

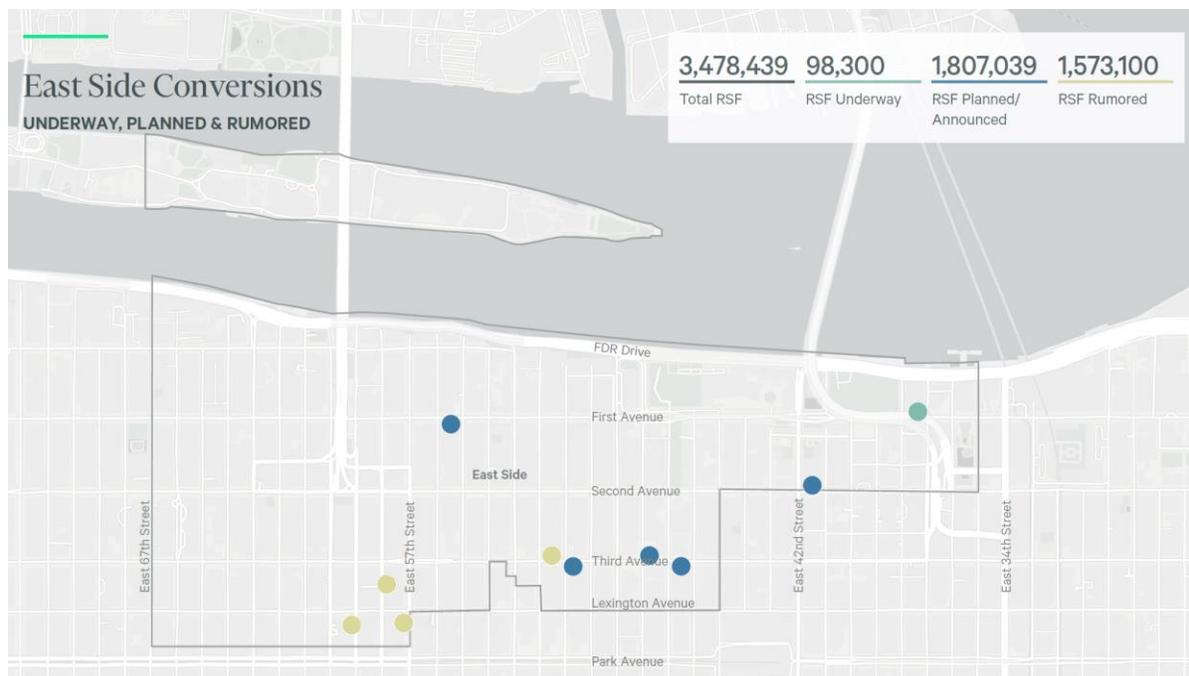
BRIEF | Creating Resilience

East Side’s Evolution Has Helped Spark Its Stabilization

By Mariusz Andrzejewski, Michael Slattery

The East Side (Third Avenue) district—an area in Manhattan roughly bordered by FDR Drive to Lexington Avenue and 34th Street to 67th Street comprised of 44 office buildings covering an aggregate total stock of 20.5 million sq. ft. — is undergoing a significant transformation: evolving from an office-centric area to a mixed-use neighborhood. While the area's proximity to Midtown Core supports continued office demand, tenants' post-2020 focus on higher-quality office space dulled leasing volume and sparked a surge of office-to-residential conversions of commodity assets. There are six underway or proposed conversions in the district that are converting 1.91 million sq. ft of office stock, with an additional four rumored conversions in the pipeline adding another 1.57 million sq. ft. of potential conversions. Four of these underway, proposed or rumored projects are located along Third Avenue, the district’s major corridor. Additionally, other offices aim to remain competitive through upgrades, like The Durst Organization’s 2024 completed renovation of 825 Third Avenue and 850 Third Avenue’s ongoing renovation using the M-Core Program¹.

FIGURE 1: Underway, Proposed & Rumored Office Conversions | East Side District

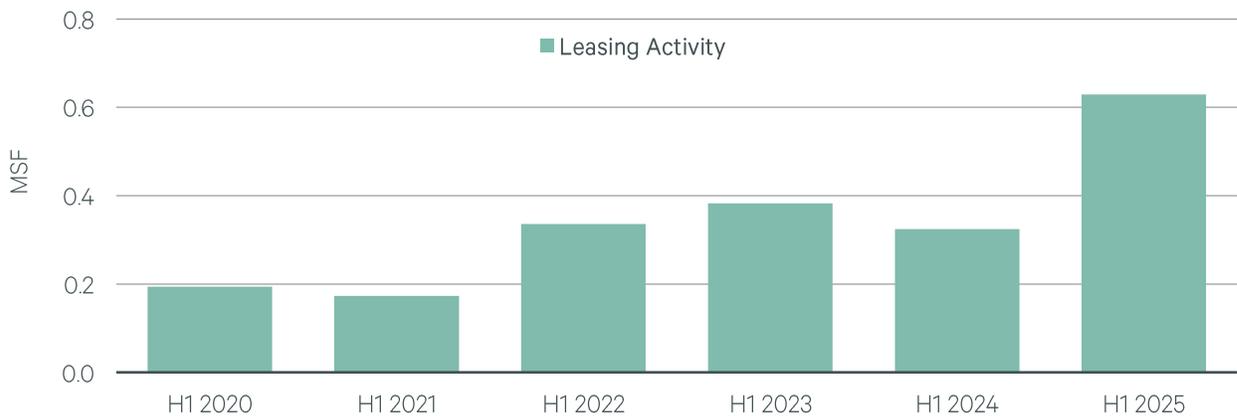


Source: CBRE Research. Data as of July 1, 2025.

East Side Post-2020 Recovery

The district experienced a resurgence in office leasing in 2025—reaching its highest first-half leasing activity total since 2018. Starting in 2024 and continuing through year-to-date 2025, East Side benefited from an increase in demand from other districts and new-to-market tenants with over 539,000 sq. ft. of relocation activity spread across 43 tenants in that span. Renewal activity was also strong as the East Side accumulated the second highest total of any Manhattan district since January 2024—second only to Park Avenue. Several large tenant commitments like Bloomberg LP, Weill Cornell Medicine, Kirkland & Ellis LLP, among others show the confidence established companies have in the area. Since the East Side’s availability rate peaked at 25.3% in October 2022, the district has accumulated 1.74 million sq. ft. of absorption dropping the availability rate 720 bps to 18.1% in June 2025. This is the second largest bps drop out of all Manhattan districts in that span: only behind the 860 bps drop seen in Fifth Avenue/Madison Avenue. The district has seen some positive momentum due to increasing demand along with the actions taken by owners to address the oversupply in the district. The district’s evolution into a live/work/play area should position it well as a market primed for future growth.

FIGURE 2: First Half Leasing Activity Comparison | Historical



Source: CBRE Research. Data as of July 1, 2025.

¹The Manhattan Commercial Revitalization (M-CORE) program provides owners of commercial office buildings with a range of tax benefits to support transformative renovations of office buildings located in Manhattan south of 59th Street. The program is intended to help building owners decrease vacancy and attract world-class tenants, who are increasingly seeking high-quality, amenity-rich office space, as well as incubator and accelerator operators to generate the high-growth companies of the future.

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