

REVIEW

NEW YORK OFFICE MARKET

USA H1 2025



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Real Estate for a changing world



H1 2025

OFFICE MARKET NEW YORK

KEY FIGURES

457m sqft

INVENTORY

14.2%

VACANCY RATE

\$77.1

PRIME AVERAGE ASKING RENT

\$4.7bn

TOTAL INVESTMENT

\$3.5bn

OFFICE INVESTMENT

5.10%

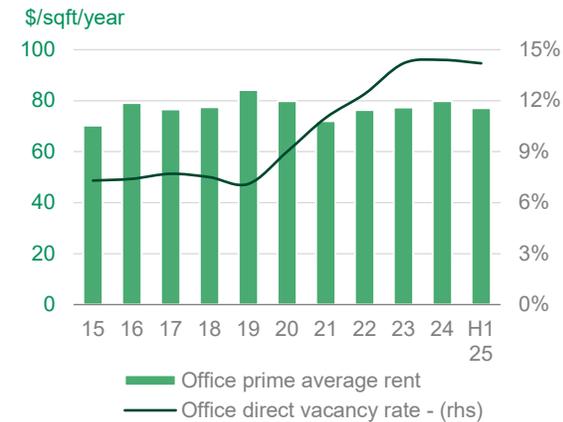
OFFICE PRIME CAP RATE

Net Absorption / Employment



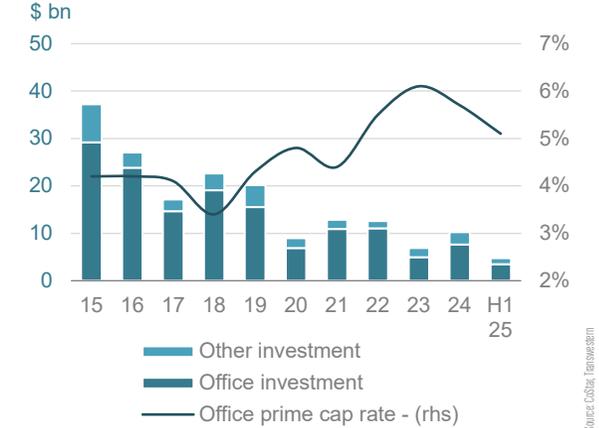
Source: Bureau of Labor Statistics, Colliers, Tenonweiss

Prime rent / Vacancy Rate



Source: Colliers, Tenonweiss

Investment / Capital Rate



Source: Colliers, Tenonweiss

Manhattan absorption soars

Manhattan employment remains healthy but has pulled back slightly from its late 2024 peak. Net office absorption was a robust 7.5 MSF in the first half of 2025, the strongest first-half result in over a decade. Class A take-up is driving overall absorption, signifying tenants' clear preference for newly-available and trophy assets, but Class B has strengthened as well.

We continue to see significant long-term renewal and expansion deals by large, well-established tenants, indicating growing confidence in the market. Supporting the increased activity, recent reports from the Real Estate Board of NY suggest mid-week office attendance has been trending solidly in the 72% to 75% range, with Class A+ buildings closer to 85%.

Rents and vacancies are plateauing as trophy space is scooped up

Direct vacancies had been rising steadily since 2020, but the active leasing environment is beginning to bring the rate down. The current vacancy rate of 14.2% is a decrease of 0.2 percentage points from year-end, following annual increases of 1 to 2 percent in each of the prior four years.

The decrease in vacancy contributed to a mild pullback in rents from year-end, as higher-priced trophy spaces are leased up, less pricey Class B space remains on the market, lowering the overall ask.

Manhattan prime rents dipped 4.3% year-over-year to \$77.15 PSF in Q2, though some well-appointed spaces are asking upwards of \$150-\$200 PSF, evidencing the "tale of two markets." Prime rents are now about 9% below their 2020 peak while overall rents are 10% below that benchmark.

Sales volume is mixed

Manhattan investment sales have been uneven over the past four quarters amid economic uncertainty. Retail sales totaled \$1.3 billion, somewhat less than the first half of 2024, but office sales of \$3.5 billion were significantly higher than in this same period last year. Total volume approached \$4.8 billion at mid-year, ahead of the \$3.8 billion traded in the first half of 2024. The largest retail trade this year was Uniqlo's retail condo at 666 Fifth Avenue; it sold for \$353.3 million, translating to more than \$20,400 PSF. The largest office deal was a minority stake in 1345 Avenue of the Americas, which valued the building at a whopping \$1.4 billion, translating to \$738 PSF. Several large deals are expected to close in the second half of the year, but players are keeping a close eye on the upcoming mayoral election, the outcome of which could invoke significant changes in the CRE environment.

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H1 2025

OFFICE MARKET USA

| Occupier Market | Inventory (million sqft) | Net Absorption (million sqft) | Vacancy Rate (%) | | Office Prime Average Rent (\$/sqft/year) | | |
|-------------------------|--------------------------|-------------------------------|------------------|--------------|--|-------------|-------------|
| | H1 2025 | H1 2025 | 2024 | H1 2025 | 2024 | H1 2025 | Trend |
| Atlanta | 178 | -0.1 | 21.6% | 21.7% | 32.8 | 33.2 | 1% |
| Chicago | 158 | -0.8 | 21.7% | 22.2% | 73.1 | 76.8 | 5% |
| Dallas/Fort Worth | 326 | 0.8 | 19.5% | 18.3% | 72.1 | 77.3 | 7% |
| Denver | 163 | -0.7 | 16.5% | 20.1% | 32.1 | 32.1 | 0% |
| Detroit | 202 | -1.6 | 10.9% | 11.7% | 21.3 | 21.2 | 0% |
| Houston | 206 | -0.3 | 20.8% | 20.9% | 46.1 | 46.8 | 1% |
| Los Angeles | 402 | -0.8 | 16.6% | 17.5% | 45.4 | 47.9 | 6% |
| Miami | 52 | 0.1 | 12.9% | 11.4% | 86.7 | 91.2 | 5% |
| Minneapolis | 190 | -155.0 | 11.9% | 12.3% | 30.0 | 28.9 | -4% |
| New York/Manhattan | 457 | 7.5 | 14.4% | 14.2% | 79.9 | 77.2 | -3% |
| Phoenix | 169 | 0.4 | 20.8% | 18.6% | 30.1 | 29.6 | -2% |
| San Diego | 109 | -0.2 | 12.5% | 13.2% | 36.5 | 36.7 | 1% |
| San Francisco | 92 | -0.5 | 30.4% | 30.4% | 70.0 | 74.5 | 6% |
| Seattle | 181 | -1.4 | 16.5% | 17.3% | 36.5 | 36.2 | -1% |
| Washington DC | 149 | -0.9 | 14.9% | 15.7% | 83.3 | 83.3 | 0% |
| Total 15 markets | 3,031 | -153.5 | 17.5% | 17.7% | 51.7 | 52.9 | 1.5% |

| Investment Market | Total investment volume (\$ million) | | Office investment volume (\$ million) | | Cap rate (%) | | |
|-------------------------|--------------------------------------|---------------|---------------------------------------|---------------|--------------|--------------|------------|
| | 2024 | H1 2025 | 2024 | H1 2025 | 2024 | H1 2025 | bps |
| Atlanta | 13,830 | 5,080 | 1,660 | 1,030 | 8.70% | 10.60% | 190 |
| Chicago | 770 | 230 | 590 | 140 | NA | NA | NA |
| Dallas/Fort Worth | 2,510 | 5,330 | 410 | 1,390 | 6.40% | 6.90% | 50 |
| Denver | 3,070 | 1,820 | 730 | 530 | 6.00% | 7.60% | 160 |
| Detroit | 1,700 | 580 | 260 | 123 | 8.90% | 7.40% | -150 |
| Houston | 9,840 | 5,420 | 1,220 | 1,630 | 11.50% | NA | NA |
| Los Angeles | 9,460 | 4,180 | 2,150 | 1,530 | NA | 7.80% | NA |
| Miami | 5,120 | 3,270 | 1,760 | 430 | 8.10% | 6.40% | -170 |
| Minneapolis | 6,770 | 1,440 | 680 | 270 | 7.20% | 7.80% | 60 |
| New York/Manhattan | 10,240 | 4,770 | 7,620 | 3,470 | 5.70% | 5.10% | -60 |
| Phoenix | 7,110 | 3,710 | 1,140 | 500 | 7.50% | 7.10% | -40 |
| San Diego | 4,380 | 2,040 | 930 | 600 | 7.50% | 7.00% | -50 |
| San Francisco | 1,850 | 840 | 630 | 520 | 6.60% | 5.00% | -160 |
| Seattle | 3,000 | 1,060 | 1,210 | 600 | 6.40% | 6.80% | 40 |
| Washington DC | 1,090 | 670 | 790 | 610 | 8.60% | 8.00% | -60 |
| Total 15 markets | 80,740 | 40,440 | 21,780 | 13,373 | 7.62% | 7.19% | -16 |

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