Leasing velocity reaches highest Q1 total on record

1.90M	0.51M	17.7%	15.3%	$84.37
Leasing Activity	Net Absorption	Availability Rate	Vacancy Rate	Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 1.90 million sq. ft. in Q1, 36% ahead of the five-year quarterly average of 1.39 million sq. ft.
- Year-to-date leasing activity was up 18% from the prior year.
- Renewals totaled 322,000 sq. ft. in Q1, down 32% from the same time last year.
- The availability rate was down 60 basis points (bps) from last quarter to 17.7% and was down 420 bps from a year ago.
- Net absorption was positive 509,000 sq. ft. in Q1.
- At $84.37 per sq. ft., the average asking rent was flat quarter-over-quarter and year-over-year.
- The sublease availability rate was down 10 bps from last quarter to 2.3%, with the average asking rent down 2% from one year ago at $64.86 per sq. ft.

Market Overview

Midtown South kicked off 2026 on a strong note, picking up where it left off in 2025, with nearly all of the submarket's key fundamentals sustaining positive momentum. Although leasing activity dipped from its exceptionally robust Q4 level, it remained well ahead of the five-year quarterly average in Q1 2026, at 1.90 million sq. ft. The strong early-year activity was driven in part by an AI-driven tech sector that continued to fire on all cylinders. Renewal activity began 2026 with 322,000 sq. ft., exceeding the five-year average, boosted by two of the quarter's largest deals that included renewal components. Subdued space additions persisted in the submarket in Q1, which dovetailed with the above-average leasing activity to generate an impressive 509,000 sq. ft. of net absorption. This brought the streak of positive net absorption to eight consecutive quarters, a stretch not seen in Midtown South since Q4 2011. This net absorption performance resulted in a sizeable 60-bps drop in the availability rate to 17.7% in Q1 2026, its lowest quarterly level since Q1 2021. Midtown South's average asking rent continued its recent trend of stagnancy in Q1 2026, finishing the quarter at $84.37 per sq. ft.

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. Operation Epic Fury and global energy prices are a concern, however assuming the conflict is resolved quickly, the impact on U.S. growth should be minimal. If the conflict escalates, this will elevate inflation and long-term yields and would likely be felt in the commercial real estate market. Regardless of the outcome, it will materially affect headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February.

On the other hand, America's aggressive build-out of AI infrastructure gives the U.S economy a unique edge. Hyperscaler capex is nearing 3% of GDP – just below residential investment – though concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Nevertheless, GDP growth is expected to average 2.1% in 2026, matching 2025 and exceeding peer economies.

In New York City, the labor market remained muted at the end of 2025. Office-using employment (OUE) stood at 1.86 million jobs as of December 2025 (the most recent data available), on par with Q3 2025's level, but lower than the all-time high of 1.87 million seen at year-end 2024. In Q4 2025, tech-related sectors like computer systems design saw the most growth, while financial services saw some rebound after falling earlier in 2025. Sectors like legal services remained resilient, up slightly at year-end 2025 from one year ago. NYC's unemployment rate was 5.6% matching year-end 2024 and above the national rate of 4.4% as of December 2025.

Leasing Activity

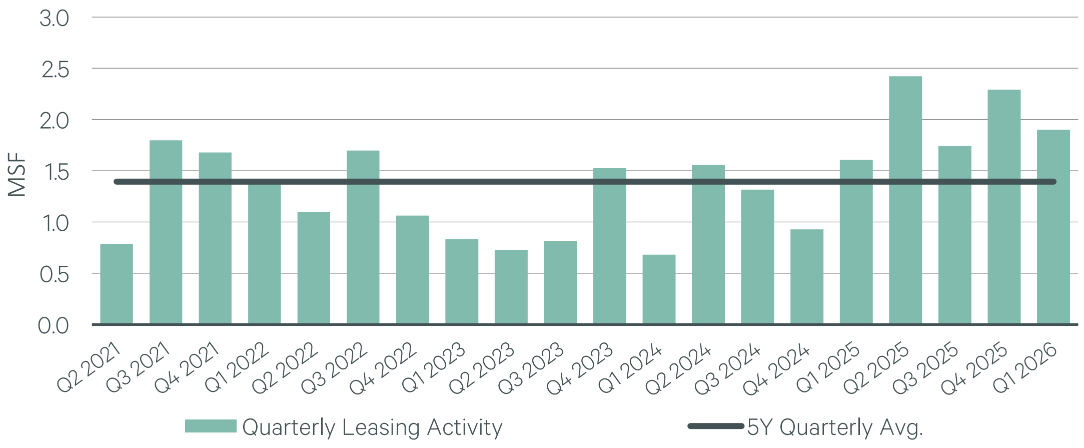
Midtown South's leasing activity (new leases and expansions) reached 1.90 million sq. ft. in Q1 2026, down 17% from Q4 2025 but still 36% ahead of the five-year quarterly average of 1.39 million sq. ft. Despite falling from Q4's blistering pace, the Q1 total marks the strongest start to a year since 2001. Leasing activity has now surpassed the five-year quarterly average by a wide margin for five consecutive quarters. Mirroring leasing activity, renewal activity also cooled from Q4's total, falling by 30% to 322,000 sq. ft. but paced 11% ahead of the five-year quarterly average of 291,000 sq. ft. Renewal activity has now exceeded the five-year quarterly average for seven of the past 10 quarters. Leasing velocity – which reflects the combined total of new leases,

FIGURE 1: Top Lease Transactions for Q1 2026

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address
285,303	RE	D	Ramp	28 West 23rd Street
210,092	RE	D	Fanatics	95 Morton Street
163,095	L	D	Clay	11 Madison Avenue
92,663	E	D	Harvey AI	1 Madison Avenue
92,152	E	D	Optiver	360 Park Avenue South

Source: CBRE Research, Q1 2026. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

FIGURE 2: Leasing Activity | Quarterly Historical



Source: CBRE Research, Q1 2026.

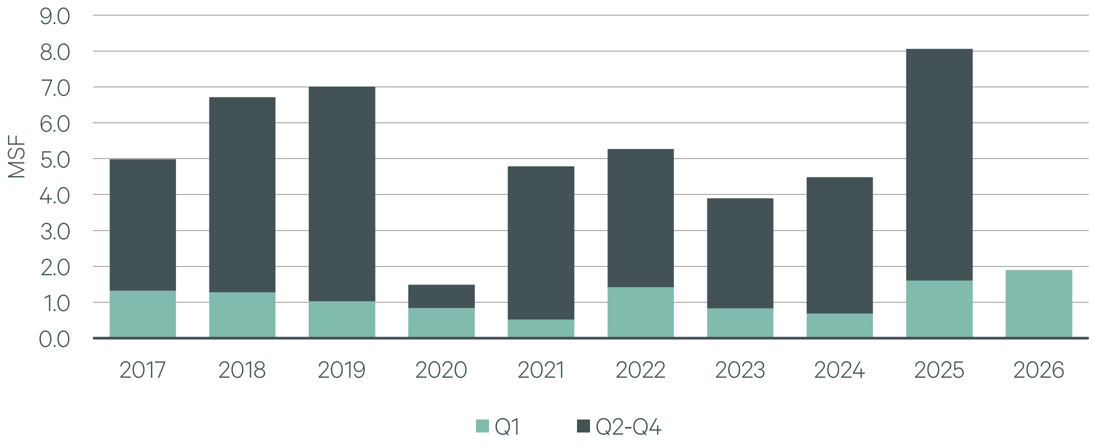
expansions, and renewals – amounted to 2.22 million sq. ft. in Q1 2026, the strongest first quarter total on record. This extends total leasing velocity's torrid performance as of late, eclipsing 2 million sq. ft. in four of the past five quarters.

The sustained momentum in activity in Q1 2026 was especially impressive given that only one large block (100,000 sq. ft. or larger) new lease or expansion was completed in the quarter – Clay's 163,000-sq.-ft. lease at 11 Madison Avenue, the third largest deal in the submarket. Although activity among smaller-sized blocks – below 50,000 sq. ft. – accounted for the majority of activity for the third straight quarter, at a 56% share, the total volume among blocks between 50,000 sq. ft. and 99,999 sq. ft. saw the most conspicuous pop in Q1 2026. This tranche amassed 687,000 sq. ft. of activity, a more than sixfold increase from the prior quarter, driven by a spate of expansions. The two largest deals of the quarter – renewal/expansions by Ramp at 28 West 23rd Street (285,000 sq. ft.) and Fanatics at 95 Morton Street (210,000 sq. ft.) – saw their expansion components remove four blocks within this size range for a total of 288,000 sq. ft. The fourth and fifth largest deals of the quarter – Harvey AI's 93,000-sq.-ft. expansion at 1 Madison Avenue and Optiver's 92,000-sq.-ft. expansion at 360 Park Avenue South – were also in this leasing tranche.

On the renewal side, the Ramp and Fanatics deals accounted for 208,000 sq. ft. of Q1 2026's total, but were also bolstered by the nearly 30,000 sq. ft. renewal portion of another renewal/expansion, RTW Funds' 42,000-sq.-ft. deal at 40 Tenth Avenue, the high-end boutique building in Chelsea. Additionally, AI company Aircall recommitted for 12,000 sq. ft. at 44 West 28th Street. These transactions by in-place tenants reflect not only their desire to remain in Midtown South, but also the shrinking of options in the submarket deemed of sufficient quality for a certain caliber of tenant.

The tech sector claimed the largest share of leasing activity in Midtown South for the third consecutive quarter in Q1 2026, at a commanding 53%. While the influx of AI[1] firms into Midtown South has been lifting the tech sector for several quarters, this trend was especially prominent in Q1 2026. New AI leasing accounted for 83% of total tech activity in Q1, up from a 39% share for the entirety of 2025. Aside from Clay's lease at 11 Madison Avenue, Harvey AI's expansion at 1 Madison Avenue was a rapid doubling of their footprint at the building after relocating there late last year. Several mid- and small-sized AI firms were also in the mix in Q1. Moloco leased 25,000 sq. ft. at 2 Gansevoort Street, a relocation that more than quadrupled their footprint.

FIGURE 3: Leasing Activity | Annual Historical



Source: CBRE Research, Q1 2026.

FIGURE 4: Leasing Activity | By District

Source: CBRE Research, Q1 2026.

New to market tenant Vercel leased 23,000 sq. ft. at 360 Park Avenue South, as the recently repositioned building nears full lease-up. Other notable AI leases of 15,000 sq. ft. and over included Bluefish AI at 315 Park Avenue South and Upside at 156 Fifth Avenue, which leased a combined 32,000 sq. ft. between the two buildings.

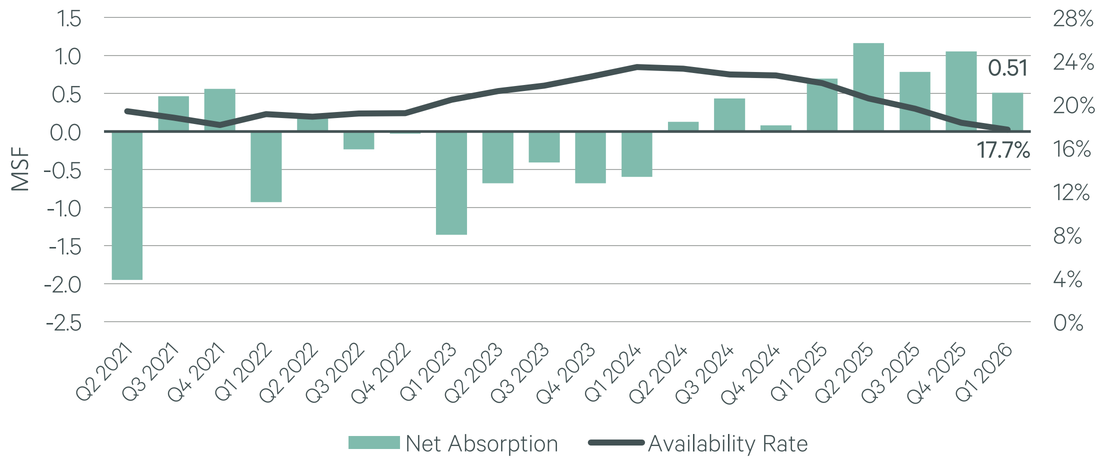
The financial services sector captured the second-largest share of leasing activity in Q1 2026, at 16%. Trading firm Optiver's expansion at 360 Park Avenue South led the way, bringing their total footprint at the building to 115,000 sq. ft. Two prominent venture capital firms – Sequoia and General Catalyst Partners – transacted during the quarter. The former leased 24,000 sq. ft. at 31 Penn Plaza and the latter expanded at 148 Lafayette Street by 12,000 sq. ft. A handful of relocations from Midtown by alternative investment firms also occurred with leases by Varde Partners (11 East 26th Street), Broad Bay Capital (920 Broadway), and Falcon Investor Group (205 West 28th Street) for a total of 21,000 sq. ft.

All but two of Midtown South's districts saw leasing activity surpass their respective five-year quarterly averages in Q1 2026, with Hudson Square/Tribeca the top performer among them, as its 353,000 sq. ft. of activity was ahead by 130%. Aside from the expansion portion of the Fanatics deal, the New York District Council of Carpenters' 87,000-sq.-ft. lease at 395 Hudson Street – a relocation within the building – and tech firm Stainless' 16,000-sq.-ft. lease buoyed activity in the district. On a total footage basis, Park Avenue South/Madison Square performed the best, at 615,000 sq. ft., 73% ahead of the five-year quarterly average. In addition to the slew of aforementioned activity along the Park Avenue South and lower Madison Avenue corridors, lower Fifth Avenue was active, as Media iQ Digital leased a total of 37,000 sq. ft. at 261 Fifth Avenue and Pelago completed a 14,000-sq.-ft. lease at 245 Fifth Avenue. Union Square performed the worst in Q1 2026, with its 69,000 sq. ft. of activity 52% below its five-year quarterly average of 143,000 sq. ft. Despite this, the district did attract a few notable AI firms, including Perplexity AI at 841 Broadway (13,000 sq. ft.) and Hex Technologies at 250 Park Avenue South (12,000 sq. ft.).

Net Absorption and Availability

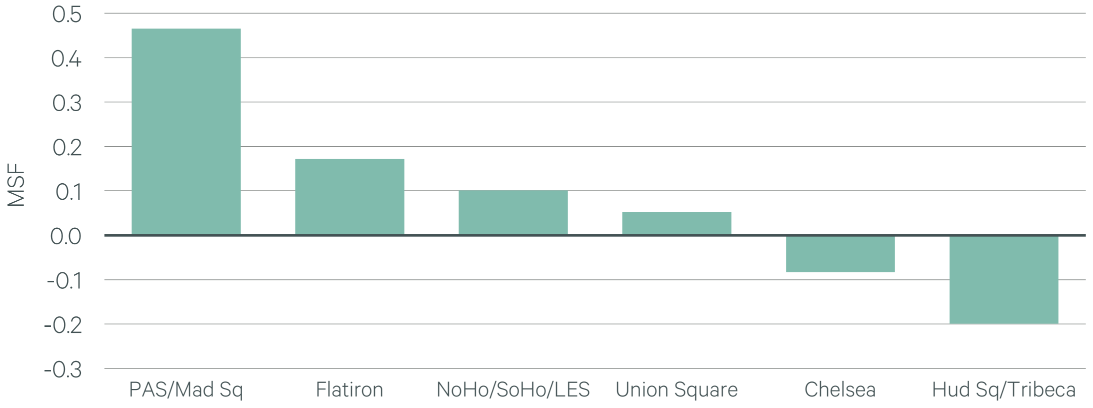
Midtown South registered another strong quarter of positive absorption at 509,000 sq. ft. in Q1 2026. This brings the streak of positive net absorption to eight consecutive quarters, matching the previous longest stretch of positive net absorption, which concluded in Q4 2011. Over the

FIGURE 5: Net Absorption & Availability Rate | Quarterly Historical



Source: CBRE Research, Q1 2026.

FIGURE 6: Quarterly Net Absorption | By District



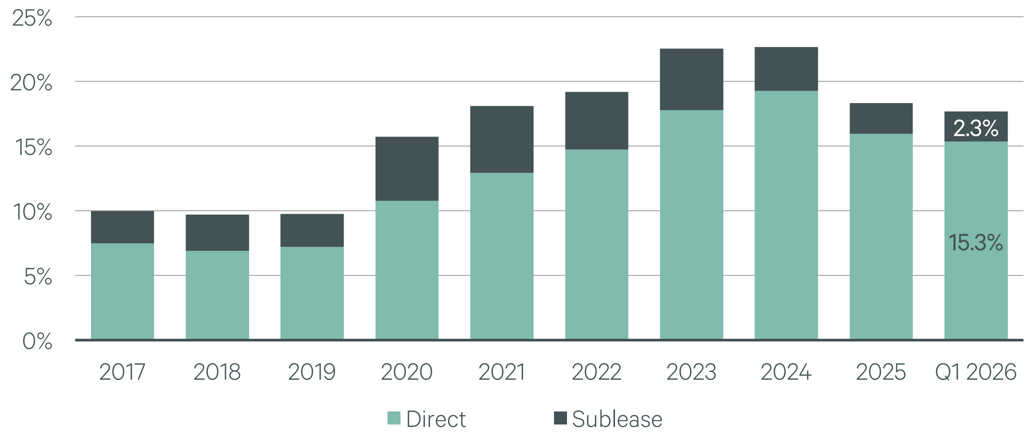
Source: CBRE Research, Q1 2026.

past five quarters, net absorption has been particularly robust, reaching more than 500,000 sq. ft. in each quarter. Along with the stellar leasing momentum, gross space additions remained muted once again in Q1 2026, totaling just 1.39 million sq. ft. – well below the five-year quarterly average of 1.91 million sq. ft. There were only four spaces over 50,000 sq. ft. added to the submarket during the quarter, the largest of which was 140,000 sq. ft. at 275 Seventh Avenue.

The availability rate fell 60 bps from the prior quarter to 17.7% and has fallen for eight quarters in a row after peaking at 23.4% in Q1 2024. The rate of decline has accelerated over the past year, resulting in a significant 420 bps drop year-over-year.

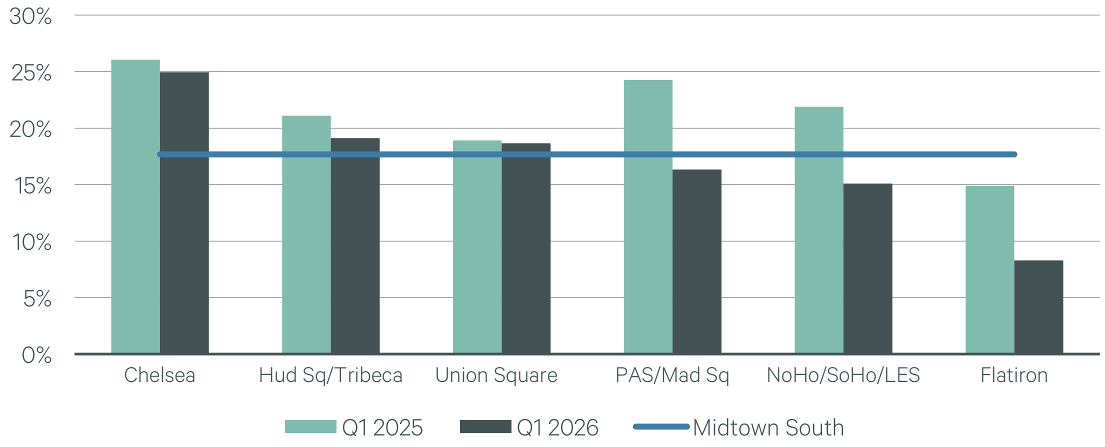
Both the direct and sublease availability rates have fallen in tandem for five consecutive quarters; however, these two rates are at different stages of recovery. The direct availability rate was 15.3% as of Q1 2026 – down 450 bps from the record high seen in July 2024, but far higher than the year-end 2019 rate of 7.2%. Meanwhile, the sublease availability rate, which began its recovery in earnest in 2023, has reached 2.3%, its lowest quarterly level since Q3 2019. Sublease space accounts for just 13.2% of all available space in Midtown South, well below the average share of 25.1% seen during 2015 to 2019 and less than half of the most recent peak of 31.4% at year-end

FIGURE 7: Sublease and Direct Availability Rate | Historical



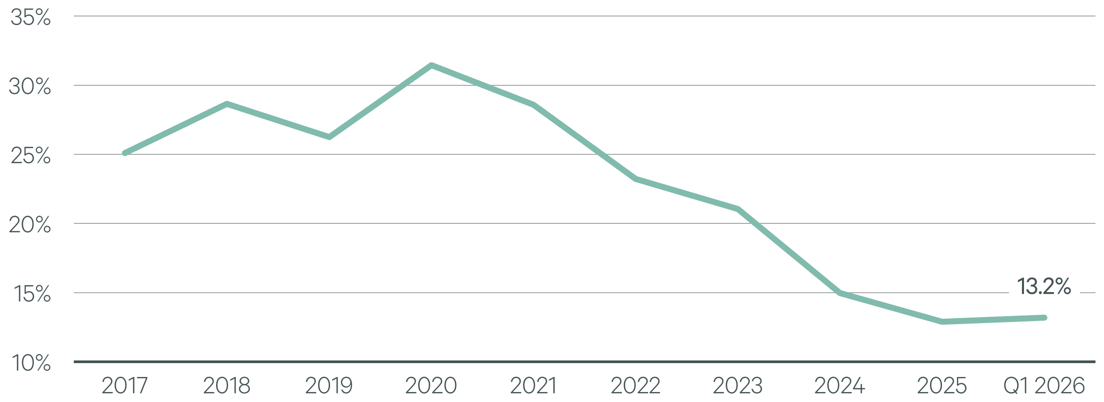
Percentages may not add up exactly due to rounding.
Source: CBRE Research, Q1 2026.

FIGURE 8: Availability Rate | By District



Source: CBRE Research, Q1 2026.

FIGURE 9: Sublease Space as a % of Available Space | Historical



Source: CBRE Research, Q1 2026.

2020. The lack of sublease options poses a challenge for tenants seeking built space, and an opportunity for owners with pre-built or built options to capitalize.

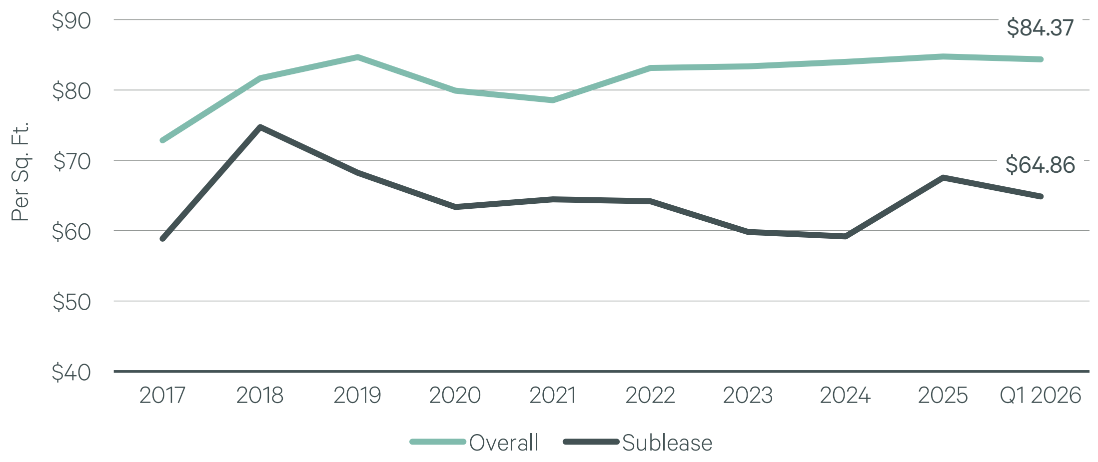
Among the districts, Park Avenue South/Madison Square experienced the strongest quarter of net absorption at 466,000 sq. ft. Along with the exceptional quarter of leasing activity, the district saw no spaces added over 25,000 sq. ft. and only four over 15,000 sq. ft. – the largest being 23,000 sq. ft. of direct space at 261 Fifth Avenue. Flatiron followed with 172,000 sq. ft. of net absorption, benefiting from above-average leasing activity of more than 500,000 sq. ft. and minimal space additions. Hudson Square/Tribeca saw the lowest level of absorption, at negative 199,000 sq. ft. Despite the strong quarter of leasing activity, the district witnessed the most space added – led by 120,000 sq. ft. of direct space at 200 Varick Street and 63,000 sq. ft. of direct space at 435 Hudson Street. Chelsea was the only other district to see net absorption in negative territory, at 83,000 sq. ft. The district's leasing activity which was roughly on par with its historical average was not enough to counteract additions, which were boosted by the aforementioned large space at 275 Seventh Avenue. The net absorption performance among Midtown South's districts in Q1 2026 shows the contrast between districts centrally located in the submarket versus those on the periphery. Due in part to Park Avenue South/Madison Square and Flatiron's positive net absorption, Central Midtown South's[2] availability fell 170 bps from one quarter ago to 14.3%. Conversely, Midtown South Periphery's[2] availability rate increased 80 bps to 22.0%.

Average Asking Rent

Midtown South's average asking rent was virtually unchanged from the prior quarter and a year ago at $84.37 per sq. ft., just shy of Midtown's average asking rent of $84.79 per sq. ft. At this level, it was up 9% from its recent low in Q1 2021, but down 3% from its mid-2020 all-time high of $86.63 per sq. ft. Leasing of both premium-priced space and lower-priced space along with the outsized share of large blocks with stable pricing may be masking some upward momentum in strengthening pockets of Midtown South.

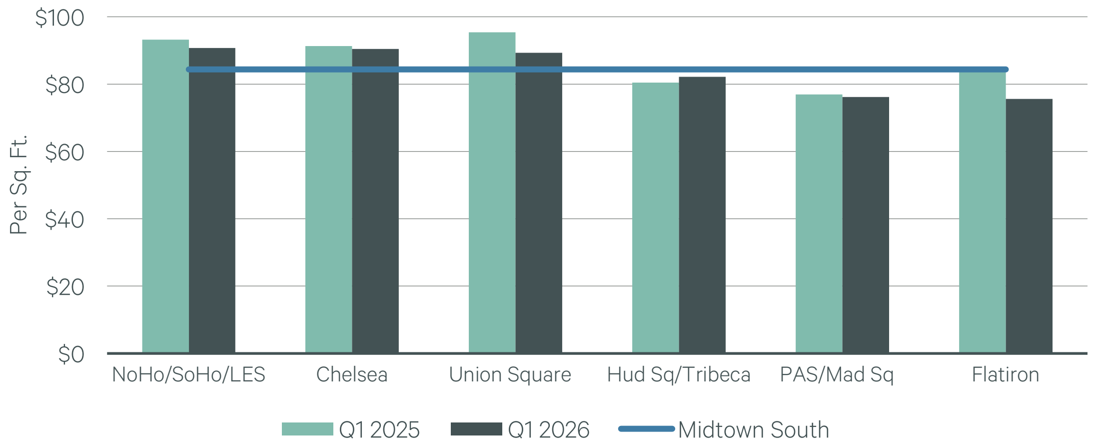
On the district level, only NoHo/SoHo/LES saw quarter-over-quarter average asking rent growth in Q1 2026, rising 2% to $90.72 per sq. ft. This was due primarily to the repricing of the 112,000 sq. ft. block at 555 Broadway to nearly $100 per sq. ft., along with some above-average-priced spaces being added. Chelsea's average asking rent saw the most quarterly decline in Q1 2026, by 2% to

FIGURE 10: Average Asking Rent | Historical



Source: CBRE Research, Q1 2026.

FIGURE 11: Average Asking Rent | By District



Source: CBRE Research, Q1 2026.

$90.47 per sq. ft. Nearly all the space additions in the district during the quarter were asking below the market average, as a few spaces removed from the market – like those at 2 Gansevoort Street and 40 Tenth Avenue – were fetching premium pricing. With these movements, NoHo/SoHo/LES's average asking rent surpassed Chelsea to become the highest in Midtown South. Park Avenue South/Madison Square was the only other district to experience a drop in its average asking rent, falling 1% to $76.17 per sq. ft. This was almost exclusively due to the lease-up of space at 1 Madison Avenue, 11 Madison Avenue, and 360 Park Avenue South.

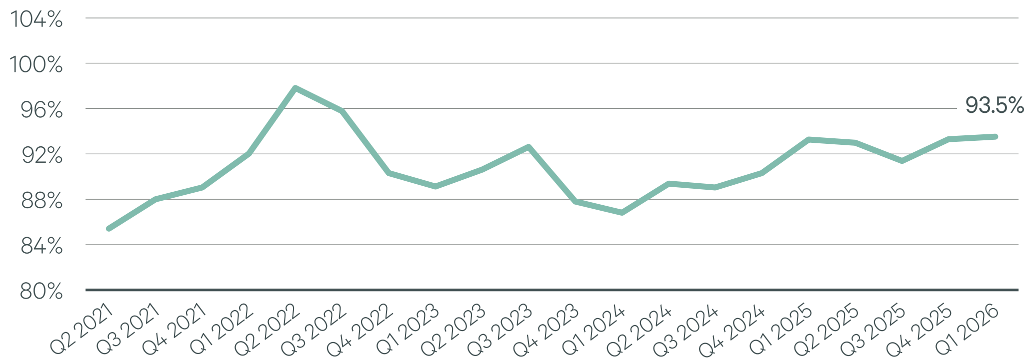
Taking Rent Index

Following two consecutive quarters of decline, Midtown South's taking rent index has rebounded over the past two quarters, reaching 93.5% in Q1 2026. At this level, it was up 750 bps from its most recent low point in early 2024, but remained below the prior high mark of 97.8% reached in mid-2022. The weighted average tenant improvement allowance for new leases of raw space completed over the past 15 months was $149.96 per sq. ft., up 47% from the close of 2019, but down 2% from year-end 2024. The free rent period averaged 15 months, down from 16 months at year-end 2024 but up from 12 months at year-end 2019.

Development Pipeline

Midtown South has no active projects under construction. The most recent deliveries, which occurred in 2025, were two boutique projects – the 49,000-sq.-ft. 1 St. Mark's Place in NoHo/SoHo/LES and the 47,000-sq.-ft. mixed-use 500 West 18th Street (One High Line) development in Chelsea.

FIGURE 12: Taking Rent Index | Historical



Source: CBRE Research, Q1 2026.

FIGURE 13: Concession Values | Historical

*Data includes direct, new leases, 25,000+ sq. ft. with a term of at least 10 years and non-zero TI and free rent values. 2026 figures represent a blended average of 2025 – YTD 2026 data.
Source: CBRE Research, Q1 2026.

Market Area Overview

Definitions

Availability: Space that is being actively marketed and is available for tenant build-out within 12 months. Includes space available for sublease as well as space in buildings under construction.

Asking Rent: Weighted average asking rent.

Concession Values: The combination of rent abatement and T.I. allowance. The graph is for new leases for raw space of 25,000 sq. ft. or greater consummated year-to-date, this excludes expansion and renewal deals.

Leasing Activity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing, but excluding renewals.

Leasing Velocity: Total amount of sq. ft. leased within a specified period of time, including new deals, expansions, and pre-leasing and renewals.

Net Absorption: The change in the amount of committed sq. ft. within a specified period of time, as measured by the change in available sq. ft.

Rent Abatement: The time between lease commencement and rent commencement.

Taking Rent: Actual, initial base rent in a lease agreement.

Taking Rent Index: Initial taking rents as a percentage of asking rents.

Definitions

T.I.: Tenant improvements.

Vacancy: Unoccupied space available for lease.

Percentage of Leasing by Industry: The percentage of sq. ft. leased by an industry based on transactions where a tenant and industry have been confirmed.

Survey Criteria

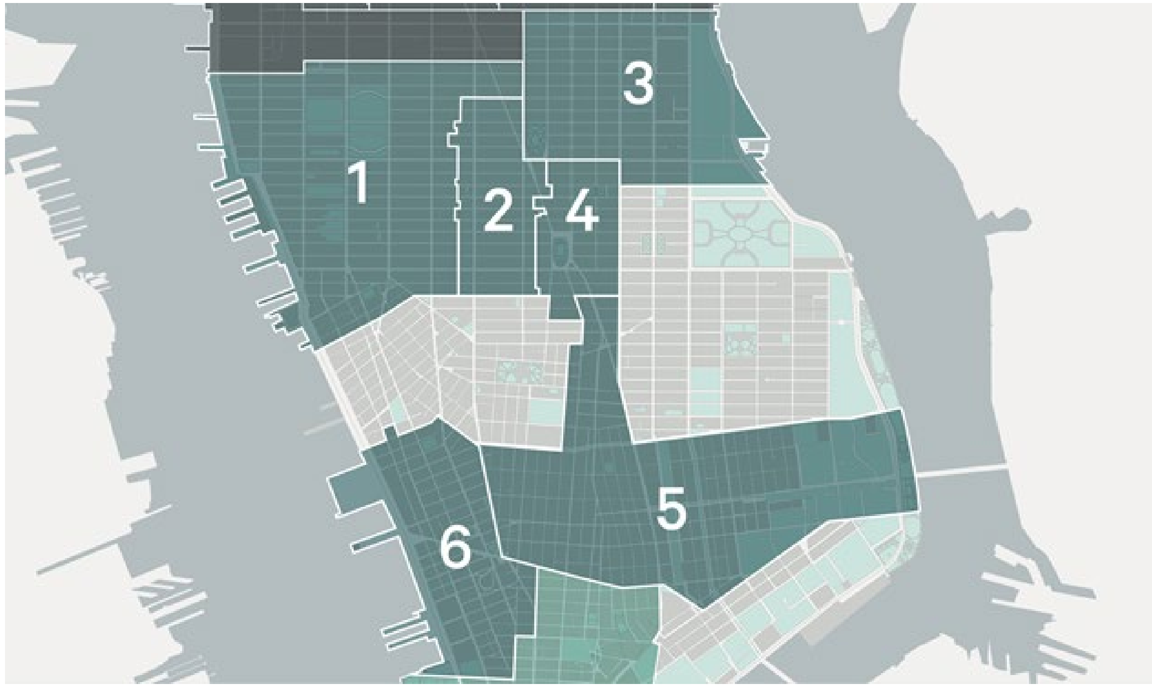
CBRE's market report analyzes fully modernized office buildings that total 50,000+ sq. ft. in Midtown South, including owner-occupied buildings (except those owned and occupied by a government or government agency). New construction must be available for tenant build-out within 12 months. CBRE assembles all information through telephone canvassing and listings received from owners, tenants and members of the commercial real estate brokerage community.

Appendix:

[1]AI or AI-centric firms include those focused on general AI development (such as machine learning, generative AI, deep learning, large language models, and natural language processing) as well as those involved in applied AI (in which AI powers or is a significant aspect of the primary product).

[2]Central Midtown South includes Flatiron, Park Avenue South/Madison Square, Union Square, and NoHo/SoHo/LES. Midtown South Periphery includes Chelsea and Hudson Square/Tribeca.

Market Area Overview



Districts		Total Size (MSF)	No. of Buildings
1	Chelsea	18.1	77
2	Flatiron	12.2	73
3	Park Avenue S./Madison Sq.	19.3	57
4	Union Sq.	5.7	38
5	NoHo/SoHo/Lower East Side	9.1	69
6	Hudson Sq./Tribeca	18.2	36
TOTAL INVENTORY		**82.6**	**350**

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