Annual leasing activity and net absorption reach all-time highs

▲ 2.29M	▲ 1.05M	▼ 18.3%	▼ 16.1%	▶ $84.77
Leasing Activity	Net Absorption	Availability Rate	Vacancy Rate	Average Asking Rent

Note: Arrows indicate change from previous quarter.

QUICK FACTS

- Leasing activity totaled 2.29 million sq. ft. in Q4, 73% ahead of the five-year quarterly average of 1.33 million sq. ft.
- Year-end leasing activity totaled 8.06 million sq. ft., up 80% from the prior year.
- Renewals totaled 462,000 sq. ft. in Q4, bringing the year-end total to 1.30 million sq. ft.
- The availability rate was down 130 basis points (bps) from last quarter to 18.3% and was down 440 bps from a year ago.
- Net absorption was positive 1.05 million sq. ft. in Q4, bringing the year-end total to positive 3.69 million sq. ft.
- At $84.77 per sq. ft., the average asking rent was flat quarter-over-quarter and year-over-year.
- The sublease availability rate was down 10 bps from last quarter to 2.4%, with the average asking rent up 14% from one year ago to $67.55 per sq. ft.

Market Overview

Midtown South reached new heights in 2025 on several fronts. Q4's burst of 2.29 million sq. ft. of new leasing capped off a red-hot year for the submarket, which reached its highest-ever annual leasing activity total, at 8.06 million sq. ft. Renewal activity also finished the year strong, at roughly 460,000 sq. ft. This boosted the annual renewal total to 1.30 million sq. ft., ahead of the 1.12-million-sq.-ft. five-year average. Net absorption totaled 1.05 million sq. ft. in Q4 – the second time in 2025 that quarterly net absorption topped one million sq. ft. – and pushed the annual total to an all-time high of 3.69 million sq. ft. The availability rate fell to 18.3%, its lowest level since late 2021. Despite the decline, the availability rate was approximately double its pre-2020 level. Midtown South's overall average asking rent saw little movement throughout the year and finished Q4 at $84.77 per sq. ft. – the highest among Manhattan's three submarkets.

Economic Overview

Nationally, the economy is sending mixed signals. Financial markets are focused on the upside, particularly on AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping usher real estate into a new cycle.

The picture gets murkier when looking at households and labor trends. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households, while a softer labor market has entered a "slow to hire, slow to fire" phase for companies – a trend that is likely to last a few quarters. One consequence of this is softer inflation and long-term bond yields trending just below 4% by H2 2026. This mosaic of data supports CBRE's outlook for steady annual average GDP growth of 2% in 2026, a touch softer than in 2025.

In New York City, the labor market also slowed in 2025, though some aspects remained resilient. Office-using employment (OUE) fell in early 2025 but recovered to 1.86 million jobs as of November 2025 (the most recent data available), less than 1% shy of the all-time high. Financial services was one of the key sectors that shed jobs in 2025, totaling 507,000 jobs as of November 2025, down from 514,000 at year-end 2024. Among the sectors posting the most gains during the year were Information services and accounting, while legal services remained roughly on par with its year-end 2024 level. NYC's unemployment rate steadily declined during the first half of 2025 before rising in recent months and finishing November 2025 at 5.5%. At this level, it was down 10 bps from year-end 2024 but higher than the national rate of 4.6%.

Leasing Activity

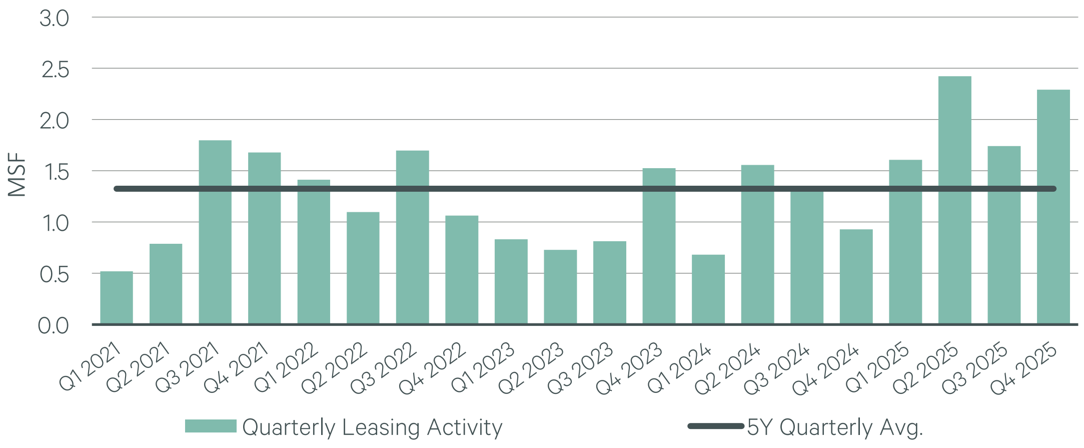
Midtown South's leasing activity totaled 2.29 million sq. ft. in Q4 2025, a 32% improvement from Q3 2025 and 73% above the five-year quarterly average of 1.33 million sq. ft. Q4's total was the third-highest quarterly total on record and the second time in 2025 that quarterly activity topped two million sq. ft., a feat that was seen only once before in 2019. Each quarter of 2025 outpaced the five-year quarterly average by a wide margin, yielding the highest annual total ever, at 8.06 million sq. ft, a level nearly double that of 2024's full-year total.

FIGURE 1: Top Lease Transactions for Q4 2025

Size (Sq. Ft.)	Deal Type	Direct/ Sublet	Tenant	Address
162,300	L	D	Baruch College	63 Madison Avenue
150,199	R	D	Nike	855 Avenue of the Americas
138,611	L	D	Monday.com	225 Park Avenue South
92,663	L	D	Harvey AI	1 Madison Avenue
92,663	E	D	Coinbase	1 Madison Avenue

Source: CBRE Research, Q4 2025. Lease (L), Renewal (R), Expansion (E), Renewal and Expansion (RE), Direct (D), Sublet (S).

FIGURE 2: Leasing Activity | Quarterly Historical



Source: CBRE Research, Q4 2025.

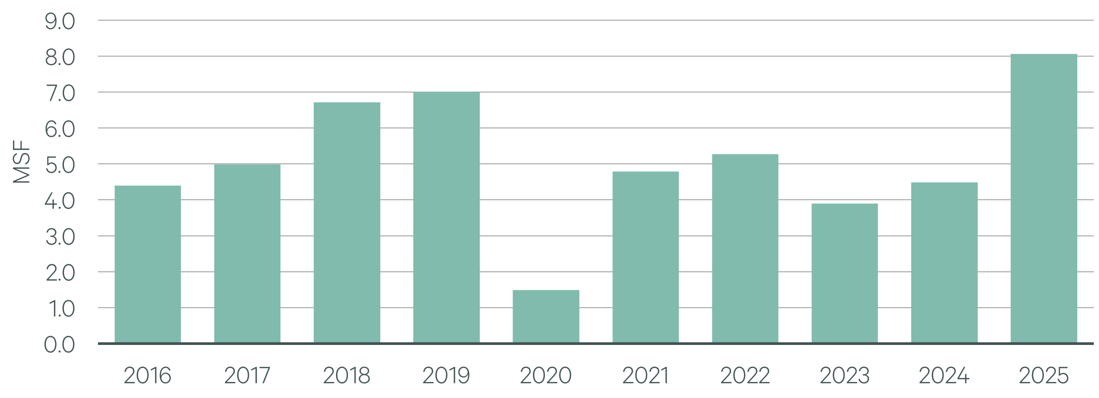
Midtown South saw a blend of activity across blocks of all size ranges in Q4 2025, a rare occurrence for a submarket typically driven by small-sized deals. Activity among blocks of 50,000 sq. ft. and larger reached nearly 850,000 sq. ft. in Q4, the second-largest quarterly total since Q3 2019, while activity for blocks below 50,000 sq. ft. remained robust at 1.44 million sq. ft. The largest new lease of the quarter was Baruch College's 162,000-sq.-ft. deal at 63 Madison Avenue. Full-year activity in 2025 mirrored Q4: blocks of 50,000 sq. ft. and over amassed 3.03 million sq. ft., the best performance since 2019, and activity for blocks under 50,000 sq. ft. reached the highest total in more than 20 years at 5.03 million sq. ft. Large-block (100,000-sq.-ft-plus) deal flow throughout the year was bolstered by NYU's 1.08-million-sq.-ft. mega-lease at 770 Broadway and Goodwin Procter's 244,000-sq.-ft. lease at 200 Fifth Avenue, a relocation from Midtown.

Following two down quarters, renewal activity rebounded in Q4 2025, surpassing the five-year quarterly average by 65% to reach 462,000 sq. ft. The Q4 total featured a marquee long-term recommitment by Nike for 150,000 sq. ft. at 855 Avenue of the Americas, a building that has served as the NYC headquarters for the company since its construction in 2017. Another sizeable renewal in Q4 was Anheuser-Busch InBev N.V./S.A.'s nearly 90,000-sq.-ft. deal at 119 West 24th Street. 2025's full-year renewal activity totaled 1.30 million sq. ft. in Midtown South. Although this trailed 2024's total by 10%, it was the fourth consecutive year over one million sq. ft. and was 16% ahead of the five-year annual average.

The combination of record-setting leasing activity and solid renewal activity pushed total leasing velocity (new leases, expansions, and renewals) to 9.36 million sq. ft. in 2025, an all-time high.

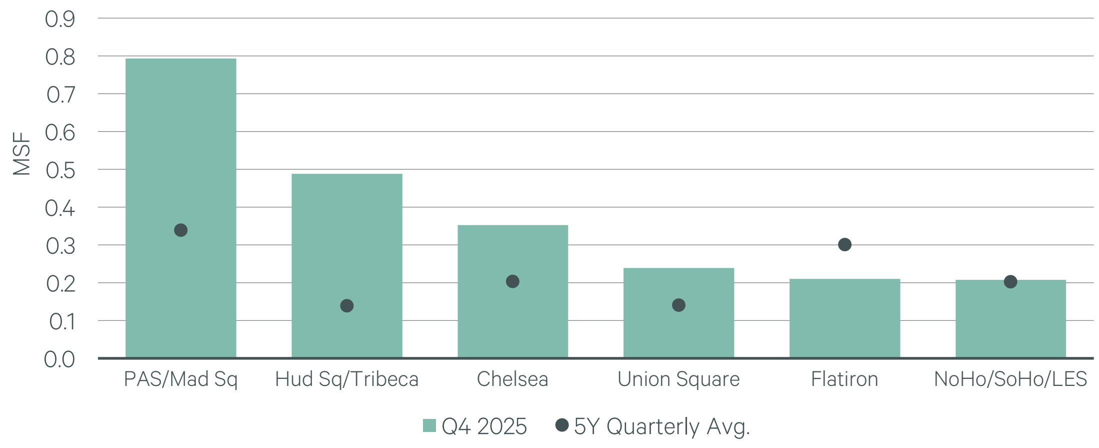
After briefly ceding the top spot in 2024, the tech sector reclaimed the largest share of leasing activity in Midtown South in 2025 at 32%. Among the largest deals in the sector for the year was Q4's 139,000-sq.-ft. sublet-to-direct lease by Monday.com at 225 Park Avenue South. Earlier in the year, notable deals included a pair of expansions by IBM and Intuit Inc. at 1 Madison Avenue and 51 Astor Place, respectively, for a total of nearly 170,000 sq. ft., and Pinterest's 83,000-sq.-ft. lease at 11 Madison Avenue. However, aside from these traditional tech deals, the continued influx of AI[1] firms into Midtown South also lifted the sector in 2025, representing 36% of total tech activity. High-end product in the submarket was a draw for these firms. Across Manhattan, Midtown South accounted for 69% of total AI leasing activity in 2025.

FIGURE 3: Leasing Activity | Annual Historical



Source: CBRE Research, Q4 2025.

FIGURE 4: Leasing Activity | By District



Source: CBRE Research, Q4 2025.

The education sector captured the second-largest share of activity in 2025, exclusively due to two deals: the aforementioned NYU lease at 770 Broadway and the Baruch College lease at 63 Madison Avenue.

The financial services sector ranked among Midtown South's top three industries for the fifth straight year, capturing a 16% share of 2025 leasing activity. Capital One Labs leased the most space in the sector, expanding by more than 115,000 sq. ft. at 114 Fifth Avenue. Coinbase also expanded by a considerable amount, leasing an additional 93,000 sq. ft. at 1 Madison Avenue after relocating to the building from Hudson Yards in 2024. Similar to the tech sector, premium developments in Midtown South attracted a spate of financial services firms of all subtypes in 2025. 11 East 26th Street secured 48,000 sq. ft. of leases across three tenants, and 360 Park Avenue South completed three financial services leases amounting to 92,000 sq. ft. Moreover, BILT Rewards leased the entirety of 837 Washington Street for 40,000 sq. ft. and Octus Intelligence, Inc. leased 44,000 sq. ft. at 295 Fifth Avenue.

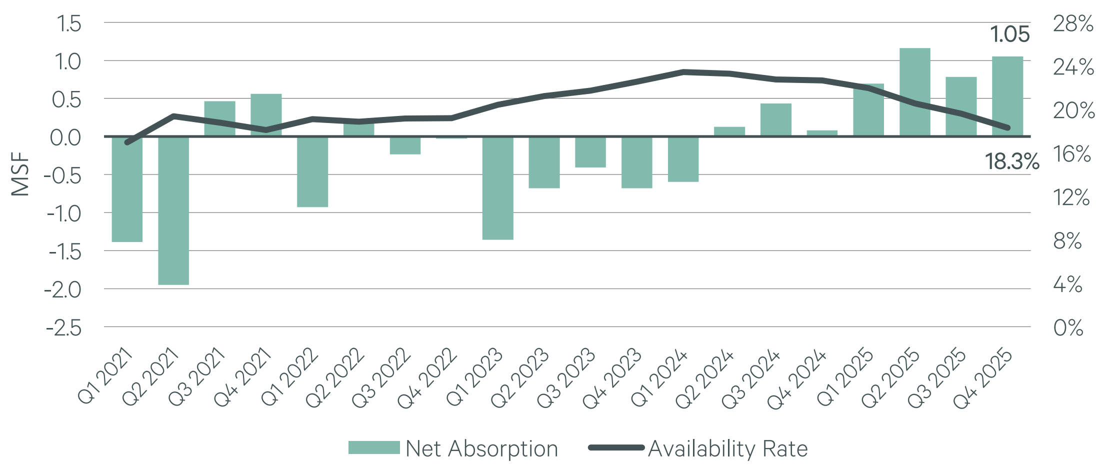
Flex space providers saw a revival throughout 2025, and with the fourth-largest share of activity (5%), the sector was among the top five in Midtown South for the first time since 2020. While familiar names like WeWork, Convene, and Industrious were all active, the largest deal for the sector was boutique coworking firm Le Parc's 80,000-sq.-ft. lease at 287 Park Avenue South. Also notable was Convene's 51,000-sq.-ft. lease at 261 Eleventh Avenue (Terminal Warehouse), the first lease completed at the large-scale redevelopment in Chelsea.

Net Absorption and Availability

Net absorption in Midtown South reached 1.05 million sq. ft. in Q4 2025, only the fourth time on record that quarterly net absorption has eclipsed one million sq. ft. This also brought the streak of positive net absorption to seven quarters, the longest run since Q4 2011. Annually, absorption totaled 3.69 million sq. ft., an all-time high and the second consecutive year of positive net absorption. Midtown South found itself in an ideal situation in 2025, as booming leasing activity dovetailed with a dramatic reduction in space additions. The final three quarters saw space additions at least 29% below the five-year quarterly average.

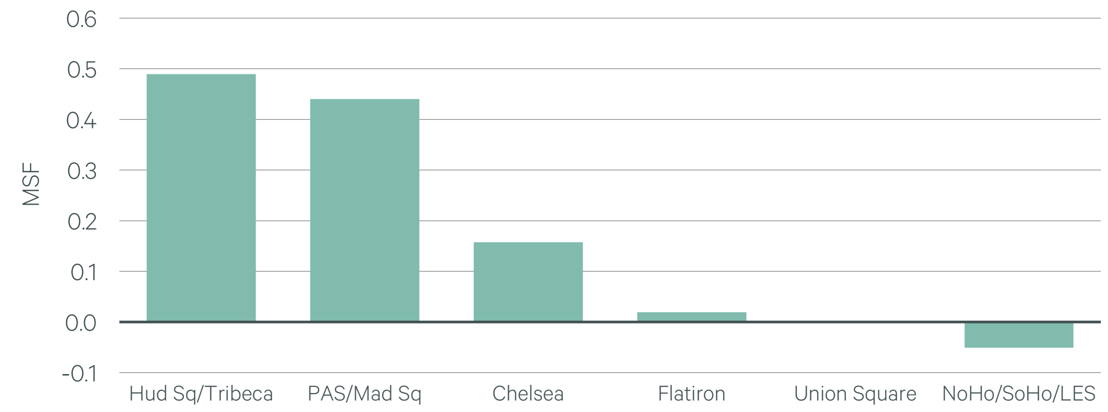
Midtown South's availability rate saw a 130-bps drop from the prior quarter to 18.3%, the second largest quarterly decline in availability since Q4 2005. For the entire year, availability fell a

FIGURE 5: Net Absorption & Availability Rate | Quarterly Historical



Source: CBRE Research, Q4 2025.

FIGURE 6: Quarterly Net Absorption | By District



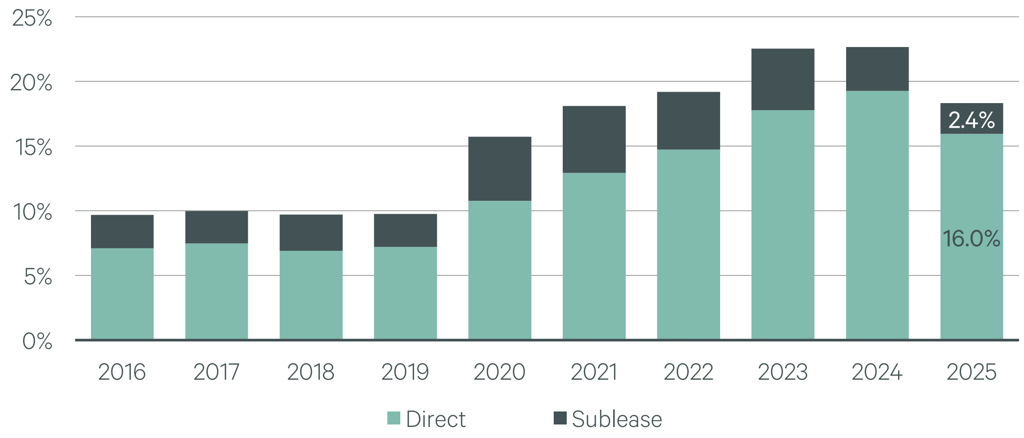
Source: CBRE Research, Q4 2025.

considerable 440 bps, second only to 1997's annual decline of 450 bps. Despite the recent inroads, the availability rate remains roughly double the levels just prior to 2020.

Following several years of unabated direct space additions, coupled with already existing blocks lingering on the market, Midtown South's direct space fell in each quarter of 2025. Q4 saw 977,000 sq. ft. of space removed from the market – only the third quarter on record with a decline more than 900,000 sq. ft. The total reduction in direct space for 2025 amounted to 2.83 million sq. ft., the largest annual drop ever. During the year only three direct blocks more than 100,000 sq. ft. came to market. As a result, direct space finished 2025 at 13.16 million sq. ft., its lowest level since mid-2023, but still elevated compared to the 5.61 million sq. ft. at year-end 2019.

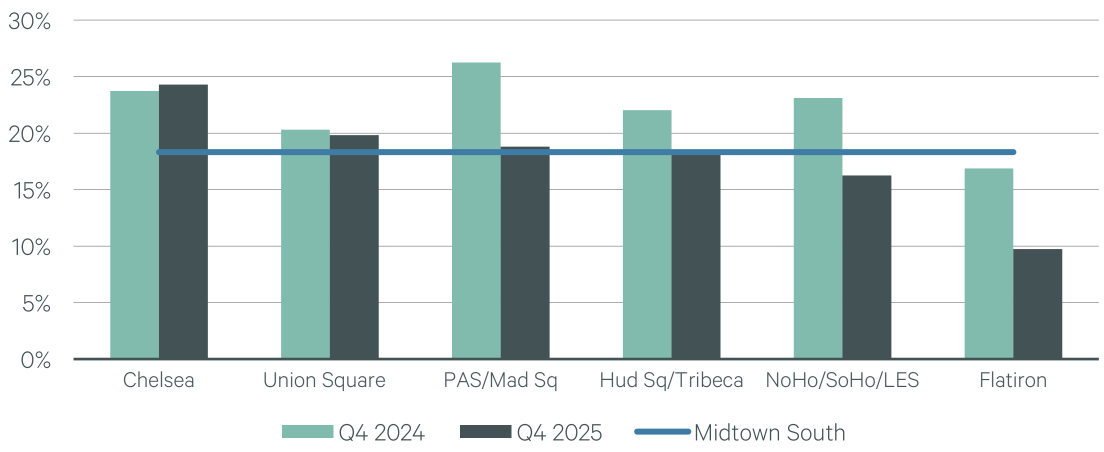
Meanwhile, sublease space in Midtown South continued the rapid reduction that has been underway since 2023. Sublease space also fell in each quarter of 2025, driving a sizeable annual decline of more than 850,000 sq. ft. This brought total available sublease space to 1.95 million sq. ft. at year-end 2025, its lowest level since January 2020. Only one sublease block over 100,000 sq. ft. was added to the market in 2025: 107,000 sq. ft. of Yext, Inc. space at 61 Ninth Avenue, some of which was subsequently recaptured by the tenant for reoccupancy. Sublease space as a

FIGURE 7: Sublease and Direct Availability Rate | Historical



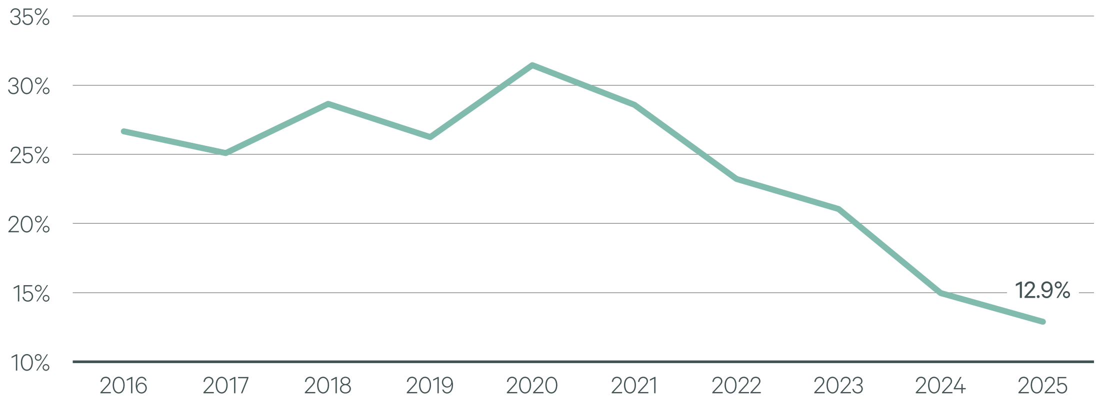
Percentages may not add up exactly due to rounding.
Source: CBRE Research, Q4 2025.

FIGURE 8: Availability Rate | By District



Source: CBRE Research, Q4 2025.

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



Source: CBRE Research, Q4 2025.

share of total available space stood at a minimal 12.9% as of Q4 2025.

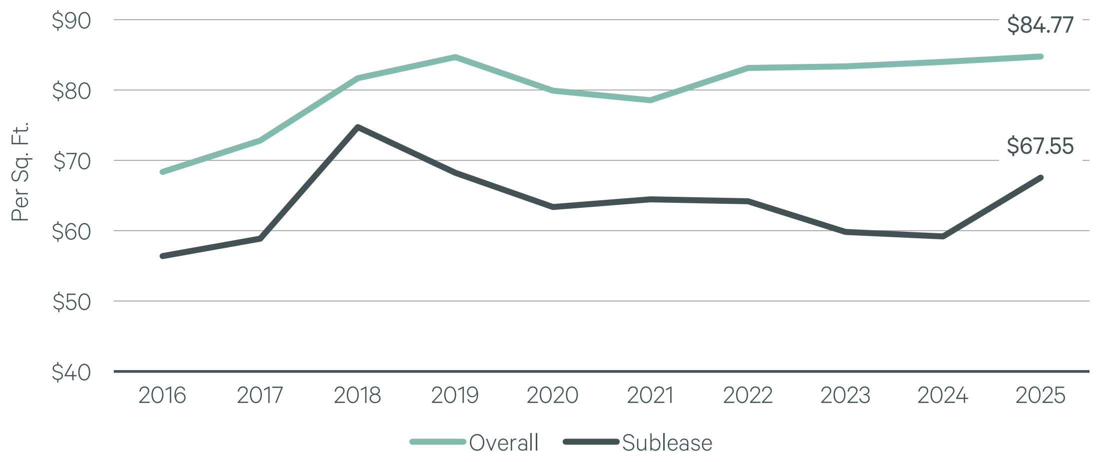
Among the districts, both Hudson Square/Tribeca and Park Avenue South/Madison Square generated more than 400,000 sq. ft. of net absorption in Q4 2025, their best quarterly totals since 2018 and 2019, respectively. These two districts saw leasing activity more than double their respective five-year quarterly averages while far outpacing space additions during the quarter. Conversely, NoHo/SoHo/LES registered the lowest net absorption, at negative 51,000 sq. ft. The district achieved only near-average leasing activity during the quarter and contended with approximately 140,000 sq. ft. coming to market between 530 Broadway and 503 Broadway.

Average Asking Rent

Midtown South's overall average asking rent in Q4 2025 was flat from a quarter ago at $84.77 per sq. ft., maintaining the highest pricing among Manhattan's three submarkets. At this level, it was up 10% from its recent low in Q1 2021 but down 2% from its mid-2020 all-time high of $86.63 per sq. ft. On a year-over-year basis, the overall average asking rent was also flat. Despite the lease-up of premium-priced space across Midtown South during the year, many of the direct blocks over 100,000 sq. ft. that remain on the market are asking higher than $100 per sq. ft. These include the more than one million sq. ft. block at 261 Eleventh Avenue (Terminal Warehouse), 160,000 sq. ft. at 198 Madison Avenue, and 162,000 sq. ft. at 11 East 26th Street. Furthermore, the continued removal of below average priced sublease space and the addition of the Yext, Inc. space at 61 Ninth Avenue – asking between $135 and $140 per sq. ft. – have driven the sublease asking rent up 14% from one year ago, further propping up the overall asking rent.

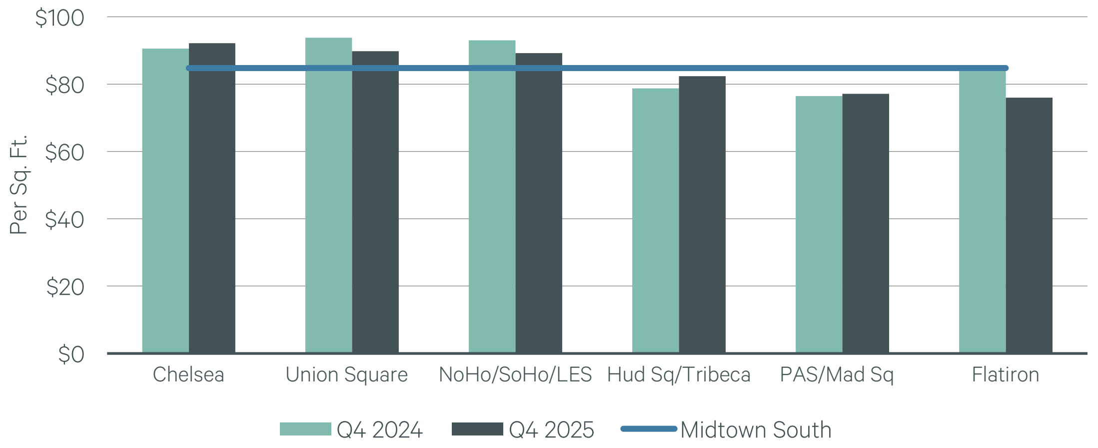
On the district level, Hudson Square/Tribeca saw the strongest annual average asking rent growth, rising 5% to $82.40 per sq. ft. Various spaces in the district asking above the market average were added in 2025, including 100,000 sq. ft. at 180 Varick Street and 38,000 sq. ft. at 32 Avenue of the Americas. Chelsea maintained the highest asking rent of all Midtown South districts and was the only other district to see year-over-year growth – up 2% to $92.19 per sq. ft. Aside from the Yext, Inc. space at 61 Ninth Avenue, 55,000 sq. ft. of space at 555 West 18th Street – a building owned and occupied by IAC – came to market asking over $100 per sq. ft. Flatiron's average asking rent fell by 10% from one year ago to $75.96 per sq. ft. This was due primarily to the removal of the Goodwin Procter space at 200 Fifth Avenue and 84,000 sq. ft. of space at 122 Fifth Avenue leased to Chime early in the year, both of which were asking above $100 per sq. ft.

FIGURE 10: Average Asking Rent | Historical



Source: CBRE Research, Q4 2025.

FIGURE 11: Average Asking Rent | By District



Source: CBRE Research, Q4 2025.

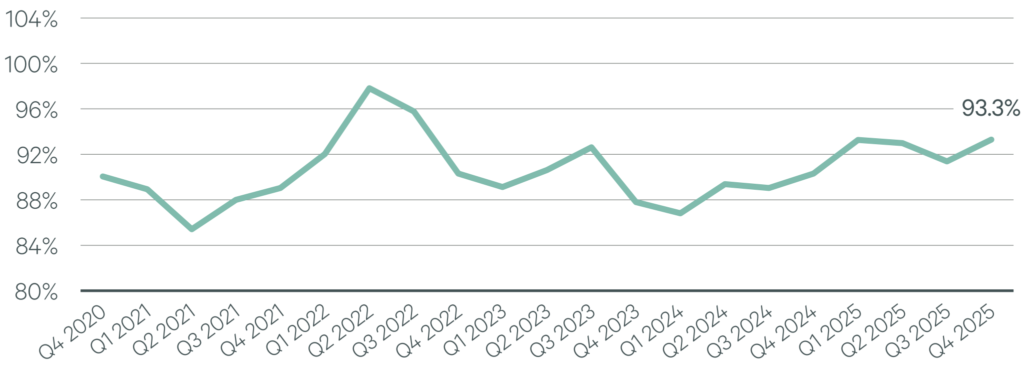
Taking Rent Index

Following two consecutive quarters of decline, Midtown South's taking rent index rebounded in Q4 2025, reaching 93.3%. At this level, it was up 300 bps from year-end 2024 but remained below its most recent high of 97.8%, reached in mid-2022. The weighted average tenant improvement allowance for new leases of raw space completed in 2025 was $152.41 per sq. ft., up 49% from the close of 2019, but essentially stable from year-end 2024. The free rent period averaged 16 months, on par with the level since 2023 but up from 12 months at year-end 2019.

Development Pipeline

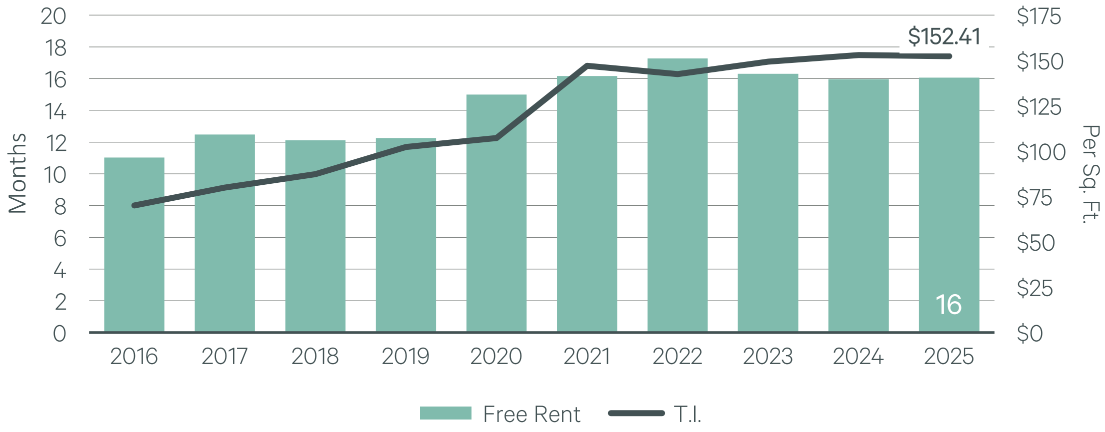
Midtown South has no active projects under construction. Two boutique projects – the 49,000-sq.-ft. 1 St. Mark's Place in Noho/Soho/Lower East Side and the 47,000-sq.-ft. mixed-use 500 West 18th Street (One High Line) development in Chelsea – delivered in 2025.

FIGURE 12: Taking Rent Index | Historical



Source: CBRE Research, Q4 2025.

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.
Source: CBRE Research, Q4 2025.

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.

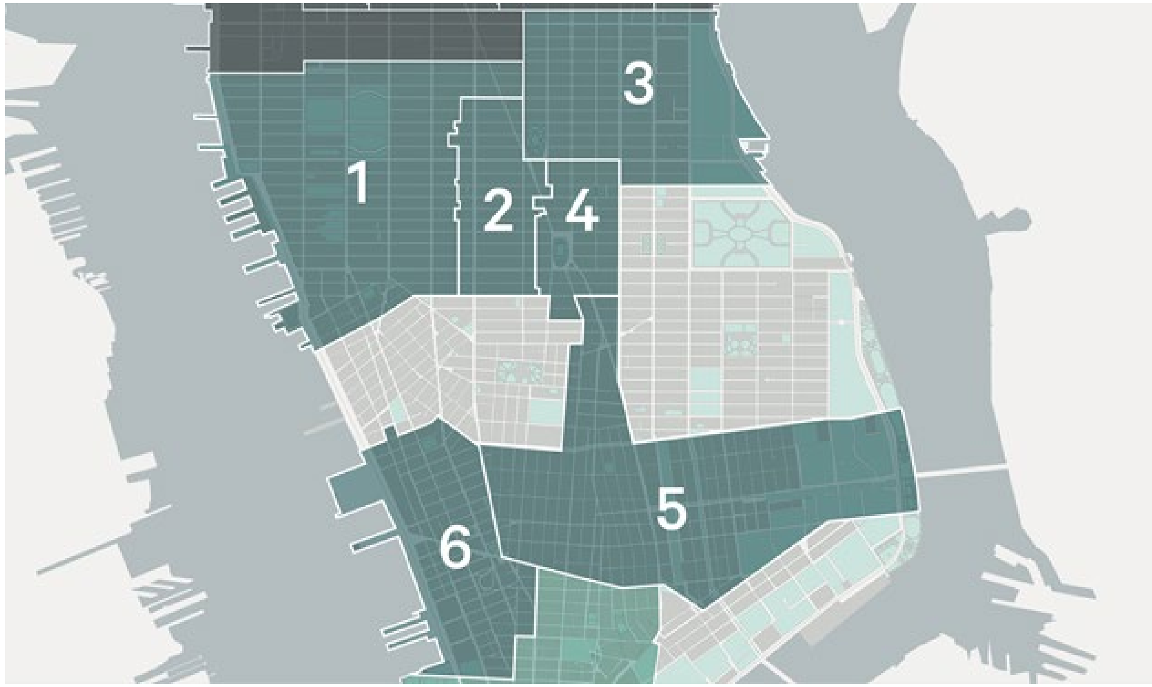
Survey Criteria

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:

[1]AI 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	18.3	78
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	67
6	Hudson Sq./Tribeca	18.1	36
TOTAL INVENTORY		**82.5**	**349**

Contact

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

Philip Stern
Field Research Manager
+1 212 656 0516
Philip.Stern@cbre.com