QUARTERLY REPORT
Q1 · JANUARY – MARCH 2025

NYC COMMERCIAL REAL ESTATE REPORT

A market finding its *floor*.

Office leasing rebounds, retail rents firm in prime corridors, hospitality holds its lead, and investment sales build a base for recovery.

THE KADEN TEAM
OFFICE · RETAIL · INVESTMENT SALES

PUBLISHED APRIL 2025
KADEN.NYC

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In this report.

A quarter-by-quarter survey of New York City's four commercial sectors — synthesized from the most rigorous published research and framed for owners, operators, and investors making capital decisions in 2025.

01 — EXECUTIVE SUMMARY

The recovery, quantified.

New York City's commercial real estate market entered 2025 with the clearest signs of recovery since the pandemic. Office leasing reached its strongest first-quarter total in more than a decade, retail rents firmed in prime corridors, hospitality continued to lead the nation in absolute performance, and investment sales transaction count rose even as dollar volume softened against a difficult comparison.

MANHATTAN OFFICE LEASING	MANHATTAN RETAIL ASKING RENT	MANHATTAN HOTEL REVPAR	MANHATTAN INVESTMENT SALES
11.4 MSF	$659/SF	$229 Q1	$2.7 B
▲ Strongest Q1 since 2019	▼ −4% Y/Y, prime corridors firming	▲ +7.3% Y/Y, ADR-led growth	▲ 84 trades, +12% transaction count

KEY TAKEAWAYS

The Manhattan office market posted 11.4 million square feet of leasing in the first quarter — the strongest first-quarter volume since 2019 — anchored by Mayer Brown's 330,662-square-foot renewal and expansion at 1221 Avenue of the Americas and Jane Street Capital's expansion to nearly 1 million square feet at 250 Vesey Street.[1,2] Availability tightened to 15.7%, the fourth consecutive quarterly decline, and asking rents rose to $74.53 per square foot — the first increase in seven quarters.[1]

Retail leasing volume across Manhattan rose 14% year-over-year on a rolling four-quarter basis, with new-to-market retailers accounting for approximately 29% of quarterly activity.[4] Asking rents declined modestly in aggregate but tightened sharply in prime corridors — SoHo's Broadway, Madison Avenue, and Upper Fifth Avenue continued to lead the borough on quality storefront absorption.[4]

Manhattan's hotel market extended its post-pandemic pricing power, with first-quarter RevPAR rising 7.3% year-over-year on a 5.4% ADR gain.[5] Luxury properties materially outperformed the broader market, a divergence consistent with national trends.[5]

Investment sales activity was mixed. Transaction count rose 12% to 84 trades, but dollar volume of $2.7 billion declined 17% against a strong Q4 2024 comparison.[6] Office and multifamily volumes contracted on a quarter-over-quarter basis, while retail — anchored by UNIQLO's $355 million acquisition at 666 Fifth Avenue — and development sites both expanded materially.[6]

02 — MACRO & CAPITAL MARKETS BACKDROP

Rates held; the cost of capital held with them.

The Federal Reserve maintained the federal funds rate in the 4.25%–4.50% range through the first quarter, holding cuts in reserve as inflation remained above the 2% target. The 10-year Treasury averaged in the mid-4% range, anchoring commercial mortgage rates and shaping the cap-rate environment commercial buyers encountered.[7]

Conditions investors faced

INDICATOR	Q1 2025	Q4 2024	DIRECTION
Federal Funds Rate (target, upper bound)	4.50%	4.50%	Held
10-Year Treasury (quarterly average)	~4.45%	~4.30%	Modestly higher
Manhattan Office Cap Rate (sector avg.)	~6.0%	~6.0%	Stable
Manhattan Multifamily Cap Rate	5.80%	~7.0%	Compression
Manhattan Retail Cap Rate	6.66%	~6.0%	Modestly wider

Sources: Federal Reserve H.15 (interest rates); Avison Young Tri-State Investment Sales Q1 2025 (cap rates).

The defining feature of the first quarter was stability rather than direction. The Fed's pause, after the cuts that closed 2024, kept the cost of debt elevated relative to the prior cycle but predictable enough for transaction activity to begin re-pricing. Cap rates broadly held across asset classes, with multifamily showing the most notable shift toward compression as institutional capital reallocated to the sector.[6]

Late in the quarter, the announcement of new federal tariff policy introduced renewed uncertainty across consumer-facing sectors, particularly retail and hospitality. Brokers in CBRE's Q1 retail surveys noted modest hesitation among prospective tenants in March, though leasing activity remained on pace through the close of the quarter.[4]

> *"Commercial real estate markets are finding a floor."*
>
> — COSTAR GROUP, Q1 2025 COMMENTARY[9]

WHAT IT MEANT FOR OWNERS

For owners weighing a refinance or sale decision in the first quarter, the binding constraint was the spread between in-place loan coupons originated in 2020–2021 and the rates available in early 2025. Buildings with debt maturities in 2025 faced refinancing at rates 150–250 basis points higher than original underwriting, a dynamic most visible in the office sector but present across asset classes.

03 — OFFICE MARKET

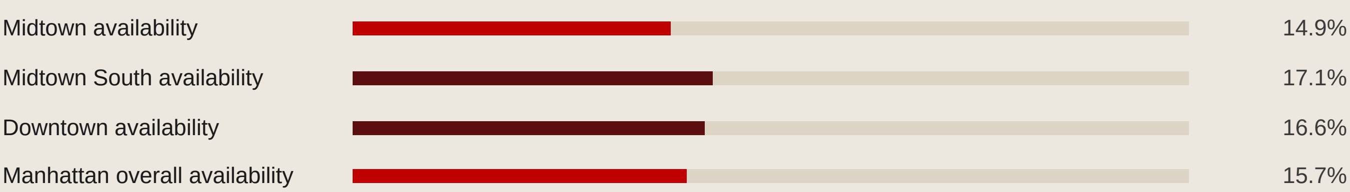
A recovery now too large to dismiss.

Manhattan office leasing reached 11.4 million square feet in the first quarter, the strongest Q1 volume since 2019 and the fourth consecutive quarter of growth in tenant demand.[1] Sixteen leases of 100,000 square feet or more closed during the quarter, totaling approximately 4.0 million square feet of large-format activity.[10] Availability tightened to *15.7%*, the fourth consecutive quarterly decline.[1]

MANHATTAN LEASING VOLUME	AVAILABILITY RATE	AVG. ASKING RENT	100K+ SF LEASES
11.4 MSF	15.7%	$74.53/SF	16
▲ Strongest Q1 since 2019	▼ −70 bps Q/Q	▲ First increase in 7 quarters	▲ ~4.0 MSF in large blocks

Submarket performance

Q1 2025 — SUBMARKET HIGHLIGHTS



Sources: Colliers Manhattan Office Market Report Q1 2025; Plehn Manhattan Office Q1 2025 Overview.

The headline figure obscured material variation by submarket. Midtown availability declined to 14.9% — the lowest reading in more than four years.[3] Penn Plaza/Garment Market led individual submarkets with 1.8 million square feet leased, followed closely by Grand Central (1.79 million SF) and the Plaza District (1.43 million SF).[3]

Midtown South availability stood at 17.1%, still elevated against its pre-COVID baseline of 9.1% but tightening as technology and media demand returned.[3] Class A captured 44.6% of Midtown South leasing activity — a notable inversion of the historic pattern in which Class B has led the submarket.[3]

Lower Manhattan saw approximately 2 million square feet leased during the quarter, anchored by Jane Street Capital's expansion at 250 Vesey Street to nearly 1 million square feet — a deal that brought the trading firm's footprint to the largest in Brookfield Place.[2] Downtown's availability rate at 16.6% remained above the pre-COVID 12.6% baseline, but the Jane Street commitment signaled a potential inflection point for the submarket.[3]

Flight to quality, in numbers

Class A space accounted for approximately 69.6% of overall leasing activity in the first quarter, including 72.6% of Midtown leasing and 88.9% of Downtown leasing.[3] In Midtown South, where Class B has historically led, Class A captured 44.6% of activity against Class B's 36.7% — a structural shift consistent with tenant preference for renovated, amenitized space.[3]

The size of concession packages continued to expand. Starting rents rose to $74.60 per square foot in Q1 2025 from $69.20 in Q1 2023; tenant improvement allowances grew to $144.10 per square foot.[3] These figures matter to underwriting: while headline starting rents have firmed, net effective rents tell a more measured story.[3]

Notable transactions

TENANT	BUILDING	SUBMARKET	SIZE	TYPE
Jane Street Capital	250 Vesey Street	Downtown	~1,000,000 SF	Expansion (from ~600K SF)
Mayer Brown	1221 Avenue of the Americas	Midtown	330,662 SF	Renewal & ~75K SF expansion
A&E Networks	227 East 45th Street	Midtown East	152,000 SF	New lease

Sources: Commercial Observer coverage (Mayer Brown Feb 2025; Jane Street Feb 2025); New York Offices 2025 Manhattan Office Lease tracker.

Inventory dynamics

Total Manhattan office inventory continued to compress through structural channels. Approximately 11.9 million square feet sits in landlord debt renegotiations and is effectively unavailable for lease; an additional 9 million square feet is in active conversion to residential use; and approximately 3.5 million square feet has reverted to landlords following net-lessee defaults.[3]

The pipeline of new office construction continued to compress. In the first quarter of 2025, 14 buildings totaling 4.9 million square feet were under construction, compared with 27 buildings totaling 16 million square feet in the first quarter of 2021.[3] The pipeline is the smallest in the dataset's recorded history.

> *"The Manhattan office market had a very good start to 2025, posting strong leasing activity and net absorption, as well as tightening availability."*
>
> — CORRIE SLEWETT, RESEARCH MANAGER, TRANSWESTERN[11]

04 — OFFICE-TO-RESIDENTIAL CONVERSIONS

A pipeline materially larger than the policy projection.

The post-pandemic pipeline of office-to-residential conversions in New York City reached *15.3 million gross square feet across 44 buildings* as of the first quarter — a footprint capable of producing approximately 17,400 residential units, of which the majority are studios and one-bedrooms for rent.[13]

ACTIVE PIPELINE (Q1 2025)	ESTIMATED UNITS	467-M ELIGIBLE (MANHATTAN)	INCOME-RESTRICTED SHARE
15.3 MSF	17,400	12.2 MSF	~25%
▲ 44 buildings tracked	▲ Studios & 1BR majority	▲ ~14,500 potential units	▲ At 80% AMI weighted avg.

The economic foundation of the conversion wave is the 467-m property tax exemption, enacted in 2024 as part of New York State's FY 2025 budget. The program provides up to 90% property-tax abatement for 35 years in Manhattan below 96th Street, conditional on at least 25% of units being rented at a weighted-average 80% of Area Median Income.[13] The state simultaneously lifted the 12 FAR density cap that had constrained residential development in New York City since 1961.[13]

Combined, these measures changed the math. Vanbarton Group, the developer behind several conversion projects, has reported that 467-m reduces effective property tax from roughly 25% of effective gross income to approximately 3% — a difference that turns a marginal pencil into a clear one.[14]

Where the activity sits

PROJECT	SUBMARKET	UNITS	STATUS (Q1 2025)
25 Water Street	Financial District	1,320	Underway · completion Apr. 2025
5 Times Square (Ernst & Young former HQ)	Times Square	1,250	Approvals · 313 affordable
80 Pine Street	Financial District	713	Financing secured · CetraRuddy design
750 Third Avenue	Midtown East	543	SL Green announced

Sources: NYC Comptroller, Fiscal Note 6-2025; Cushman & Wakefield; Ariel Property Advisors.

The conversion pipeline is shifting geographically. Where the prior wave concentrated in the Financial District under the 421-g program of the 1990s, current activity is distributed across Midtown East (3.4 million square feet, much of it along Third Avenue), the Garment District, and Times Square.[13]

05 — RETAIL MARKET

Prime corridors firmed; everything else paused.

Manhattan's retail market entered 2025 with momentum and ended the first quarter with reasons for caution. Rolling four-quarter leasing volume reached 3.5 million square feet — a 14% year-over-year increase — and first-quarter activity was 7% higher than the prior quarter.[4] Asking rents at the borough average declined slightly, but a different story unfolded in the prime corridors.

AVG. ASKING RENT	DIRECT GROUND-FLOOR AVAILABILITIES	NEW-TO-MARKET SHARE	ROLLING 4Q LEASING
$659/SF	188	29%	3.5 MSF
▼ −5% Q/Q, −4% Y/Y	▼ −3% from Q4 2024	▲ ~205,000 SF closed	▲ +14% Y/Y

Corridor performance

REBNY's most recent biannual report covered H2 2024, but corridor-level commentary across CBRE Q1 figures and broker surveys identified a clear pattern: tightness intensifying in prime corridors while tourism-dependent corridors remained soft.[4,8]

RENT CHANGE H1 2025 VS. H2 2024 — LEADING CORRIDORS

Source: REBNY, H1 2025 Manhattan Retail Report.

Tightness in prime corridors pushed retailers outward. Tenants priced out of Madison Avenue's core stretch and the heart of SoHo expanded their searches into Upper Madison, the East and West Sides, the Plaza District, and Park Avenue.[8] Bryant Park, Grand Central, and Midtown East and West benefited from sustained daytime commuter activity and tourism.[8]

The first quarter's headline transaction was Meow Wolf's lease of approximately 75,000 square feet at Seaport District for a new immersive arts venue.[4] Food and beverage tenants remained the dominant occupier category by deal count, a pattern consistent with prior quarters.

Headwinds emerging

The first quarter's most consequential development for the retail outlook was not transactional but political. Federal tariff policy announced in late Q1 introduced near-term uncertainty for retailers — particularly those reliant on imported merchandise and those whose customer base includes international travelers. CBRE flagged the policy backdrop as a likely drag on Q2 leasing decisions, even as Q1 transaction volume held firm.[4]

The aggregate decline in headline asking rent — to $659 per square foot, down from $697 in the prior quarter — masks the corridor-level divergence.[4] The decline reflects the lease-up of premium availabilities (which had been driving the average upward) more than weakening fundamentals. Corridors where quality storefronts were absorbed in 2024 saw asking rents stabilize at lower levels; corridors that retained quality availability saw rents firm.[4]

Where availability concentrated

CORRIDOR	AVAILABILITY PRESSURE	Q1 READ
SoHo (Broadway)	Very tight	Rents approaching all-time peaks
Madison Avenue	Very tight	Quality storefronts absorbed by luxury
Flatiron District	Tight	Steady demand, limited turnover
Lower Fifth Avenue	Tight	Steady demand
West Village	Tight	Boutique and F&B-driven
Times Square	Loose	Tourism-dependent, sporadic leasing
Herald Square	Loose	Higher vacancies through quarter
Financial District	Loose	Higher vacancies, sporadic activity

Source: REBNY, Manhattan Retail Reports H1/H2 2025; CBRE Manhattan Retail Q1 2025.

The corridor concentration is meaningful for operators evaluating new locations. Across CBRE's sixteen prime corridors, average rents remained materially below their decade peaks at quarter-end — suggesting headroom in corridors where demand returns, even as the prime tier approaches prior highs.[4]

> *"International direct-to-consumer brands and local mainstays alike are taking a focused, deliberate approach to choosing locations — and then going all-in designing their stores."*
>
> — REBNY COMMENTARY, RETAIL REPORT CYCLE 2025

06 — HOSPITALITY MARKET

Pricing power, sustained.

Manhattan's hotel market extended its post-pandemic recovery into the first quarter, with revenue-per-available-room rising *7.3% year-over-year*, supported by a 5.4% gain in average daily rate.[5] The market continued to outperform the broader U.S. lodging sector, where growth was moderating into the spring season.

Q1 REVPAR GROWTH	Q1 ADR GROWTH	H1 ADR (MANHATTAN)	H1 OCCUPANCY
+7.3%	+5.4%	$310.51	82.3%
▲ Year over year	▲ Rate-led recovery	▲ Above pre-pandemic norms	▲ +1.4% Y/Y

The luxury bifurcation

The most material development in the hospitality market was the divergence between luxury and broader hotel segments. Luxury Manhattan properties posted approximately 8.3% RevPAR growth in the first quarter, supported by a 6.3% increase in occupancy and a 1.8% increase in ADR.[5] The pattern is consistent with national trends in which premium properties have remained more insulated from inflationary pressure.

Upper-upscale properties experienced a 7.2% increase in RevPAR; upscale properties saw 5.7%; upper-midscale posted 6.6%.[5] All four market classes saw RevPAR increase by at least 5% year-over-year — but the spread between luxury and the broader market widened, a structural signal for owners evaluating asset class positioning.

Manhattan in national context

Manhattan continued to outperform the broader U.S. lodging market materially. Where national RevPAR growth has moderated into the low single digits, Manhattan's Q1 reading at 7.3% and rising ADR set the borough apart.[5] Among Manhattan's five primary neighborhoods, growth was broadly distributed in Q1 — a sign that the recovery has broadened beyond the previously-dominant Midtown East corporate corridor.

WHAT IT MEANT FOR OWNERS

For owners of Manhattan hotels, the first quarter validated the asset class's recovery in pricing terms. For investors evaluating acquisitions, the binding question shifted from whether the recovery would continue to whether peak ADR was already approached. Hotels are now valued on stabilized cap rates against demonstrated cash flow rather than on recovery upside.

07 — INVESTMENT SALES

Mixed results; a base for what followed.

Manhattan investment sales recorded 84 transactions totaling $2.7 billion in the first quarter — a 12% increase in transaction count and a 17% decline in dollar volume against the prior quarter.[6] The composition of the quarter mattered more than the headlines: retail and development surged while office and multifamily contracted.

TOTAL DOLLAR VOLUME	TRANSACTION COUNT	LARGEST TRADE	RETAIL AVG. PSF
$2.7 B	84	$355 M	$1,643
▼ −17% Q/Q	▲ +12% Q/Q	▲ 666 Fifth Ave · UNIQLO	▲ +27% Q/Q

Volume by sector

Q1 2025 DOLLAR VOLUME BY ASSET CLASS — MANHATTAN

Source: Avison Young, Tri-State Investment Sales Q1 2025 (Manhattan south of 96th Street).

Development site activity surged most: dollar volume rose 132% to $705 million and transaction count rose 167% quarter-over-quarter.[6] The surge reflects pre-positioning by developers anticipating the City of Yes zoning reforms and the continuing maturation of the 467-m conversion economics, which collectively expanded the universe of viable residential development sites.

Retail outperformed both in dollar volume — up 21% to $604 million — and in pricing, with average price per square foot rising 27% to $1,643.[6] A single transaction drove much of the sector's headline: UNIQLO's $355 million acquisition of its Fifth Avenue flagship space, in a coordinated pair of deals with Vornado's retail joint venture and Brookfield. Retail had not led Manhattan's quarterly transaction count by dollar value since before the pandemic.

Office dollar volume fell 58% to $660 million on a quarter-over-quarter basis, though transaction count rose 15%.[6] The disconnect reflects a market dominated by smaller, owner-user, and end-user deals rather than large institutional trades. Multifamily and mixed-use dollar volume declined 31% to $444 million.[6]

Notable Q1 2025 transactions

PROPERTY	ASSET CLASS	BUYER	PRICE	NOTE
666 Fifth Avenue (retail condo)	Retail	UNIQLO (Fast Retailing)	$355M	~90,000 SF flagship, owner-user
1345 Avenue of the Americas (46% stake)	Office	Blackstone	$644M	Values tower at ~$1.4B; H1 close
Largest Manhattan office trade Q1	Office	End-user / institutional mix	Multiple	Owner-user trend continued

Sources: Avison Young Q1 2025 PSR; Ariel Property Advisors; New York Offices summary of largest Manhattan trades.

Cap rate dispersion

ASSET CLASS	Q1 2025 AVG.	Q4 2024 AVG.	DIRECTION
Multifamily	5.80%	~6.95%	Compression — institutional bid
Mixed-Use	5.81%	~6.00%	Slight compression
Retail	6.66%	~6.00%	Modest widening
Office	~6.00%	~6.00%	Stable, bifurcated by quality

Source: Avison Young, Tri-State Investment Sales Q1 2025; trailing comparison.

What the quarter signaled

The first quarter served as a transition rather than a turning point. Dollar volume contracted against a Q4 2024 reading inflated by year-end deal closings, but the transaction count rose — a structural indicator that the bid–ask spread that had blocked trades through 2022 and 2023 may be narrowing.[6] Avison Young projected Manhattan transactions would rise 26% in 2025 even as dollar volume softens 5% — a composition that would favor owner-users and smaller-format institutional buyers over the large trades that defined prior cycles.[6]

The owner-user thesis that had defined late-2024 office trades — Morgan Stanley's sale of 2 Park Avenue to Haddad Brands at $357 million in the fourth quarter being the prior example — continued into the first quarter. UNIQLO's Fifth Avenue acquisition extended the pattern from office into retail: a long-term tenant electing ownership over lease renewal at scale.[15] The behavior is rational at current pricing and at the current cost of debt; whether it remains so will depend on the rate trajectory through the back half of 2025.

08 — OUTLOOK

What the quarter implied for the year.

The first quarter of 2025 set the conditions for the rest of the year. The recoveries underway across sectors had become measurable rather than projected, and the policy framework — conversion incentives, zoning reform, FAR cap removal — had moved from proposal to execution. Risk concentrated in two directions: tariff-driven consumer uncertainty for retail and hospitality, and refinancing pressure for owners with maturities in the next twelve months.

SECTORAL OUTLOOK ENTERING Q2 2025

- **Office** — The flight-to-quality dynamic should continue. Trophy and class A availability tightening will sustain pricing in the top tier; class B and C inventory will continue to lose ground to conversion and to renovated competitors.
- **Conversions** — Pipeline expansion to follow. With 5 Times Square approved in May and pipeline activity broadening into Midtown East and South, conversion will outpace 2024 totals materially. The constraint becomes labor and financing capacity rather than approvals.
- **Retail** — Bifurcation by corridor will define the year. Prime corridors — SoHo's Broadway, Upper Fifth, Madison — will continue to firm. Tourism-dependent corridors face tariff- and travel-driven headwinds with limited offset.
- **Hospitality** — ADR-led growth should persist into the summer travel season, with the luxury–mid-market divergence widening. The risk to monitor is international visitation: Canadian and European travel softened through Q1, a trend that warrants close attention through the spring.
- **Investment Sales** — Transaction count to expand faster than dollar volume in the near term. Owner-user activity in office and retail will continue while institutional bidders re-enter the market through 2025.

What to watch

Three indicators warrant priority attention through the second quarter. *First*, the Federal Reserve's stance at its May meeting — particularly whether tariff-driven inflation indications shift the timing of any 2025 cuts. *Second*, the pace of conversion starts: the 467-m program has unlocked the math, but execution at scale depends on construction labor capacity and the availability of bridge financing. *Third*, the trajectory of international tourism: a sustained pullback would materially affect retail and hospitality through the back half of the year.

The base case at the close of the quarter was for continued, measured recovery: more leasing, firmer rents in prime locations, more transactions at narrowing spreads, and a conversion wave that materially reduces obsolete office inventory through 2027. The risk case is a consumer slowdown driven by tariff pass-through that re-prices retail and hospitality cash flows mid-year. Neither was certain at quarter-end; both were credible.

09 — SOURCES & METHODOLOGY

How this report was assembled.

This report synthesizes published research from the principal commercial real estate firms operating in New York City, supplemented by federal statistical sources and direct review of transaction coverage. All figures cited are as published by the source organization; where revisions exist, the most recent figure is used.

METHODOLOGY NOTES

Manhattan office statistics combine readings from Newmark, Colliers, and JLL. Retail data draws on REBNY's biannual Manhattan Retail Report and CBRE's quarterly Manhattan Retail Figures. Hospitality data is from PwC's Manhattan Lodging Index and CoStar's hotel performance benchmarks. Investment sales figures are from Avison Young's Tri-State Investment Sales quarterly report (Manhattan south of 96th Street) and Ariel Property Advisors' Manhattan reports.

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10 — ABOUT KADEN

A boutique commercial brokerage in New York.

The Kaden Team is a New York City commercial real estate brokerage specializing in four verticals: office, retail, hospitality, and investment sales. Founded in 2012, the firm represents owners, occupiers, and investors across more than *$50 million in transaction value* and *100+ closed deals* through more than thirteen years of NYC market activity.

What we do

SELL-SIDE

Disposition strategy and execution for owners of office, retail, and hospitality assets across Manhattan, Brooklyn, and Queens — including marketed offerings, off-market processes, and confidential sales.

BUY-SIDE

Acquisition strategy and tenant representation for occupiers, owner-users, and institutional investors. Buyer/tenant representation is a strategic emphasis for the firm.

How to engage with this report

This is the first edition of a quarterly publication intended to provide measured, sourced analysis of New York City's commercial real estate markets. Future editions will continue to cover the four sectors above and expand on themes warranting deeper treatment — including submarket-level data, transaction-level analysis, and policy developments affecting NYC commercial assets.

The report is published without subscription or registration requirement. For tailored analysis of a specific asset, portfolio, or acquisition mandate, please contact us directly.

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