

FIGURES | MIDTOWN SOUTH MANHATTAN | Q2 2026

Year-to-date leasing activity reaches best on record

▲ 2.19M
Leasing Activity

▲ 0.59M
Net Absorption

▼ 17.0%
Availability Rate

▼ 14.3%
Vacancy Rate

▲ \$85.73
Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 2.19 million sq. ft. in Q2, 50% ahead of the five-year quarterly average of 1.46 million sq. ft.
- Year-to-date leasing activity amounted to 4.09 million sq. ft., up 2% from the prior year.
- Renewals totaled 596,000 sq. ft. in Q2, bringing the year-to-date total to 918,000 sq. ft.
- The availability rate was down 70 basis points (bps) from last quarter to 17.0% and was down 350 bps from a year ago.
- Net absorption was positive 595,000 sq. ft. in Q2, bringing the year-to-date total to positive 1.10 million sq. ft.
- At \$85.73 per sq. ft., the average asking rent was up 2% quarter-over-quarter and 2% year-over-year.
- The sublease availability rate was flat from last quarter at 2.3%, with the average asking rent up 7% from one year ago to \$70.44 per sq. ft.

Market Overview

Midtown South’s exceptional performance continued in Q2 2026, sustaining a trend seen since early 2025. During the quarter, all key fundamentals improved from the prior quarter, led by leasing activity which, at 2.19 million sq. ft., outpaced the five-year historical average by 50% and capped off the best first half total on record. Renewals surged as well to nearly 600,000 sq. ft., their highest quarterly total since Q2 2019. Along with the superb new leasing activity, modest space additions helped generate positive net absorption of 595,000 sq. ft. in Q2 2026 – the ninth consecutive quarter of positive absorption. This net absorption performance pulled the availability rate down a considerable 70 bps in Q2 2026 to 17.0%, bringing it to its lowest level since early 2021. Meanwhile, the average asking rent grew 2% quarter-over-quarter to \$85.73 per sq. ft., its highest quarterly level since Q2 2020.

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.

Leasing Activity

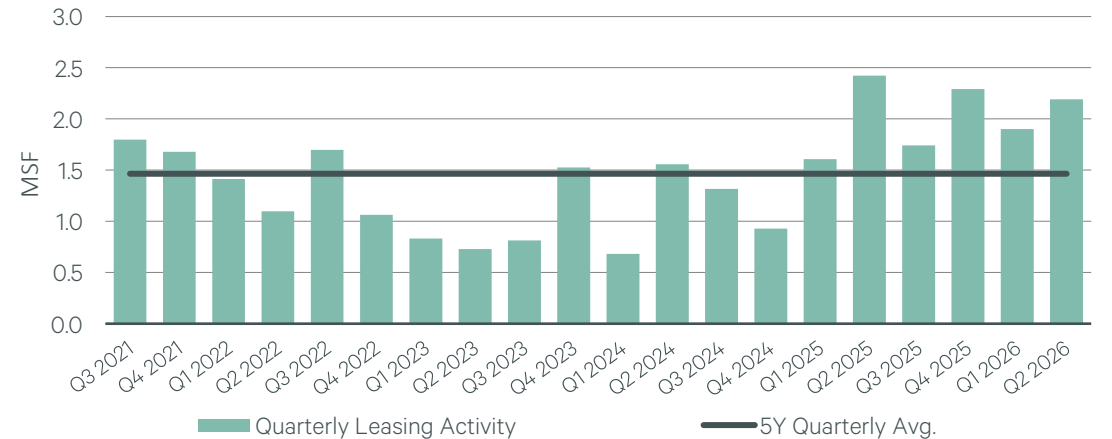
Midtown South's leasing activity totaled 2.19 million sq. ft. in Q2 2026, up 15% from the prior quarter and 50% ahead of the five-year quarterly average of 1.46 million sq. ft. It is the third quarter since Q1 2025 above 2.1 million sq. ft., and the sixth straight quarter above the five-year average, by 62% on average. During this period, the submarket has seen no less than 1.6 million sq. ft. of quarterly activity and has amassed 12.16 million sq. ft. of activity, the highest total over a six-quarter time frame. On a year-to-date basis, Midtown South leasing activity is off to its strongest start ever, at 4.09 million sq. ft.

FIGURE 1: Top Lease Transactions for Q2 2026

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address
410,556	R	D	Google	315 Hudson Street
124,733	L	S	Tennr	345 Hudson Street
94,145	L	D	Sierra Technologies	11-15 East 26th Street
87,283	R	D	WNYC Radio	160 Varick Street
76,259	E	D	Mammoth Brands	75 Varick Street

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.

Although two blocks over 100,000 sq. ft. were leased during the quarter – 125,000 sq. ft. at 345 Hudson Street subleased to Tennr and 126,000 sq. ft. at 11-15 East 26th Street that comprised both Sierra Technologies’ 94,000-sq.-ft. lease and Butterfly Network’s 32,000-sq.-ft. lease – the bulk of activity during the quarter in Midtown South was driven by blocks below 50,000 sq. ft. In Q2 2026, activity in this range totaled 1.63 million sq. ft., a 74% share of total activity, and up 54% from the prior quarter. Meanwhile, activity among blocks between 50,000 and 99,999 sq. ft. fell by 54% from Q1.

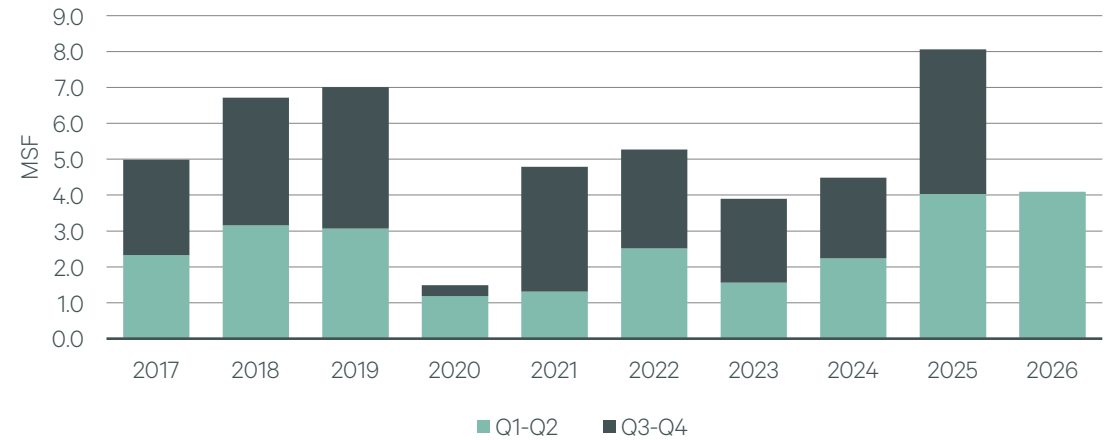
Mirroring leasing activity, renewal activity also picked up from Q1’s total by 85% to 596,000 sq. ft., and was 90% above the five-year quarterly average of 314,000 sq. ft. Q2 2026’s total was boosted in large part by Google’s 411,000-sq.-ft. renewal at 315 Hudson Street. It also featured two other notable deals over 50,000 sq. ft. – WNYC Radio’s 87,000-sq.-ft. renewal at 160 Varick Street and the 55,000-sq.-ft. renewal portion of Fenwick & West’s renewal/expansion (73,000 sq. ft.) at 902 Broadway. Renewal activity has now exceeded the five-year quarterly average for seven of the past nine quarters. Moreover, H1 2026’s total of 918,000 sq. ft. was the highest first half total since 2019.

Leasing velocity – which reflects the combined total of new leases, expansions, and renewals – amounted to 2.79 million sq. ft. in Q2 2026. This extended a strong run, surpassing 2 million sq. ft. in five of the past six quarters. Year-to-date velocity totaled 5.01 million sq. ft., the second-best performance during this time frame.

The tech sector accounted for the largest share of leasing activity in Midtown South for the fourth consecutive quarter in Q2 2026, with a substantial 50% share. The robust activity in this sector continues to be driven by the influx of AI¹ firms into Midtown South that has been lifting the tech sector for several quarters. In 2026, AI’s prominence increased considerably: new AI leasing made up 76% of total tech activity in H1 2026, up from 39% in 2025. Other notable mid-sized AI leases in Q2 2026 included Synthesia at 675 Avenue of the Americas (50,000 sq. ft.), Distributed Spectrum at 601 West 26th Street (47,000 sq. ft.), and Rain AI at 555 Broadway (38,000 sq. ft.). One AI expansion of note was Rogo Technologies at 360 Park Avenue South by 23,000 sq. ft., which represents a rapid doubling of their footprint at the building after relocating there in 2025.

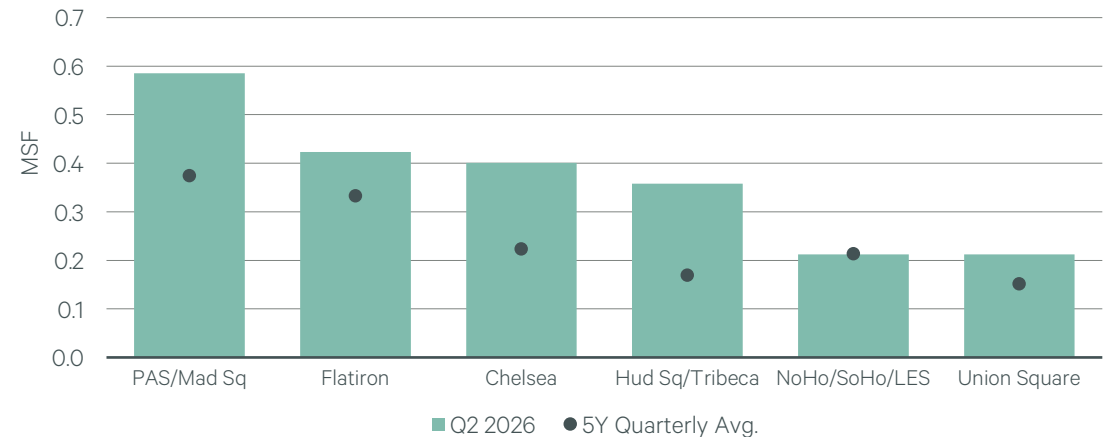
At 8%, the financial services sector captured the second largest share of activity in Q2 2026.

FIGURE 3: Leasing Activity | Annual Historical



Source: CBRE Research, Q2 2026.

FIGURE 4: Leasing Activity | By District



Source: CBRE Research, Q2 2026.

Venture capital and alternative investment firms continued their multiyear run of activity in the submarket. The largest deal during the quarter was Primary Venture Partner’s 26,000-sq.-ft. sublet-to-direct lease at 386 Park Avenue South. Outside of this deal, sub-25,000 sq. ft. activity drove the sector. Notable deals included Polar Asset Management’s 14,000-sq.-ft. lease at 41 Madison Avenue, Khosla Ventures’ 8,000-sq.-ft. lease at 853 Broadway, and Greenoaks Capital’s 7,000-sq.-ft. lease at 1 Saint Marks Place – the first deal at the newly constructed building in Noho/Soho/Lower East Side.

The professional services sector saw the third largest share of activity, at 8%. Activity in this sector was bolstered primarily by one deal: HDR, Inc.’s 74,000-sq.-ft. lease at 7 Penn Plaza. This deal was a relocation from Midtown and a growth transaction, with the tenant more than doubling their footprint.

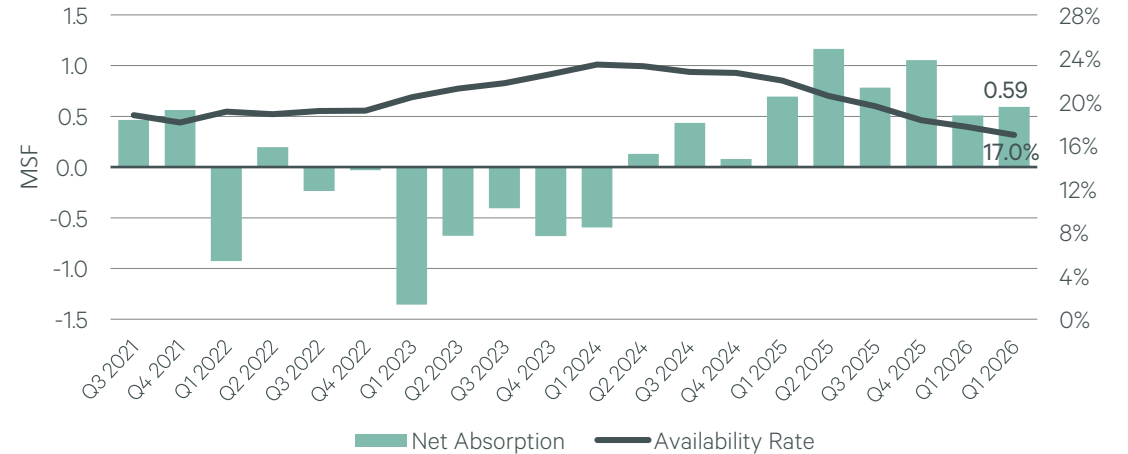
The health care sector also stood out in Q2 2026, capturing a 7% share of activity. This sector featured Atria Health’s lease-up of the entire new construction building at 500 West 18th Street, known as One High Line, for 47,000 sq. ft. Other key deals included Charlie Health’s 28,000-sq.-ft. relocation to 2 Park Avenue, a near doubling of their footprint, and Flourishing Technologies’ 13,000-sq.-ft. lease at 325 Hudson Street, a new to market tenant.

Five of Midtown South’s six districts saw leasing activity surpass their respective five-year quarterly averages in Q2 2026. Hudson Square/Tribeca outperformed by the greatest margin, at 112%. Aside from the Tennr deal, the district was also bolstered by Mammoth Brands’ 76,000-sq.-ft. expansion at 75 Varick Street. Chelsea’s 401,000 sq. ft. of leasing exceeded the five-year quarterly average by 80%, as a slew of small-sized deals boosted activity behind the HDR, Inc., Distributed Spectrum, and Atria Health leases. Noho/Soho/LES was the outlier, with Q2 2026 activity in the district essentially on par with its five-year quarterly average of 214,000 sq. ft.

Net Absorption and Availability

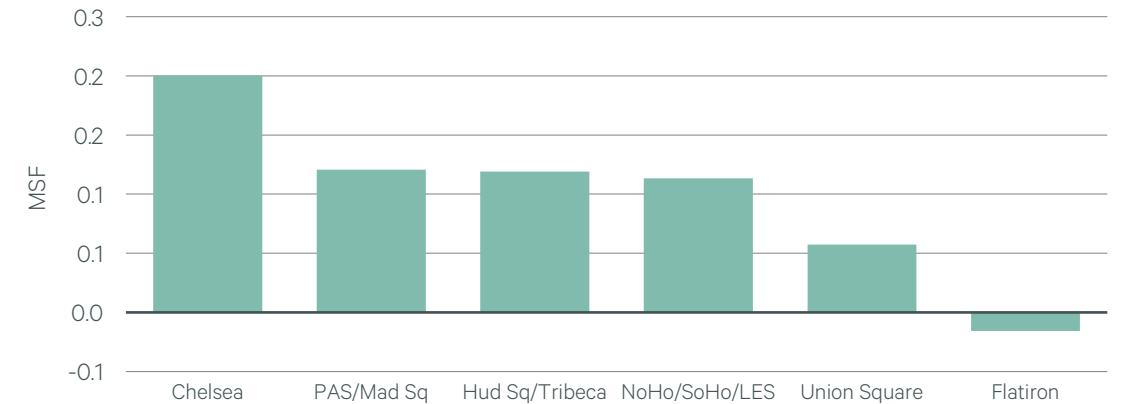
Midtown South registered another strong quarter of positive absorption at 595,000 sq. ft. in Q2 2026, slightly higher than the 509,000 sq. ft. witnessed in the prior quarter. This brings the streak of positive net absorption to nine consecutive quarters, which is the longest stretch of positive net absorption since Q4 2005, a run that concluded at 11 quarters. Over the past six

FIGURE 5: Net Absorption & Availability Rate | Quarterly Historical



Source: CBRE Research, Q2 2026.

FIGURE 6: Quarterly Net Absorption | By District



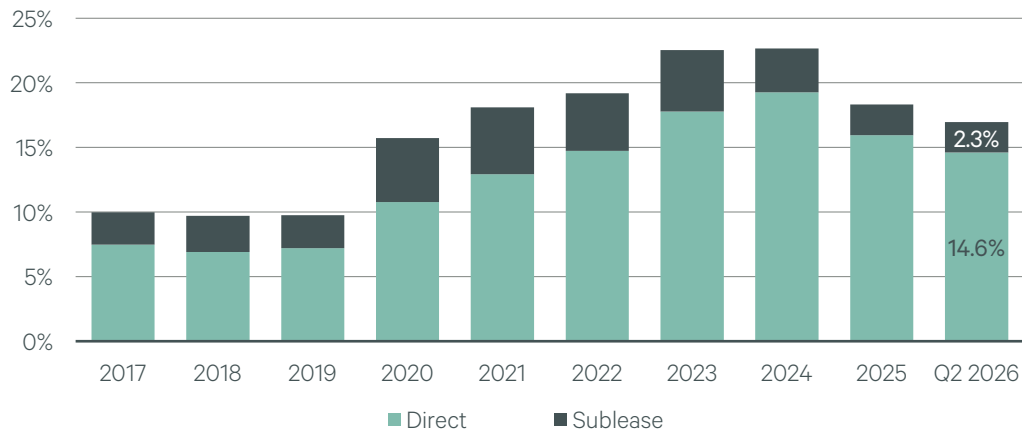
Source: CBRE Research, Q2 2026.

quarters, net absorption has been especially robust, achieving more than 500,000 sq. ft. during each quarter. Year-to-date net absorption was positive 1.10 million sq. ft., down from the 1.86 million sq. ft. reached at the halfway mark last year, but still only the second time over the past 15 years that net absorption topped 1 million sq. ft. Along with the outstanding leasing performance, gross space additions were subdued during the quarter, at 1.57 million sq. ft., 14% lower than the five-year quarterly average of 1.82 million sq. ft. There were only three spaces over 50,000 sq. ft. brought to market in Q2 2026.

Q2 2026's positive net absorption pulled Midtown South's availability rate down 70 bps from the prior quarter to 17.0% and was down a substantial 350 bps on a year-over-year basis. After reaching a record high of 23.4% in Q1 2024, the availability rate has dropped for nine consecutive quarters, now matching the longest streaks of uninterrupted decline seen in Q4 2005 and Q3 1998. At its current level, the availability rate is now at its lowest point since Q1 2021.

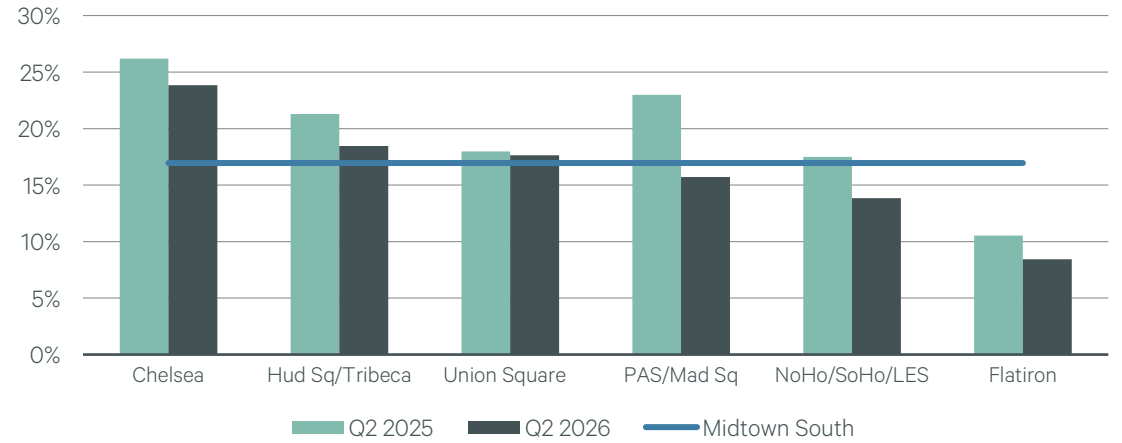
Direct space continued its torrid rate of decline in Q2 2026, falling an additional 604,000 sq. ft. from the prior quarter. Over the past six quarters direct space has seen an average quarterly decline of 652,000 sq. ft., the strongest rate of decline in any previous stretch of this length or

FIGURE 7: Sublease and Direct Availability Rate | Historical



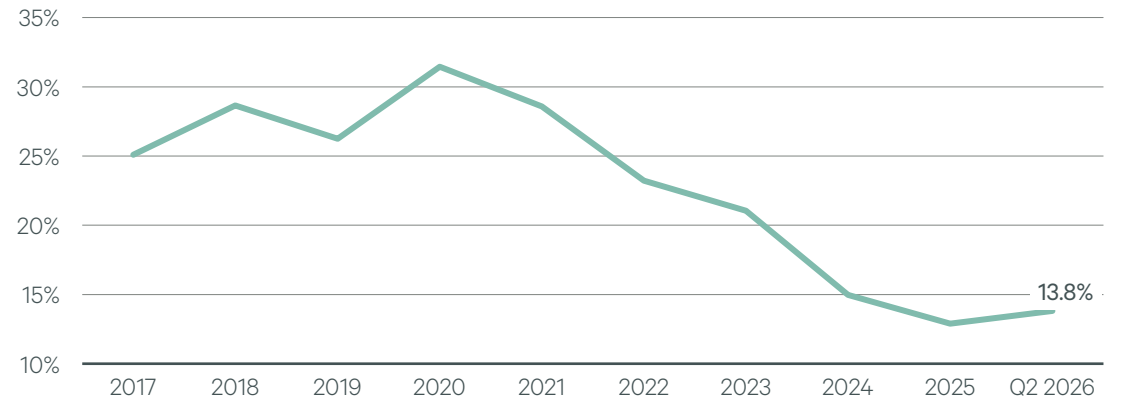
Percentages may not add up exactly due to rounding.
Source: CBRE Research, Q2 2026.

FIGURE 8: Availability Rate | By District



Source: CBRE Research, Q2 2026.

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



Source: CBRE Research, Q2 2026.

greater. Still, with many large direct blocks lingering on the market, direct space finished the quarter at 12.07 million sq. ft., well above the pre-2020 levels in the five-million-sq.-ft. range. Conversely, sublease space ticked up slightly in Q2 2026 to 1.93 million sq. ft., the first quarterly increase since Q4 2024. This was due in part to the largest space added to the market in Q2 2026 being a sublease: Estee Lauder’s 125,000-sq.-ft. short-term block at 28 West 23rd Street. Despite this increase, sublease space remains well in line with the levels seen at the end of 2019. Sublease space accounts for just 12.8% of all available space in Midtown South, less than half of the most recent peak of 31.4% at year-end 2020.

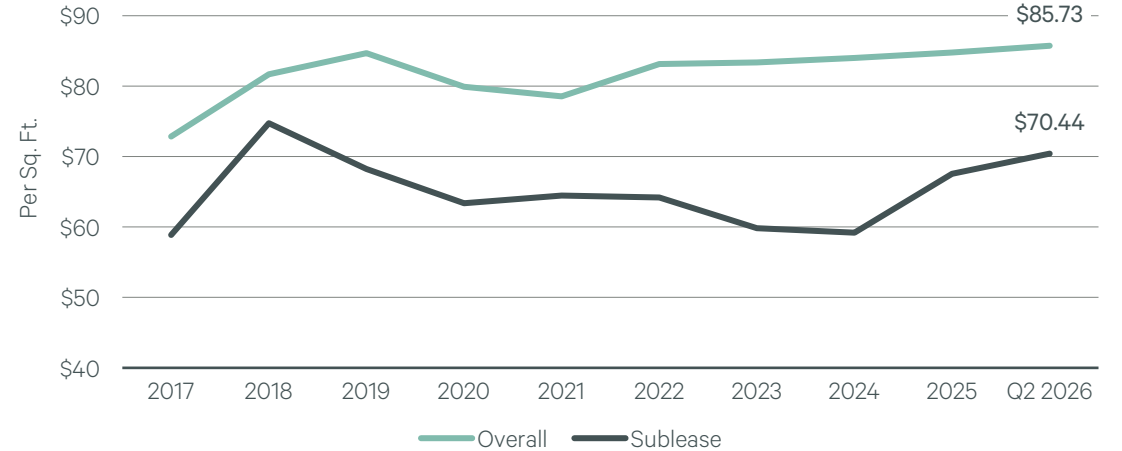
Five of the six Midtown South districts experienced positive net absorption in Q2 2026. Chelsea’s was the strongest of the quarter at 200,000 sq. ft. Along with the aforementioned superb leasing performance, the district saw very few spaces added in Q2, all of which were under 50,000 sq. ft. Park Avenue South/Madison Square notched the second best net absorption, at 121,000 sq. ft. Leasing activity in the district – which was highest on a total footage basis in Q2 and exceeded the five-year quarterly average by 56% – easily outpaced space additions, which were mostly under 25,000 sq. ft. Flatiron was the only district to see negative net absorption, at 16,000 sq. ft. While leasing activity was strong during the quarter, the 125,000-sq.-ft. Estee Lauder block and several mid-sized additions weighed on net absorption.

Average Asking Rent

Midtown South’s average asking rent saw its first spurt of quarterly growth in Q2 2026 since Q1 2025, rising 2% to \$85.73 per sq. ft. It was also up on a year-over-year basis by 2%. At this level, it was up 11% from its recent low in Q1 2021 and now only down 1% from its mid-2020 all-time high of \$86.63 per sq. ft. Some premium additions, coupled with the removal of several spaces asking below the market average that were leased or withdrawn, resulted in the uptick in the overall asking rent during the quarter. Along with this, several large direct blocks that remain on the market are maintaining above average asking rents.

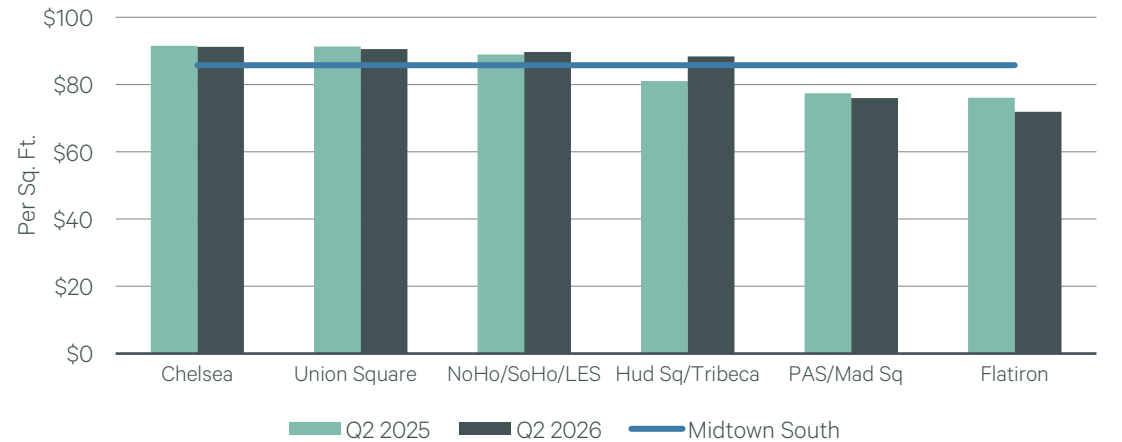
On the district level, average asking rent movement saw a wider variance. Only two districts had quarter-over-quarter asking rent growth in Q2 2026 – Hudson Square/Tribeca and Union Square. Hudson Square/Tribeca notched the most growth, up 7% to \$88.30 per sq. ft. This was primarily due to the addition of 96,000 sq. ft. at 15 Laight Street fetching premium pricing, along with the

FIGURE 10: Average Asking Rent | Historical



Source: CBRE Research, Q2 2026.

FIGURE 11: Average Asking Rent | By District



Source: CBRE Research, Q2 2026.

removal of the 125,000 sq. ft. of sublease space at 345 Hudson Street for the Tennr deal. Union Square’s asking rent grew a more modest 1% in Q2, driven by the addition of Sigma Computing sublet space at 0 Irving asking \$140 per sq. ft. Flatiron’s asking rent fell the most during the quarter, by 5% to \$71.85 per sq. ft. The addition of the Estee Lauder sublet block and removal of several spaces asking above the district average drove this decline.

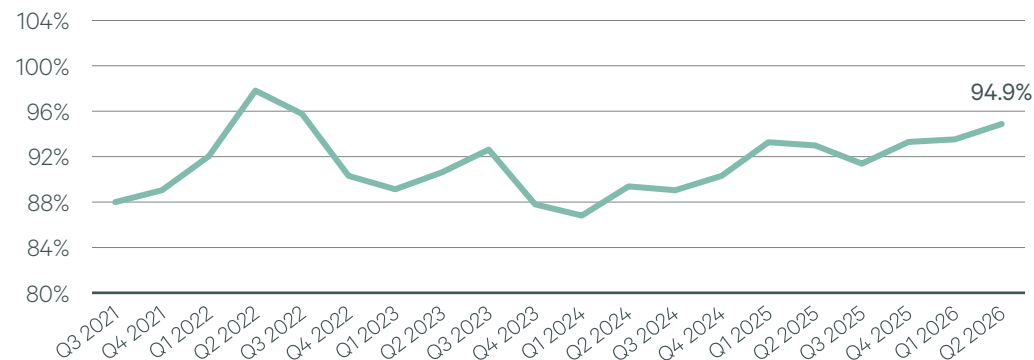
Taking Rent Index

Following two consecutive quarters of decline, Midtown South’s taking rent index has rebounded over the past three quarters, reaching 94.9% in Q2 2026. At this level, it was up 990 bps from its post-2019 low point in mid-2021 but remained 640 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 18 months was \$156.79 per sq. ft., up 53% from the close of 2019 and up 3% from year-end 2025. The free rent period averaged 15 months, down from 16 months at year-end 2025 but up from 12 months at year-end 2019.

Development Pipeline

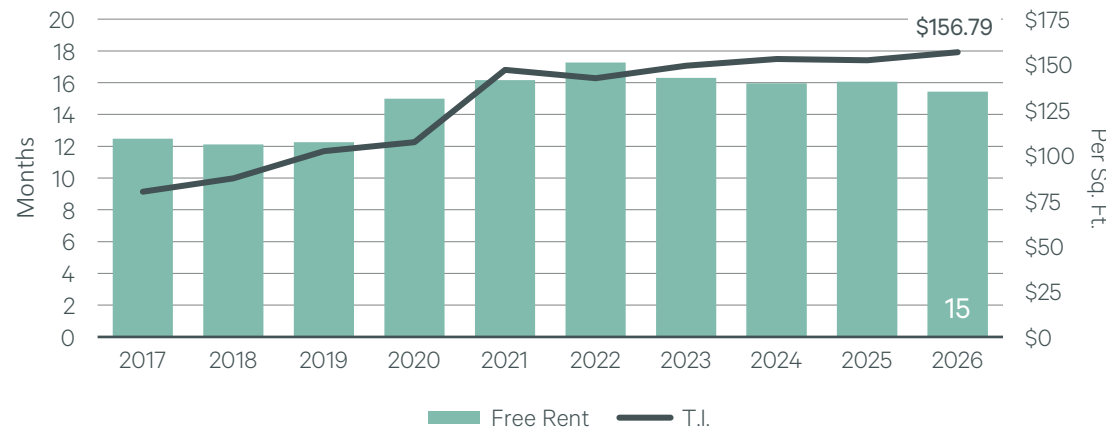
Midtown South has no active projects under construction. The most recent deliveries, which occurred in 2025, were two boutique projects – the 49,000-sq.-ft. 1 St. Mark’s Place in NoHo/SoHo/LES and the 47,000-sq.-ft. mixed-use 500 West 18th Street (One High Line) development in Chelsea.

FIGURE 12: Taking Rent Index | Historical



Source: CBRE Research, Q2 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, 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.

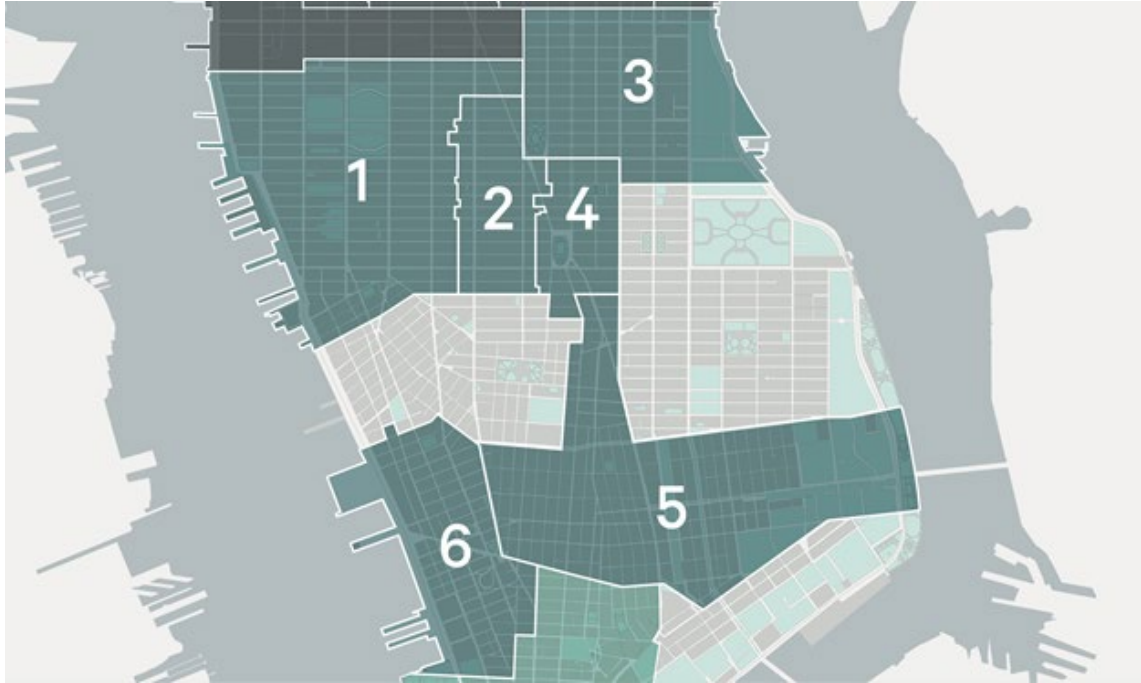
Survey Criteria

CBRE's market report analyzes fully modernized office buildings that total 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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