REVIEW

NEW YORK OFFICE MARKET

USA H1 2026

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Real Estate for a changing world

KEY FIGURES

452m sqft
INVENTORY

12.8%
VACANCY RATE

$78.1
PRIME AVERAGE ASKING RENT

$5.7bn
TOTAL INVESTMENT

$4.4bn
OFFICE INVESTMENT

6.10%
OFFICE PRIME CAP RATE

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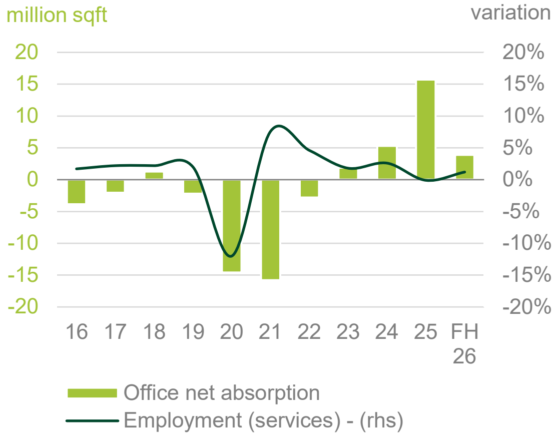
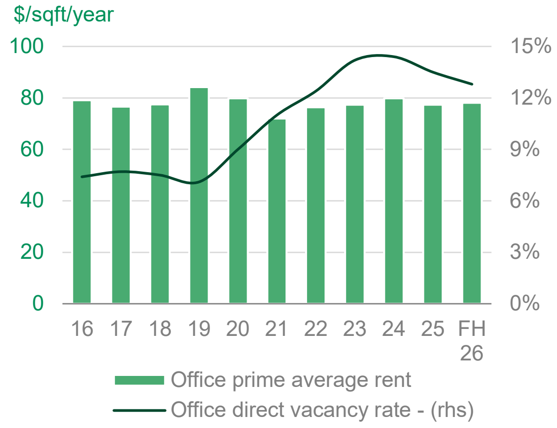
Net Absorption / Employment



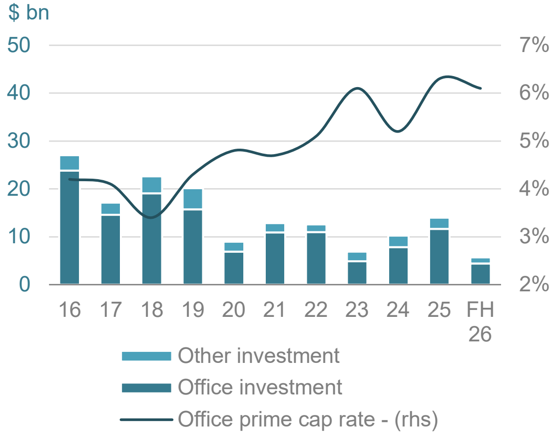
Source: Bureau of Labor Statistics, CoStar, Transwestern

Prime rent / Vacancy Rate



Source: CoStar, Transwestern

Investment / Capital Rate



Source: CoStar, Transwestern

Job Growth Helps Drive Positive Absorption

After losing some ground in late 2025, Manhattan employment lifted 1.2% year-over-year, supporting 4.7 million jobs as of June 2026. Employment is just below the late 2024 peak, led by growth in office-using sectors, which helped drive eight straight quarters of positive office absorption. Class A space is still accounting for the largest share of absorption, signifying tenants' clear preference for the newest and best assets, but Class B take-up has strengthened as tenants seeking larger footprints have more options in this space. Lease deals by financial services and law firms were out in front this year with a mix of long-term leases at brand new buildings and significant expansions at existing sites. Tech and AI leasing is ramping up as well and has begun to spread from Midtown South to other areas of Manhattan.

Vacancies are Descending as Class B Space Sees Higher Demand

An active leasing environment is continuing to lower vacancies across Manhattan. The current direct vacancy rate of 12.8% is a decrease of 1.4 percentage points year-over-year and the lowest since 2023. Manhattan rents increased 1.7% year-over-year, led by a 4.5% growth in Class B rates, which are gaining traction as Class A space becomes scarcer. Manhattan's prime rents gained 1.3% from a year ago to $78.13 in Q2, about 24% higher than their Class B counterparts. While some well-appointed spaces are raising eyebrows with asking rates of $300-$400 PSF, these elevated prices are having little effect on the overall rate due to the extremely limited availability at this price point. Vacancy and rents are still far off from their 2019 levels; overall asking rates are still about 9% below their 2019 peak, while prime rates have closed the gap a little tighter at 7% below the peak.

Sales Are Strong in the First Half

Manhattan investment sales approached $6 billion in the first half of 2026, the highest first-half total since 2022. Retail sales accounted for $1.2 billion of the trade volume, slightly below the first half of 2025 result, while office sales were ahead of first half of 2025 at nearly $4.4 billion. The top office deal was for a minority share in Midtown's Park Avenue Plaza, which came it at $949 PSF, valuing the building at $1.1 billion. Other notable sales included the office portion of 575 Fifth Avenue, which traded for $724 PSF, and the recently renovated tower at 250 West 57th Street, which fetched more than $500 PSF. Buyers continue to seek distressed offices for residential conversion, though many investors are still exercising caution, particularly with a new mayor on board who is already driving significant changes in New York City's CRE environment.

H1 2026 OFFICE MARKET USA

Occupier Market	Inventory (million sqft)	Net Absorption (000 sqft)	Vacancy Rate (%)		Office Prime Average Rent ($/sqft/year)		
	Q2 2026	H1 2026	2025	Q2 2026	2025	Q2 2026	Trend
Atlanta	176	800	22.4%	21.1%	33.9	33.4	-2%
Chicago	155	-100	22.6%	23.2%	77.4	72.8	-6%
Dallas/Fort Worth	306	1,800	18.4%	18.2%	74.3	75.3	1%
Denver	164	200	18.7%	21.2%	33.5	35.6	6%
Detroit	202	-129	10.4%	10.1%	21.3	21.6	2%
Houston	204	500	20.8%	21.4%	48.9	42.6	-13%
Los Angeles	371	500	15.4%	15.3%	44.7	45.0	1%
Miami	52	160	11.6%	11.4%	89.7	89.7	0%
Minneapolis	68	-600	21.0%	29.4%	30.5	31.1	2%
New York/Manhattan	452	3,900	13.5%	12.8%	77.4	78.1	1%
Phoenix	98	-200	17.0%	16.7%	32.1	31.8	-1%
San Diego	125	-100	12.7%	14.0%	38.3	41.2	8%
San Francisco	93	1,900	30.1%	26.7%	74.3	77.7	5%
Seattle	183	686	15.9%	15.5%	34.5	35.9	4%
Washington DC	143	-400	16.0%	16.7%	88.3	88.2	0%
Total 15 markets	**2,791**	**8,917**	**17.8%**	**18.2%**	**53.3**	**53.3**	**0.5%**

Investment Market	Total investment volume ($ million)		Office investment volume ($ million)		Cap rate (%)		
	2025	H1 2026	2025	H1 2026	2025	Q2 2026	bps
Atlanta	15,990	5,400	1,560	1,210	8.30%	8.82%	52
Chicago	920	920	550	720	NA	NA	NA
Dallas/Fort Worth	13,410	2,970	3,440	780	6.20%	6.30%	10
Denver	7,740	3,660	1,260	560	7.20%	8.40%	120
Detroit	1,550	880	300	290	8.60%	7.40%	-120
Houston	14,170	6,490	1,710	1,550	NA	11.25%	NA
Los Angeles	13,080	5,360	4,140	2,130	NA	6.80%	NA
Miami	4,830	5,670	1,290	1,300	6.90%	6.50%	-40
Minneapolis	5,470	2,150	670	210	7.70%	13.00%	530
New York/Manhattan	14,010	5,660	11,660	4,390	6.30%	6.10%	-20
Phoenix	9,870	8,220	1,170	970	7.20%	7.00%	-20
San Diego	4,970	3,440	1,600	650	6.20%	7.20%	100
San Francisco	2,700	1,760	1,790	1,120	4.40%	5.30%	90
Seattle	2,440	1,000	1,110	290	7.60%	8.80%	120
Washington DC	1,300	830	870	760	9.00%	9.00%	0
Total 15 markets	**112,450**	**54,410**	**33,120**	**16,930**	**7.13%**	**7.99%**	**69**

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