Leasing momentum advances as conversions reshape supply

0.91M	(0.05)M	19.3%	15.9%	$59.08
Leasing Activity	Net Absorption	Availability Rate	Vacancy Rate	Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 908,000 sq. ft. in Q1, 12% ahead of the five-year quarterly average.
- Year-to-date leasing activity was down 36% from the prior year.
- Renewals totaled 155,000 sq. ft. in Q1, down 70% from the same time last year.
- The availability rate was up 50 basis points (bps) from the prior quarter at 19.3% but was down 130 bps from a year ago.
- Net absorption was negative 53,000 sq. ft. in Q1.
- At $59.08 per sq. ft., the average asking rent was up 1% quarter-over- quarter and was up 4% year-over-year.
- The sublease availability rate was up 20 bps from the prior quarter to 4.5%, with the average asking rent down 2% from one year ago at $45.36 per sq. ft.

Market Overview

Downtown's Q1 office leasing activity totaled 908,000 sq. ft. and exceeded the five-year quarterly average for the third consecutive quarter. Leasing during the quarter skewed toward small requirements, with most deals under 25,000 sq. ft. However, American Express's agreement to develop, occupy and own Two World Trade Center—while not counted in leasing totals—was the quarter's defining transaction, underscoring the return of large-user activity which remerged in 2025, along with intra-Downtown relocations, and tenants' preference for high-quality assets.

Conversion activity remains prevalent as older, less competitive inventory was removed from the market. As part of annual inventory adjustments conducted in January, 1.67 MSF of office space was removed from the market and slated for conversion. While the market shrinks, some tenants forced out of these converting buildings have relocated within Downtown. At least 30,000 sq. ft. of tenants from converting assets signed leases elsewhere in Downtown during Q1.

After eight consecutive quarters of positive absorption, Downtown recorded 53,000 sq. ft. of negative net absorption in Q1. As a result, the availability rate increased 50 bps quarter-over-quarter to 19.3%, though it remained 130 bps lower than a year ago. Average asking rents rose 3.5% year-over-year to $59.08 per sq. ft., supported by continued strength in new, amenitized assets. Downtown West led rent growth, with average asking rents reaching $79.68 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.

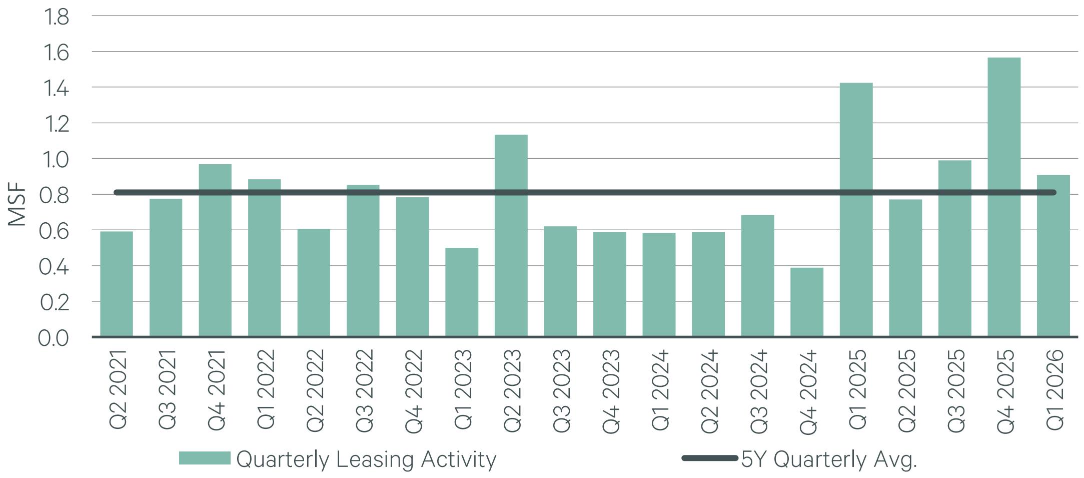
In New York City, the labor market remained muted at the end of 2025. Office-using employment (OUE) stood at 1.86 million jobs as of December 2025 (the most recent data available), on par with Q3 2025's level, but lower than the all-time high of 1.87 million seen at year-end 2024. In Q4 2025, tech-related 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.

FIGURE 1: Top Lease Transactions for Q1 2026

Size (Sq. Ft.)	Deal Type	Sublet/ Direct	Tenant	Address
56,196	RE	D	Shop Architects	233 Broadway
51,220	L	S	Adaptive Security	120 Broadway
44,133	E	D	Energy Capital Partners	1 World Trade Center
39,971	R	S	Legal Aid Society	55 Water Street
32,187	L	D	Battery Park City Authority	200 Liberty Street

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.

Leasing Activity

Downtown demand showed strong momentum. Q1 2026 leasing activity totaled 908,000 sq. ft, which was 12% ahead of the five-year quarterly average—the third consecutive quarter when leasing outpaced the average. Despite the improvements, leasing still lags the 2015 to 2019 quarterly average by 31%. While sustained above-average leasing is a bright spot, American Express's agreement to develop, occupy and own nearly two million sq. ft. at 2 World Trade Center was the highlight of the quarter. Although the square footage for the American Express purchase is not counted in leasing figures, the transaction follows the major trends that emerged in 2025's leasing market: the return of large user activity, existing Downtown tenants relocating to other Downtown locations, and the interest in high-quality assets.

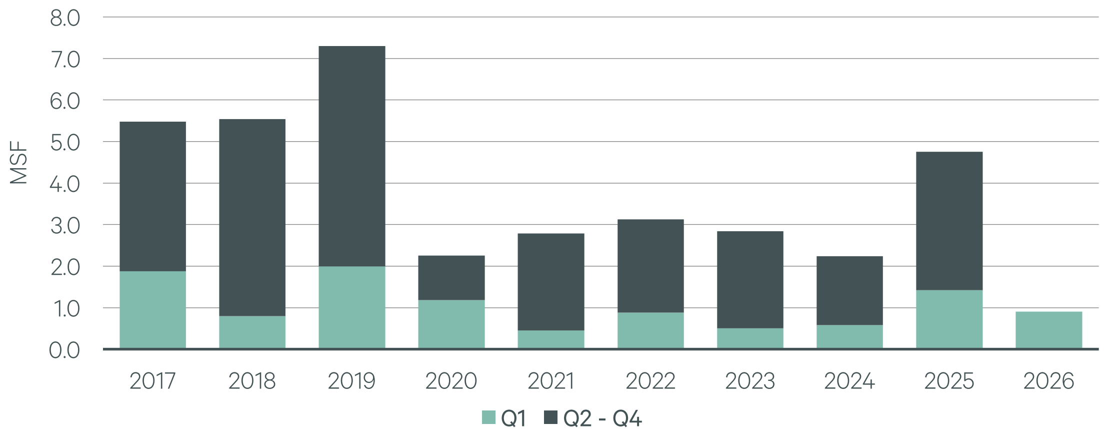
While 2025 saw the return of large-user leasing, Q1 2026's leasing activity remained concentrated among small transactions with deals under 25,000 sq. ft. making up 56% of activity. In Q1, tenants relocating into Downtown leased 54,000 sq. ft., well below the 2018–2019 quarterly average of 527,000 sq. ft. While the demand from outside the submarket is below historic norms, tenants relocating from converting assets signed leases totaling 30,000 sq. ft. within Downtown.

Leasing activity in Q1 was driven by the technology and financial services sector. This was reflected in two significant transactions during Q1: tech firm Adaptive Security's 51,000 sq. ft. lease 120 Broadway and financial services firm Energy Capital Partners a 44,000 sq. ft. expansion at 1 World Trade Center.

Downtown West recorded 334,000 sq. ft. of leasing activity in Q1—a 49% drop from the prior quarter but still 27% ahead of its five-year quarterly average of 262,000 sq. ft. This district's concentration of top-quality buildings was a focal point of demand especially among existing tenants expanding their presence within the World Trade Center buildings, as typified by Energy Capital Partners expansion at 1 World Trade Center.

The Financial district tallied the most leasing volume of any Downtown district in Q1 and was 4% ahead of the five-year quarterly average of 438,000 sq. ft. City Hall saw 119,000 sq. ft. of leasing activity in Q1—a 60% increase from the prior quarter and 7% ahead of its five-year quarterly average of 111,000 sq. ft. The most notable City Hall deal in Q1 was Kira Learning's 12,000 sq. ft. lease at 11 Park Place.

FIGURE 3: Leasing Activity | Historical



Source: CBRE Research, Q1 2026.

FIGURE 4: Leasing Activity | By District

Source: CBRE Research, Q1 2026.

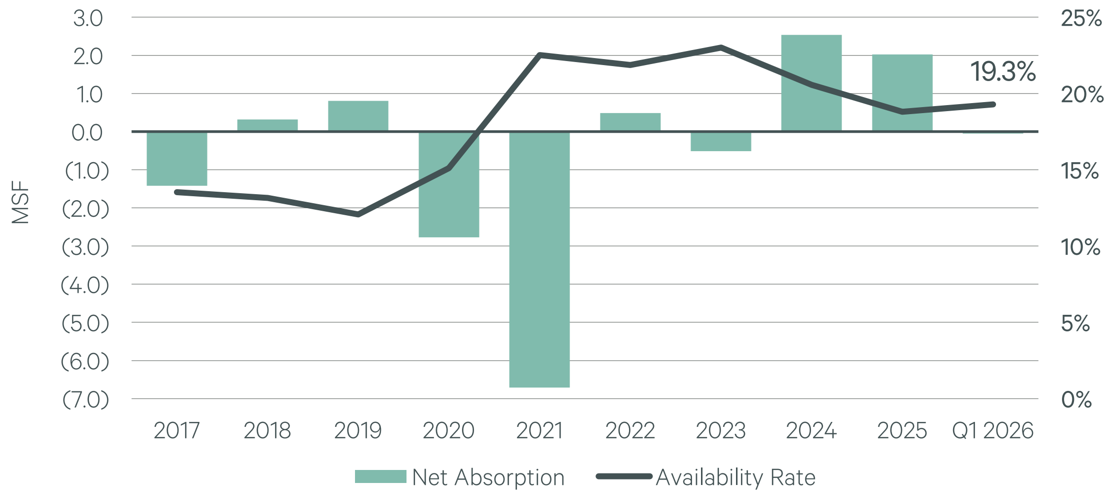
Net Absorption and Availability

Downtown recorded 53,000 sq. ft. of negative absorption in Q1 2026, ending eight consecutive quarters of positive absorption. Negative absorption propelled the availability rate up 50 bps from the prior quarter to 19.3%. Despite the uptick, the availability rate was 130 bps lower than the Q1 2025, underscoring the gradual progress the market has made over the past several quarters.

The volume of available space Downtown remained flat in Q1 2026, down 8% year-over-year. Downtown's sublease space totaled 3.6 MSF which accounts for 23% of all available space in the submarket. This share is slightly elevated from the prior quarter and above the 22% share in 2019. The largest sublease addition in Q1 was a 206,000 sq.-ft.- space listed at 195 Broadway.

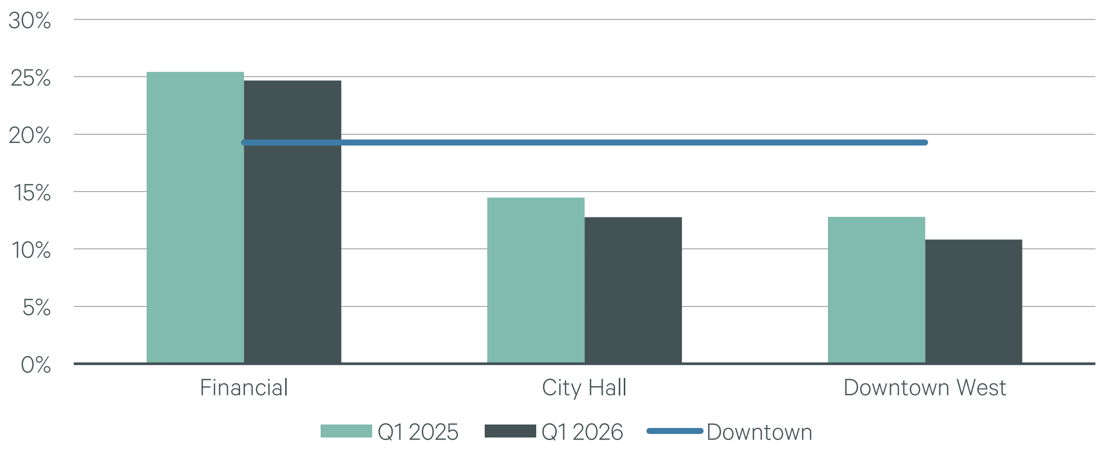
Negative absorption was isolated to the Downtown West district in Q1 2026. Several sizable spaces were added in Q1, including 157,000 sq. ft. of direct space at 200 Liberty Street and 92,000 sq. ft. of Momentum Worldwide sublet space at 300 Vesey Street.

FIGURE 5: Net Absorption & Availability Rate | Historical



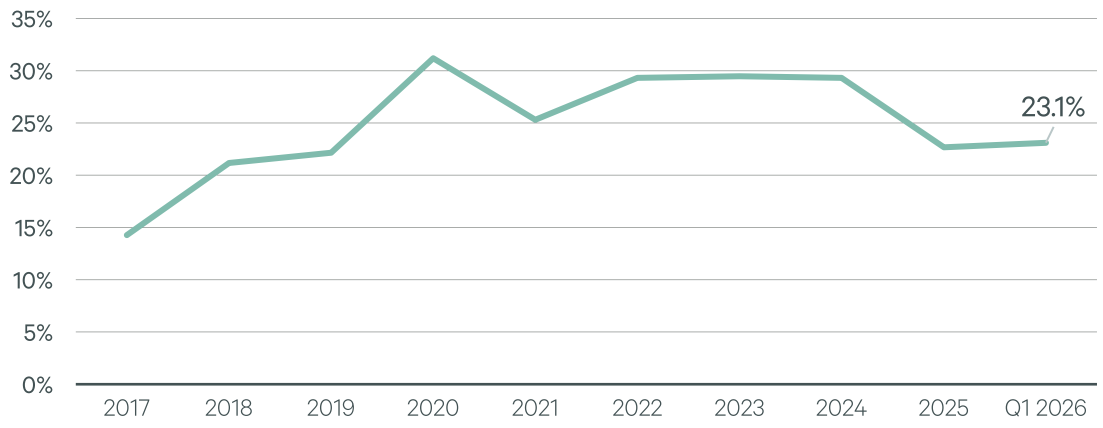
Source: CBRE Research, Q1 2026.

FIGURE 6: Availability Rate | By District



Source: CBRE Research, Q1 2026.

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



Source: CBRE Research, Q1 2026.

Average Asking Rent

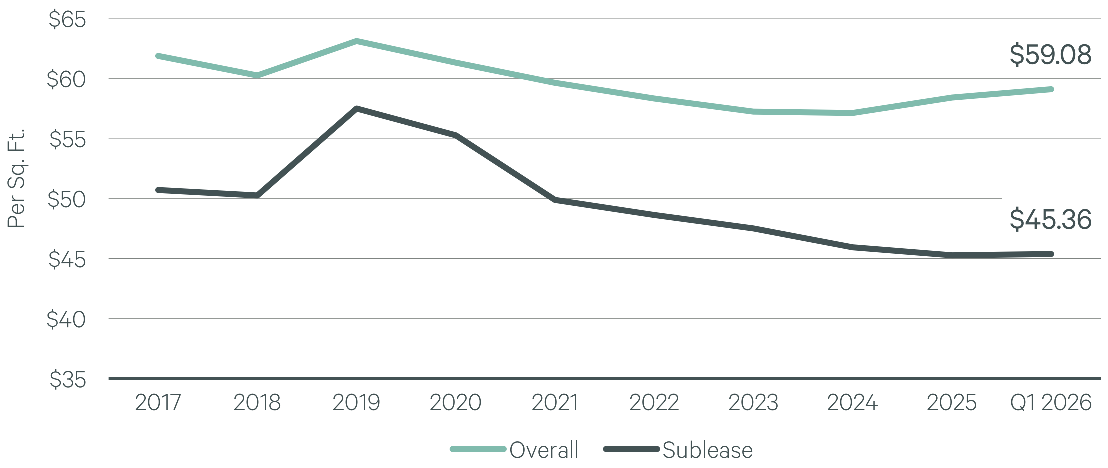
The average asking rent Downtown was $59.08 per sq. ft. in Q1 Up 1% from last quarter and up 4% from one year ago. While rents have increased annually, they remain 8% below the all-time peak of $63.98 per sq. ft. in May 2020.

Downtown Prime Buildings[2] asking rents reached $84.46, up 11% since early 2023. The remaining, Better Buildings[1] rents increased 10% to $66.70, while Commodity building asking rents declined 4% over the same period to $51.18.

Downtown West, with its high concentration of prime-Downtown assets saw meaningful increases in its average asking rent. Average asking rent increased by 4% quarter-over-quarter and 12% year-over-year to $79.68. Three new space additions larger than 10,000 sq. ft. had asking rents at or above $100 per sq. ft. While a high-water mark for Downtown, quality space in new construction is scarce citywide.

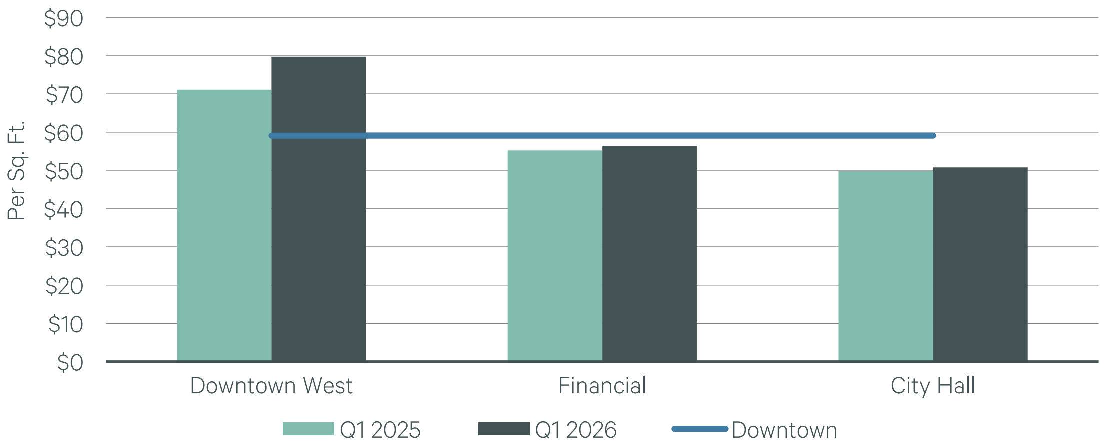
The Financial District's average asking rent in Q1 was $56.31 per sq. ft., essentially unchanged quarter-over-quarter and up 2% year-over-year. City Hall's asking rent increased slightly to $50.75 per sq. ft, up 2% both quarter-over-quarter and year-over-year.

FIGURE 8: Average Asking Rent | Historical



Source: CBRE Research, Q1 2026.

FIGURE 9: Average Asking Rent | By District



Source: CBRE Research, Q1 2026.

Taking Rent Index

Downtown's taking rent index increased by 120 bps from the prior quarter to 90.4%, continuing its upward trajectory over the past three quarters.

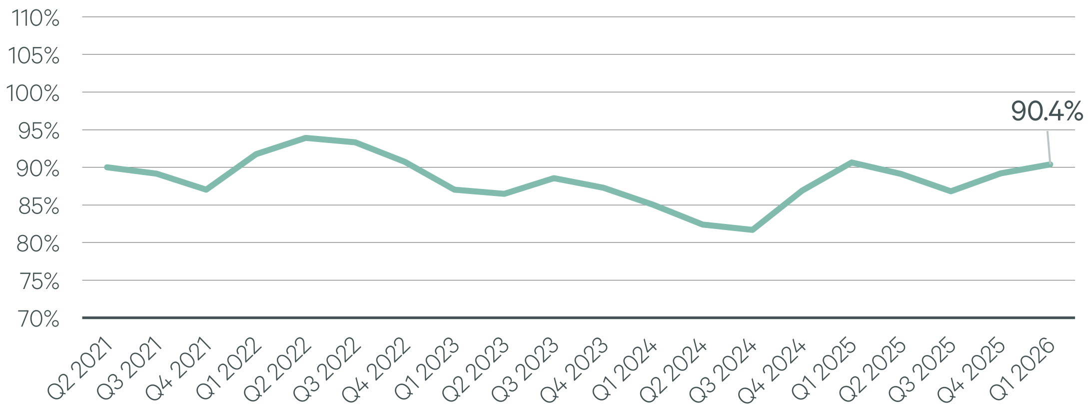
Concessions held steady, though they remain elevated relative to 2019 levels. Since 2023, the weighted average tenant improvement allowance for new leases of raw space exceeding 25,000 sq. ft. has reached $158.83 per sq. ft.—a 58% increase from 2019. Free rent now averages 19 months, up from 12 months in 2019.

Development and Conversion Pipeline

Two World Trade Center, a 2.80 million sq. ft. development, will be anchored by American Express, which has set the building's construction planning with an aim to deliver the building in 2031.

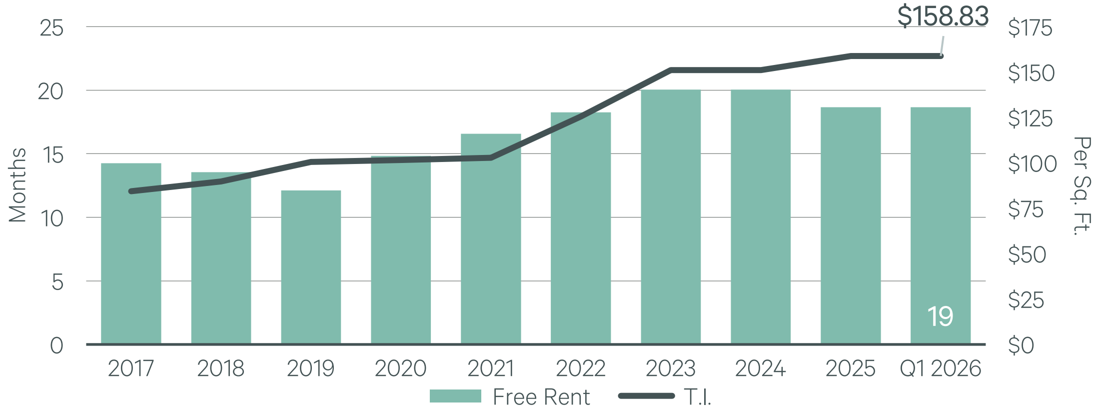
Downtown office inventory contracted by 1.67 million sq. ft. as conversion activity removed stock from the market. Downtown's office market shrank 2% from its 2025 size to 82.3 million sq. ft. in 2026. As of early 2026, there are 5.2 million sq. ft. of planned and announced conversions expected to be removed from the office inventory. Notable conversions that drove the reduction were the removal of 101 Greenwich Street (483,000 sq. ft.) and 80 Broad Street (400,000 sq. ft.).

FIGURE 10: Taking Rent Index | Quarterly Historical



Source: CBRE Research, Q1 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, 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

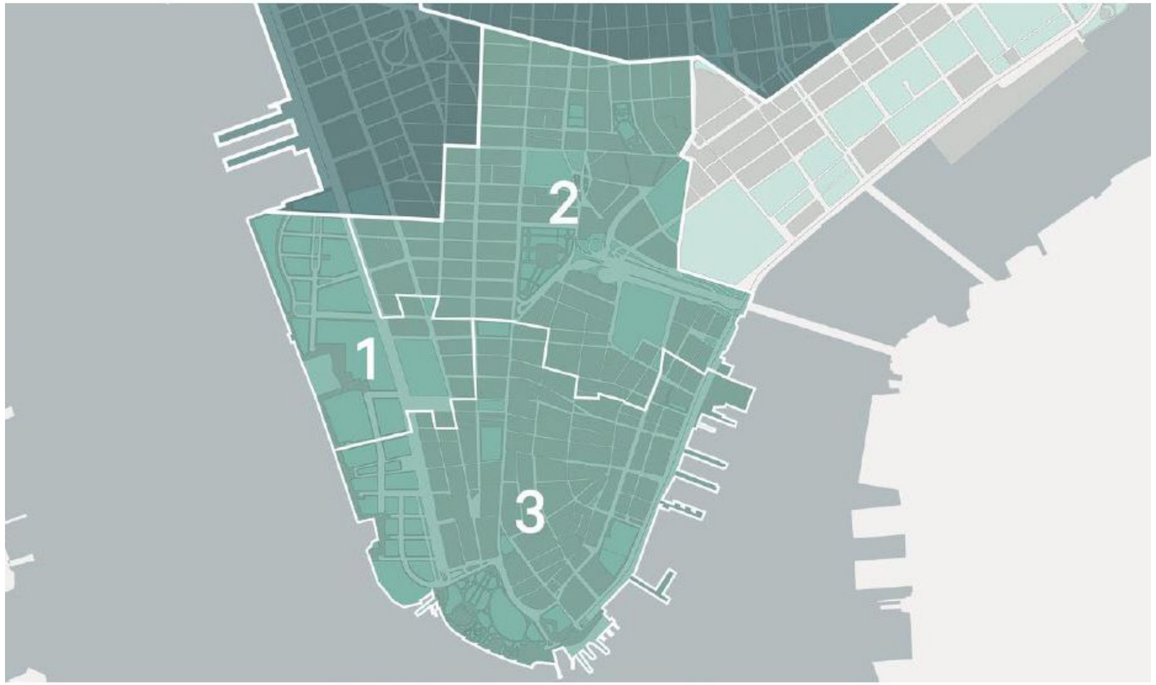
CBRE's market report analyzes fully modernized office buildings that total 75,000+ sq. ft. in Downtown, including owner-occupied buildings (except those owned and occupied by a government or government agency). New construction must be available for tenant build-out within 12 months. CBRE assembles all 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.

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**

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