast

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