

Manhattan 2025 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors, GREA Partner

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Updated on July 23, 2025, with the \$154.5 million sale of 99-103 Washington Street

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2025 Mid-Year Overview

Manhattan’s real estate market demonstrated resilience and modest growth in the first half of 2025, with \$6.81b in dollar volume (4% increase Y-O-Y) and 200 transactions (14% increase Y-O-Y).

Multifamily fundamentals remained solid: rents held high, vacancies stayed near historic lows, and private equity and family offices targeted both core and value-add plays.

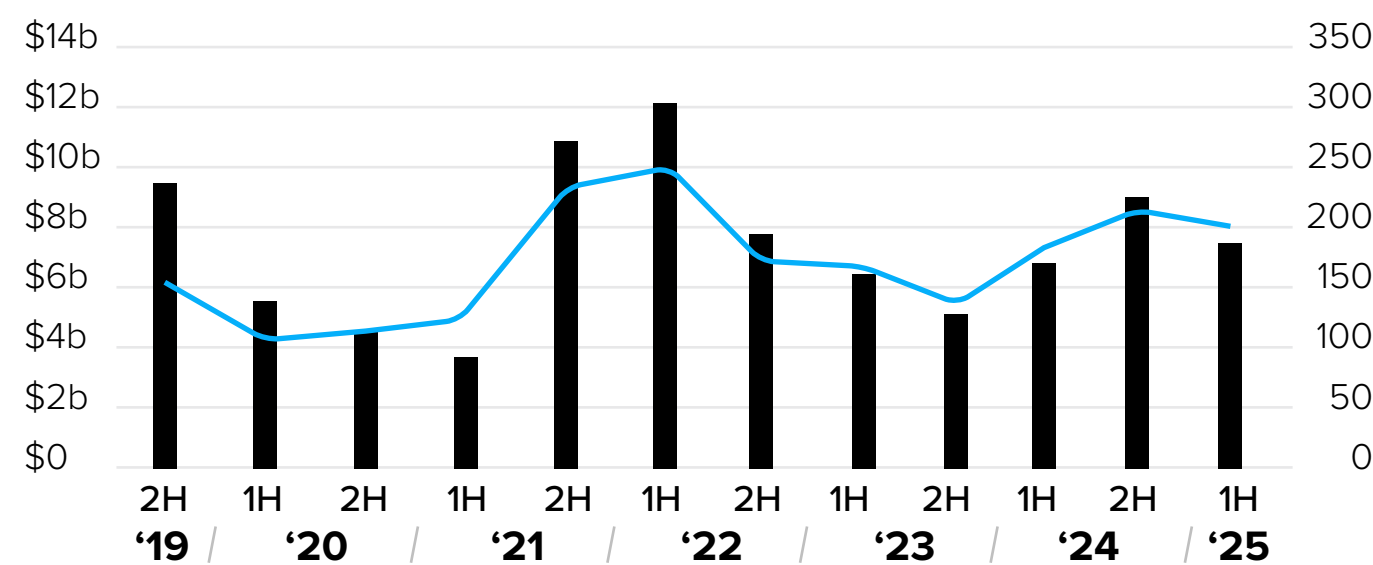
Luxury condo deals and large construction loans signaled long-term confidence in development, though lending was more selective, dependent on asset type.

Office leasing rebounded as law, tech, and finance firms drove demand for trophy assets in Class A properties, while conversions began to help absorb surplus inventory from older vintage buildings.

Retail gained momentum with global brands investing in flagship stores, reflecting cautious optimism about the strength of foot traffic and consumer spending.

Policy moves designed to increase quality housing, like the “City of Yes” and Midtown South rezoning, laid the groundwork for future growth. Overall, investors demonstrated prudent optimism for sustained recovery.

Real Estate Timeline ■ Dollar Vol | Transaction Vol



Volume
1H'25 VS 1H'24

4% ↑
\$6.81B
Dollar Volume

14% ↑
200
Transaction Volume

12% ↑
258
Building Volume

Dollar Volume Comparison

Product Type	1H 2025	1H 2025 VS 2H 2024	2H 2024	1H 2025 VS 1H 2024	1H 2024
Multifamily	\$1,261.92M	-34%	\$1,920.56M	-19%	\$1,562.68M
MF-MU 10+ resi units	\$917.70M	-43%	\$1,613.26M	-28%	\$1,278.38M
MF-MU 6-9 resi units	\$113.89M	48%	\$76.77M	-4%	\$118.47M
MF-MU Small	\$230.33M	0%	\$230.54M	39%	\$165.83M
Retail	\$868.72M	17%	\$741.77M	-41%	\$1,478.47M
Ind / WH / Sto*	\$0	N/A	\$0	N/A	\$4.52M
Development	\$1,122.39M	-30%	\$1,608.98M	-33%	\$1,671.74M
Office	\$2,877.68M	-22%	\$3,676.81M	117%	\$1,323.32M
Hotel	\$432.09M	-58%	\$1,021.15M	8%	\$401.34M
Special Purpose	\$251.79M	55%	\$162.95M	122%	\$113.17M
GRAND TOTAL	\$6,814.60M	-25%	\$9,132.23M	4%	\$6,555.24M

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

2025 Mid-Year Outlook

Manhattan’s real estate market continues to attract capital, although investors remain selective given macro risks. Persistent high interest rates are reshaping deal structures and investor return expectations, with cap rates diverging sharply by asset type. Prime luxury multifamily and Class A office assets are still commanding relatively low cap rates given the demand for cash-flowing assets. Rent-stabilized multifamily properties, however, are seeing an increase in distress.

New York’s market trajectory depends heavily on the direction of interest rates, how tariffs could affect input costs, and whether upcoming local elections derail recent pro-housing zoning reforms. Lenders continue to back well-located conversions and luxury developments, seen in major construction financings, but their underwriting remains conservative.

In sum, Manhattan remains globally attractive, with luxury multifamily and high-end office remaining in high demand, a robust pipeline of conversions, and policy shifts poised to expand residential capacity. Investors are proceeding with cautious optimism, focusing on location, asset quality, and the evolving regulatory landscape as keys to sustaining growth.

Transaction Volume Comparison

Product Type	1H 2025	1H 2025 VS 2H 2024	2H 2024	1H 2025 VS 1H 2024	1H 2024
Multifamily	97	-1%	98	5%	92
MF-MU 10+ resi units	51	-11%	57	4%	49
MF-MU 6-9 resi units	22	57%	14	10%	20
MF-MU Small	24	-11%	27	4%	23
Retail	27	-23%	35	42%	19
Ind / WH / Sto*	0	N/A	0	N/A	1
Development	29	-22%	37	4%	28
Office	35	9%	32	35%	26
Hotel	4	-56%	9	-20%	5
Special Purpose	8	33%	6	100%	4
GRAND TOTAL	200	-8%	217	14%	175

*Ind / Wh / Sto: Industrial / Warehouse / Self Storage

Multifamily Highlights

- Multifamily investment sales in Manhattan totaled \$1.26 billion across 97 transactions in the first half of 2025 which translates to a 19% drop in dollar volume and 5% increase in transaction volume Y-O-Y, pointing to a smaller average transaction size traded.
- A standout deal was A&E Real Estate Holdings' purchase of 501 E 87th Street for \$116.5 million from Solow Building Co. on the Upper East Side. The property, a large elevator apartment building, traded at \$576 per square foot and \$647,222 per unit. The transaction marks one of the largest multifamily trades in Manhattan year-to-date and reflects A&E's continued strategy of assembling long-term, income-producing residential holdings.
- Activity was also concentrated in the East Village, Chelsea, and Chinatown, where multiple mid-size walk-up and mixed-use buildings traded between \$5M and \$25M. They were also concentrated in free market assets, which accounted for 91% of multifamily dollar volume and 81% of transaction volume.
- The increase in sales volume corresponded with somewhat softer pricing. To date, the average cap rate increased to 6.62% in 1H25, which is 39 basis points higher than the 2024 average. The average price per square foot of free market multifamily came in at \$797/SF. Though this is up 4%Y-O-Y, it is still 27% lower than peak levels.
- Institutional buyers, family offices, and local operators alike were active, focusing on core assets with durable tenancy, future upside, and exposure to improving rental fundamentals.

For more insights about the multifamily asset class performance, read our latest [Multifamily Q2 In Review Report](#)

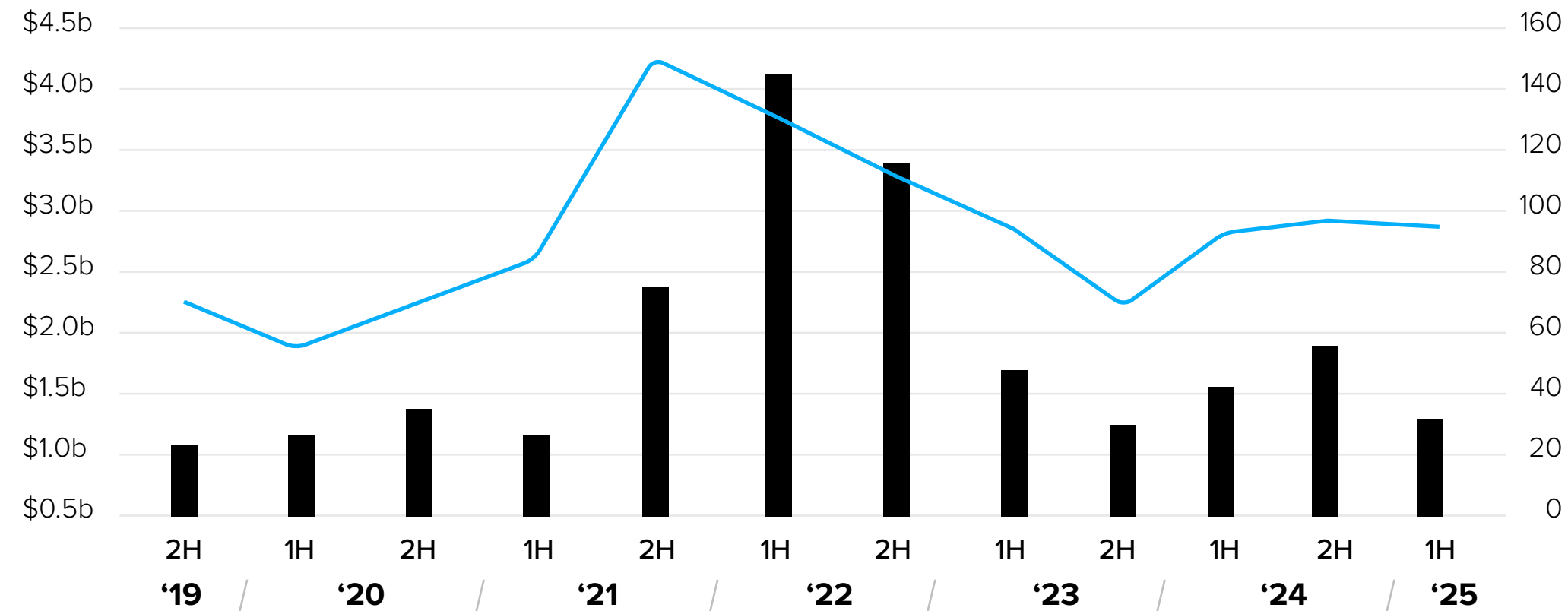
Volume
1H'25 VS 1H'24

-19%
↓
\$1.26B
Dollar
Volume

5%
↑
97
Transaction
Volume

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Multifamily*

Year	2019	2020	2021	2022	2023	2024	1H 2025
\$/SF	\$940	\$647	\$660	\$712	\$722	\$679	\$682
\$/Unit	\$758,217	\$490,607	\$452,380	\$525,856	\$510,046	\$441,514	\$441,957
Cap Rate	3.98%	4.58%	4.56%	4.36%	5.24%	6.23%	6.62%
GRM	16.01	14.25	13.53	13.83	12.31	9.67	9.52

*reflects multifamily transactions of 10+ residential units

1H'25 Featured Transaction



Upper East Side
501 East 87th Street

Sale Amount:
\$116,500,000
\$/SF:
\$576
Buyer:
A&E Real Estate Holdings
Seller:
Solow Building Co.

Sale Date: **3/12/2025**

Retail Highlights

- Retail accounted for 12.7% of Manhattan’s total investment sales volume in the first half of 2025, with 27 (42% increase Y-O-Y) transactions totaling \$868.7 million (41% drop Y-O-Y). While average deal size went down, average pricing surged from \$1,780 to \$1,870 \$/SF, driven by several large, high-profile trades concentrated in SoHo, Midtown, and the Upper East Side.
- The two largest retail trades in H1 2025 were both owner-user acquisitions. Polo Ralph Lauren’s \$132 million purchase of 109 Prince Street set a year-to-date record at \$13,321 per square foot, while UNIQLO acquired the commercial condo at 666 Fifth Avenue for \$355 million. Together, the deals represented 56% of total retail dollar volume.
- Sellers included institutional players such as Extell, Angelo Gordon, and JD Carlisle, who continued to shed stabilized, income-producing retail assets. Buyers ranged from owner-users to corporate owner-users to private investors and family offices, highlighting broad-based demand for well-located retail product across Manhattan’s core submarkets.

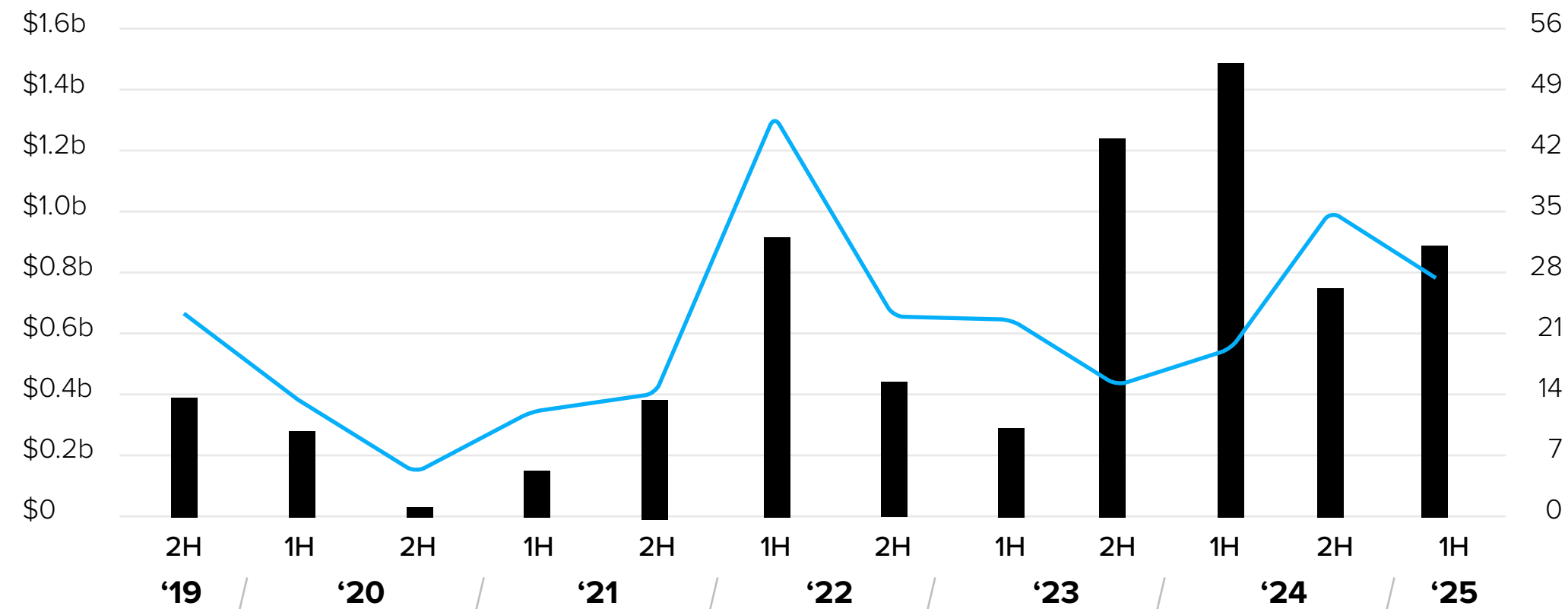
Volume
1H'25 VS 1H'24

-41% ↓
\$868.7M
Dollar Volume

42% ↑
27
Transaction Volume

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Retail*

Year	2019	2020	2021	2022	2023	2024	1H 2025
\$/SF	\$2,543	\$1,671	\$1,902	\$1,251	\$2,044	\$1,780	\$1,870

*reflects transactions of commercial buildings

1H'25 Featured Transaction



SoHo
109 Prince Street

Sale Amount:
\$132,000,000
\$/SF:
\$13,321

Buyer:
Polo Ralph Lauren
Seller:
Cibus

Sale Date: **4/16/2025**

Office Highlights

- Office was the top-performing asset class by dollar volume in Manhattan during the first half of 2025, totaling \$2.88 billion (up 117% year-over-year) across 35 transactions (up 35%). This accounted for 42% of all investment volume and 17.5% of total deal activity, as confidence returned for well-located, income-producing assets. Over 6.71 million square feet of office space traded hands, driven by trophy sales, recapitalizations, and targeted value-add plays.
- The largest transaction was Blackstone’s \$644 million acquisition of a stake in 1345 Avenue of the Americas, buying out a J.P. Morgan–affiliated investor while Fisher Brothers retained control. Other major closings included \$588 million for 1211 Sixth Avenue and \$161 million for 340 Madison Avenue, reflecting the pricing power of Midtown’s premier office product.
- Pricing ranged widely by submarket and asset type, from below \$300 per square foot for transitional assets to over \$1,000 per square foot for boutique properties in SoHo, Chelsea, and the Village. Smaller trades in these areas were often driven by owner-users, redevelopment strategies, or long-term lease plays. Properties undergoing conversion to residential, self-storage, or other uses, or slated for demolition, are excluded from these figures and are detailed in the development section. Roughly \$350 million in retail assets are reported or confirmed for office conversion or demolition, with several sites already filing plans. With the Midtown South rezoning expected to finalize in H2 2025, this figure is likely to grow.
- Despite elevated vacancy and structural uncertainty, the first half of 2025 marked a clear rebound in office investment. Institutional and private capital returned with a more selective, opportunity-driven approach.

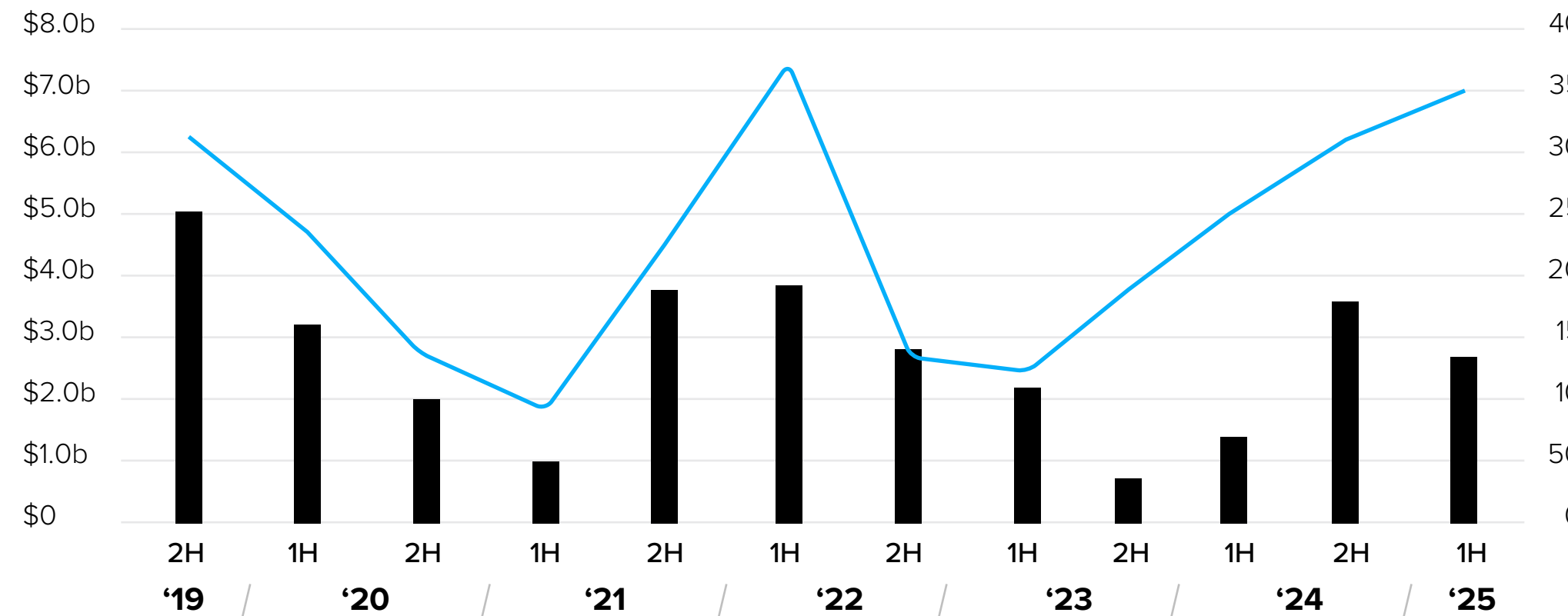
Volume
1H'25 VS 1H'24

117% ↑
\$2.88B
Dollar Volume

35% ↑
35
Transaction Volume

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Office pricing metrics

Year	2019	2020	2021	2022	2023	2024	1H 2025
\$/SF	\$1,045	\$1,106	\$1,036	\$1,088	\$848	\$708	\$774

1H'25 Featured Transaction



Midtown
522 5th Avenue

Sale Amount:
\$340,000,000
\$/SF:
\$858

Buyer:
Amazon

Seller:
RFR Realty

Sale Date: **5/1/2025**

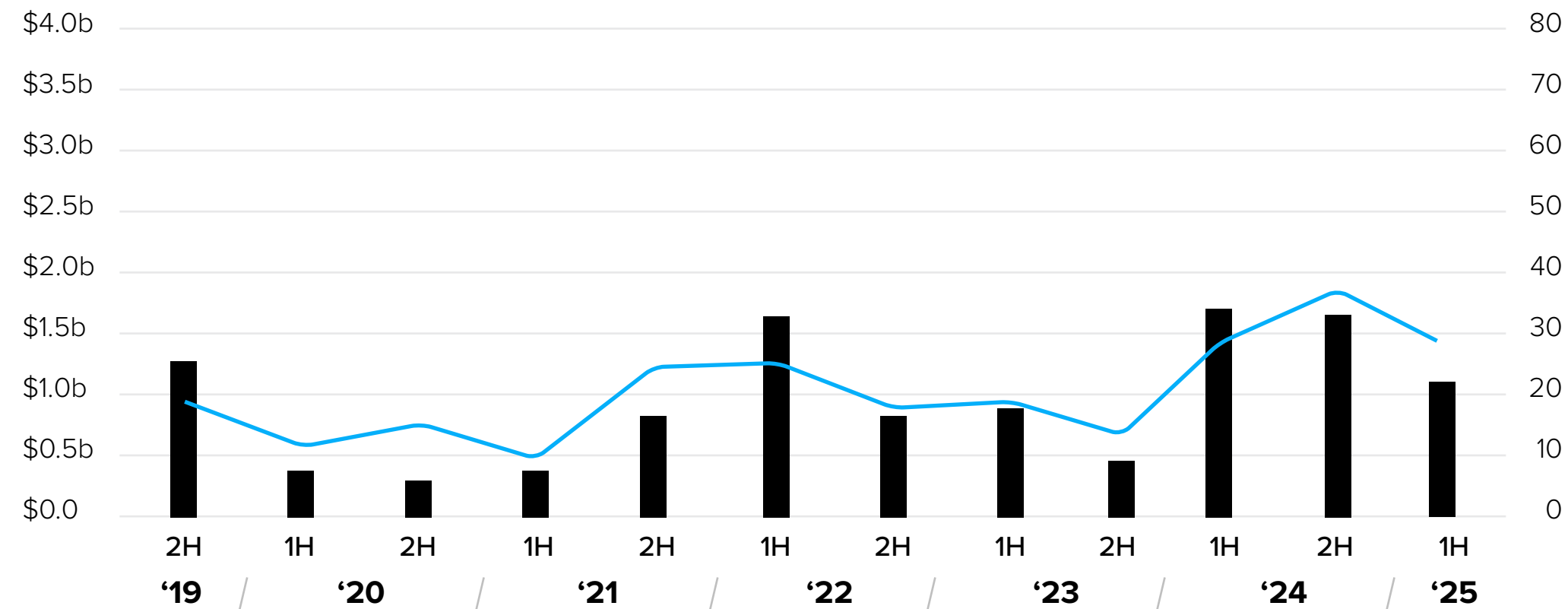
Development Highlights

- Development site sales saw meaningful volume and pricing growth during the 1H25. The sector saw \$1.12 billion in sales across 29 transactions in Manhattan, representing 16.5% of total dollar volume and 14.5% of all transaction activity. While development site dollar volume and sales volume were slightly down year-over-year, the average price per buildable foot rose to \$488, a 15% increase compared to 2024 figures. Notably, the transactions consisted of a relatively wide range of values, with the most premier condominium development locations seeing prices over \$800 per buildable square foot while others, more inclined towards rental development, sold in the \$300s per buildable square foot level or lower.
- The sale of 1341-1347 2nd Ave & 242 E 71st St represents a market that is much improved from post-COVID pricing, with room to grow. The 100,000 sq. ft. development site at the corner of East 71st Street and 2nd Avenue sold for \$520 per buildable square foot, which is roughly 20% above where comparable UES sites sold post-COVID but below the \$600/BSF+ level UES sites regularly traded for pre-COVID, which demonstrates recovery from post-COVID pricing.
- The office-to-residential conversion trend continues. There were approximately \$300 million of office-conversions in H1 2025, highlighted by \$152.5 million acquired by David Werner between 675 3rd Ave and 300 E 42nd St. These are reported to be converted to rental apartments with a 467-m tax exemption.
- Activity was concentrated in Midtown, the Upper East Side, Chelsea, and Gramercy, where buyers pursued parcels with favorable zoning, assemblage potential, and long-term redevelopment value. While challenges such as financing, construction costs, and regulatory uncertainty persist, the market in 1H 2025 showed clear signs of stabilization, supported by a tightening condo pipeline, healthy luxury absorption, and renewed land banking by experienced developers.



Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Development*

Year	2019	2020	2021	2022	2023	2024	1H 2025
\$/BSF (Standard)	\$606	\$606	\$476	\$437	\$398	\$423	\$488 **

*reflects transactions of vacant land or equivalent development sites

** Excluding the sales of 576 5th Ave (\$2,314 per BSF) and 38 Gramercy Park N (\$2,203 per BSF) that were both bought at a premium to finish development assemblages. With those sales the average is \$649 per BSF.

1H'25 Featured Transaction



Midtown

576 5th Avenue

Sale Amount:

\$175,000,000

\$/BSF:

\$2,314

Buyer:

Extell Development Company

Seller:

SJD, LLC

Sale Date: **3/20/2025**

Hotel Highlights

- Manhattan hotel investment sales reached \$432 million from 4 deals in early 2025, making up 6.3% of total volume. These limited trades underscored selective demand for well-located hotels with flexible uses and redevelopment potential.
- The largest sale was 99-103 Washington Street, a hotel property in the Financial District, which traded for \$154.5 million, or \$1,025/SF. Another major transaction was 105 West 29th Street in Chelsea, a hotel-retail-garage asset that sold for \$150.1 million, or \$450/SF, across 333,436 square feet. Also notable was the \$56 million sale of 54 Watts Street in SoHo (\$1,030/SF), showing strong pricing for boutique and lifestyle-oriented hotel properties.
- Three of the four trades occurred in Chelsea and SoHo, highlighting investor confidence in walkable neighborhoods with robust tourism, mixed-use flexibility, and future brand potential.
- With travel and tourism gradually rebounding, investors are strategically re-entering the sector, targeting assets that offer scale, optionality, and prime location fundamentals ahead of a broader recovery.

Volume
1H'25 VS 1H'24

8% ↑

\$432.1M

Dollar Volume

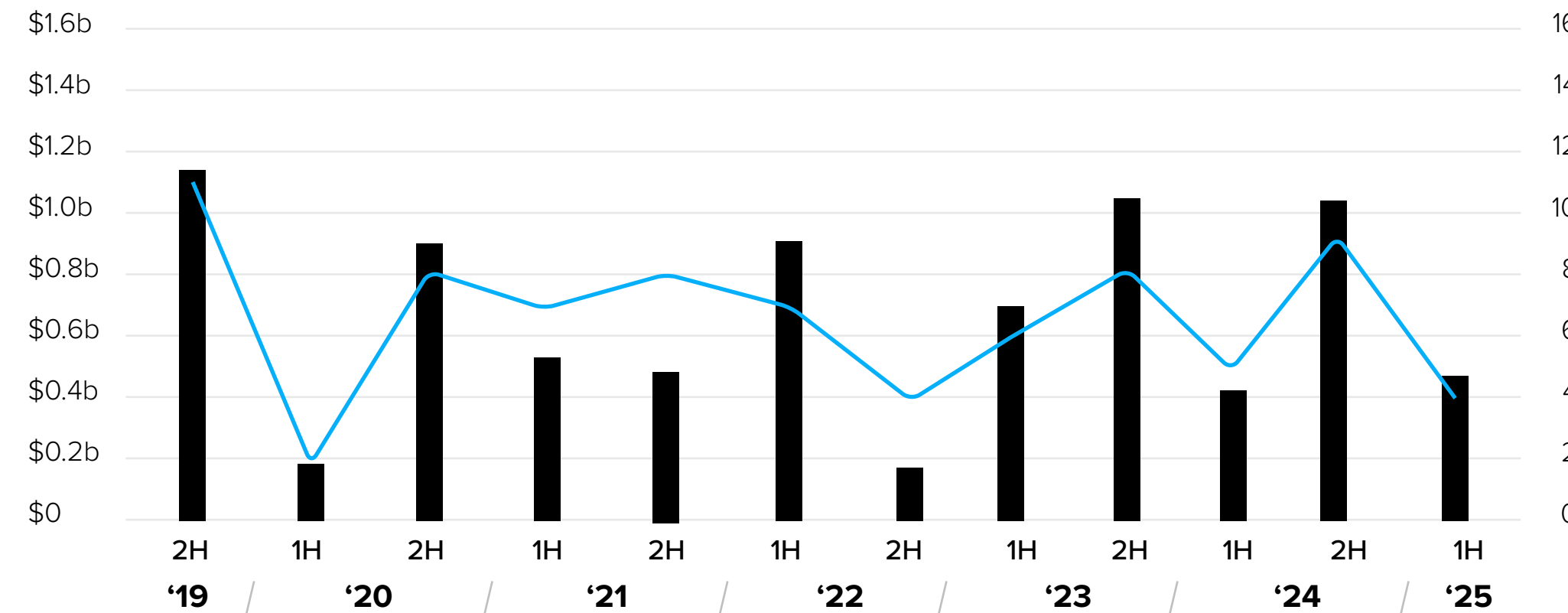
-20% ↓

4

Transaction Volume

Real Estate Timeline

■ Dollar Vol | ✓ Transaction Vol



Property Value Metrics - Hotel

Year	2019	2020	2021	2022	2023	2024	1H 2025
\$/SF	\$930	\$660	\$671	\$763	\$1,088	\$932	\$801

1H'25 Featured Transaction



Financial District
99-103 Washington Street

Sale Amount:
\$154,500,000
\$/SF:
\$1,025
Buyer:
Hawkins Way Capital
Seller:
Golden Seahorse LLC
Sale Date: **6/25/2025**

Financing Overview

Bank Lenders

- Recent lending activity reflects banks' increased interest in offering fixed-rate loans for free-market and new multifamily product.
- Banks are increasingly providing back-leverage to alternative lenders, which are structured as lines of credit or warehouse facilities rather than direct CRE investments, allowing banks to stay active in the market without triggering the same capital reserve requirements.
- Banks have maintained a strategic focus on depository relationships in the first half of 2025, though that emphasis is starting to ease.

Agency Lenders

- Agency lenders have remained active in 2025 with higher FHFA loan caps supporting continued financing for market-rate, workforce, and affordable housing across New York City.
- Agency programs specifically targeting affordable housing have maintained momentum in 2025 due to their ability to navigate various state and city housing agency programs, making them a competitive option for borrowers working on regulated or subsidized deals.
- Rate buy-downs have remained popular in 1H 2025, enabling borrowers to secure below-market financing rates, enhance loan proceeds and position properties for stronger resale value due to its assumability feature.

CMBS Lenders

- First half of 2025 CMBS issuance reached \$59.55 billion, up 35% from the same period in 2024 - the highest mid-year level since 2007.
- The 5-year term remains a dominant negotiated product in conduit CMBS, supported by the fact that SASB deals - which are predominately over a 5-year term - accounted for nearly 75% of private-label issuance in the first half of 2025.

- Despite initial widening in Q2 2025, CMBS spreads ultimately tightened by the end of the first half, demonstrating a rebound in the market's volatility. Throughout this period, premier multifamily and essential retail properties were consistently favored, securing the best pricing.

Alternative Lenders

- Alternative lending surged in the first half of 2025, fueled by an influx of capital and rising demand from sponsors needing short-term, flexible financing.
- The narrowing gap between bridge and permanent loan pricing that was prevalent in late 2024 has lingered into 2025, as heightened competition among alternative lenders continues to compress spreads.
- Bridge loans remain a key source of capital, especially in the small-to-mid-sized segment, (\$10MM - \$75MM) offering higher proceeds, faster execution, and flexible prepayment terms.

Construction Lenders

- Construction lending in the first half of 2025 was selective yet steady, with capital concentrated on well-planned multifamily and mixed-use projects. Q1 saw 6,871 multifamily units permitted - a 65% increase quarter-over-quarter and 58% above the long-term average since 2008 - while Q2 filings rose 28% year-

over-year, nearly doubling Q2 2024. This surge in permitting reflects strong housing demand and sets the stage for increased construction financing in the coming quarters.

- New tax incentives are also facilitating momentum. As of May, developers have filed permits for more than 2,600 new units under the 485-x program, while 467-m has opened the door for office-to-residential conversions. Together, these initiatives are slated to continue driving financing activity in 2H 2025 and beyond as more projects move from entitlement to execution.
- Banks are pricing construction loans in the SOFR + 250–300 range, prioritizing projects with fixed-price GMP contracts and fully funded interest reserves. Select non-bank lenders are stepping in where banks pull back - typically on projects with higher leverage requirements or complexity.

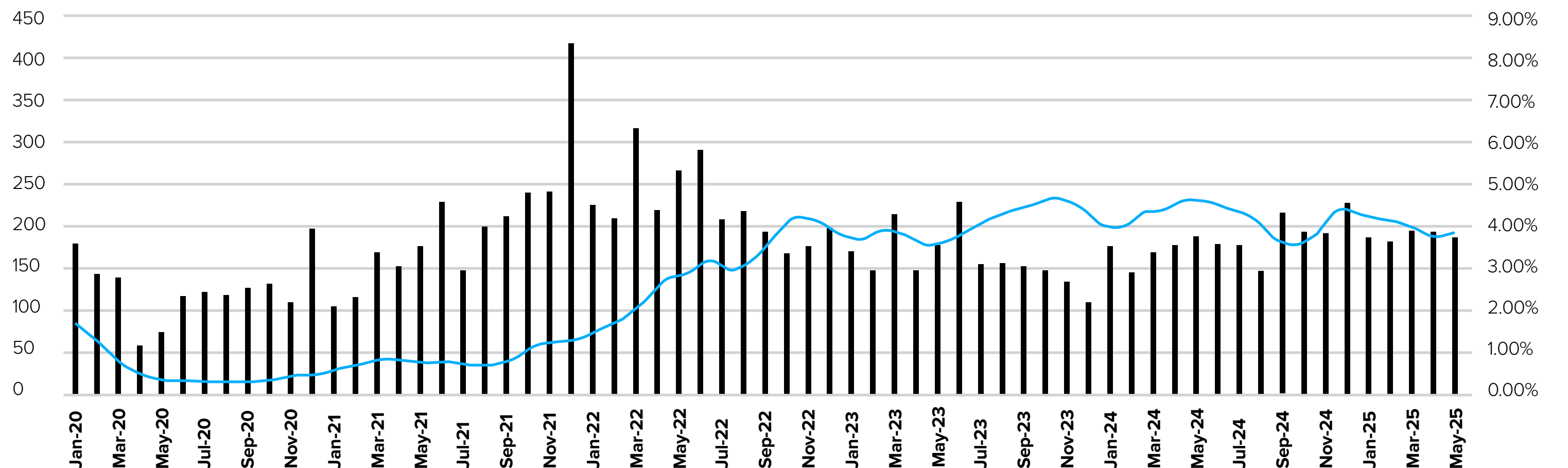
Pref Equity / Mezz

- Preferred equity and mezzanine providers remain active in NYC, though deployment has been more selective, with a focus on distressed or transitional situations backed by strong sponsors with institutional-quality balance sheets.
- Mezzanine and preferred equity continue to fill capital gaps and shortfalls as loans mature, offering flexible solutions amid tighter senior lending.

MORTGAGE CALCULATOR 

NYC Monthly Transaction Activity vs. 5-Year Treasury

■ Investment Sales Activity | ▲ 5-Year Treasury

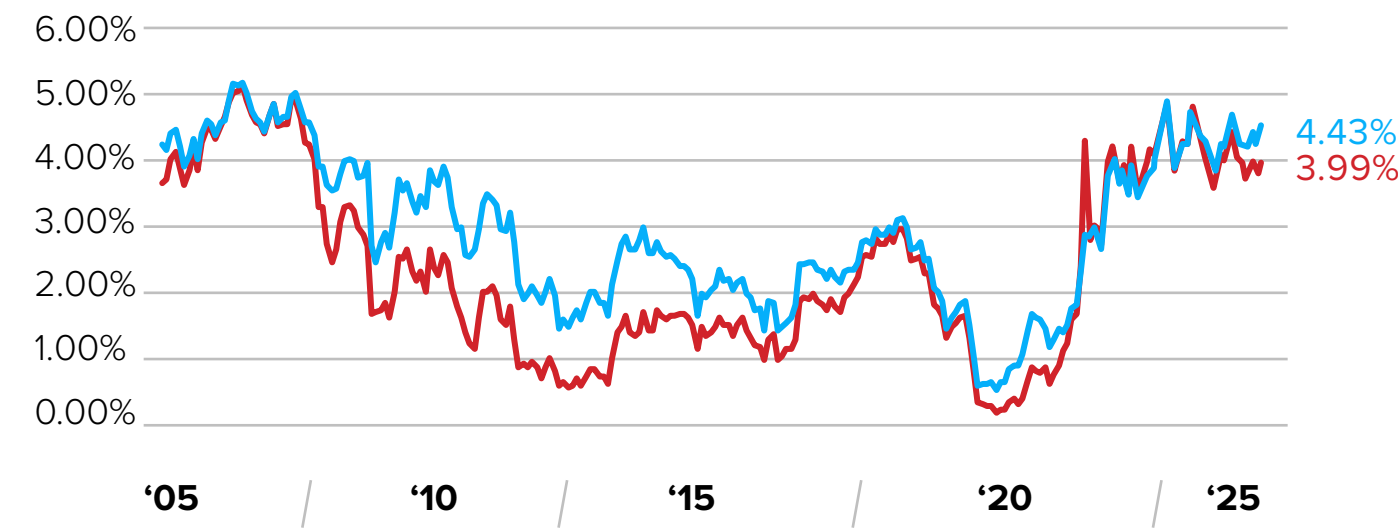


Macro Economic Charts

A number of macro-economic indicators affect the bottom line of commercial real estate investments in New York City and, in turn, the pricing and demand for these assets during any given period. Ariel Property Advisors' Research Division tracks national and local metrics to identify key market drivers influencing the real estate industry.

Financing:

10-Year: 4.43% | 5-Year: 3.99% | As of July 11th, 2025
 Treasury Yield Curve Rates 10-year | 5-year

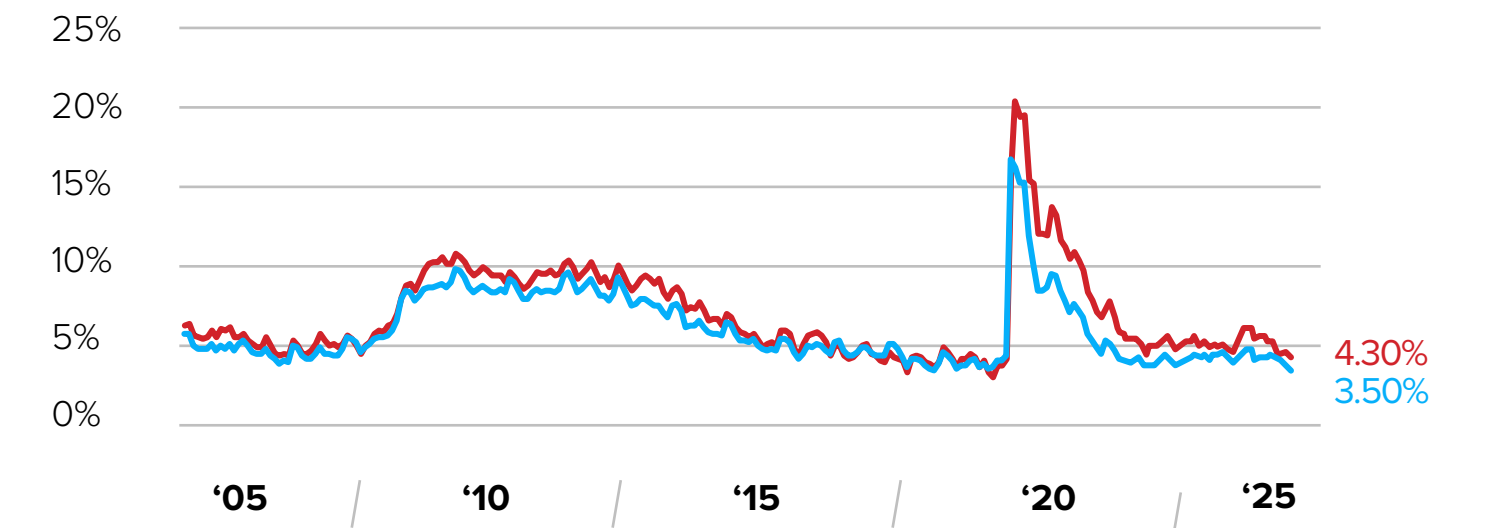


Source: U.S. Department Of The Treasury

Unemployment Timeline:

NYS: 3.50 | NYC: 4.30% | As of May 2025

Unemployment Rate History | NYS & NYC (Not Seasonally Adjusted)



Source: Department Of Labor

Consumer Price Index (CPI):

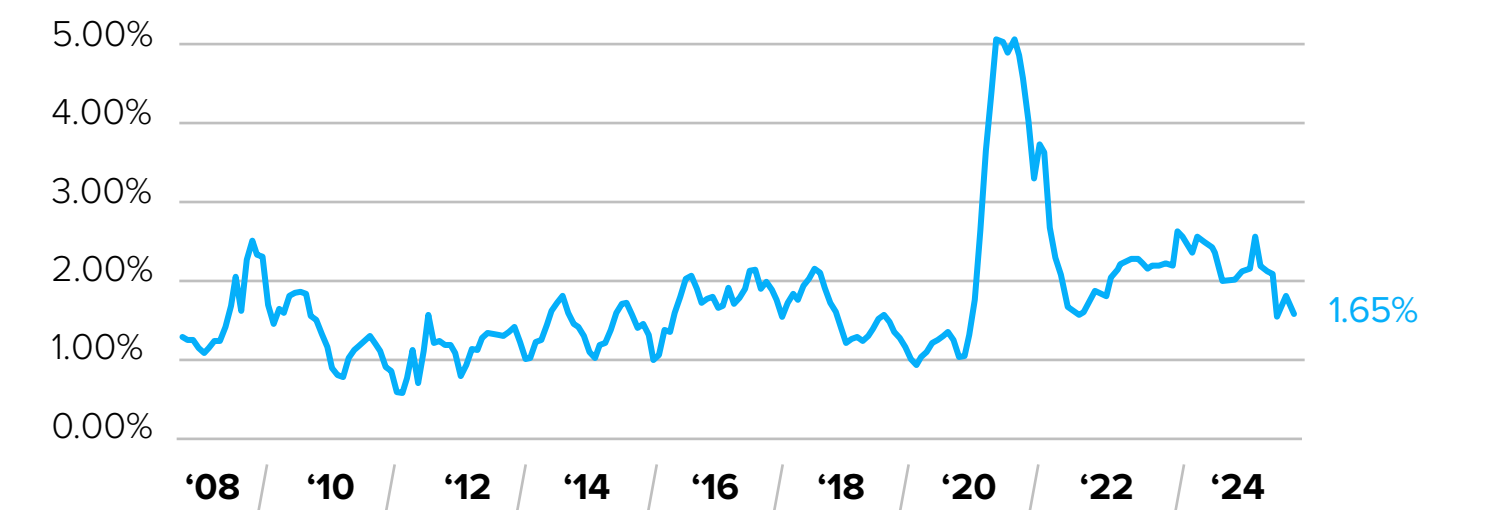
National CPI
 Growth - June 2025 Y-O-Y



Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential
 Rental Vacancy January 2008- May 2025



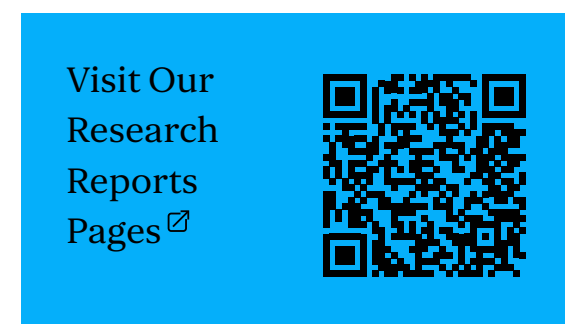
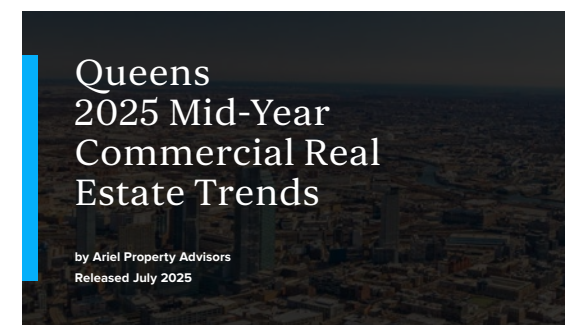
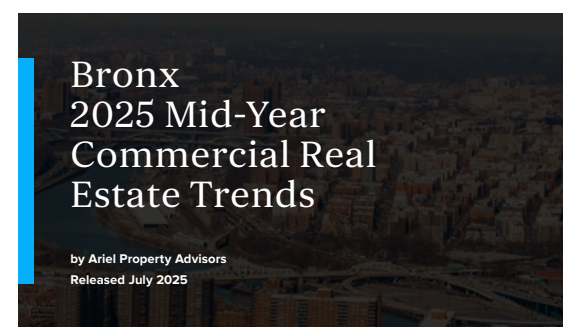
Source: Corcoran

First Half 2025 Feature Research Overview

Consolidated Mid-Year Research

When seeking information about New York City commercial real estate, our Research Group is your trusted resource. We are committed to ensuring our clients have the right set of facts when making important real estate decisions.

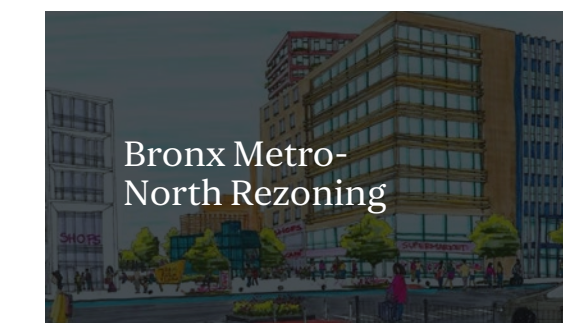
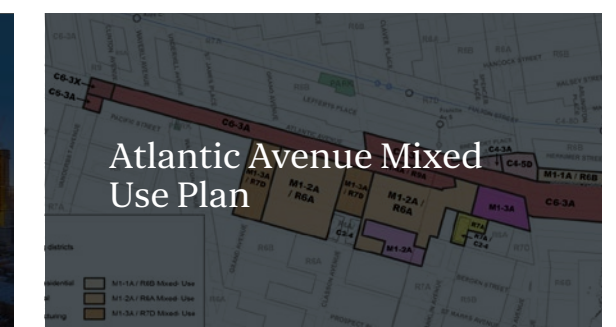
Below, you will find a consolidated list of all the research that Ariel Property Advisors recently released. Our goal is to provide you with the most comprehensive and up to date research covering NYC commercial real estate market:



Thought Leadership



Policy Changes Reports



About Ariel Property Advisors

Geographic Coverage System

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