

2025

Q1 MARKET ASSESSMENT

PREPARED BY

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OFFICE-TO-RENTAL-CONVERSION MOMENTUM IN 2025

New York City Real Estate values rise ~6%¹ with rental apartments leading the charge.

The **office sector's** total market value increased by **2.7%** while **rental apartment market values raised to 9.9%**, highlighting greater demand for residential properties.

NYC's latest initiatives aim to convert underutilized office spaces, **Office to Rental Conversions (OTRC)**, into **nearly 19,000 residential units over the next eight (8) years.**



1 Source: Bisnow (2025, January). New York City real estate valued at \$1.56T. Retrieved here.

CONVERSION INSIGHTS

2025 PROJECTED OTRC GROWTH

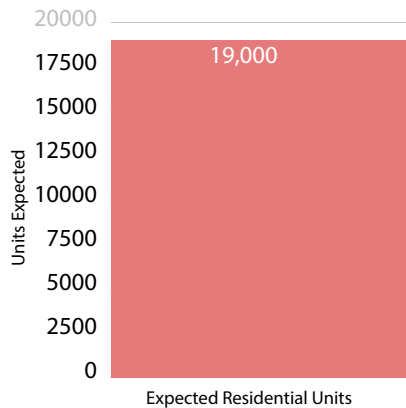


Figure 1.1 The estimated 19,000 residential units expected from conversions.

2025 PROJECTED MARKET VALUE INCREASE

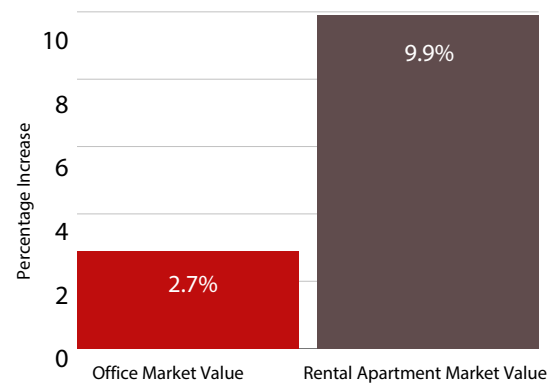


Figure 1.2 Office market recovery vs. surge in rental apt. values.

Source: New York Post (2025). New state and city measures are spurring property owners. Retrieved here.

CONSTRUCTION STATUS OF OFFICE-TO-RENTAL CONVERSIONS BY YEAR & BY TYPE

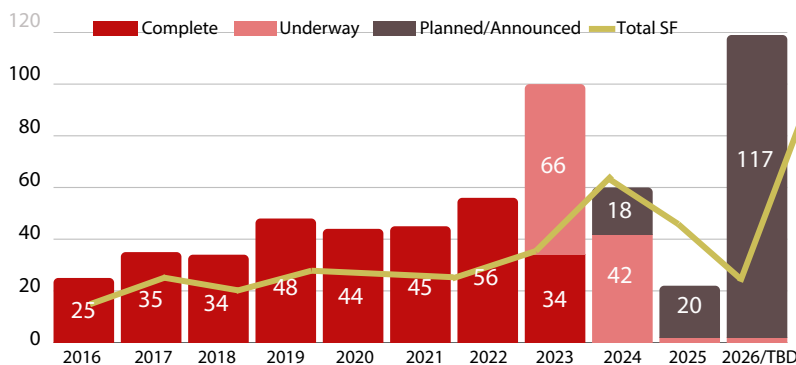


Figure 1.3 Construction status by property conversions by year.

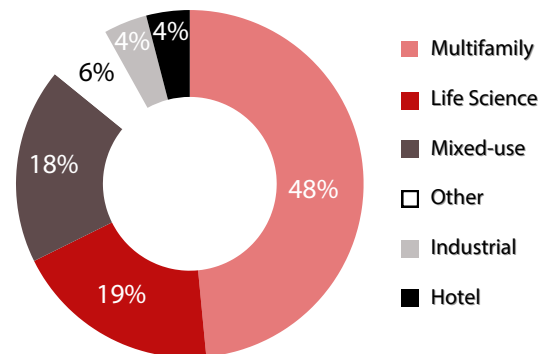
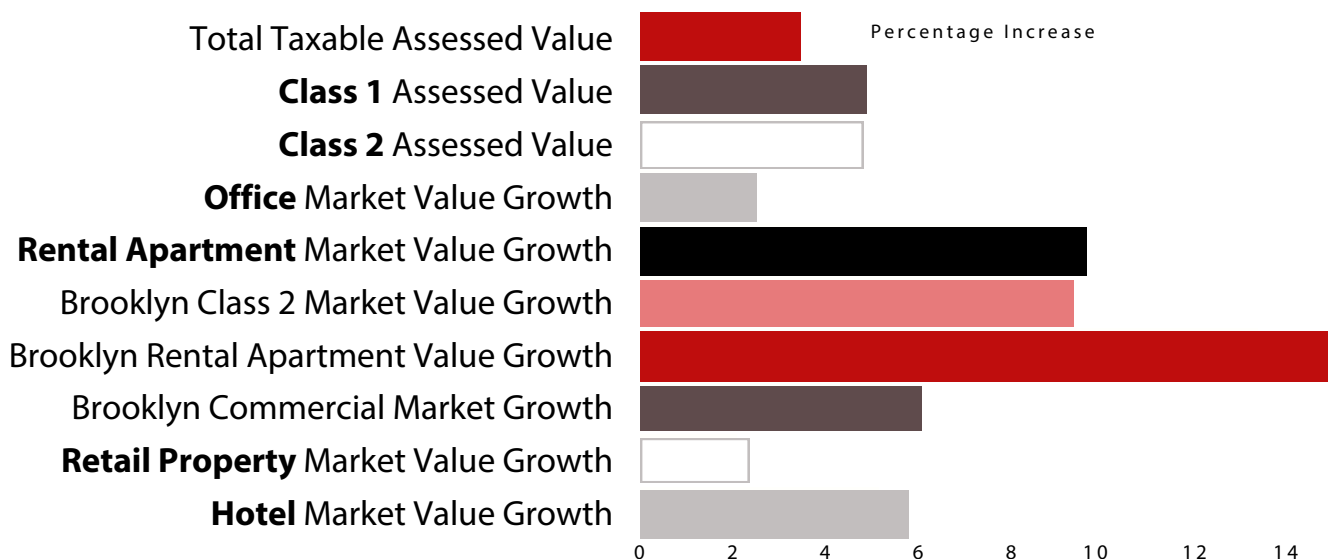


Figure 1.4 Underway / planned office conversions by type.

Source: CBRE (2023). Rise in office conversions may help to reinvigorate cities. Retrieved here.



↑ MARKET VALUES ↑ PROPERTY TAXES ↑



The total taxable assessed value in NYC increased by 3.9% to \$311.2 billion, meaning property owners will see higher tax bills in FY26.

Class 1 (single-family) saw a 5.5% increase in assessed value, reaching \$27.2 billion, while Class 2 (multi) grew by 4.8% to \$120.7 billion.

Source: Rosenberg & Estis (2024, July). NYC Budget 2024/2025 and Property Tax Updates. Retrieved here.

BROOKLYN MARKET ↑ LEADING ACROSS ASSET CLASSES

Brooklyn had the highest market value increase

for Class 2 properties and led the city with a 15.3% increase in rental apartment values.

The borough’s **commercial market also outpaced others**, with a 6.3% increase in total market value and a 7.1% jump in assessed values.

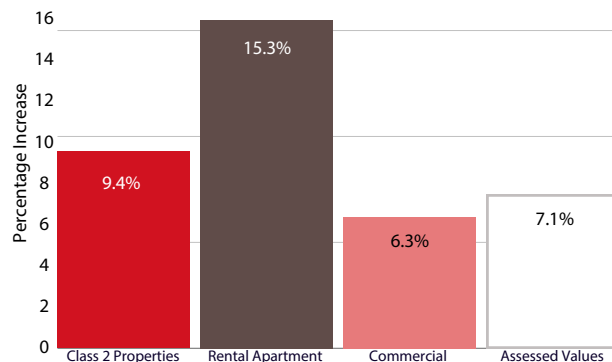


Figure 3.2 Property value increases across Class 2 properties, rental apartments, commercial market values, & assessed values..

Source: Bisnow (2025, January). New York City real estate valued at \$1.56T. Retrieved here.

STABILIZING COMMERCIAL MARKET VALUE IN PRIME LOCATIONS

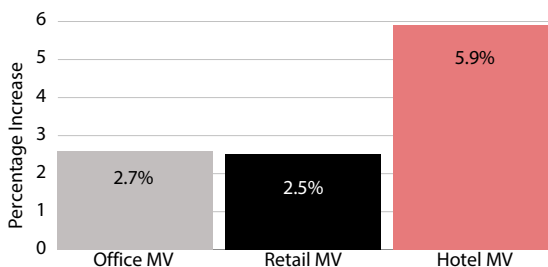


Figure 4.1 Illustrating moderate gains in retail and hotels, and gains in office buildings, indicating a slow but steady recovery.

Blackstone’s recent acquisition of a 50-story Manhattan office building signals renewed confidence in NYC’s commercial real estate market:

- i. **Institutional Demand: Strong** appetite for premium multifamily assets, even in tough markets.
- ii. **Collaborative Win:** Eastdil, RBC, Santander, and SMBC navigated a complex deal with precision. Well done to the team!

Source: Avison Young (2024). Q4 2024 U.S. office market overview. Retrieved here.



IT'S A NEW HORIZON

Operators who embrace strategic decision-making—whether through tax planning, conversions, or optimized leasing—will be the ones who thrive.

- 1. What do I need to know to unlock Tax & Zoning Benefits?** Maximize conversions with tax breaks, abatements, and regulatory advantages.
- 2. How do I 'Convert Smart, Lease Smart'?** Structure conversions to optimize leasing terms and long-term revenue.
- 3. Would it hurt to capitalize on Brooklyn & Queens Growth?** Invest where demand is surging and rental rates remain strong.
- 4. What's my Greatest Obtainable Market Q1&2?** Maximize Market Share. Target the most profitable segment—20% of the obtainable market.

KADEN REALTY, INC.

Kaden brings deep market knowledge and expertise to complex transactions, addressing all landlord challenges under one roof.

Unique Ways we see the Business
Kaden's Unique Integrated Solution

Experience in Similar Markets
Strategies for 2025 and Beyond

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New York Post. (2025). New state and city measures are spurring property owners to turn obsolete office buildings into modern apartments. <https://nypost.com/2025/01/29/real-estate/office-to-apartment-conversions-booming-nyc-thanks-to-new-city-measures/>

Rosenberg & Estis. (2024, July). NYC Budget 2024/2025 and Property Tax Updates. Retrieved from <https://www.rosenbergestis.com/blog/2024/07/nyc-budget-2024-2025-and-property-tax-updates/>