Northern Manhattan 2025 Mid-Year Commercial Real Estate Trends

by Ariel Property Advisors, GREA Partner

Released July 2025

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2025 Mid-Year Overview

The first half of 2025 was tough for Northern Manhattan's investment sales market. Dollar volume dropped 57% to $224 million, the second-lowest in a decade after H2 2020. Transaction volume fell 27% year-over-year, with just 35 trades. Many multifamily sales were distressed foreclosures, with values falling 50% to 60% from previous prices due to over-leveraging and ongoing impacts of the Housing Stability and Tenant Protection Act of 2019 (HSTPA).

The development sector was the only asset class with year-over-year gains, rising 56% in dollar volume and 43% in transactions. Still, both remain 40% and 19% below the decade's half-year averages. Growth was driven by the housing crisis and government programs like City of Yes and 485-x tax incentives. Community revitalization efforts and infrastructure projects, including the East Side Coastal Resiliency and 2nd Ave Subway projects, are driving developer interest in specific locations. For example, East Harlem was the most active neighborhood, with 50% of transactions and 70% of dollar volume.

Volume 1H'25 VS 1H'24

-57% $223.9M Dollar Volume

-27% 35 Transaction Volume

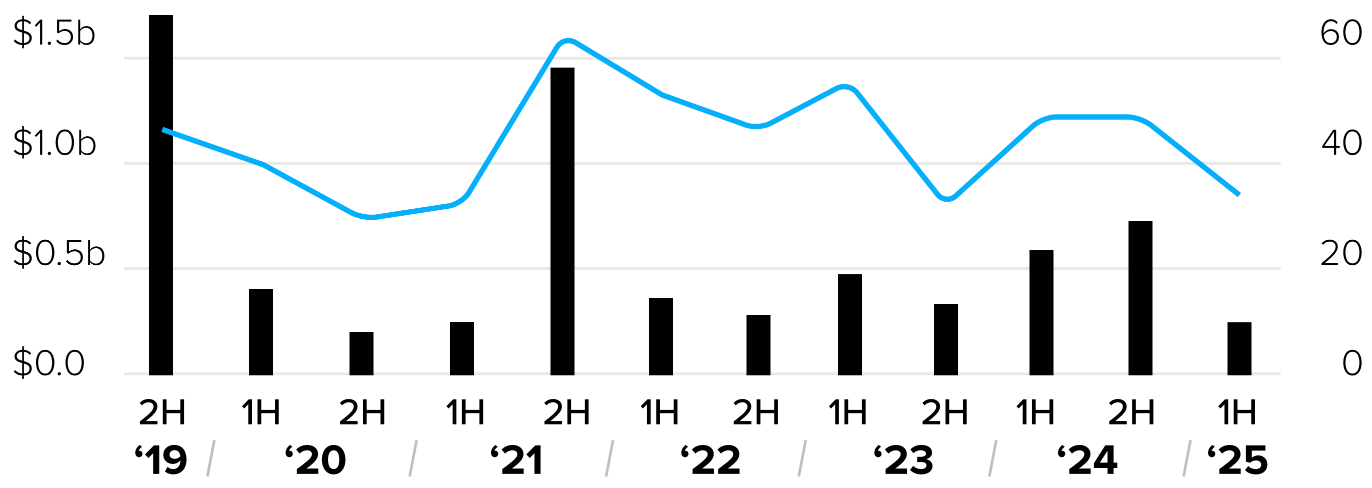
-22% 62 Building Volume

Dollar Volume Comparison

Product Type	1H 2025	1H 2025 VS 2H 2024	2H 2024	1H 2025 VS 1H 2024	1H 2024
Multifamily	$94.90M	-80%	$470.59M	-61%	$243.44M
MF-MU 10+ resi units	$82.26M	-82%	$461.92M	-61%	$209.09M
MF-MU 6-9 resi units	$10.90M	N/A	$0	-49%	$21.44M
MF-MU Small	$1.73M	-80%	$8.67M	-87%	$12.91M
Retail	$19.92M	37%	$14.55M	-22%	$25.69M
Ind / WH / Sto*	$0	N/A	$17.00M	N/A	$3.80M
Development	$61.59M	-60%	$153.49M	56%	$39.55M
Office	$0	N/A	$4.50M	N/A	$0
Hotel	$0	N/A	$0	N/A	$0
Special Purpose	$47.44M	-55%	$105.00M	-77%	$210.12M
GRAND TOTAL	**$223.85M**	**-71%**	**$765.13M**	**-57%**	**$522.61M**

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

Real Estate Timeline



2025 Mid-Year Outlook

The New York City commercial real estate market is entering the second half of 2025 with a complex mix of challenges and opportunities, driven by both global economic trends and crucial local policy shifts. While geopolitical tensions and elevated, albeit stabilizing, interest rates create a cautious environment, a significant surge in foreign investment and strategic development initiatives are bolstering confidence.

The “Big Beautiful Bill” brings significant capital investment incentives. Its permanent reinstatement of 100% bonus depreciation and the new allowance for “Qualified Production Property” will notably boost industrial development and redevelopment. This bill also permanently expands the LIHTC program, making affordable housing development significantly more feasible across the borough, particularly in areas with available land and a community need.

Despite political anxieties, strong market fundamentals persist. Multifamily demand remains robust across boroughs, driving growing rents and limited supply in the free market sector. Development is stimulated by “City of Yes” zoning reforms and the 485-x and 467-m tax abatements, encouraging new construction and office-to-residential conversions. The market is shifting from defensive to strategic capital deployment, focusing on location, asset quality, and adaptability.

Transaction Volume Comparison

Product Type	1H 2025	1H 2025 VS 2H 2024	2H 2024	1H 2025 VS 1H 2024	1H 2024
Multifamily	21	-30%	30	-40%	35
MF-MU 10+ resi units	16	-38%	26	-16%	19
MF-MU 6-9 resi units	4	N/A	0	-60%	10
MF-MU Small	1	-75%	4	-83%	6
Retail	2	-50%	4	-33%	3
Ind / WH / Sto*	0	N/A	1	N/A	1
Development	10	-9%	11	43%	7
Office	0	N/A	1	N/A	0
Hotel	0	N/A	0	N/A	0
Special Purpose	2	100%	1	0%	2
GRAND TOTAL	**35**	**-27%**	**48**	**-27%**	**48**

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

Multifamily Highlights

- The multifamily investment sector in Northern Manhattan experienced a record-low in dollar volume and a near record-low in transaction volume, a clear indicator of the market's distress post-HSTPA.
- For instance, a 36-unit building at 140 Wadsworth Avenue in Washington Heights was foreclosed upon and sold for $5.9 million, notably down from its $9 million acquisition in 2015. Additionally, Kahen Properties sold a portfolio of five rent-stabilized buildings in Washington Heights with 125 units to Elysee Investment Corp. for $8.8 million, incurring a nearly 64% loss from its 2018 purchase of $24.4 million. These examples highlight the severe impact of current market dynamics and regulatory frameworks on rent-stabilized multifamily valuations.
- While the sale of 2283 3rd Avenue to Slate Asset Management for $28.25 million ($555/SF) stood out, its premium valuation was largely attributed to a 421A tax abatement set to expire in 2034, positioning it as a distinct outlier. The broader market for multifamily assets saw most trades closer to an average of $200 per square foot. This trend, coupled with the persistent negative effects of the HSTPA and high capital market rates, suggests that forced sellers and foreclosures will remain prevalent as owners seek to avoid further capital infusions into struggling assets.

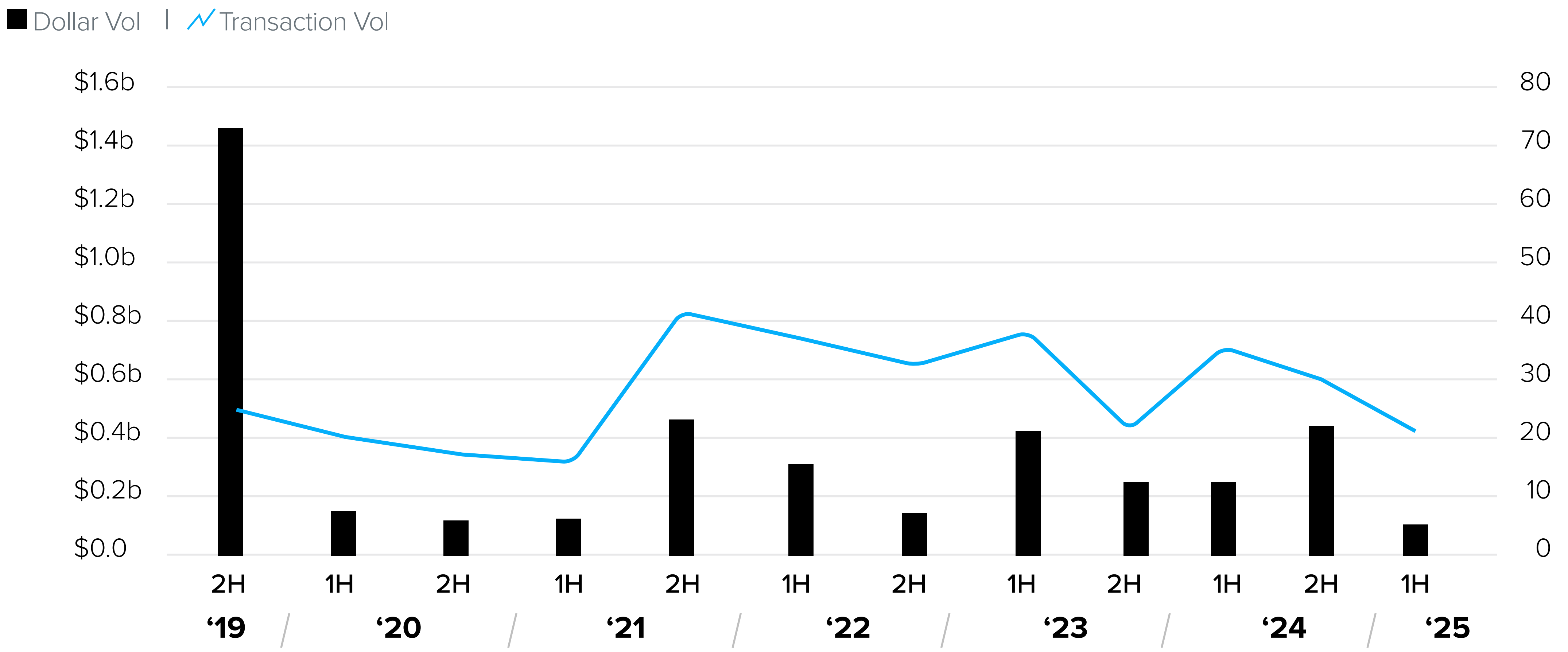
For more insights about the multifamily asset class performance, read our latest [Multifamily Q2 In Review Report]

Volume 1H'25 VS 1H'24

-61% $94.9M
Dollar Volume

-40% 21
Transaction Volume

Real Estate Timeline



Property Value Metrics - Multifamily*

Year	2019	2020	2021	2022	2023	2024	1H 2025
$/SF	$353	$321	$283	$312	$284	$236	$293
$/Unit	$307,738	$220,654	$214,364	$212,971	$207,287	$160,445	$241,724
Cap Rate	4.73%	5.25%	5.41%	5.33%	6.34%	7.46%	8.96%
GRM	13.72	10.08	10.06	10.45	9.11	7.58	6.41

*reflects multifamily transactions of 10+ residential units

1H'25 Featured Transaction

East Harlem

2283 3rd Avenue

Sale Amount:
$28,255,431
$/SF:
$555
Buyer:
Slate Asset Management
Seller:
Rockfeld Group LLC

Sale Date: **1/27/2025**

Development Highlights

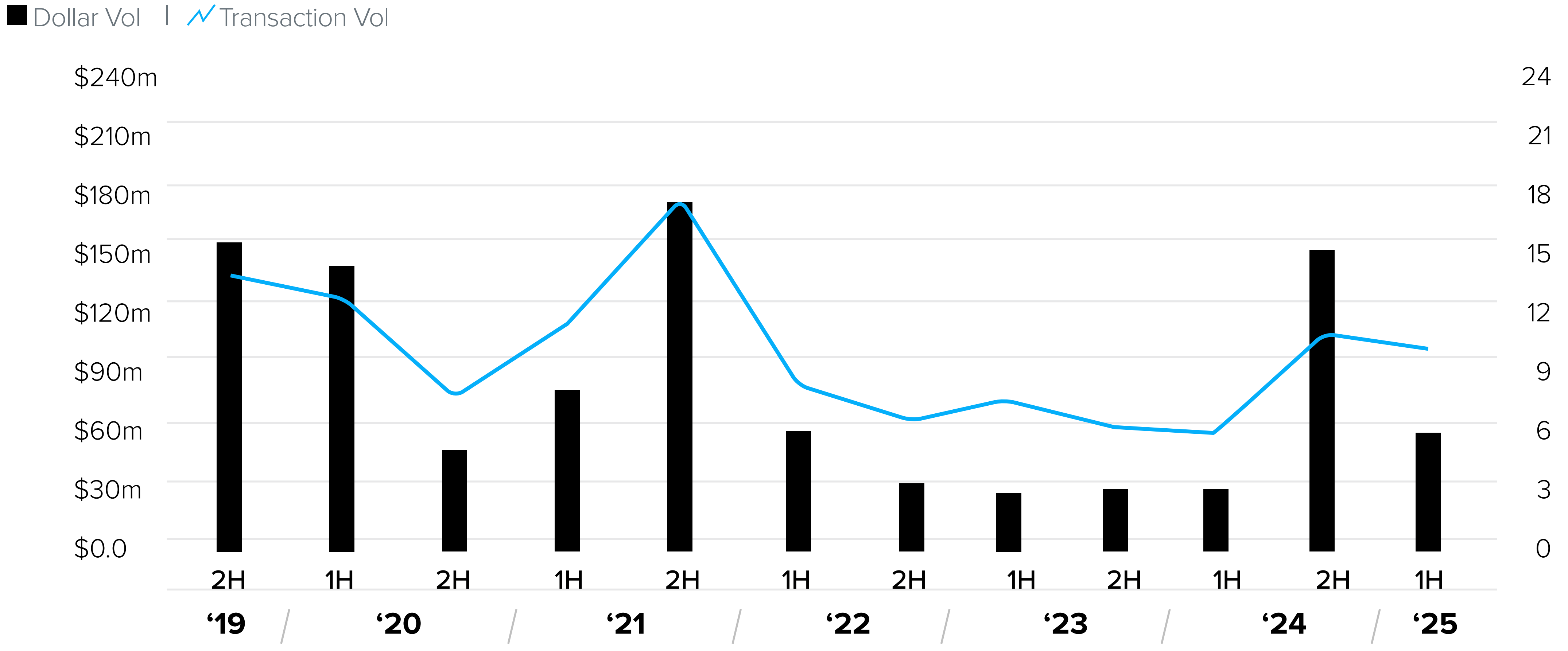
- While most asset classes saw declines, the development sector posted a 56% year-over-year increase in dollar volume, with transaction volume up 43% over the same period. Despite the gains, both figures remain 40% and 19% below the decade's half-year averages. This rebound follows a prolonged slowdown from H2 2022 through H1 2024 and is largely driven by renewed interest stemming from City of Yes policy changes and the 485x tax abatement.
- One standout deal was the sale of 157-181 East 108th Street, sold by Ariel Property Advisors, which fetched $17.25 million, or $193 per buildable square foot (BSF). Nightingale acquired this property at a premium, planning a 64,000-square-foot athletic facility. Beyond this exception, developers are strategically focusing on projects that can leverage the 485x tax abatement to navigate today's complex economic landscape.
- Northern Manhattan is experiencing a boom in affordable and mixed-income housing developments. Projects underway or nearing completion include:
  - 1760 Third Avenue, East Harlem: A $264 million conversion of a former CUNY dorm into 433 affordable and supportive housing units.
  - 401 West 207th Street, Inwood: A 273-unit mixed-use building by The Jay Group, with at least 25% affordable housing.
  - 16-20 Convent Avenue, West Harlem: Haussmann Development's planned 10-story, 75-apartment mixed-income building, offering one-fifth affordable units.
  - Rangel Houses, Washington Heights: Rehabilitation of 984 public housing units by Genesis Companies and CLOTH to preserve affordability.
- Additionally, the 968-unit One45 project on West 145th Street at Lenox Avenue was recently approved, while the MTA is planning a large residential building (up to 684 units) in East Harlem over a future subway extension.

Volume 1H'25 VS 1H'24

56% ↑ **$61.6M** Dollar Volume

43% ↑ **10** Transaction Volume

Real Estate Timeline



Property Value Metrics - Development*

Year	2019	2020	2021	2022	2023	2024	1H 2025
$/BSF (Standard)	$221	$173	$210	$202	$173	$165	$151
$/BSF (MIH / UAP)	$204	$110	$107	$152	N/A	N/A	$128

*reflects transactions of vacant land or equivalent development sites
As part of the City of Yes initiative, the Universal Affordability Preference (UAP) was introduced, allowing increased buildable square footage in exchange for units reserved for households earning at or below 60% of AMI. For transactions with contract dates in 2025, pricing is presented in two categories: Standard and UAP.

For sales located in Mandatory Inclusionary Housing (MIH) zones with at least 15,000 buildable square feet, we are including them in the $/BSF (MIH / UAP) category, regardless of whether the sale occurred before or after 2025

1H'25 Featured Transaction

East Harlem

157-181 East 108th Street

Sale Amount:
$17,250,000

$/BSF:
$193

Buyer:
The Nightingale-Bamford School

Seller:
Ross & Ross LLC

Sale Date: **1/9/2025**

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-midsized segment,($10MM - $75MM) offering higher proceeds, faster execution, and flexible prepayment terms.

Construction Lenders

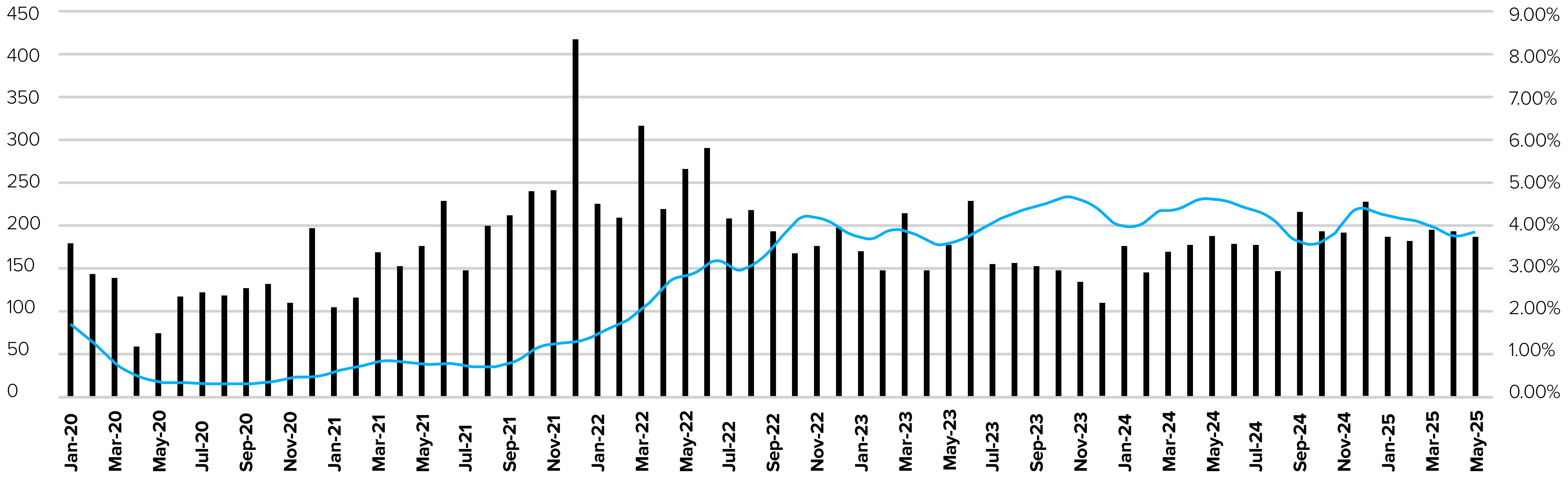
- Construction lending in the first half of 2025 was selective yet steady, with capital concentrated on well-planned multifamily and mixed-use projects. Q1 saw 6,871 multifamily units permitted - a 65% increase quarter-over-quarter and 58% above the long-term average since 2008 - while Q2 filings rose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



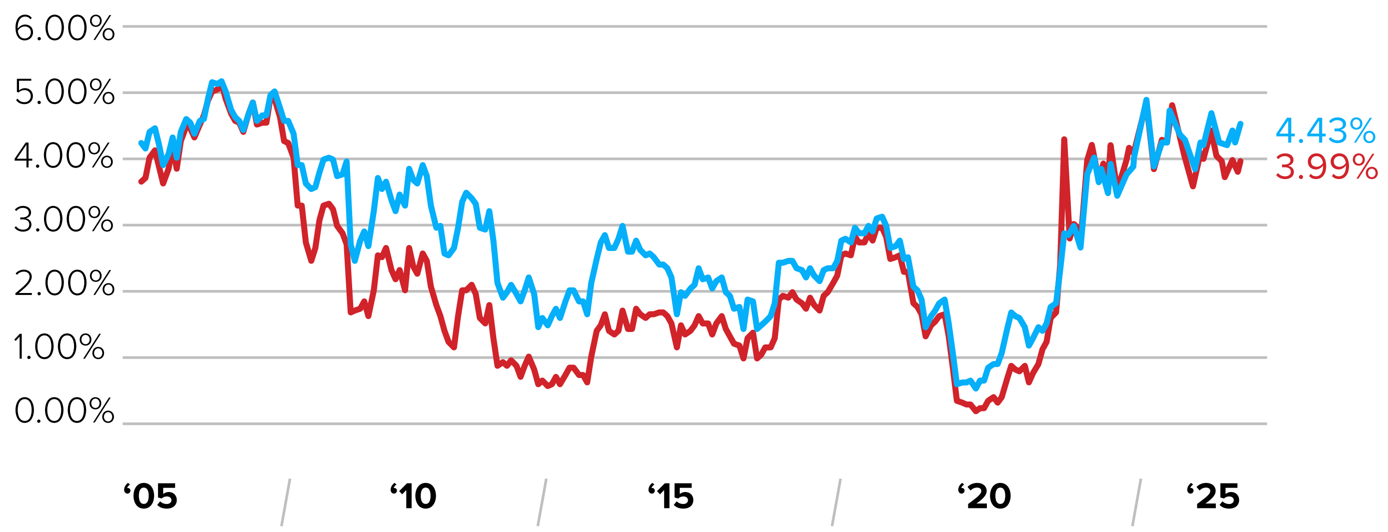
Macro Economic Charts

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% I 5-Year: 3.99% I As of July 11th, 2025

Treasury Yield Curve Rates 10-year I 5-year

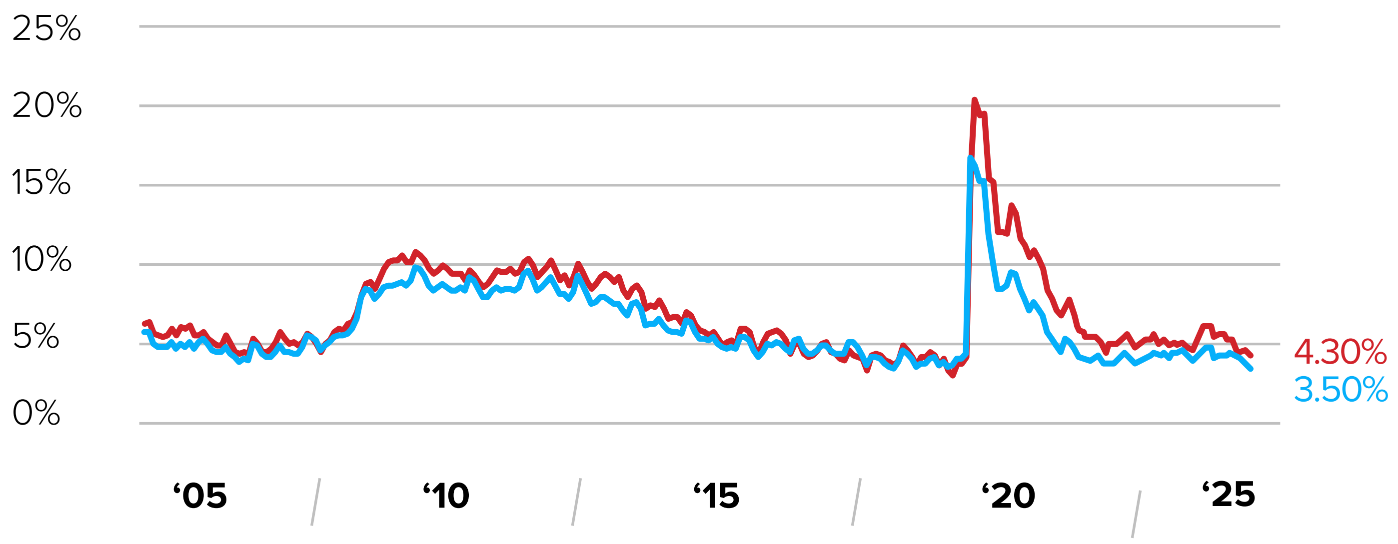


Source: U.S. Department Of The Treasury

Unemployment Timeline:

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

Unemployment Rate History I **NYS** & **NYC** (Not Seasonally Adjusted)

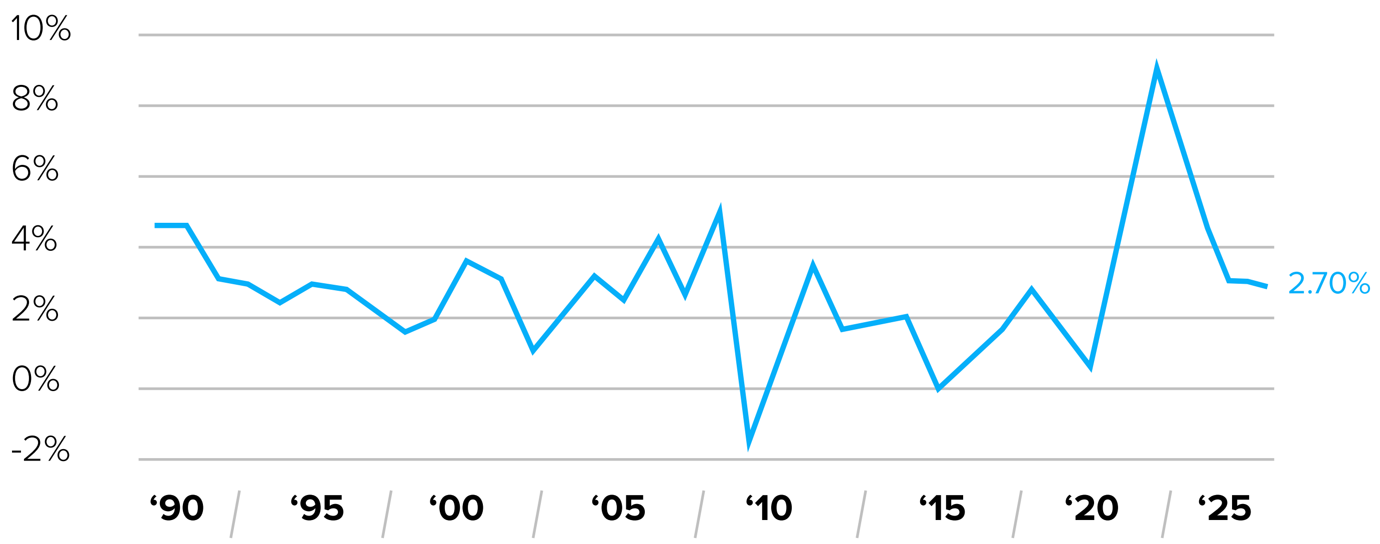


Source: Department Of Labor

Consumer Price Index (CPI):

National CPI

Growth - June 2025 Y-O-Y

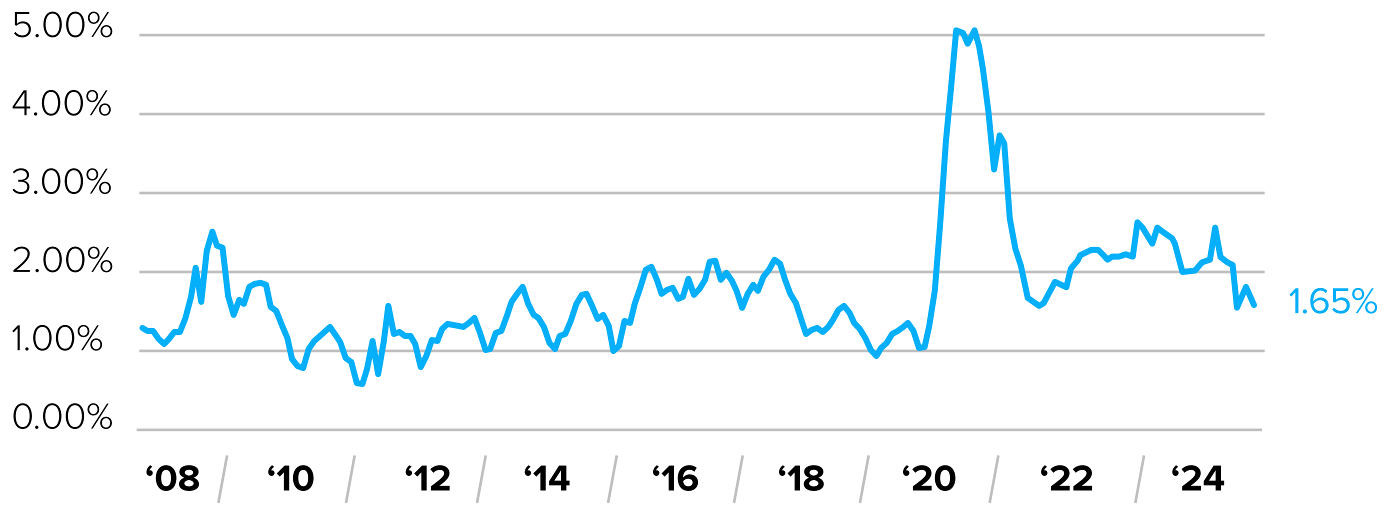


Source: U.S. Bureau Of Labor Statistics

Rental Market / Vacancy:

Manhattan Residential

Rental Vacancy January 2008- May 2025



Source: Corcoran

First Half 2025
Feature Research Overview

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:

Consolidated Mid-Year Research

- Bronx 2025 Mid-Year Commercial Real Estate Trends (by Ariel Property Advisors, Released July 2025)
- Brooklyn 2025 Mid-Year Commercial Real Estate Trends (by Ariel Property Advisors, Released July 2025)
- Northern Manhattan 2025 Mid-Year Commercial Real Estate Trends (by Ariel Property Advisors, Released July 2025)
- Queens 2025 Mid-Year Commercial Real Estate Trends (by Ariel Property Advisors, Released July 2025)
- Q2 2025 Multifamily Quarter In Review New York City (by Ariel Property Advisors, Released July 2025)
- Manhattan 2025 Mid-Year Commercial Real Estate Trends (by Ariel Property Advisors, Released July 2025)
- Capital Markets Monthly
- Visit Our Research Reports Pages

Thought Leadership

- NYC Development Rebounds; Is It Enough To Solve The Housing Crisis
- Inside The Surge: Why Free Market Multifamily Is Winning In New York City
- Six Years After HSTPA, New York City Owners Face Escalating Costs, Falling Values
- Free Market Trades Boost New York City Apartment Sales To $8.9 Billion In 2024
- 3 Assets Behind Rise In 2024 New York City Commercial Real Estate Sales
- Read More On Forbes.com

Policy Changes Reports

- City of Yes Research Report Series
- Atlantic Avenue Mixed Use Plan
- Midtown South Rezoning
- Big Beautiful Bill
- Bronx Metro-North Rezoning
- Visit Our Research Reports Pages

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Ariel's unique company structure, with separate groups for Investment Sales, Capital Services and Research, ensures outstanding service for our clients. Whether it's implementing a strategic marketing process, compiling a comprehensive Asset Evaluation, securing financing or providing timely market information, every assignment is served by a team of specialized professionals.

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