



NYC COMMERCIAL REAL ESTATE REPORT

# The recovery, *broadening.*

*Office demand normalizes at elevated levels, retail tightens to its lowest availability in eight years, hospitality holds its rate-led recovery, and investment sales register the strongest first half since 2018.*

**CONTENTS**

# 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.

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01 — EXECUTIVE SUMMARY

# A broadening base.

The second quarter consolidated the gains of the first. Manhattan office leasing settled at 9.23 million square feet — below Q1's record pace but 13% above the year-ago quarter — while retail availability tightened to an eight-year low. Hospitality continued its rate-led recovery, and investment sales registered the strongest first half since 2018, anchored by Blackstone's \$644 million stake in 1345 Avenue of the Americas.

<p>MANHATTAN OFFICE LEASING</p> <p><b>9.23 MSF</b></p> <p>▲ +13% Y/Y, normalizing pace</p>	<p>JLL PRIME CORRIDOR AVAILABILITY</p> <p><b>195 spaces</b></p> <p>▲ 8-year low · 9 prime corridors</p>	<p>MANHATTAN HOTEL REVPAR (H1)</p> <p><b>\$255.51</b></p> <p>▲ +7.1% Y/Y, luxury leading</p>	<p>MANHATTAN INVESTMENT SALES (H1)</p> <p><b>\$6.81 B</b></p> <p>▲ +4% Y/Y, 200 trades</p>
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## KEY TAKEAWAYS

Manhattan office leasing volume settled at 9.23 million square feet in the second quarter, down 18.9% from Q1's exceptional pace but 13% above the year-ago period.<sup>1</sup> Availability tightened further on positive absorption of 2.17 million square feet, with the sublease availability rate falling to 3.4% — its lowest reading in more than three years.<sup>2</sup> Midtown South posted its strongest quarter of activity since the fourth quarter of 2019.<sup>3</sup>

Retail fundamentals continued to tighten in the prime tier. JLL recorded just 195 available ground-floor spaces across the nine prime corridors it tracks — an eight-year low — while CBRE saw a further 2% decrease across its broader 16-corridor index.<sup>4</sup> Average asking rents reached \$608 per square foot in JLL's coverage area, a post-pandemic peak, though rents remained 41% below 2014 levels.<sup>4</sup>

Manhattan's hotel market sustained its rate-led recovery into the second quarter. First-half RevPAR reached \$255.51, up 7.1% year-over-year, driven by a 5.7% ADR gain and supported by a 1.4% occupancy increase.<sup>5</sup> Luxury properties led the segment with first-half RevPAR growth of 10.1%, nearly double the rate of mid-tier classes.<sup>5</sup>

Manhattan investment sales reached \$6.81 billion across 200 transactions through the first half — a 4% year-over-year increase that marked the strongest H1 performance since 2018.<sup>6</sup> Office sales dominated the activity at \$2.88 billion across 35 trades, more than doubling year-over-year, while retail logged \$868.7 million across 27 transactions anchored by Polo Ralph Lauren's record-setting acquisition at 109 Prince Street.<sup>6</sup>

02 — MACRO & CAPITAL MARKETS BACKDROP

# A second hold; tariffs in the foreground.

The Federal Reserve held the federal funds rate at 4.25%–4.50% through the second quarter, citing persistent inflation pressure and growing tariff-related uncertainty. The 10-year Treasury traded in a 4.20%–4.60% range over the quarter. Tariff policy moved from anticipated to enacted, introducing the first observable demand impact for consumer-facing sectors.<sup>7</sup>

## Conditions investors faced

INDICATOR	Q1 2025	Q4 2024	DIRECTION
Federal Funds Rate (target, upper bound)	4.50%	4.50%	Held — second consecutive pause
10-Year Treasury (quarterly average)	~4.35%	~4.45%	Modestly lower
Manhattan Multifamily Cap Rate (H1)	6.62%	6.23%	Expansion (full year vs H1)
Manhattan Office Avg. Price PSF (H1)	\$774	~\$700	Higher on quality mix
Manhattan Retail Avg. Price PSF (H1)	\$1,870	\$1,780	Up on owner-user trades

Sources: Federal Reserve H.15 (interest rates); Ariel Property Advisors, Manhattan 2025 Mid-Year Trends Report (sales pricing & cap rates).

The second quarter's defining macro development was the implementation of new federal tariff policy. Through April and May, brokers surveyed by REBNY noted a measurable, if modest, pullback from prospective retail tenants — particularly those reliant on imported merchandise.<sup>8</sup> Tourism from Canada and Europe, which had supported Manhattan retail and hospitality through 2024, softened in the same window.<sup>8</sup>

Despite the policy backdrop, transaction activity in Manhattan investment sales accelerated. The Fed's hold kept debt costs predictable, and institutional capital — sidelined through 2023 and most of 2024 — began returning to large-format trades. Office investment sales doubled year-over-year in dollar volume in the first half, a clearer signal than the leasing data of recovery taking hold.<sup>6</sup>

*"Office was the top-performing asset class in Manhattan during the first half of 2025 as leasing rebounded due to demand for Class A space."*

— HOWARD RABER, DIRECTOR, ARIEL PROPERTY ADVISORS<sup>6</sup>

## WHAT IT MEANT FOR OWNERS

The cost-of-capital picture stabilized in the second quarter, even as tariffs introduced new revenue-side uncertainty. Owners with 2025 debt maturities continued to face refinancing rates 150–250 basis points above original underwriting; the new dimension was tenants in consumer-facing sectors pausing capital decisions, lengthening leasing timelines, and pressuring deal terms.

03 — OFFICE MARKET

# Demand normalizes at elevated levels.

Manhattan office leasing volume settled at 9.23 million square feet in the second quarter — a step down from Q1's record-setting 12.9 MSF, but still 13% above the year-ago quarter and consistent with the new, elevated baseline established by the post-pandemic recovery.<sup>1</sup> Net absorption was positive for the fourth consecutive quarter at *2.17 million SF*.<sup>2</sup>

<p>MANHATTAN LEASING VOLUME</p> <p><b>9.23 MSF</b></p> <p>▲ +13% Y/Y, normalizing pace</p>	<p>SUBLEASE AVAILABILITY</p> <p><b>3.4%</b></p> <p>▼ 3+ year low</p>	<p>CBRE AVG. ASKING RENT</p> <p><b>\$76.83/SF</b></p> <p>▼ Flat Q/Q, -1% Y/Y</p>	<p>Q2 NET ABSORPTION</p> <p><b>2.17 MSF</b></p> <p>▲ YTD 5.17 MSF</p>
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## Submarket performance

### Q2 2025 — SUBMARKET HIGHLIGHTS

Midtown availability		13.9%
Midtown South leasing volume		3.94 MSF
Downtown asking rent		\$58.66/SF
Manhattan sublease availability		3.4%

Sources: CBRE Manhattan Office Figures Q2 2025; Colliers Manhattan Q2 2025; Colliers Midtown South Q2 2025; Colliers Downtown Q2 2025.

The story of the quarter was Midtown South. Leasing demand reached 3.94 million square feet — 11.3% above Q1 and 26.1% above the year-ago period — the submarket's strongest quarter of activity since the fourth quarter of 2019.<sup>3</sup> Technology and media tenancy continued to drive the recovery, with the submarket's available inventory now 17% below its November 2023 post-pandemic peak.<sup>3</sup>

Midtown moderated. Leasing demand fell nearly one-third quarter-over-quarter to 3.95 million square feet — though volume remained slightly above the five-year quarterly average.<sup>9</sup> The submarket's availability rate tightened for the fifth consecutive quarter to 13.9%, even as Midtown asking rents posted their sharpest quarterly decline since Q2 2021, falling 1.4% to \$79.32 per square foot.<sup>9</sup>

Downtown leasing softened to 1.34 million square feet — down 32.7% from Q1, though more than double the year-ago period.<sup>10</sup> Lower Manhattan asking rents firmed for a third consecutive quarter to \$58.66 per square foot, the highest reading in more than two years; sublet supply reached its lowest level since November 2020.<sup>10</sup>

## A bifurcated rent picture

Despite tightening availability, headline rent metrics diverged across data providers. CBRE recorded flat Manhattan asking rents at \$76.83 per square foot, down 1% year-over-year.<sup>2</sup> Midtown asking rents posted their sharpest quarterly decline since Q2 2021, while Lower Manhattan asking rents climbed for the third straight quarter.<sup>9,10</sup> The divergence reflects the lease-up of higher-priced availabilities in the strongest submarkets, mechanically dampening averages even as the underlying market tightens.

The sublease availability rate — historically a cleaner indicator of true market direction — fell another 20 basis points to 3.4%, the lowest reading in three-plus years.<sup>2</sup> The decline aligns with both the absorption of sublease inventory by sub-lessees re-occupying the space and the structural decline in remote-work-driven dispositions.

## Notable transactions

TENANT	BUILDING	SUBMARKET	SIZE	TYPE
Davis Polk & Wardwell	450 Lexington Avenue	Midtown	710,000 SF	Relocation / new HQ
NYU	770 Broadway	Midtown South	1,080,000 SF	Long-term lease
Trader Joe's	Midtown East	Retail (referenced)	30,000 SF	Renewal (context)

Sources: CBRE Manhattan Office Figures Q2 2025; Colliers Manhattan Q2 2025; published transaction coverage.

## Inventory dynamics

The structural inventory shifts that defined Q1 continued in the second quarter. Office-to-residential conversions accelerated to roughly 4.3 million square feet started year-to-date — up nearly 60% from 2.7 million square feet over the comparable 2024 period.<sup>11</sup> The 467-m tax incentive remained the central economic driver; the May approval of the 5 Times Square conversion (1,250 units) demonstrated that high-FAR institutional buildings could now pencil under the program.<sup>11</sup>

The new-office construction pipeline remained compressed. JLL data shows the U.S. office completion pipeline at its lowest level on record, with Manhattan contributing a fraction of pre-pandemic norms.<sup>12</sup> The combination of accelerating conversions and minimal new supply supports a constructive view on Class A office rents in the quarters ahead.

*"Manhattan also saw acquisitions for office-to-residential conversions in the first half of the year, a trend supported by the City of Yes, 467-m tax abatement and proposed Midtown South rezoning."*

— MIKE TORTORICI, FOUNDING PARTNER, ARIEL PROPERTY ADVISORS<sup>6</sup>

04 — OFFICE-TO-RESIDENTIAL CONVERSIONS

# From pipeline to construction starts.

The conversion thesis moved from approvals to execution in the second quarter. Year-to-date conversion starts reached approximately *4.3 million square feet*, up nearly 60% from the comparable 2024 period.<sup>11</sup> The May approval of the 5 Times Square conversion — 1,250 units, including 313 affordable — demonstrated that high-FAR institutional buildings could now pencil under the 467-m program.<sup>13</sup>

<p>YTD 2025 STARTS</p> <p><b>4.3 MSF</b></p> <p>▲ +60% vs YTD 2024</p>	<p>CONVERSION-SITE TRADES (H1)</p> <p><b>~\$300 M</b></p> <p>▲ Within \$1.12B dev. volume</p>	<p>5 TIMES SQUARE CONVERSION</p> <p><b>1,250 units</b></p> <p>▲ 313 permanently affordable</p>	<p>INCOME-RESTRICTED SHARE</p> <p><b>~25%</b></p> <p>▲ At 80% AMI weighted avg.</p>
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Approximately \$300 million of Manhattan's first-half development-site trades were specifically earmarked for office-to-residential conversions, including 675 3rd Avenue and 300 E 42nd Street, acquired for a combined \$152.5 million.<sup>6</sup> These trades signal investor appetite is shifting from speculative pipeline projects toward sites where the conversion math is already done and the 467-m application is in motion.

The May 5 Times Square approval was the second quarter's clearest demonstration that the conversion economics work even at high FAR. The original building was constructed at 33.35 FAR — nearly three times the prior 12 FAR residential cap that had been law since 1961, and which the state lifted in the FY25 budget.<sup>13</sup> The project will produce 1,250 apartments (313 permanently affordable) and is expected to break ground in Q3 2025, with first phase delivery in 2027.<sup>13</sup>

## Where the activity sits

PROJECT	SUBMARKET	UNITS	STATUS (Q1 2025)
25 Water Street	Financial District	1,320	Delivered Q2 2025
<b>5 Times Square</b>	Times Square	1,250	ESD approval — May 2025
675 3rd Avenue	Midtown East	Acquired Q1–Q2	Conversion-purposed trade
300 E 42nd Street	Midtown East	Acquired Q1–Q2	Conversion-purposed trade

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

The geographic footprint continues to broaden. Where the 1990s 421-g wave concentrated in the Financial District, current activity spans Midtown East (Third Avenue), the Garment District, Times Square, and the Midtown South Mixed-Use rezoning area, which has the potential to add 9,500 units when fully built out.<sup>14</sup>

05 — RETAIL MARKET

# An eight-year low in availability.

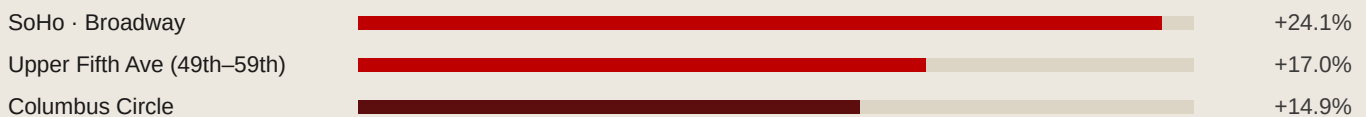
Manhattan prime retail availability reached an eight-year low during the second quarter. JLL recorded just *195 available ground-floor spaces* across the nine prime corridors it tracks — a record low for that universe — while CBRE saw a further 2% decrease across its broader 16-corridor index.<sup>4</sup> Asking rents in JLL's coverage reached *\$608 per square foot*, a post-pandemic peak, though still 41% below the 2014 highs.<sup>4</sup>

<p>JLL AVG. ASKING RENT</p> <p><b>\$608/SF</b></p> <p>▲ +5.4% Q/Q, post-pandemic peak</p>	<p>JLL AVAILABLE SPACES (9 CORRIDORS)</p> <p><b>195</b></p> <p>▼ Record low</p>	<p>NEW-TO-MARKET SHARE (Q2)</p> <p><b>18%</b></p> <p>▲ 123,000+ SF closed</p>	<p>ASKING VS. 2014 PEAK</p> <p><b>-41%</b></p> <p>▲ Headroom remains</p>
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## Corridor performance

REBNY's H1 2025 Manhattan Retail Report — covering January through June — documented sustained fundamentals across the borough, with average asking rent rising or holding steady in eight of seventeen corridors.<sup>8</sup> The leaders for the half:

### RENT CHANGE H1 2025 VS. H2 2024 — LEADING CORRIDORS



Source: REBNY, H1 2025 Manhattan Retail Report.

The second quarter's anchor leases were larger and more institutional than Q1's. Old Navy signed a 55,000-square-foot lease, Life Time committed to 52,000 square feet, and Trader Joe's renewed at 30,000 square feet — three deals that together represent more than 135,000 square feet of large-format retail commitment.<sup>4</sup> Antonio Marras opened a fashion location at 121 Wooster Street; Motek, a Florida-based Mediterranean concept, opened at 928 Broadway.<sup>4</sup>

Tightening availability continued to push retailers outward from the Madison and SoHo cores into Upper Madison, the East and West Sides, the Plaza District, and Park Avenue.<sup>8</sup> Bryant Park, Grand Central, and Midtown East and West benefited from sustained daytime commuter activity, with Chelsea and Tribeca absorbing larger fitness and arts/entertainment tenants.<sup>8</sup>

## Headwinds emerging

The second quarter brought the first measurable impact from federal tariff policy. REBNY brokers noted a modest but observable uptick in retailers slowing leasing decisions in April and May, with declining tourism from Canada and Europe a specific concern for retailers in tourist-dependent corridors.<sup>8</sup> CBRE separately flagged rising build-out costs and economic uncertainty as headwinds for the back half of 2025, even as Q2 leasing momentum remained strong on the data.<sup>4</sup>

The picture across data providers continued to diverge by methodology. CBRE's broader 16-corridor index showed Manhattan retail asking rents up 2% quarter-over-quarter but still down 6% year-over-year, with availability tightening to 181 ground-floor spaces.<sup>15</sup> JLL's narrower nine-corridor methodology — tracking only the most institutional retail blocks — showed rents at a post-pandemic peak.<sup>4</sup> The structural read across both: prime is full, secondary is selectively filling.

## Where availability concentrated

CORRIDOR	AVAILABILITY PRESSURE	Q1 READ
<b>SoHo (Broadway)</b>	Very tight	+24.1% H1 rent growth, approaching peak
<b>Upper Fifth Ave (49th–59th)</b>	Very tight	+17.0% H1 rent growth
<b>Columbus Circle</b>	Tight	+14.9% H1 rent growth
Madison Avenue	Very tight	Luxury absorption continued
Chelsea / Tribeca	Tightening	Large-format fitness, arts & entertainment
West Village	Tight	F&B-driven, slightly below 2019 peaks
Times Square	Loose	Tourism-dependent, sporadic leasing
Financial District / Herald Square	Loose	Higher vacancies, sporadic activity

Sources: REBNY H1 2025 Manhattan Retail Report; CBRE Manhattan Retail Q2 2025; JLL retail tracking Q2 2025.

Across the wider corridor universe, average rents remained materially below historical peaks — 41% below 2014 by JLL's methodology, ~32% below 10-year peaks per REBNY.<sup>4,8</sup> The combination of record-low availability in the prime tier and substantial headroom in the broader market frames the back half of 2025: tightness drives rent firmness, but build-out cost pressures and tariff-driven tenant caution will likely temper the pace.

*"Manhattan's retail corridors remain highly desirable, but landlords and tenants alike are bracing for a more cautious back half of 2025."*

— CBRE COMMENTARY, Q2 2025<sup>4</sup>

06 — HOSPITALITY MARKET

# Rate-led growth continues; luxury leads.

Manhattan's hotel market sustained its rate-led recovery into the second quarter, with RevPAR rising *7.2% year-over-year* in Q2 alone — closely tracking Q1's 7.3% growth.<sup>5</sup> ADR growth accelerated to 6.1% in Q2 (from 5.4% in Q1), pushing first-half ADR to \$310.51 against a first-half occupancy of 82.3%.<sup>5</sup>

<p>Q2 REVPAR GROWTH</p> <p><b>+7.2%</b></p> <p>▲ Y/Y — consistent with Q1</p>	<p>Q2 ADR GROWTH</p> <p><b>+6.1%</b></p> <p>▲ Accelerating from Q1</p>	<p>H1 ADR (MANHATTAN)</p> <p><b>\$310.51</b></p> <p>▲ Above pre-pandemic norms</p>	<p>H1 LUXURY REVPAR GROWTH</p> <p><b>+10.1%</b></p> <p>▲ ~2x mid-tier rate</p>
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## The luxury bifurcation widens

The first half's defining segment dynamic was the gap between luxury and broader hotel tiers. Luxury Manhattan properties posted RevPAR growth of approximately 10.1% in the first half — nearly double the rate of upper-upscale through upper-midscale properties.<sup>5</sup> Among Manhattan's five primary neighborhoods, Midtown East posted the largest first-half RevPAR increase at 10.6% — a sharp reversal from H1 2024, when the submarket recorded the weakest growth in the borough.<sup>5</sup>

Chain-affiliated properties outperformed independents materially. First-half RevPAR for chain-affiliated hotels grew 8.1% versus 4.8% for independent hotels — the widest spread since the post-pandemic recovery began, and a structural signal that brand systems are capturing a disproportionate share of the recovering business and group traveler segments.<sup>5</sup>

## Restaurant operators: an indicative comp

Manhattan's recovery has not been uniform across operator tiers. In Chelsea, the operators behind Supper Club (the French-American concept that replaced Up & Down nightclub at 244 W 14th Street) negotiated a rent reduction from \$64 to \$54 per square foot.<sup>16</sup> While institutional luxury hotels capture pricing power, ground-floor F&B operators retain meaningful negotiating leverage.

### WHAT IT MEANT FOR OWNERS

For Manhattan hotel owners, Q2 validated the rate-led recovery at the segment level — luxury is pricing at or above pre-pandemic peaks. For investors, the binding question shifted toward whether ADR has more room to run; the answer depends on international visitation, which softened through Q2.

07 — INVESTMENT SALES

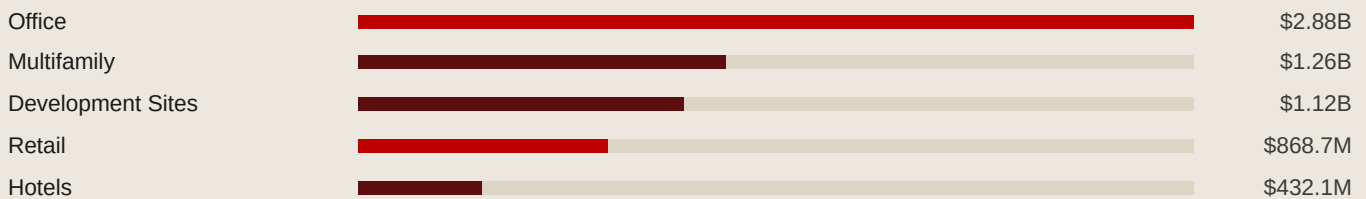
# The strongest first half since 2018.

Manhattan investment sales reached *\$6.81 billion across 200 transactions* in the first half of 2025 — a 4% year-over-year increase that marked the strongest first-half performance since 2018.<sup>6</sup> The composition was telling: office dollar volume more than doubled year-over-year, while retail rose on owner-user trades and multifamily softened in pricing even as transaction count expanded.<sup>6</sup>

<p>H1 TOTAL DOLLAR VOLUME</p> <p><b>\$6.81 B</b></p> <p>▲ +4% Y/Y, best H1 since 2018</p>	<p>H1 TRANSACTION COUNT</p> <p><b>200</b></p> <p>▲ Across all asset classes</p>	<p>OFFICE SALES VOLUME</p> <p><b>\$2.88 B</b></p> <p>▲ +117% Y/Y across 35 trades</p>	<p>RETAIL AVG. PSF (H1)</p> <p><b>\$1,870</b></p> <p>▲ vs. \$1,780 in 2024</p>
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## Volume by sector

### H1 2025 DOLLAR VOLUME BY ASSET CLASS — MANHATTAN



Source: Ariel Property Advisors, Manhattan 2025 Mid-Year CRE Trends Report.

Office drove the half. Dollar volume reached \$2.88 billion across 35 transactions — up 117% and 35% year-over-year respectively — anchored by Blackstone's \$644 million stake in 1345 Avenue of the Americas (which valued the tower at ~\$1.4 billion).<sup>6</sup> Average pricing ran \$774 per square foot across the half, with submarket and asset-type dispersion: transitional assets traded below \$300/SF while boutique properties in SoHo, Chelsea, and the Village exceeded \$1,000/SF.<sup>6</sup>

Retail dollar volume of \$868.7 million was anchored by two owner-user trades. Polo Ralph Lauren's \$132 million acquisition of 109 Prince Street set the year-to-date pricing record at \$13,321 per square foot; UNIQLO's \$355 million acquisition of its 666 Fifth Avenue commercial condo (closed in Q1) remained the half's largest transaction by dollar amount.<sup>6</sup> Retail transaction count rose 42% year-over-year to 27 trades.<sup>6</sup>

Multifamily transacted at \$1.26 billion across 97 trades — a 19% dollar-volume decline year-over-year, with cap rates moving to 6.62% from 6.23% in 2024 as sellers adjusted to debt costs. A&E Real Estate Holdings' \$116.5 million acquisition of 501 E 87th Street (\$576/SF) was the standout multifamily trade.<sup>6</sup>

## Notable H1 2025 transactions

PROPERTY	ASSET CLASS	BUYER	PRICE	NOTE
<b>1345 Avenue of the Americas (stake)</b>	Office	Blackstone	\$644M	Largest office trade of H1
<b>109 Prince Street</b>	Retail	Polo Ralph Lauren	\$132M	\$13,321/SF — YTD pricing record
501 E 87th Street	Multifamily	A&E Real Estate Holdings	\$116.5M	\$576/SF, \$647K/unit
99-103 Washington Street	Hotel	Private investor	\$154.5M	\$1,025/SF — largest hotel trade H1

Source: Ariel Property Advisors, Manhattan 2025 Mid-Year CRE Trends Report.

## Cap rate dispersion

ASSET CLASS	Q1 2025 AVG.	Q4 2024 AVG.	DIRECTION
Multifamily (H1 2025)	6.62%	6.23%	Expansion — sellers re-priced
Office — institutional/trophy	5.5–6.0%	~6.0%	Compression on flight-to-quality
Office — value-add / B&C	7.5–9.0%	~7.5%	Stable to wider
Retail (corridor avg.)	5.5–6.5%	~6.5%	Slight compression on prime

Source: Ariel Property Advisors, Manhattan 2025 Mid-Year CRE Trends Report; sector commentary.

## What the quarter signaled

The first half's \$6.81 billion total was the strongest H1 reading since 2018 — a meaningful directional signal after a four-year period in which trading had been blocked by the bid–ask spread between sellers anchored on 2021 valuations and buyers underwriting at 2024 cost of debt.<sup>6</sup> The reconciliation happened at the asset-class level: office sellers adjusted hardest, multifamily sellers adjusted on cap rates, retail moved on owner-user economics.

Two themes defined the half and shape the outlook for the back half of 2025: institutional capital returning to large-format office trades, and owner-users acquiring marquee retail at price points the leasing market could not deliver. Both behaviors are rational at current pricing and debt costs; whether they sustain depends on the rate trajectory through year-end and on the resolution of tariff-driven consumer uncertainty.

08 — OUTLOOK

# What the first half implied for the second.

The first half of 2025 confirmed what the first quarter had projected: office demand has settled at an elevated baseline; retail availability is at structural lows; hospitality is locked in rate-led growth; and investment sales are tracking toward the strongest year since 2018. The risks shifted with the close of Q2 — from cost-of-capital concerns to consumer-side tariff impact and softening international visitation.

## SECTORAL OUTLOOK ENTERING Q2 2025

- **Office** — Demand should stabilize near current pace. Q3 leasing is on track to mirror Q2 (~9.4 MSF), with the structural Class A/B+ vs B/C divergence widening. Conversions will continue to remove obsolete inventory at an accelerating rate.
- **Conversions** — Construction starts should outpace approvals in the second half. With 5 Times Square slated for Q3 groundbreaking and active pipelines at 80 Pine, 750 Third Avenue, and several Midtown East assets, full-year 2025 conversion starts are tracking materially above the 2.7 MSF recorded for full-year 2024.
- **Retail** — Tightness in prime tier persists; back-half growth slows. CBRE's caution on build-out costs and tariff-driven tenant deliberation will likely materialize in extended deal timelines through H2, even as availability remains at multi-year lows.
- **Hospitality** — ADR growth should persist; occupancy is the variable to watch. International visitation softness — particularly from Canada and Europe — could pressure summer/fall occupancy, even as luxury and chain-affiliated segments continue to gain rate.
- **Investment Sales** — H2 should accelerate. Institutional capital returned in H1 — Blackstone, Norges Bank, sovereign wealth — and the pipeline of large-format trades is materially larger than at H1 close.

## What to watch

Three indicators warrant priority attention. *First*, the Fed's September meeting and whether tariff pass-through is contained enough to support a 2025 rate cut. *Second*, conversion construction starts versus approvals: the 467-m math works on paper, but execution depends on labor and bridge financing. *Third*, international visitation, which softened from Canada and Europe in Q2.

The H2 base case is for continued recovery — office leasing at the new elevated baseline, retail availability structurally tight, hospitality holding rate-led growth, and investment sales accelerating as institutional capital re-engages. The risk case centers on tariff impact compounding, but H1 data did not yet show that consequence at scale.

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 CBRE Manhattan Office Figures, Colliers Manhattan Office Reports, and CRE Daily summaries of JLL data. Retail data draws on REBNY’s H1 2025 Manhattan Retail Report, CBRE Manhattan Retail Q2 figures, and JLL retail tracking summarized in CRE Daily. Hospitality data is from PwC’s Manhattan Lodging Index H1 2025 and CoStar/hotel-industry coverage. Investment sales figures are from Ariel Property Advisors’ Manhattan 2025 Mid-Year Trends Report.

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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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