

Rent increases following strong demand



Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 2.13 million sq. ft. in Q3, 44% ahead of the five-year quarterly average of 1.48 million sq. ft.
- Year-to-date leasing activity amounted to 6.22 million sq. ft., up 8% from the prior year.
- Renewals totaled 670,000 sq. ft. in Q3, bringing the year-to-date total to 1.59 million sq. ft.
- The availability rate was down 80 basis points (bps) from last quarter to 16.2% and was down 340 bps from a year ago.
- Net absorption was positive 619,000 sq. ft. in Q3, bringing the year-to-date total to positive 1.72 million sq. ft.
- At \$86.94 per sq. ft., the average asking rent was up 1% quarter-over-quarter and 3% year-over-year.
- The sublease availability rate was up 10 bps from last quarter to 2.4%, with the average asking rent up 11% from one year ago to \$74.39 per sq. ft.

Market Overview

Midtown South carried its positive momentum into the third quarter of 2026 as leasing, renewals and absorption all exceeded historical norms. Leasing activity totaled 2.13 million sq. ft. in Q3, cooling modestly from the prior quarter but 44% above the five-year average. Renewals posted their best quarterly total since 2019 with 670,000 sq. ft., which drove quarterly leasing velocity to its fourth-highest total on record. This strong demand, combined with limited new space additions, fueled the tenth consecutive quarter of positive absorption and the strongest quarterly absorption total of the year. This tightening drove the availability rate down quarter-over-quarter to 16.2%, while the average asking rent climbed to \$86.94 per sq. ft.—a new all-time high.

Economic Overview

Notable challenges persist, from elevated energy costs and interest rates to lingering geopolitical and technological uncertainties. Despite these concerns, the U.S. economy remains on track to grow by over 2% during 2026, supported by impressive AI-driven business investment. Also, a generally stable labor market continues to underpin consumer activity, providing a cushion against other risks.

The final months of 2026 could prove pivotal. While economic growth supports healthy CRE occupier market fundamentals, the investment side of the market must contend with 5% Treasury yields. Signals from the Federal Reserve, inflation data, and global fixed-income markets suggest rates will remain elevated for the foreseeable future. A key upside catalyst would be a de-escalation in the U.S./Iran conflict, which could ease inflation and provide the Fed with more flexibility.

After backtracking in early 2026, New York City's labor market rebounded with private employment growing for five straight months, before dropping again in August 2026 (most recent data available) to 4.22 million jobs. Despite the recent dip, NYC's private employment still stood within 1% of the March 2025 all-time high. As of August 2026, nearly all the key office-using sectors were down relative to year-end 2025. The information sector (-3,400) and financial services sector (-2,700) were among those down the most. While the employment total fell in August 2026, the unemployment rate decreased to a tight 4.8%, an unusual occurrence due in part to a notable shrinking of the labor force. At this level NYC's unemployment rate remained above the national rate of 4.2%.

Leasing Activity

Midtown South's leasing activity totaled 2.13 million sq. ft. in Q3 2026, down 3% from the prior quarter but 44% ahead of the five-year quarterly average of 1.48 million sq. ft. Year-to-date leasing stood at 6.22 million sq. ft., the highest year-to-date total on record and 8% ahead of the next-highest mark, set in 2025. This strength built on momentum from 2025, with every quarter since Q4 2024 having outperformed the five-year quarterly average by an average margin of 59%.

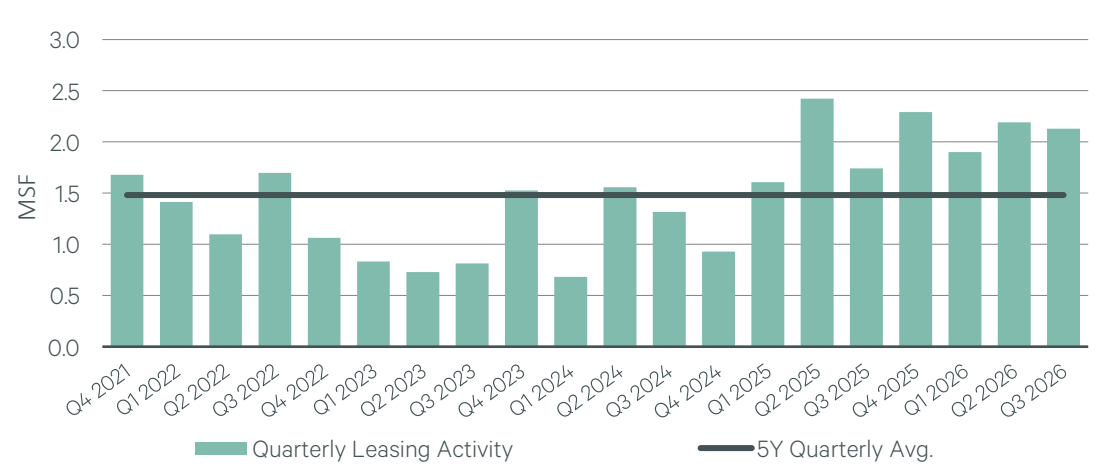
The quarter's top transactions were headlined by Anthropic's 463,000-sq.-ft. lease of the entire building at 330 Hudson Street—not only the largest deal of the quarter in Midtown South, but across Manhattan. Legora followed with the second-largest new lease of the quarter in Midtown South for

FIGURE 1: Top Lease Transactions for Q3 2026

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address
462,513	L	D	Anthropic	330 Hudson Street
174,186	R	D	Human Resources Administration	260 Eleventh Avenue
98,420	L	D	Legora	11 Madison Avenue
93,779	L	D	Brex.com	200 Varick Street
90,202	R	D	IMG Models	304 Park Avenue South

Source: CBRE Research, Q3 2026. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

FIGURE 2: Leasing Activity | Quarterly Historical



Source: CBRE Research, Q3 2026.

98,000 sq. ft. at 11 Madison Avenue. The top deals, however, told only part of the story, as leases under 50,000 sq. ft. accounted for 60% of overall leasing activity during the quarter.

Renewal activity also stood out in Q3, posting its strongest quarter since Q2 2019 with 670,000 sq. ft. of activity—nearly double the five-year quarterly average of 343,000 sq. ft. Human Resources Administration's 174,000-sq.-ft. renewal at 260 Eleventh Avenue was the largest of all renewal deals during the quarter, followed by IMG Models' 90,000-sq.-ft. renewal at 304 Park Avenue South.

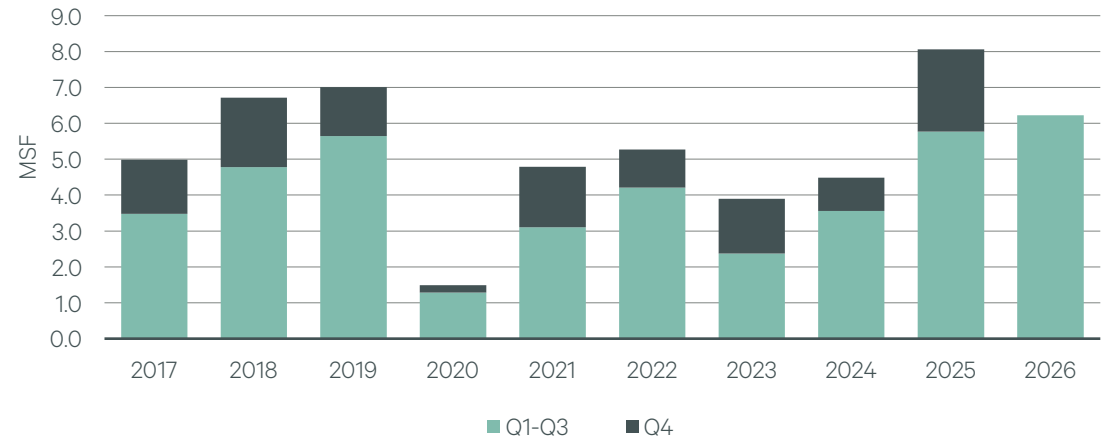
Chelsea, Park Avenue South/Madison Square, and Union Square each recorded more than 100,000 sq. ft. of renewals during the quarter, underscoring the broad-based nature of the elevated activity. With 1.59 million sq. ft. of renewals year-to-date, Midtown South has already surpassed its full-year renewal total from 2025. Overall, Q3 2026 marked the strongest third quarter of renewal activity on record for Midtown South.

Leasing velocity—the combination of leasing and renewal activity—remained elevated in Q3 at 2.80 million sq. ft., marking the fourth consecutive quarter above 2 million sq. ft. and the largest total of that four-quarter stretch. Year-to-date velocity totaled 7.81 million sq. ft., which was 18% ahead of the same time last year and the best year-to-date performance on record for Midtown South. Renewals accounted for 24% of Q3's total leasing velocity and 20% of the year-to-date total, a significant increase from the 11% average share seen from 2015 to 2019. This heightened share is expected to continue as compelling blocks of available space remain limited.

Tech remained Midtown South's dominant leasing industry in Q3, leading all sectors in leasing activity for the fifth consecutive quarter—accounting for 69% of activity in Q3. AI¹ continued to drive the tech sector's demand, accounting for 58% of all Midtown South leasing in the quarter when broken out on its own. Notably, all three of the quarter's largest new leases came from AI¹ firms—Anthropic, Legora, and Brex—each relocating into space that more than doubled their prior footprint. On a year-to-date basis, tech has accounted for 57% of new leasing and expansions, a notable increase from the 32% share it held throughout 2025.

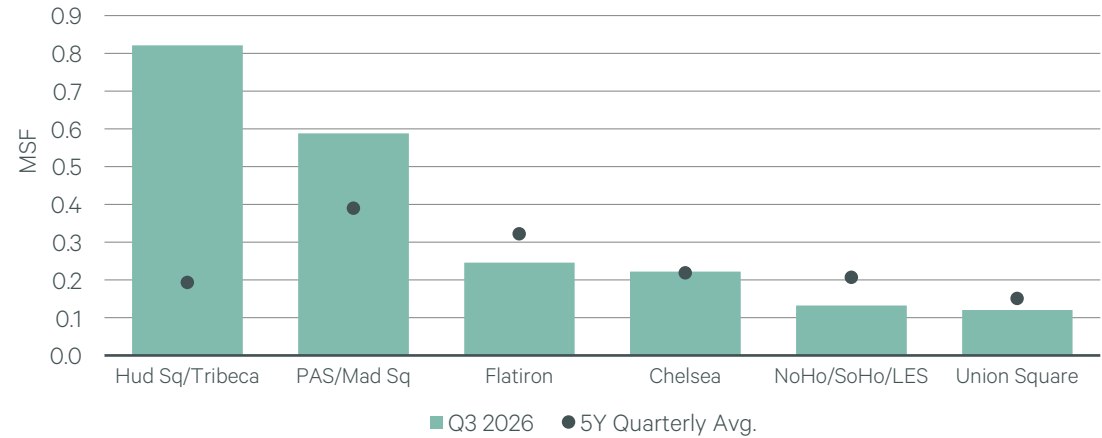
Financial services held the second-largest share of leasing in Q3, though its share remained modest at only 9% of quarterly and 12% of year-to-date activity. Leasing in the sector was

FIGURE 3: Leasing Activity | Annual Historical



Source: CBRE Research, Q3 2026.

FIGURE 4: Leasing Activity | By District



Source: CBRE Research, Q3 2026.

driven by boutique financial services firms, with deal activity concentrated below 50,000 sq. ft.

Leasing strength was far from uniform across Midtown South as only two of the six districts meaningfully outperformed their five-year quarterly averages in Q3. Hudson Square/Tribeca saw the strongest performance relative to its average, with 821,000 sq. ft. of leasing more than tripling its five-year average of 193,000 sq. ft.—Anthropic alone accounted for more than half of that activity. Park Avenue South/Madison Square also posted a strong performance with 588,000 sq. ft. of activity, 51% above its average.

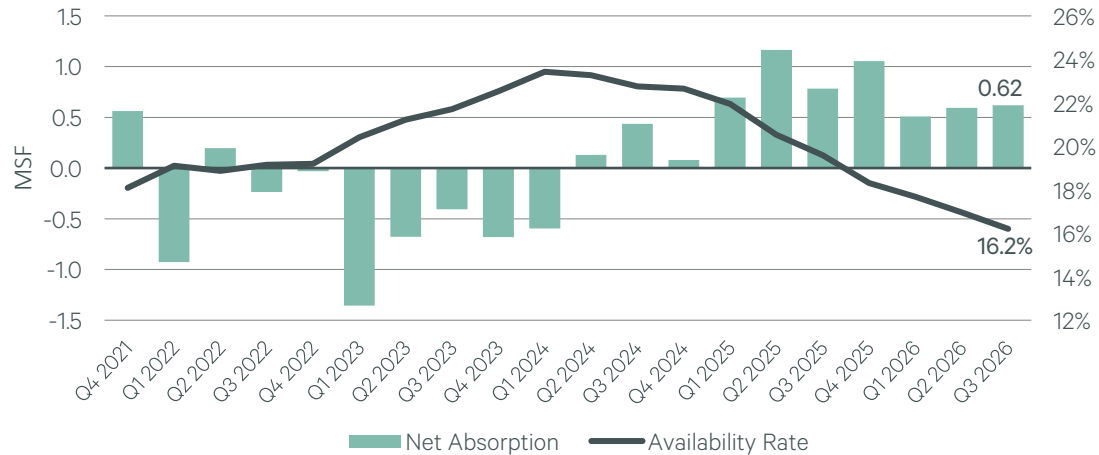
Chelsea, led by the expansion portion of SoFi's 46,000-sq.-ft. renewal/expansion at 860 Washington Street, was just 1% ahead of its five-year average at 222,000 sq. ft. of activity, while Flatiron, Union Square, and NoHo/SoHo/LES all fell behind their respective averages.

Net Absorption and Availability

Midtown South's leasing strength translated into another robust quarter of absorption, with 619,000 sq. ft. of positive net absorption in Q3 2026—the strongest quarterly total of the year. The availability rate fell to its lowest point since Q4 2020, following an 80-bps quarter-over-quarter drop to 16.2%. The submarket has recorded ten consecutive quarters of positive absorption, totaling 6.06 million sq. ft. over that span and a 710-bps decline in availability rate. Year-to-date net absorption amounted to 1.72 million sq. ft., 35% below the same time period last year but still the second-highest year-to-date total since 1997. Gross space additions, meanwhile, totaled only 1.30 million sq. ft. in Q3, the lowest quarterly total of the year. Sublet availability moved in the opposite direction, ticking up 10 bps quarter-over-quarter to 2.4% and accounted for 15% of all available space.

Each Midtown South district recorded positive absorption in Q3, which caused a decline in availability rate both quarterly and year-over-year. Hudson Square/Tribeca saw the largest quarter-over-quarter decline, as availability fell 120 bps to 17.3%. The district posted its strongest leasing quarter since Q3 2019, but also saw the largest addition of the quarter, as 231,000 sq. ft. of previously listed direct space at 345 Hudson Street fell within one year of tenant possession. Flatiron saw the second-largest quarter-over-quarter decline in availability, falling 100 bps to 7.4%. Union Square, Park Avenue South/Madison Square, Chelsea, and NoHo/SoHo/LES all saw moderate quarter-over-quarter declines but continued to face downward pressure on availability.

FIGURE 5: Net Absorption & Availability Rate | Quarterly Historical



Source: CBRE Research, Q3 2026.

FIGURE 6: Quarterly Net Absorption | By District



Source: CBRE Research, Q3 2026.

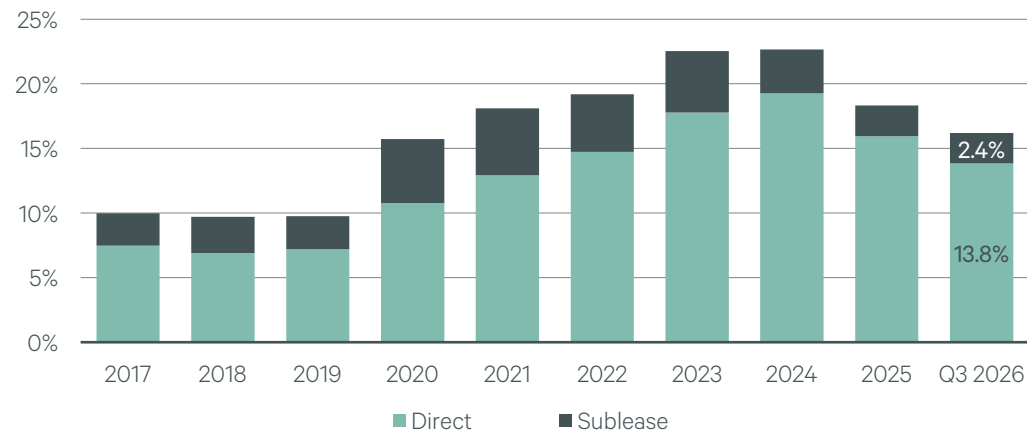
Average Asking Rent

Midtown South recorded its second consecutive quarter of asking rent growth in Q3 2026, with the average asking rent up 1% quarter-over-quarter to \$86.94. Year-over-year, overall asking rents in the submarket have increased by 3%.

After trailing Midtown for two consecutive quarters, Midtown South had the highest average asking rent among the submarkets in Manhattan. The reduction in supply has started to influence landlords' pricing power in pockets of the market.

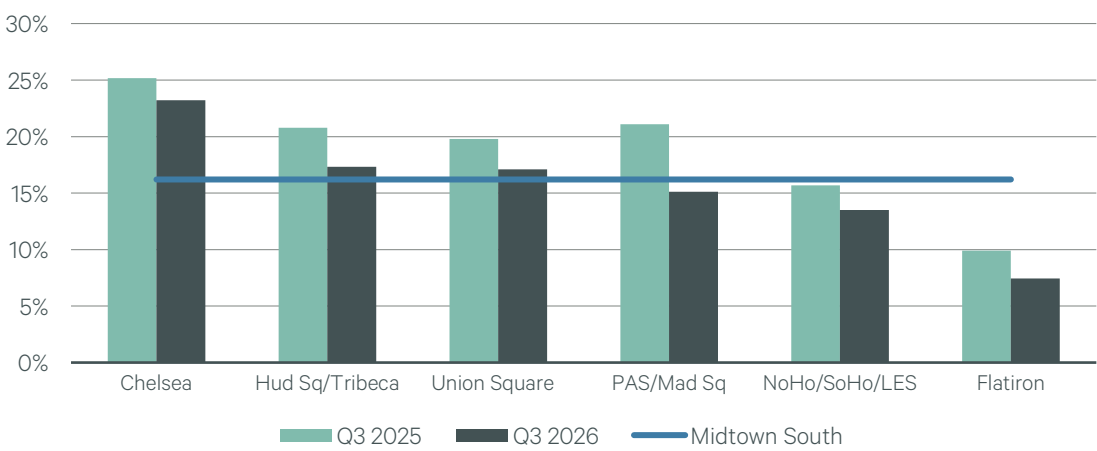
Average asking rents varied widely at the district level in Q3, as three districts posted significant growth, two remained essentially flat, and one declined. NoHo/SoHo/LES saw the largest quarter-over-quarter increase, up 6% to become the most expensive district in Midtown South at \$95.26—a gain driven largely by a 44,000-sq.-ft. direct space addition at 610 Broadway asking more than double the district average. Hudson Square/Tribeca and Flatiron also saw notable growth, with a 4% and 3% quarter-over-quarter increase, respectively.

FIGURE 7: Sublease and Direct Availability Rate | Historical



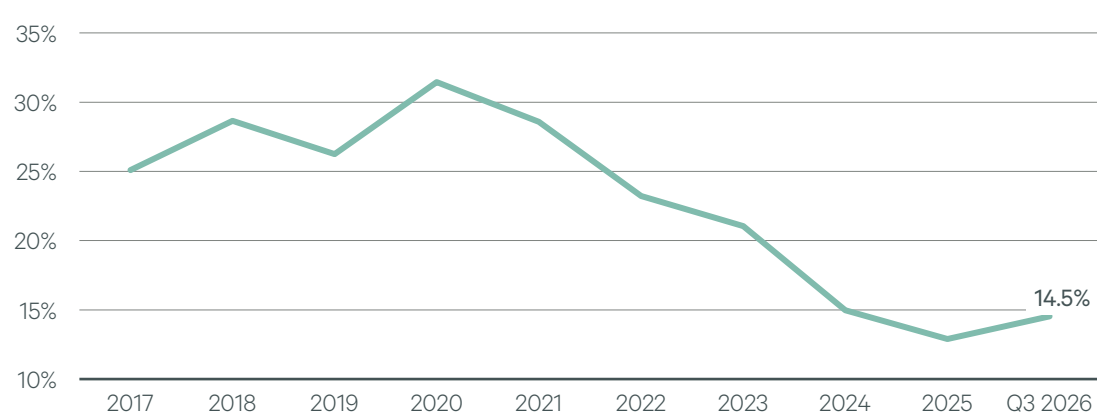
Source: CBRE Research, Q3 2026.

FIGURE 8: Availability Rate | By District



Source: CBRE Research, Q3 2026.

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



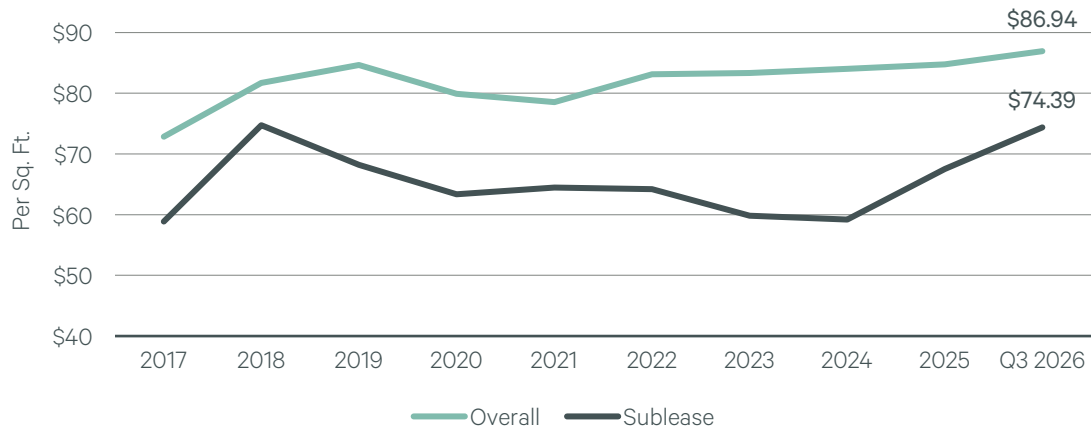
Source: CBRE Research, Q3 2026.

Park Avenue South/Madison Square was the only district to post a quarter-over-quarter decline as it fell 2% to \$74.30, the district’s lowest point since Q3 2021. That decline, however, reflected the quality of remaining availability in a tightening district—one that has seen availability decline quarter-over-quarter for the past 11 quarters and leasing activity outperform its five-year average for the past five quarters.

Taking Rent Index

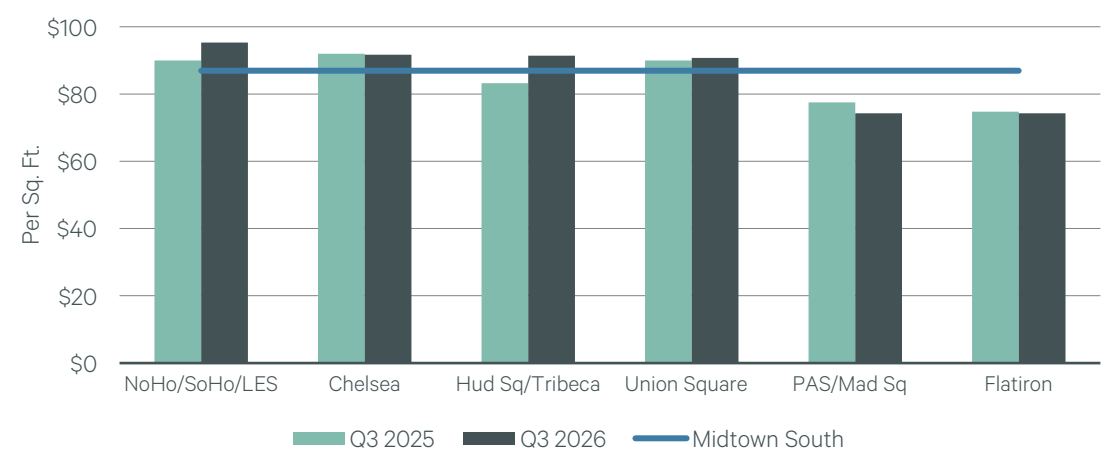
Midtown South’s taking rent index rose in Q3, increasing by 60 bps quarter-over-quarter to 95.5% in Q3 2026. At this level, it was up 1010 bps from its post-2019 low in mid-2021 but remained 580 bps below the all-time high of 101.3% reached at year-end 2019. The weighted average tenant improvement allowance for new leases of raw space completed over the past nine months was \$160.17 per sq. ft., up 57% from the close of 2019 and up 5% from year-end 2025. The free rent period averaged 17 months, up from both the 16 months at year-end 2025 and 12 months at year-end 2019.

FIGURE 10: Average Asking Rent | Historical



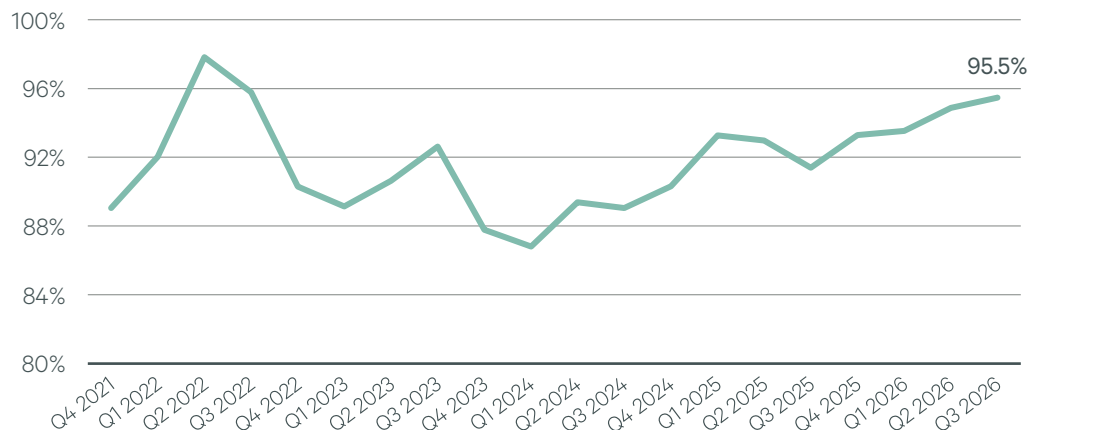
Source: CBRE Research, Q3 2026.

FIGURE 11: Average Asking Rent | By District



Source: CBRE Research, Q3 2026.

FIGURE 12: Taking Rent Index | Historical

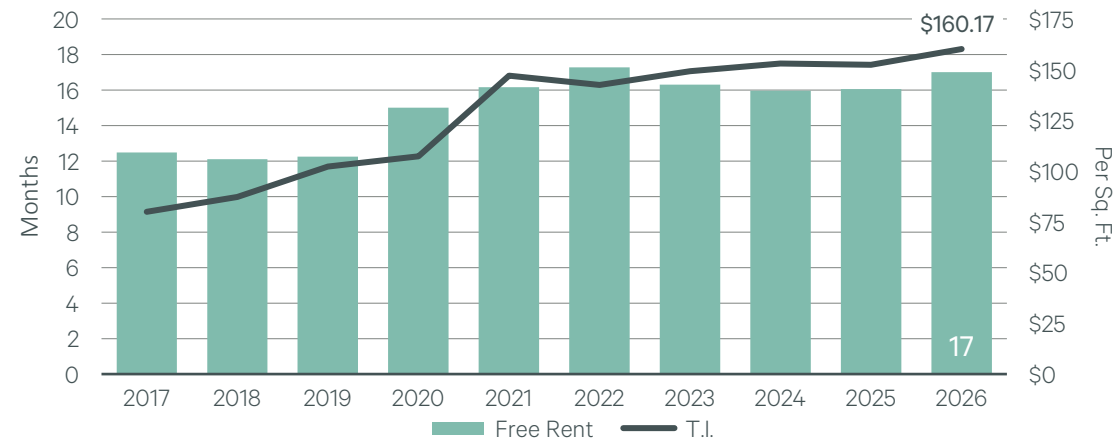


Source: CBRE Research, Q3 2026.

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 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.
Source: CBRE Research, Q3 2026.

Market Statistics

Figure 14: Market Statistics

Submarket	Net Rentable Area (MSF)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Total Vacancy (%)	Avg. Asking Rate (\$/SF/yr)	Current Quarter Net Absorption (MSF)	YTD Net Absorption (MSF)	Quarterly Leasing (MSF)	YTD Leasing (MSF)
Chelsea	18.13	23.2%	20.1%	3.1%	20.1%	\$91.69	0.11	0.23	0.22	0.84
Flatiron	12.20	7.4%	5.2%	2.2%	5.3%	\$74.24	0.12	0.28	0.25	1.17
Hudson Square/Tribeca	18.16	17.3%	14.9%	2.4%	13.3%	\$91.41	0.21	0.13	0.82	1.53
Noho/Soho/Lower East Side	9.09	13.5%	10.3%	3.2%	11.6%	\$95.26	0.03	0.24	0.13	0.49
Park Ave South/Madison Square	19.32	15.1%	14.0%	1.2%	11.9%	\$74.30	0.12	0.70	0.59	1.79
Union Square	5.74	17.1%	14.5%	2.6%	15.1%	\$90.74	0.03	0.14	0.12	0.40
Total	82.63	16.2%	13.8%	2.4%	13.2%	\$86.94	0.62	1.72	2.13	6.22

Source: CBRE Research

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.

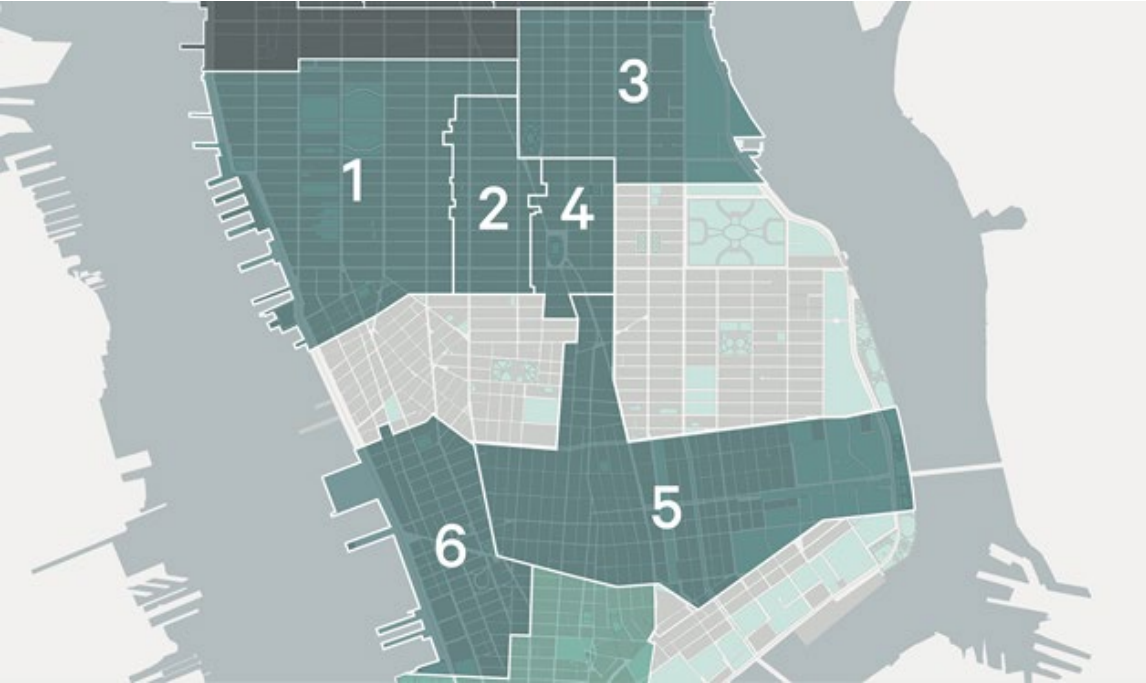
Survey Criteria

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:

¹AI 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).

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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