Strong absorption pushes availability down 270 bps

▲ 1.14M
Leasing Activity

▲ 2.16M
Net Absorption

▼ 16.6%
Availability Rate

▼ 13.7%
Vacancy Rate

▲ $61.34
Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 1.14 million sq. ft. in Q2, 36% ahead of the five-year quarterly average of 838,000 sq. ft.
- Year-to-date leasing activity was down 7% from the prior year, at 2.05 million sq. ft.
- Renewals totaled 500,000 sq. ft. in Q2, bringing the year-to-date total to 656,000 sq. ft.
- The availability rate was down 270 basis points (bps) from last quarter to 16.6% and 390 bps from a year ago.
- Net absorption was positive at 2.16 million sq. ft. in Q2, bringing the year-to-date total to 2.11 million sq. ft.
- At $61.34 per sq. ft., the average asking rent was up 4% quarter-over-quarter and 7% year-over-year.
- The sublease availability rate was down 100 bps from last quarter to 3.5%, with the sublease average asking rent up 4% from one year ago at $47.13 per sq. ft.

Market Overview

Downtown's Q2 2026 office leasing activity totaled 1.14 million sq. ft., up from the prior quarter and 36% ahead of the five-year quarterly average of 838,000 sq. ft.—the sixth consecutive quarter in which leasing outpaced the average. Even with this momentum, year-to-date leasing activity trailed the prior year by 7%. Renewals were a defining feature of the quarter, totaling 500,000 sq. ft. and rising 12% year-over-year as tenants reaffirmed their commitment to the submarket.

Leasing strength translated into a strong positive net absorption of 2.16 million sq. ft. in Q2. The availability rate fell 270 bps quarter-over-quarter to 16.6% and down 390 bps from a year ago, while the vacancy rate dipped slightly to 13.7%. The sublease market tightened as well, with the sublease availability rate down 20 bps from last quarter to 3.5%.

Asking rents climbed on sustained demand for high-quality space, with the average asking rent reaching $61.34 per sq. ft.—up 4% quarter-over-quarter and 7% year-over-year. Sublease pricing moved in the opposite direction, with the average sublease asking rent down 3% from a year ago to $47.13 per sq. ft.

Economic Overview

The U.S. economy entered mid-2026 navigating crosscurrents but growing at a healthy pace. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue. As a result, CBRE projects GDP growth to average 2.2%, broadly in line with 2025.

Nevertheless, the more pressing concern of late has been the U.S./Iran conflict and its impact on world energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal come to fruition, inflation is expected to fall to the upper 3% range by year-end as energy prices slowly decline. Stickier inflation has pushed Treasury yields well above 4%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

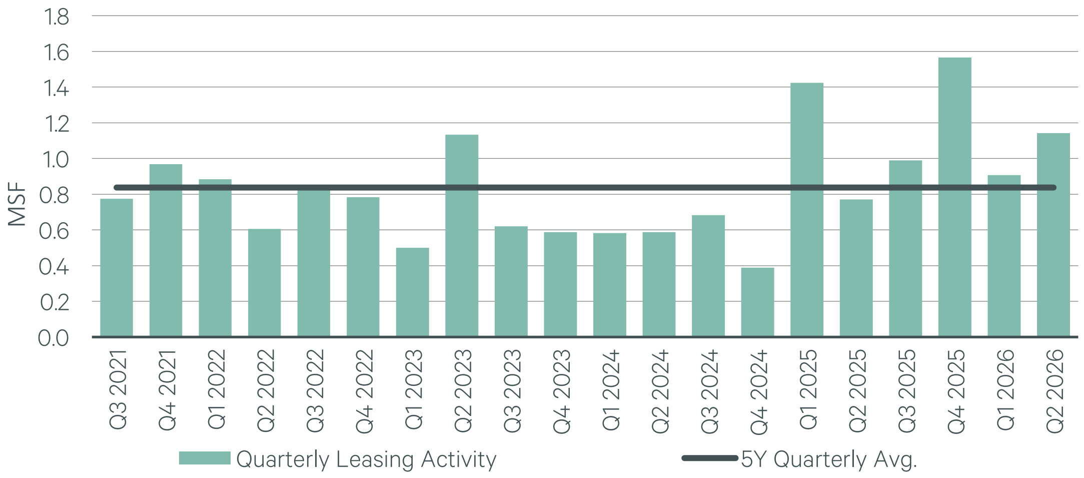
New York City's labor market has strengthened after backtracking in 2025 and early 2026, with private employment up for three straight months to 4.24 million jobs in May 2026 – just shy of the March 2025 all-time high. Office-using sectors led the gains: legal services hit a record 90,200 jobs (+1,200), and financial services reached 521,400 jobs, its highest level since 1990, while tech stayed below its 2025 peak despite a modest rebound. Unemployment fell to a tight 5.4%, though still above the 4.3% national rate – a supportive backdrop for office-leasing demand.

FIGURE 1: Top Lease Transactions for Q2 2026

Size (Sq. Ft.)	Deal Type	Sublet/Direct	Tenant	Address
475,000	L[3]	D	Cleary Gottlieb	1 Liberty Plaza
201,931	R	D	AON Inc.	1 Liberty Plaza
70,314	L	D	New York City Board of Education Retirement System	55 Water Street
64,313	L	D	Norm AI	1 World Trade Center
58,164	R	D	London Fischer	59 Maiden Lane

Source: CBRE Research, Q2 2026. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

FIGURE 2: Leasing Activity | Quarterly Historical



Source: CBRE Research, Q2 2026.

Leasing Activity

Downtown quarterly leasing activity (new leases and expansions) totaled 1.14 million sq. ft. in Q2 2026, up from Q1 2026 and 36% ahead of the five-year quarterly average of 838,000 sq. ft.—the sixth consecutive quarter in which leasing outpaced the average. The quarter's defining deals signaled the continued return of large-user activity: Cleary Gottlieb's 475,000 sq. ft relocation within 1 Liberty Plaza and Aon's 202,000 sq. ft. renewal in the same building.

Leasing activity was driven by financial services and technology firms in Q2. Financial services led all sectors with 144,000 sq. ft., including Premium Merchant Funding's 47,000 sq. ft. relocation within Downtown to 1 New York Plaza from 55 Water Street and Galaxy Digital's 46,000 sq. ft. sublease expansion at 300 Vesey Street. Technology added 93,000 sq. ft., led by AI firm Norm AI's 64,000 sq. ft. lease at 1 World Trade Center.

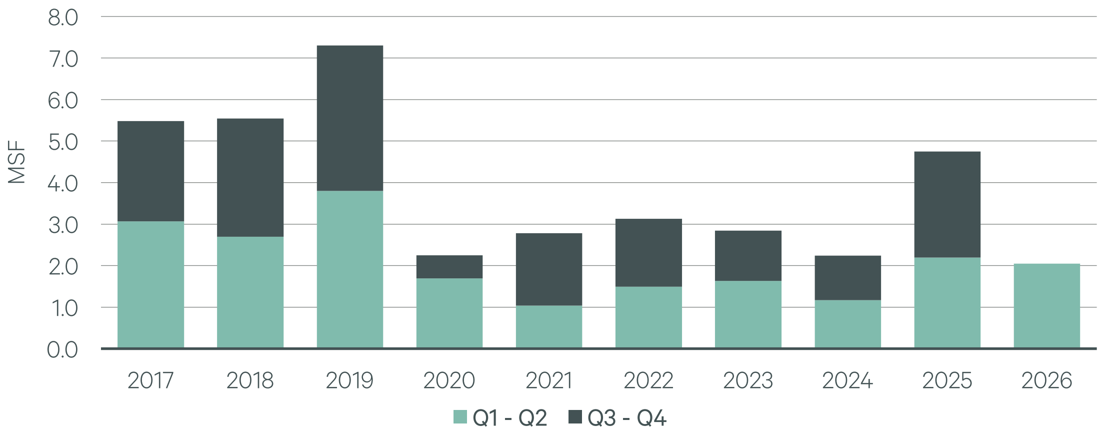
The Financial District tallied the most leasing volume of any Downtown district in Q2, with 852,000 sq. ft. of activity—83% above its five-year quarterly average of 465,000 sq. ft. Demand was led by the two large deals at 1 Liberty Plaza, underscoring tenants' commitment to Downtown and their continued appetite for well-located, high-quality space in the district's core. Cleary Gottlieb relocated within 1 Liberty Plaza for 330,000 sq. ft.

Downtown West recorded 222,000 sq. ft. of leasing activity in Q2, 17% below its five-year quarterly average of 267,000 sq. ft., as demand rotated back toward the Financial District after several quarters led by the World Trade Center buildings. Norm AI's 64,000 sq. ft. lease at 1 World Trade Center and Galaxy Digital's 46,000 sq. ft. sublease expansion at 300 Vesey Street led the district's leasing activity in Q2.

City Hall added 68,000 sq. ft. in Q2, trailing its 105,000 sq. ft. five-year quarterly average. Most City Hall deals were sub-25,000 sq. ft. transactions spread across multiple industries.

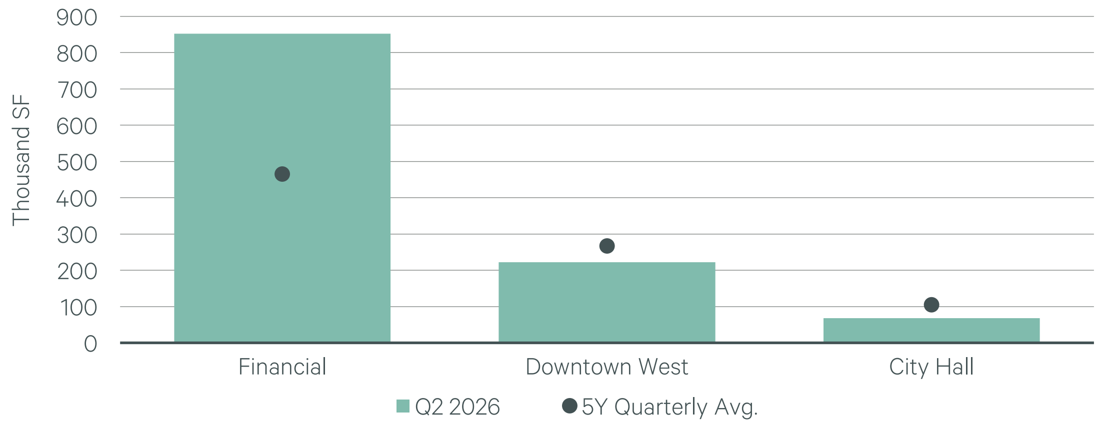
Demand from tenants outside of the downtown market remained below average, totaling 27,000 in Q2 2026, which is off from the 2015-2019 average. However, existing tenants recommitment to the submarket, included Aon's 202,000 sq. ft. renewal at 1 Liberty Plaza, London Fischer's 58,000 sq. ft. at 59 Maiden Lane in the Financial District, and Ameriprise Financial's 38,000 sq. ft. renewal at 1 World Trade Center in Downtown West.

FIGURE 3: Leasing Activity | Historical



Source: CBRE Research, Q2 2026.

FIGURE 4: Leasing Activity | By District



Source: CBRE Research, Q2 2026.

Net Absorption and Availability

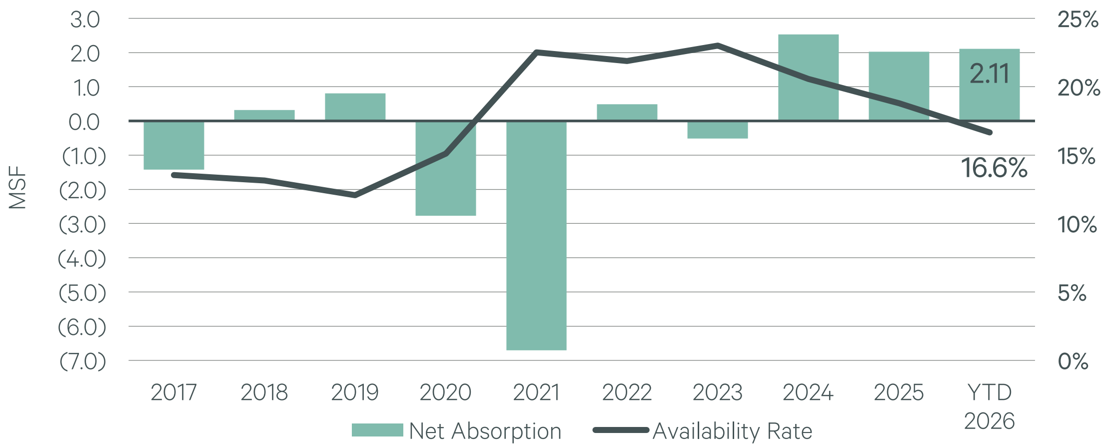
Downtown recorded a strong quarter with 2.16 million sq. ft. of positive absorption in Q2, bringing the year-to-date total to 2.11 million sq. ft. The availability rate fell 270 bps from the prior quarter to 16.6%, extending a steady decline from the 2023 peak of 23.2%. The decline was broad-based, with availability at 21.6% in the Financial District, 8.2% in City Hall, and 10.6% in Downtown West.

In addition to the strong leasing, positive absorption was also impacted by a wave of residential conversions that removed 1.27 million sq. ft of available space across the Financial and City Hall District. The Financial District saw several buildings slated for conversion, including 61 Broadway, 1 Whitehall Street, and 17 Battery Place South. In City Hall, availability was also withdrawn at 100 William Street and 150 William Street as both properties moved toward residential conversion.

Among Downtown's three districts, the Financial District and City Hall posted the strongest quarterly net absorption, at 1.50 million sq. ft. and 617,000 sq. ft., respectively, supported by strong leasing activity and continued space removals. While much of Downtown's newly available space was concentrated in blocks under 100,000 sq. ft., larger additions included 192,000 sq. ft. at 225 Liberty Street, and availability at 65 Broadway, which connected several pre-existing smaller blocks.

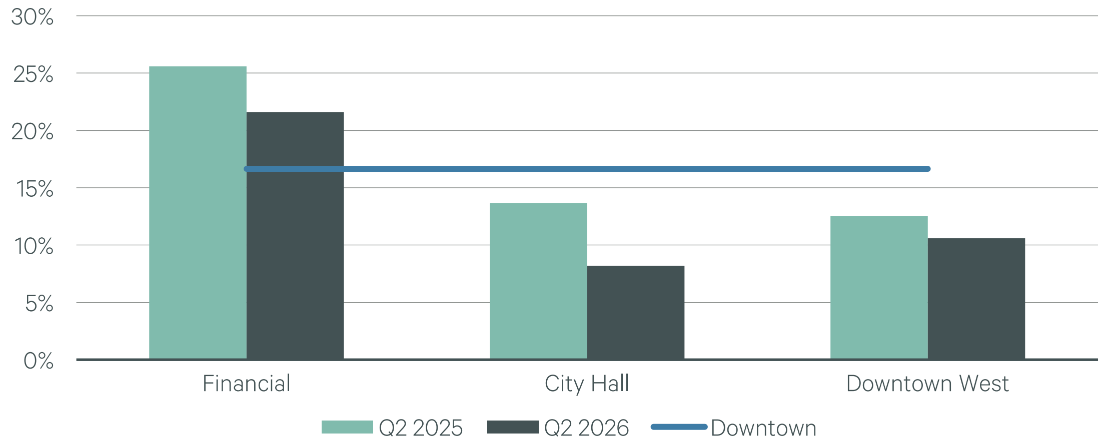
Downtown's sublease space totaled 2.92 million sq. ft., representing 21.3% of all available space in the submarket and down 180 bps from the prior quarter. Several tenants that had listed space for sublease chose to reoccupy it, led by Macmillan Publishers at 1 New York Plaza and Hudson Bay at 225 Liberty Street. Some sublease space was also withdrawn after being recaptured and reintroduced as direct availability, including the former Moody's sublease listing at 7 World Trade Center.

FIGURE 5: Net Absorption & Availability Rate | Historical



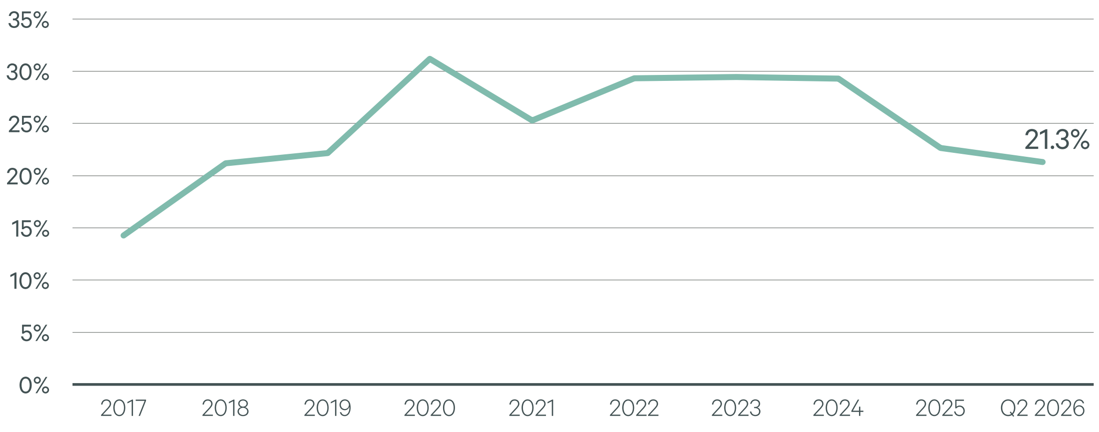
Source: CBRE Research, Q2 2026.

FIGURE 6: Availability Rate | By District



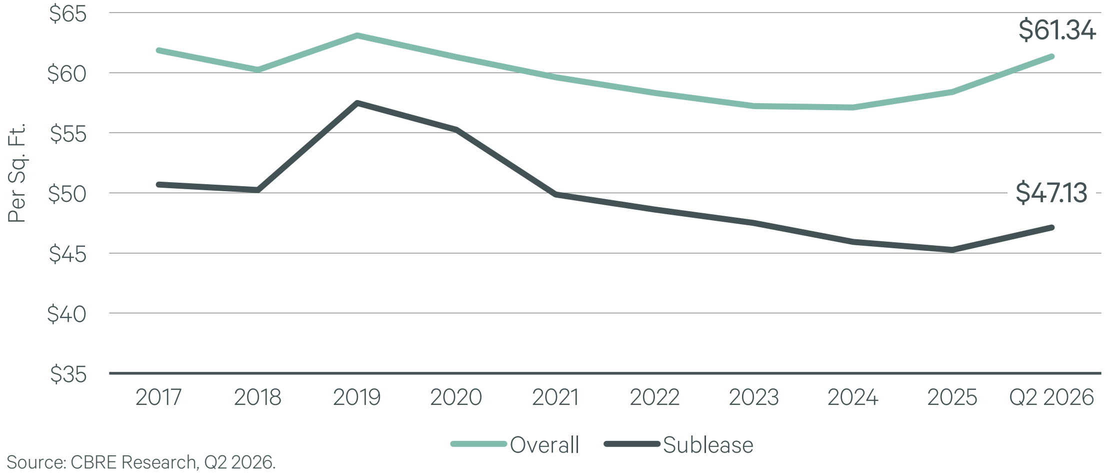
Source: CBRE Research, Q2 2026.

FIGURE 7: Sublease Space as a % of Available Space | Historical



Source: CBRE Research, Q2 2026.

FIGURE 8: Average Asking Rent | Historical



Source: CBRE Research, Q2 2026.

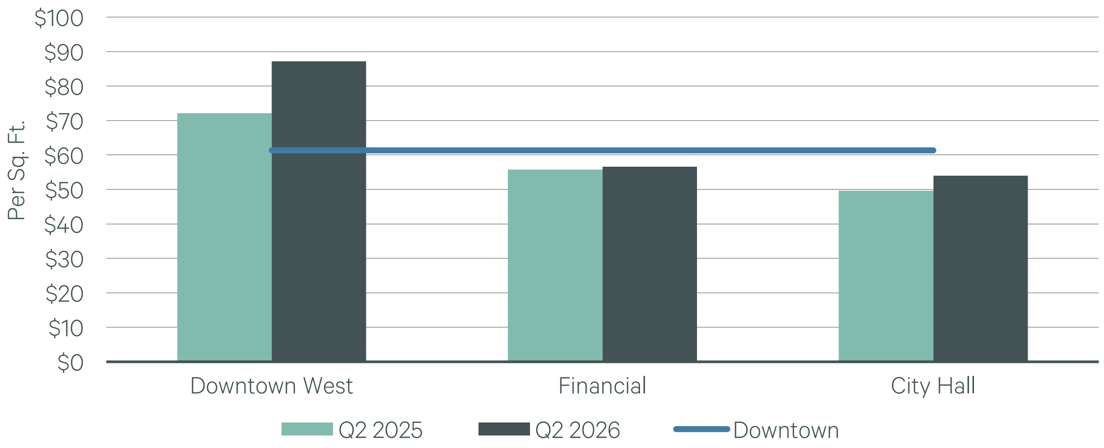
Average Asking Rent

The average asking rent in Downtown was $61.34 per sq. ft. in Q2 2026, up 4% from the prior quarter and 7% year-over-year. An uptick in residential conversions helped lift the average by pulling below-average-priced space off the market, though rents remained 4% below the all-time peak of $63.98 per sq. ft. in May 2020. Sublease asking rents averaged $47.13 per sq. ft., up 3% year-over-year.

Downtown West, with its high concentration of prime-Downtown assets, posted the largest gains in average asking rent, which rose 9% quarter-over-quarter and 21% year-over-year to $87.14 per sq. ft. A new 191,000-sq.-ft. addition at 225 Liberty Street came to market with asking rents close to the triple digits, marking a high-water mark for Downtown as quality space remains scarce citywide.

The Financial District's average asking rent was $56.61 per sq. ft. in Q2 2026, essentially unchanged quarter-over-quarter and up 2% year-over-year. City Hall's asking rent climbed 6% quarter-over-quarter and 9% year-over-year to $53.98 per sq. ft., as the residential conversion of 150 William Street removed roughly 148,000 sq. ft. of below-average-priced space.

FIGURE 9: Average Asking Rent | By District



Source: CBRE Research, Q2 2026.

Taking Rent Index

Downtown's taking rent index increased by 440 bps from the prior quarter to 94.8%, continuing its upward trajectory over the past three quarters.

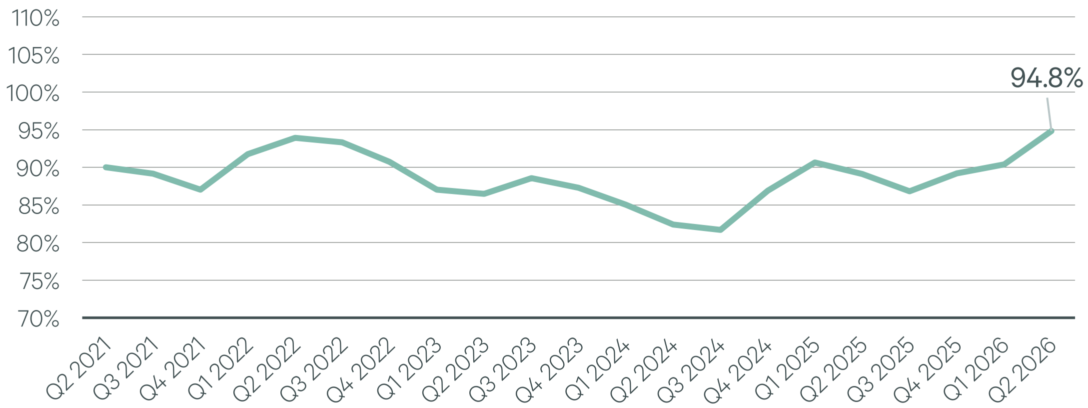
Concessions held steady, though they remained elevated relative to 2019 levels. Since 2023, the weighted average tenant improvement allowance for new leases of raw space exceeding 25,000 sq. ft. reached $155.80 per sq. ft.—a 55% increase from 2019. Free rent now averages 19 months, up from 12 months in 2019.

Development and Conversion Pipeline

Two World Trade Center, a 2.80 million sq. ft. development to be anchored and completely occupied by American Express, is planned for delivery in 2031.

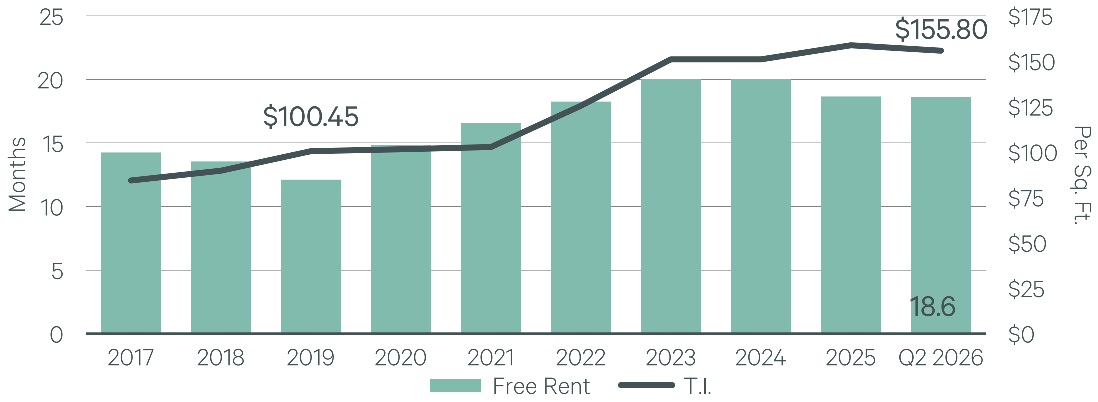
Downtown office inventory contracted by 1.67 million sq. ft. as conversions pulled stock off the market. As of Q2 2026, another 1.9 million sq. ft. of planned and announced conversions[4] is expected to leave the office inventory.

FIGURE 10: Taking Rent Index | Quarterly Historical



Source: CBRE Research, Q2 2026.

FIGURE 11: Concession Values | Historical



This study examines all direct new leases larger than 25,000 sq. ft. with a term length greater than 10 years (omits renewals and expansions). 2026 figures represent a blended average of 2023 – YTD 2026 data.

Source: CBRE Research, Q2 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 75,000+ sq. ft. in Downtown, 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:

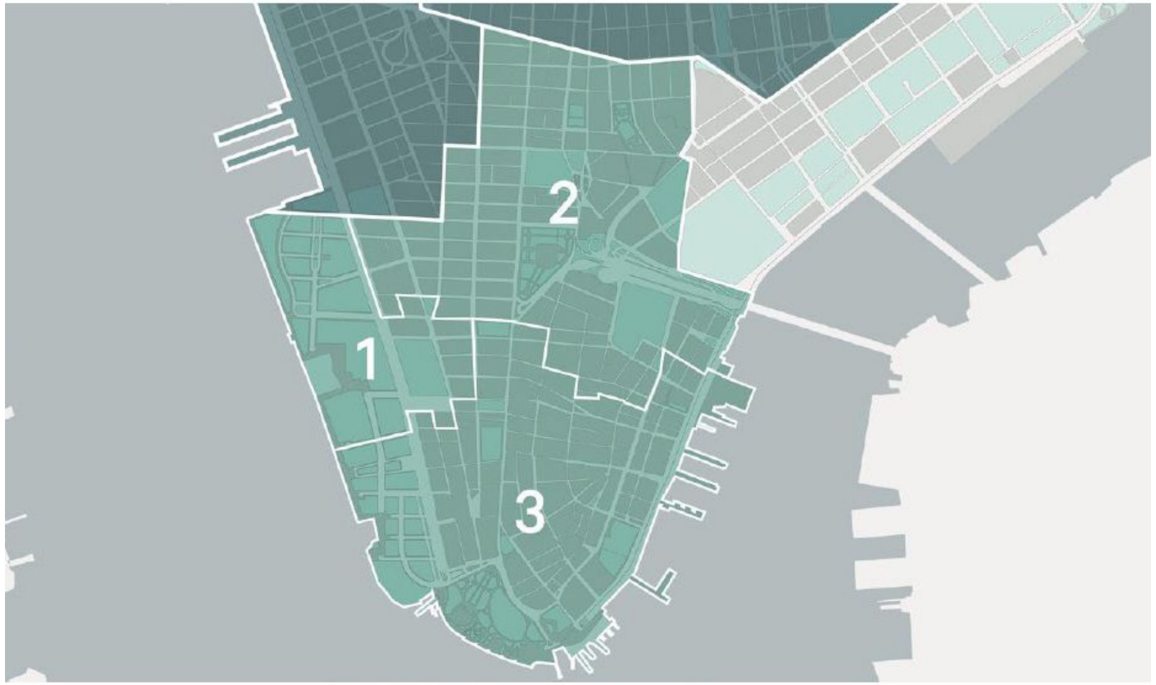
[1] Better Building represents high-quality assets in the market, including new construction, extensively renovated buildings and buildings that have fully modernized systems, a desirable location, abundant light and air, and ample amenities.

[2] Prime Buildings represents the best buildings in the market mixing top-end quality/location in the market and should be no more than 2-8% of the market's size.

[3] Transaction was a relocation within the building, part of the floors were their existing occupancy.

[4] Two of the planned downtown office conversions are non-statistical buildings.

Market Area Overview



District		Total Size (MSF)	No. of Buildings
1	Downtown West	20.5	10
2	City Hall	13.5	29
3	Financial	49.3	69
TOTAL INVENTORY		**82.3**	**108**

Contact

Michael Slattery
Research Director
+1 212 656 0583
Michael.Slattery@cbre.com

William Bender
Field Research Manager
+1 212 984 8278
William.Bender@cbre.com

Nathaly Devine
Senior Field Research Analyst
+1 212 984 8255
Nathaly.Devine@cbre.com