

Tight supply drives rents up 2% from last quarter

▲ 4.55M

Leasing Activity

▼ 0.26M

Net Absorption

▼ 12.7%

Availability Rate

▼ 10.0%

Vacancy Rate

▲ \$86.18

Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 4.55 million sq. ft. in Q2, 12% ahead of the five-year quarterly average of 4.04 million sq. ft.
- Year-to-date leasing activity totaled 8.75 million sq. ft. and was up 1% from the prior year.
- Renewals totaled 1.57 million sq. ft. in Q2, bringing the year-to-date total to 4.36 million sq. ft.
- The availability rate was down 10 basis points (bps) from last quarter to 12.7% and was down 280 bps from a year ago.
- Net absorption was positive 263,000 sq. ft. in Q2, bringing the year-to-date total to positive 1.87 million sq. ft.
- At \$86.18 per sq. ft., the average asking rent was up 2% quarter-over-quarter and 5% year-over-year.
- The sublease availability rate was up 10 bps from last quarter to 2.3%, with the average asking rent essentially unchanged from one year ago at \$63.19 per sq. ft.

Market Overview

Midtown’s record pace of leasing continued in Q2 2026, posting 4.55 million sq. ft. of leasing activity and extending its streak of above-average leasing to eleven consecutive quarters. Demand outpaced new availability, resulting in 263,000 sq. ft. of positive net absorption and pushing the availability rate down to 12.7%. This represents the lowest availability level since Q2 2020 and is just 140 bps above the year-end 2019 level.

Leasing activity remained heavily concentrated within Midtown's core² districts, which captured 70% of total leasing volume despite comprising only 57% of the submarket's inventory. This outsized share of activity highlights tenants' preference for highly accessible, amenity-rich locations and best-in-class office environments. At the same time, the limited availability of large, contiguous blocks of space continued to constrain tenant options, increasingly pushing large occupiers toward preleasing in forthcoming developments.

Asking rents rose 2% quarter-over quarter, though market-wide growth was tempered by the persistent availability of lower-quality commodity space. Beneath the headline figures, however, a more nuanced story exists. Top-tier assets with strong leasing momentum continued to command meaningful rental

premiums, with several trophy properties achieving record or near-record asking rents. The resulting divergence in performance further reinforces the growing bifurcation of Midtown's office market, where demand and pricing power remain increasingly concentrated among best-in-class assets while commodity buildings face continued competitive pressures.

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.

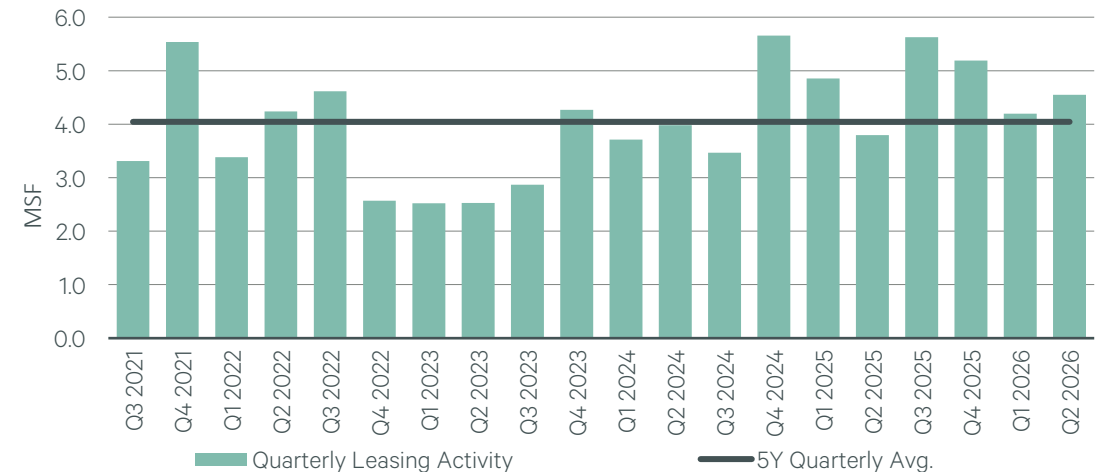
New York City's labor market has strengthened after backtracking in 2025 and early 2026, with private employment up for three straight months to 4.24 million jobs in May 2026 – just shy of the March 2025 all-time high. Office-using sectors led the gains: legal services hit a record 90,200 jobs (+1,200), 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
916,209	L	D	Simpson Thacher & Bartlett	570 Fifth Avenue
484,044	R	D	L'Oreal USA	10 Hudson Yards
249,054	RE	D	Versant Media	229 West 43rd Street
244,185	R	D	NBC Universal	1221 Avenue of the Americas
178,959	RE	D	Loeb & Loeb	345 Park Avenue

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

Leasing activity remained robust in Q2, totaling 4.55 million sq. ft.—12% above the five-year quarterly average and continuing Midtown's sustained run of above-average demand. Year-to-date leasing volume reached 8.75 million sq. ft., 1% ahead of the same period last year and the strongest first-half performance since 2018. Renewal activity also remained elevated, totaling 1.57 million sq. ft. While below Q1's exceptional volume, renewals still exceeded the quarterly average by 7%, reflecting occupiers' commitment to Midtown despite limited quality options.

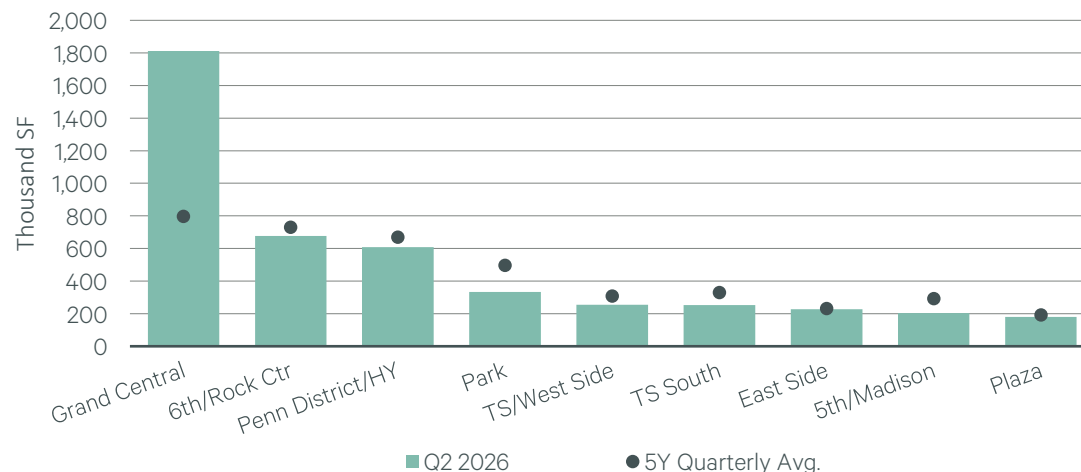
The scarcity of large, high-quality space drove leasing activity toward Midtown's future development pipeline in Q2. As large blocks of available space at quality assets remain limited, tenants with significant space requirements are increasingly turning to future development as means of securing long-term occupancy solutions. Preleasing activity totaled 1.24 million sq. ft. during the quarter, accounting for 27% of the quarter's leasing total, highlighted by Simpson Thacher & Bartlett's 916,000-sq.-ft. commitment at 570 Fifth Avenue.

Law firms emerged as Midtown's most active tenant sector in Q2, generating the largest share of leasing activity and marking the first time in 23 quarters that financial services firms did not lead the market. Demand was driven by three leases exceeding 100,000 sq. ft., propelling the legal sector to account for 40% of total quarterly leasing activity. The sector's dominance was pronounced, significantly outpacing financial services firms, which represented 27% of activity, while technology companies accounted for 9%.

Building on the strong momentum established in Q1, Midtown's core districts—Plaza, Sixth Avenue/Rockefeller Center, Fifth/Madison, Park Avenue, and Grand Central—drove leasing activity in Q2. These districts accounted for 70% of the total leasing volume, up from an average of 60% over the prior four quarters. This increasing concentration of demand underscores occupiers' preference for premier, transit-oriented locations and reflects a flight toward highly amenitized office environments.

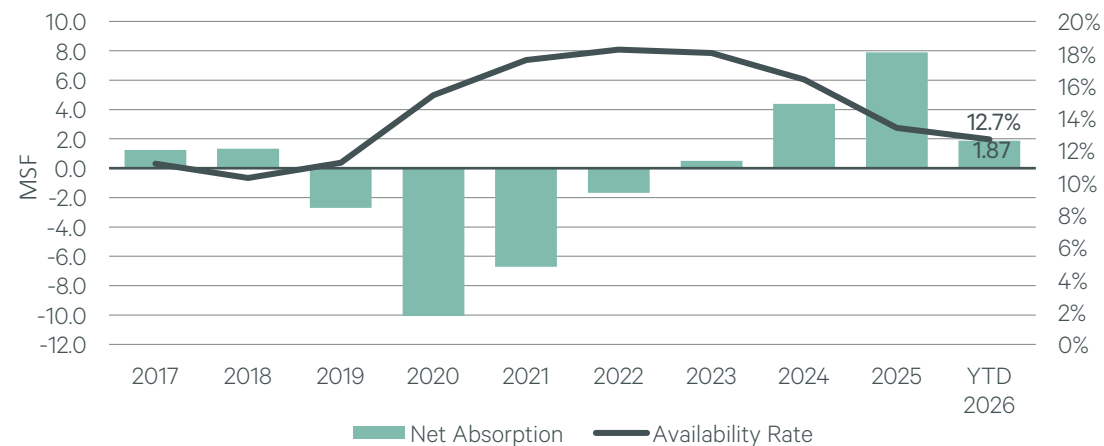
Grand Central emerged as Midtown's most active leasing district in Q2 and was the only district to outperform its five-year quarterly average, exceeding the benchmark by 127%. Leasing activity reached 1.81 million sq. ft., representing a 120% increase from the previous quarter and a 116% gain year-over-year. Activity was driven by several marquee transactions, most notably

FIGURE 3: Leasing Activity | By District



Source: CBRE Research, Q2 2026.

FIGURE 4: Net Absorption & Availability Rate | Historical



Source: CBRE Research, Q2 2026.

Simpson Thacher & Bartlett's 916,000-sq.-ft. commitment at 570 Fifth Avenue and further supported by McDermott Will & Emery's lease at 343 Madison Avenue.

Sixth Avenue/Rockefeller Center and Penn District/Hudson Yards rounded out Midtown's top-performing districts in Q2, ranking second and third in leasing activity, respectively. Sixth Avenue/Rockefeller Center recorded 676,000 sq. ft. of leasing activity, finishing just 7% below its five-year quarterly average, highlighted by Alston & Bird's 170,000-sq.-ft. lease at 51 West 52nd Street.

Penn District/Hudson Yards followed with 609,000 sq. ft. of leasing volume, representing a 20% increase from the prior quarter, but still 9% below its five-year quarterly average. Leasing activity was supported by pair of 62,000-sq.-ft. leases at 2 Penn Plaza, the district's largest deals of the quarter.

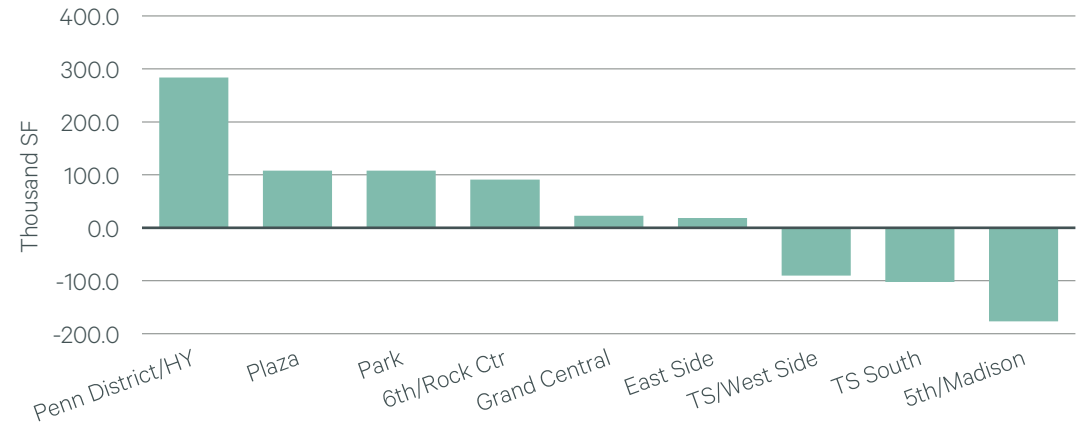
Net Absorption and Availability

Midtown's supply continued to contract in Q2 2026, supported by sustained leasing momentum and a limited influx of new available space. Although net absorption totaled just 263,000 sq. ft., the figure understates the strength of the market, as an outsized share of activity occurred through pre-leasing at future developments. Those committed spaces had yet to enter CBRE's 12-month availability window, thus, a significant portion of the quarter's leasing volume did not translate into reported absorption. Year-to-date, Midtown has recorded 1.87 million sq. ft. of absorption.

The impact was evident in Midtown's shrinking availability. The availability rate declined 10 bps quarter-over-quarter to 12.7%, down 280 basis points from a year ago and only 140 bps from the 2019 levels. Available sublease space increased marginally to 5.74 million sq. ft. during the quarter but remains 53% below its February 2023 peak. Sublease space now represents just 18% of Midtown's total availability and sits 16% below levels recorded at the end of 2019.

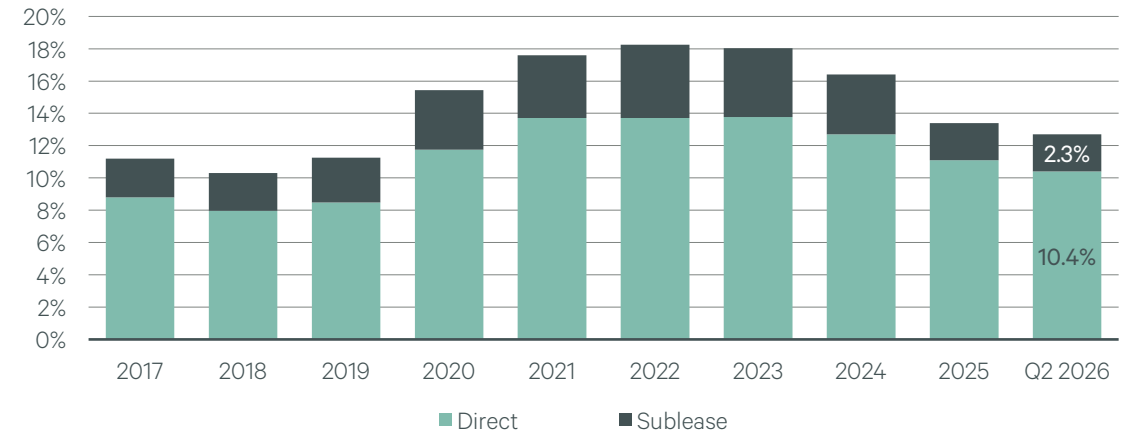
Midtown's core districts² continued to experience tightening supply in Q2, with availability levels increasingly aligning with the market's estimated equilibrium range of 10% to 12%. The combined availability rate across all quality tiers declined 20 bps quarter-over-quarter to 11.4%. High quality space remained particularly scarce, with availability in Better Buildings' within the core sitting at 7.0% as of Q2 2026, reflecting the intensifying competition for premium assets.

FIGURE 5: Quarterly Net Absorption | By District



Source: CBRE Research, Q2 2026.

FIGURE 6: Sublease and Direct Availability Rate | Historical



Source: CBRE Research, Q2 2026.

Penn District/Hudson Yards led Midtown in absorption during Q2, posting 284,000 sq. ft. of positive absorption as sustained leasing demand drew down available inventory. The district's performance was fueled by a trio of leases exceeding 50,000 sq. ft. at the Penn Plaza buildings. As a result, availability declined 80 bps during the quarter to 6.7%, the lowest rate of any Midtown district and Manhattan's tightest office district. This represents a remarkable 640 bps improvement from one year ago.

Plaza recorded 108,000 sq. ft. of positive absorption in Q2, driven less by outsized leasing activity than by a lack of meaningful new supply. Just two availabilities larger than 10,000 sq. ft. were introduced during the quarter, neither exceeding 25,000 sq. ft., underscoring the limited turnover of quality space in the district. The availability rate contracted 100 bps quarter-over-quarter to 14.7%, the largest quarterly improvements among Midtown's districts, though still only 10 bps below one year ago.

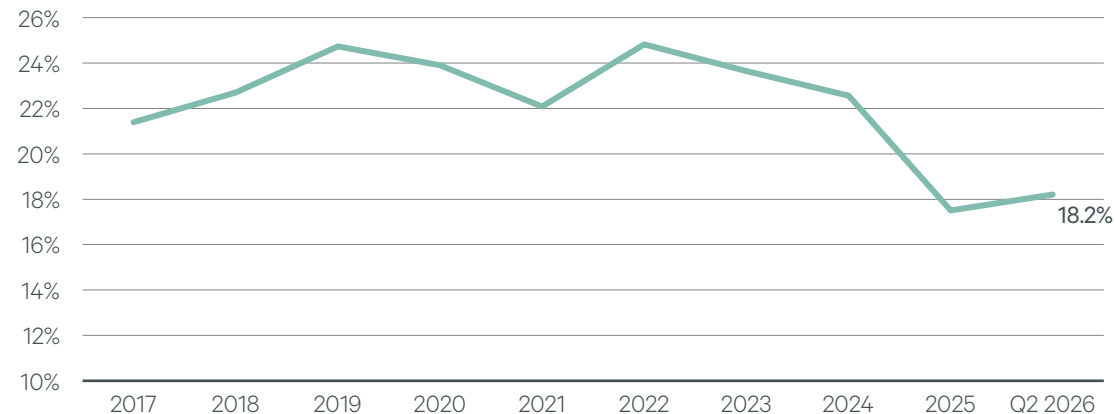
Fifth/Madison Avenue experienced the weakest performance among Midtown's districts in Q2, recording 177,000 sq. ft. of negative absorption as muted leasing activity coincided with a wave of large space additions. The primary driver was 623 Fifth Avenue, where more than 260,000 sq. ft. of availability was introduced to the market over the course of the quarter. As a result, the district's availability rate increased by 150 bps quarter-over-quarter. Despite the uptick, the availability rate was still 300 bps lower than a year ago.

Average Asking Rent

Midtown's average asking rent increased 2% in Q2 2026 to \$86.18 per sq. ft., marking a 5% gain over the past year. Rent growth was fueled by a wave of high-end availabilities entering the market, with more than a dozen spaces introduced during the quarter carrying triple-digit asking rents. While the prevalence of commodity space continues to temper overall headline rent growth, pricing power within the upper tier remains robust due to sustained tenant demand and an increasingly scarce supply of premier space. Better Buildings¹ within Midtown's core commanded an average asking rent of \$123.92 per sq. ft., up 19% from the post-pandemic quarterly low of \$104.08 recorded in Q4 2021.

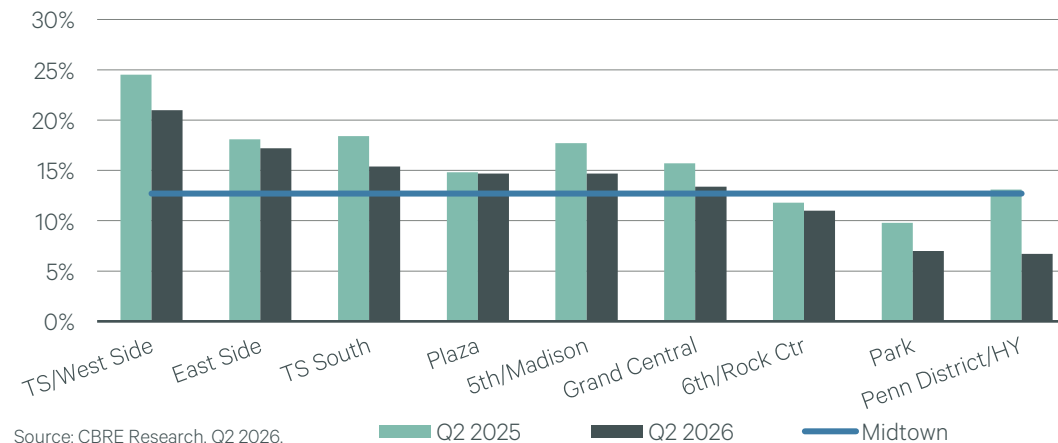
Fifth/Madison Avenue recorded the strongest rent growth of any Midtown district in Q2, with average asking rents surging 21% quarter-over-quarter. The increase was driven largely by the

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



Source: CBRE Research, Q2 2026.

FIGURE 8: Availability Rate | By District



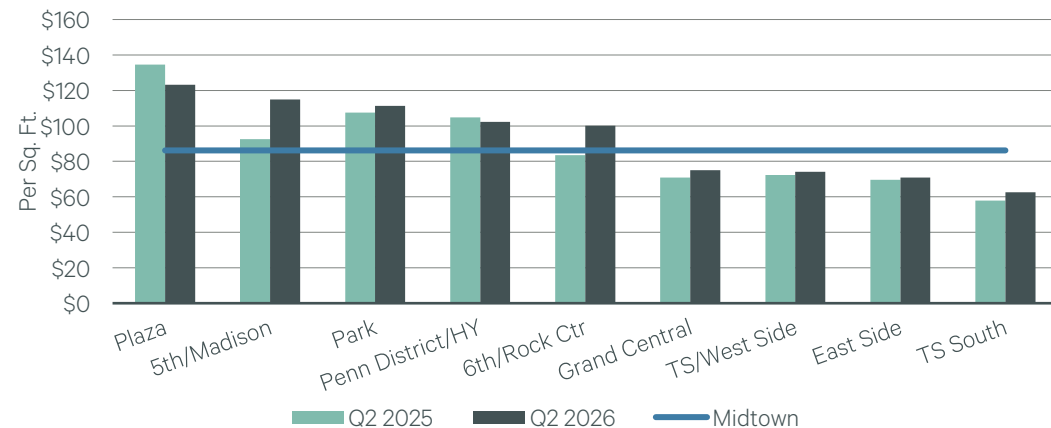
Source: CBRE Research, Q2 2026.

introduction of more than 260,000 sq. ft. of availability at 623 Fifth Avenue, where asking rents were substantially above prevailing district pricing. The addition of this high-end space materially elevated the district's overall rent profile, pushing average asking rents 24% higher than one year ago.

Penn District/Hudson Yards and Plaza were the only Midtown districts to record a decline in asking rents during Q2, with both posting a 6% quarter-over-quarter decrease. In Penn District/Hudson Yards, the decline was largely attributable to strong leasing activity at 2 Penn Plaza, where asking rents are significantly above the district average. As these premium-priced spaces were absorbed, the district's remaining inventory skewed toward lower-priced availabilities.

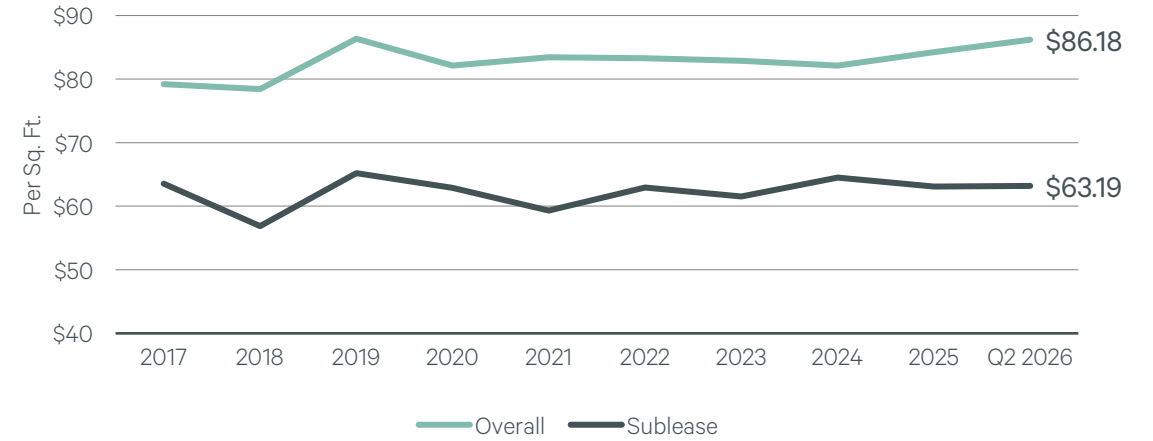
By contrast, Plaza's asking rents came under pressure from the addition of lower-priced space during the quarter. The most notable example was a 21,000 sq. ft. block at 40 West 57th Street that entered the market with an asking rent nearly 50% below the district average. The introduction of this discounted space weighed on overall pricing metrics, contributing to the district's quarter-over-quarter decline despite otherwise stable market fundamentals.

FIGURE 9: Average Asking Rent | By District



Source: CBRE Research, Q2 2026.

FIGURE 10: Average Asking Rent | Historical



Source: CBRE Research, Q2 2026.

FIGURE 11: Concession Values | Rent Abatement and T.I. Allowance



*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).
Source: CBRE Research, Q2 2026.

Taking Rent Index

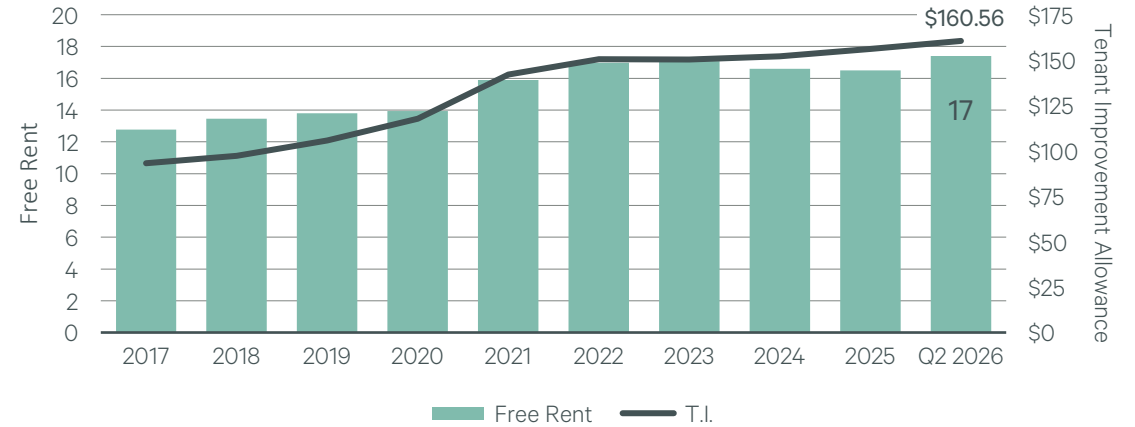
The taking-rent index decreased 130 bps quarter-over-quarter to 94.6% and was up 20 bps year-over-year. The current taking-rent index is slightly below the year-end 2019 level when the index was 95.3%. That said, concession packages for new leases of raw space have remained at near-record levels over the past several years. Packages averaged \$160.56 per sq. ft. in tenant improvement allowance (TI) and 17 months of free rent. Since 2019, average TI packages have increased 52% and average free rent has increased 26%.

Development Pipeline

Midtown's development pipeline remains highly constrained, with just two major office projects currently under construction. The redevelopment of 665 Fifth Avenue is expected to deliver approximately 128,000 sq. ft. of new office space within the next 12 months, all of which has already been pre-committed and will have virtually no impact on available inventory. Related Companies' 70 Hudson Yards is the only other project underway, scheduled for completion in 2028 after recently breaking ground following Deloitte's commitment to anchor the building.

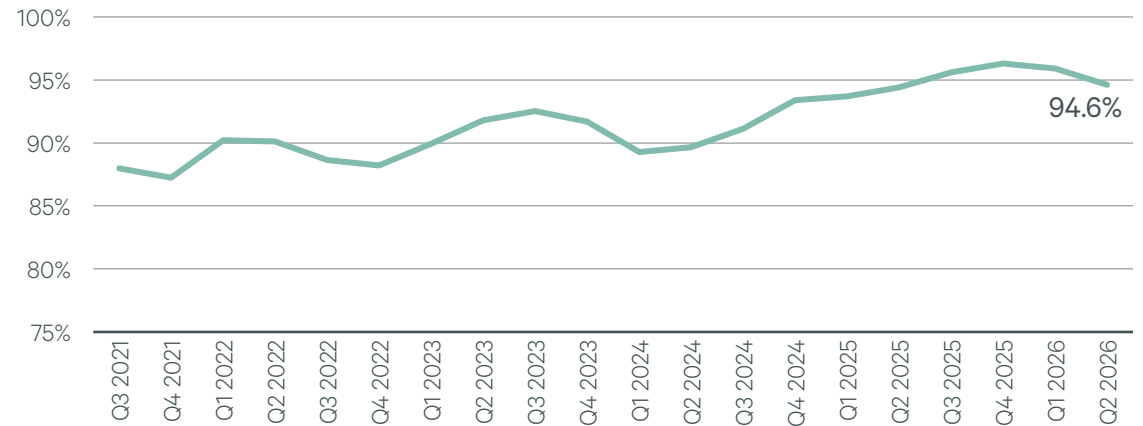
Two additional developments are expected to break ground in the near term following the recent securing of anchor tenants. BXP's 343 Madison Avenue is projected to deliver approximately 941,000 sq. ft. in 2029 and is already 50% pre-committed, while Extell's 570 Fifth Avenue is set to move forward following Simpson Thacher & Bartlett's 916,000-sq.-ft. lease commitment, delivering roughly 1.3 million sq. ft. in 2030. The substantial pre-leasing secured at both developments underscores tenants' growing willingness to commit to next-generation office product years in advance, as large, high-quality blocks in existing buildings continue to diminish.

FIGURE 12: 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, Q2 2026.

FIGURE 13: Taking Rent Index | Historical



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. Includes new leases for raw space, 25,000 sq. ft. or greater and 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, 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

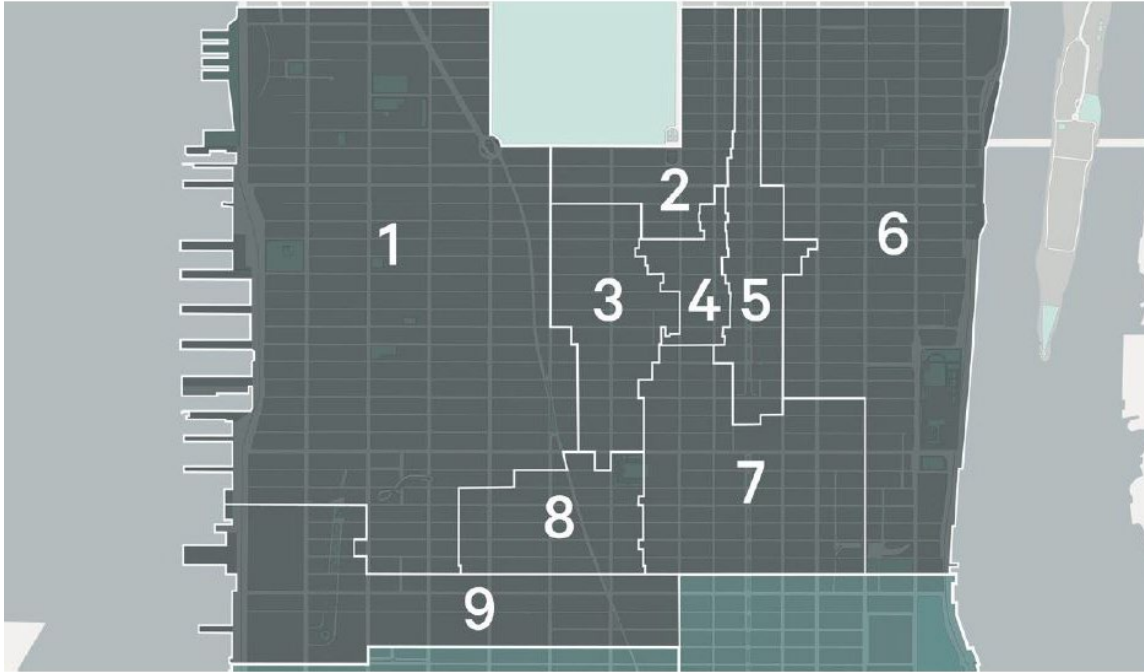
CBRE's market report analyzes fully modernized office buildings that total 150,000+ sq. ft. in Midtown, including owner-occupied buildings (except those owned and occupied by a government or government agency). New construction must be available for tenant build-out within 12 months. CBRE assembles all information through telephone canvassing and listings received from owners, tenants and members of the commercial real estate brokerage community.

Appendix:

¹Better 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.

²Midtown's core districts include: Plaza, Sixth Avenue/Rockefeller Center, Fifth/Madison, Park Avenue, and Grand Central.

Market Area Overview



Districts		Total Size (MSF)	No. of Buildings
1	Times Sq./West Side	31.0	42
2	Plaza	10.7	22
3	Sixth Avenue/Rockefeller	44.3	46
4	Fifth/Madison Avenue	11.6	27
5	Park Avenue	30.8	37
6	East Side	19.7	42
7	Grand Central	44.6	81
8	Times Sq. South	19.5	48
9	Penn District/Hudson Yards	35.8	37
TOTAL INVENTORY		248.1	382

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