OFFICE OF THE NEW YORK STATE COMPTROLLER

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Office Real Estate in New York City: A Review of Market Valuation Shifts

Highlights

- If growth in office taxable values had not been interrupted by the pandemic and instead continued at the average annual rate seen from fiscal years 2015 to 2020 (6.3 percent), the total taxable value would have reached $90.6 billion by FY 2025.
- By that measure, OSC estimates that without the pandemic downturn, the property tax levy would have been $6.2 billion higher from FY 2022 to FY 2025 combined.
- Led by new development in and around Hudson Yards, ZIP code 10001 saw office market values rise by nearly $6 billion from FY 2020 to FY 2025, equal to 69 percent of overall office market value growth during that period.
- Twenty ZIP codes make up 80 percent of all office market values in the City. Of these, growth in downtown Brooklyn and Long Island City exceeded all but two ZIP codes in Manhattan since FY 2020.
- Union Square, Chelsea, and West Village ZIP codes' office market values each grew by double digits since FY 2020, aided by business growth in the information sector.
- Office market values in ZIP codes in Midtown East (10017 and 10022) and Downtown (10003 and 10007) remain below FY 2020 levels.
- Office buildings with a valuation of less than $50 million outperformed office buildings overall, which saw a growth of 4.4 percent over the period.

Office buildings are an outsized contributor to New York City's economy and finances. The COVID-19 pandemic and ensuing shift to hybrid office work arrangements have raised questions about the health of office commercial real estate and its potential impact on the economy and the finances of governments reliant on its tax revenue.

Despite the COVID-19 pandemic, in fiscal year (FY) 2025, office properties are expected to contribute 20.6 percent of the total property tax levy. While partly due to unique features of New York City's property tax assessment process, market values in FY 2025 exceed FY 2020 levels.[1] A number of reasons have been suggested for this resilience in valuation, including the long average duration of leases, growth in office-sector businesses, reformatting of buildings for potential changes in use and additional value brought on by the construction of new buildings. Offsetting these reasons are continued pressure on the sector from elevated vacancy rates and softer asking rents when compared to pre-pandemic levels.

A review of data suggests these complex factors are playing out slowly, with outcomes varying greatly based on building quality, age (including renovations) and business location dynamics since the beginning of the pandemic. While some office buildings are struggling to attract tenants and may see steep discounts or undertake renovation or conversion, others are thriving. Market values of the City's newer, most valuable buildings, which are often amenity-rich, have led growth. When brought together, different trajectories among office building types suggest a resilient commercial real estate sector overall thus far, which will continue to be led by the City's economic growth and business demand.

Offices Make Up Largest Share of Commercial Real Estate in NYC

Commercial real estate in New York City accounts for 21.9 percent of all property market values as of fiscal year (FY) 2025.[2] Because the City's tax structure relies on higher relative levies on Class IV (commercial properties), they account for 44.1 percent of all billable assessed values on which the property tax levy is based. Office buildings comprise the largest share of Class IV billable values at 45.5 percent of the total in FY 2025, followed by retail properties (18.2 percent) and hotels (9.7 percent including condo hotels). This report focuses on the office sector because it provides a significant portion of the City's property tax revenues. All market and taxable billable value data in this report comes from the City's Department of Finance (DOF) unless otherwise noted.

New York City is home to the largest office real estate market in the world by area (see the Office of the State Comptroller's (OSC) 2021 Office Sector Report for details).[3] Data from DOF shows that the total office space floor area in Manhattan's three major business districts (Midtown, Midtown South, and Downtown) is over 433 million square feet as of FY 2025, with another 39.9 million square feet in Brooklyn.[4] The City's office market is 86 percent larger than Chicago's, the next largest market.[5]

After a downturn during the Great Recession, total office space in the City grew by 8.9 percent between fiscal years 2010 and 2021 to reach a total of 479.5 million square feet according to DOF (see Figure 1).[6] While there are office buildings throughout the five boroughs, Manhattan as a whole accounts for 83.5 percent of all office square footage in the City, and Brooklyn accounts for 7.5 percent. Manhattan accounted for 90.2 percent of all assessed market value in the City in FY 2025.

Between FY 2015 (after condo office buildings were separately identified in the property tax assessment rolls) and FY 2020 (when the COVID-19 pandemic surfaced but still had not affected the local real estate market), office market values grew by over 31 percent to reach $196.2 billion. Growth in taxable billable values (the portion of the assessed value on which the property tax bill is based) was greater during this period, up 35.2 percent to $66.9 billion in FY 2020. While office and total market values continued to grow in FY 2021, this paper generally uses FY 2020 as the baseline to compare to other metrics of economic growth.

While the City has not yet experienced as significant a correction as some have suggested may be possible, the City did reassess office properties downward significantly after the first year of the pandemic, from which office properties have slowly recovered. The City first reflected the decline in assessment roll values beginning in FY 2022 to reflect changes in office buildings' income-generating power. Total office market values declined by 16.6 percent between

FIGURE 1
Summary Statistics for All Office Properties in NYC

Fiscal Year	Number of Tax Lots	Total Area (in millions of square feet)	Total Assessed Market Value (in billions)	Total Taxable Billable Value (in billions)	Annual Growth in Taxable Billable Values
2020	13,730	480.9	$196.2	$66.9	-
2021	14,074	479.5	$202.3	$71.0	6.0%
2022	14,125	478.4	$168.8	$63.2	(10.9%)
2023	14,230	522.0	$185.4	$68.0	7.6%
2024	14,369	520.0	$198.7	$70.7	4.0%
2025	14,482	529.2	$204.8	$71.6	1.3%
2020 to 2025 Change	**752**	**48.3**	**$8.7**	**$4.7**	**--**
2020 to 2025 Growth	**5.5%**	**10.0%**	**4.4%**	**7.0%**	**--**

Note: Includes all office buildings (building code O1-O9) and condo office lots (building code RB).
Sources: NYC Department of Finance Property Tax Assessment Rolls; OSC analysis

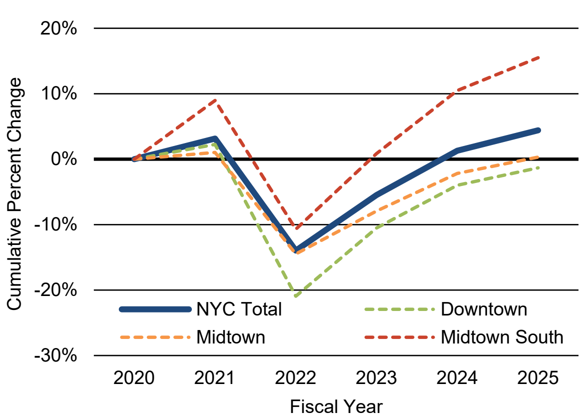
FY 2021 and FY 2022, a loss of approximately $33.6 billion in value.

Market values returned to growth the following fiscal year, increasing by 9.9 percent in FY 2023 and have continued to grow since then, though the rate of increase has been slow, with FY 2025 seeing a 3.1 percent growth year over year. Total office market values grew by about $8.7 billion between FY 2020 and FY 2025. Midtown South saw the largest growth over the period of 15.5 percent, while Downtown saw a decline of 1.3 percent (see Figure 2).

While market values are related to tax bills, the relationship is not exactly one-to-one, as a phase-in process is used to keep office property owners from seeing major changes, up or down, from one year to the next. In addition, some properties may be partially or fully exempt from paying property taxes. Taxable billable values saw a decline in FY 2022 of 10.9 percent, a less dramatic decline than market values. Taxable billable values have also rebounded and as of FY 2025, they were up 7 percent compared to the FY 2020 level.

For comparison, if growth in billable taxable values for office properties had continued at the average annual growth rate of 6.3 percent seen between fiscal years 2015 and 2020, the total billable value would have reached $90.6 billion by FY 2025. By that measure, OSC estimates that without the pandemic downturn, the property tax levy would have been $6.2 billion higher from FY 2022 to FY 2025 combined.

FIGURE 2
Cumulative Annual Percent Change in Total Market Values by Office Submarket
From Fiscal Year 2020 to 2025



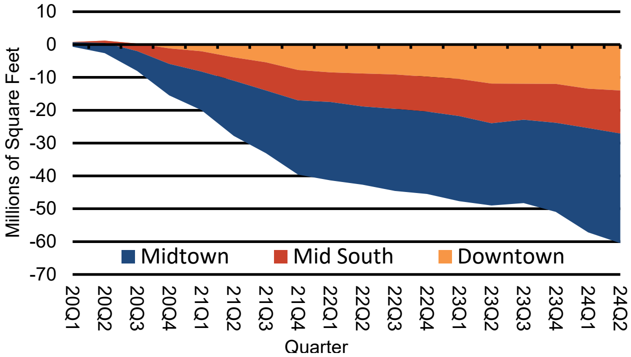
Note: "NYC Total" includes offices in the three submarkets, as well as buildings Uptown and the outer boroughs.
Sources: NYC Department of Finance; OSC analysis

The City's correction to office assessed values was due, in part, to dwindling office occupancy during the pandemic. When the COVID-19 pandemic began in March 2020, Kastle Systems, which monitors office occupancy at properties that use its access technology, found that office occupancy fell to less than 5 percent of the pre-pandemic level.[7] By mid-July 2024, the City's peak-day occupancy rate was 64.2 percent, above the average of the 10 largest office markets (61 percent).[8] Other measures, such as the one calculated by the Real Estate Board of New York, suggest the figure may have been as high as 74 percent at the end of the first quarter of 2024 (compared to 50 percent as recorded by Kastle). However, both indicators suggest the office occupancy rate remains well below pre-pandemic levels.[9]

With fewer employees in the office on a daily basis, many companies continue to reevaluate their needs for space, and some have opted for smaller footprints to cut costs or gain amenities instead. The office vacancy rate in New York City, which had already seen a slight upswing in 2019 (to 11.1 percent in the fourth quarter), began to climb dramatically in the second half of 2020. By the second quarter of 2024, the vacancy rate in Manhattan was 23.6 percent, the highest level since the dataset began in 1986.[10]

The net absorption rate (the total new property leased less newly constructed and vacated properties) in Manhattan's major office districts reflects this change. While the absorption rate would occasionally be negative before the pandemic as new buildings came online, most quarters saw positive absorption. However, net absorption went negative in the first quarter of

FIGURE 3
Cumulative Manhattan Submarket Net Absoprtion
2020 Q1 to 2024 Q2



Sources: Cushman & Wakefield; OSC analysis

2020 and stayed negative for 17 of the last 18 quarters (see Figure 3). Cushman & Wakefield reports that there were 76.6 million square feet of available office space in the second quarter of 2024 in Manhattan, with an additional 22.6 million square feet of space available for sublet.[11]

Despite these challenges, property values for offices have not yet seen the major correction in valuations that some researchers have suggested, of nearly 50 percent decline in long run values.[12] Some components of the office market have fared better than others in the wake of the pandemic. As vacancies grew, many commercial landlords reduced prices and offered incentives and concessions to current and prospective tenants. As a result, the market saw a "flight-to-quality" by which many companies were able to secure higher-quality space for more competitive prices, supporting occupancy in higher-end buildings.

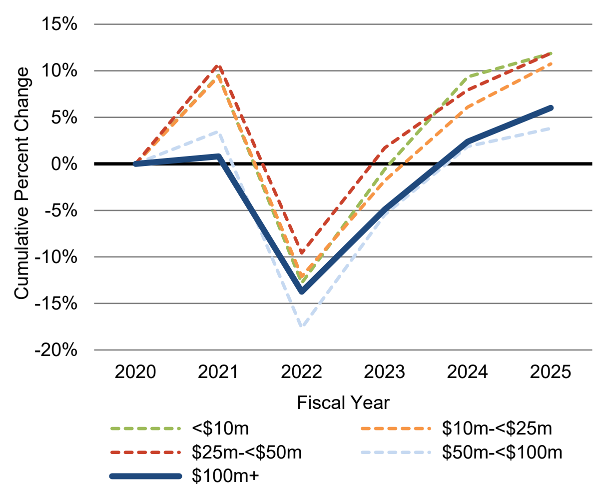
Pandemic Impact Varies by Selected Characteristics

The pandemic impact has not been uniform across the entire office market, and has varied by factors such as building value, quality and age (see Figure 4). Market values for buildings with a valuation of $25 million to $50 million saw the largest growth of almost 11.9 percent from fiscal years 2020 to 2025. This group was followed very closely by buildings with a valuation of less than $10 million. Generally, buildings with a valuation of less than $50 million outperformed office buildings overall, which saw a growth of 4.4 percent over the period.

Buildings with a valuation above $50 million saw more variation, with those valued at over $100 million seeing a larger increase of over 6 percent compared to only 3.8 percent for buildings valued between $50 million and $100 million. The highest valuation category also includes many of the most amenity-rich and centrally located properties, whereas buildings in the $50 to $100 million category tend to be older.[13]

The effect is amplified in some cases when comparing growth in taxable values by market valuation ranges. Market and taxable values do not always move in sync because of the impact of assessment change phase-ins and exemptions. Market value adjustments tend to adjust slowly.[14] Office buildings valued below $50 million saw the largest increase in taxable values of nearly 20 percent (almost double its market value increase), whereas those valued above $100 million saw the smallest increase of 6 percent (the same as its market value increase).

FIGURE 4
Cumulative Annual Percent Change in Total Market Values by Valuation Range
From Fiscal Year 2020 to 2025



Sources: NYC Department of Finance; OSC Analysis

The pandemic impact has also differed significantly for various office categories, which are subjective and based on characteristics such as age, condition, amenities and location, and are generally reflective of quality or desirability. Market values for Class A properties (i.e., high-quality buildings) saw growth of 8.6 percent between fiscal years 2020 and 2025. Due to the exclusion of some newly constructed buildings, including One Manhattan West, 30 and 50 Hudson Yards, trophy buildings (i.e., the most prestigious high-quality buildings) are the only category to see total market values decrease during this period (by 1.7 percent), despite showing the smallest decline at the onset of the pandemic. However, this category does not yet include a number of properties which have figured prominently in recent market value growth, including newly built Hudson Yards properties.

Substantial variation in market value growth is also associated with the age of buildings. Office properties built after 2010 rose by more than $8.4 billion from FY 2020 to FY 2025 (including newly built properties), driving the overall market increase. In contrast, offices built between 1950 and 2009 experienced a decline in market value since FY 2020.

The market differences are also reflected in office availability. Generally, older buildings show higher availability. Class B offices had availability of 15.6 percent and Class A of 12.6 percent in the first quarter of 2024. Trophy buildings had an availability rate of 9.4 percent, which falls to 5.8 percent when excluding several large new construction properties that have just entered the market and are still leasing up space.[15]

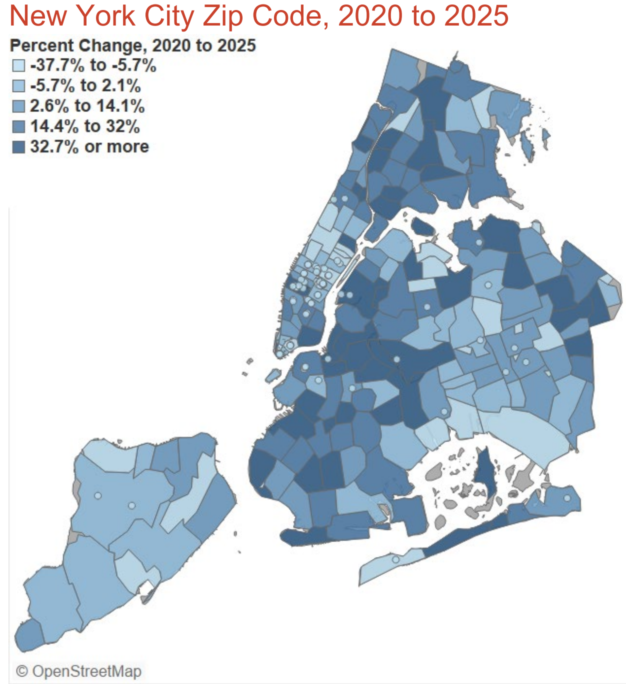
Analysis of Major Office Zip Codes

While office properties exist across the City, New York City's office market is geographically concentrated in the Manhattan Central Business District, below 59th Street (see Figure 5). While less than 10 percent of total market values, ZIP codes across the outer boroughs saw growth, particularly in the South and Central Bronx, Northern and Southwestern Brooklyn and along the 7 subway and LIRR train lines in Queens.

More than 80 percent of all office market values in New York City are located within 20 ZIP codes that each exceeded 1 percent of total office market values in FY 2025. This figure jumps to 89 percent when including standalone office buildings that have their own ZIP code but are situated within these larger 20 ZIP codes, such as Rockefeller Center, the Seagram's Building, One Penn Plaza, the Helmsley Building, Metlife Building, and others. Only two of the ZIP codes exceeding 1 percent of office building market values were located outside of the Central Business District.

A review of office market value changes from FY 2020 to FY 2025 suggests that the City's recovery is uneven. Overall growth was fueled by

FIGURE 5
Percent Change in Office Market Values by New York City Zip Code, 2020 to 2025



Sources: New York City Department of Finance, Property Tax Assessment Rolls; OSC analysis

FIGURE 6

Office Market Values, Top 20 Zip Codes by FY 2025 Market Values

Zip Code	Neighborhood	Market Value (FY 2020)	Share of Total (FY 2020)	Market Value (FY 2025)	Share of Total (FY 2020)	Market Value Change (FY 2020 – FY 2025)
10022	Midtown East & Turtle Bay	$23,873,468,771	12.2%	$21,021,912,845	10.3%	-11.9%
10017	Grand Central, Midtown East & Turtle Bay	$19,015,723,841	9.7%	$18,417,221,051	9.0%	-3.1%
10036	Midtown West, Hell's Kitchen and Times Sq.	$18,254,773,285	9.3%	$17,697,587,946	8.6%	-3.1%
10001	Chelsea, Hudson Yards & Koreatown	$10,762,860,098	5.5%	$16,731,242,737	8.2%	55.5%
10019	Hell's Kitchen & Columbus Circle	$16,131,882,895	8.2%	$15,469,152,724	7.6%	-4.1%
10018	Midtown West & Garment District	$8,983,160,298	4.6%	$9,963,257,243	4.9%	10.9%
10007	Tribeca & Civic Center	$7,131,199,067	3.6%	$6,908,244,528	3.4%	-3.1%
10013	Soho & Chinatown	$5,822,402,159	3.0%	$6,520,433,135	3.2%	12.0%
10016	Kips Bay & Murray Hill	$6,540,799,991	3.3%	$6,389,321,929	3.1%	-2.3%
10011	Chelsea & West Village	$5,398,990,138	2.8%	$6,160,339,804	3.0%	14.1%
10010	Flatiron, Gramercy and Kips Bay	$5,316,113,003	2.7%	$5,861,229,669	2.9%	10.3%
10020	Rockefeller Center & Diamond District	$4,731,482,200	2.4%	$4,740,913,200	2.3%	0.2%
11201	Dumbo, Downtown Brooklyn and Cobble Hill	$3,828,094,349	2.0%	$4,579,225,023	2.2%	19.6%
10003	Union Square, Gramercy and East Village	$3,805,380,643	1.9%	$4,508,249,818	2.2%	18.5%
10004	Battery Park City & Financial District	$4,288,772,360	2.2%	$4,180,434,547	2.0%	-2.5%
10005	Financial District & Lower Manhattan	$3,677,690,602	1.9%	$3,541,145,446	1.7%	-3.7%
10014	West Village	$2,686,933,400	1.6%	$3,431,109,356	1.7%	3.9%
10012	East Village and Soho	$3,057,330,602	1.4%	$3,175,932,510	1.6%	27.7%
10038	Two Bridges and Civic Center	$2,835,310,009	1.4%	$2,517,004,420	1.2%	-11.2%
11101	Long Island City	$1,495,858,382	0.8%	$2,472,439,118	1.2%	65.3%
	Subtotal of Top 20 Zip Codes	$157,638,226,093	80.4%	$164,286,397,049	80.2%	4.2%
	Grand Total for New York City	**$196,166,784,970**	**100.0%**	**$204,817,926,634**	**100.0%**	**4.4%**

Sources: NYC Department of Finance Property Tax Assessment Rolls; OSC analysis

Hudson Yards and neighboring buildings. The 10001 ZIP code, which includes Hudson Yards as well as the areas around Penn Station, saw growth of almost 56 percent during this period, mostly due to new buildings coming online (see Figure 6; see Appendix A for a corresponding analysis of taxable values).

Other ZIP codes in Manhattan that experienced growth tended not to be in the City's major office districts of Midtown East and the Financial District. ZIP codes 10003 and 10013, which include the Union Square and Soho neighborhoods, each saw double digit growth from FY 2020 to FY 2025. These areas also tend to have more employment in the information sector, as do ZIP codes 10010 and 10011, which include the Flatiron District and Chelsea, and also experienced growth during this period. Market values also experienced relatively large increases in the emerging downtowns in Brooklyn (Dumbo and Downtown Brooklyn) and Queens (Long Island City), exceeding rates in other large ZIP codes in Manhattan except Soho and the East Village and the area inclusive of Hudson Yards.

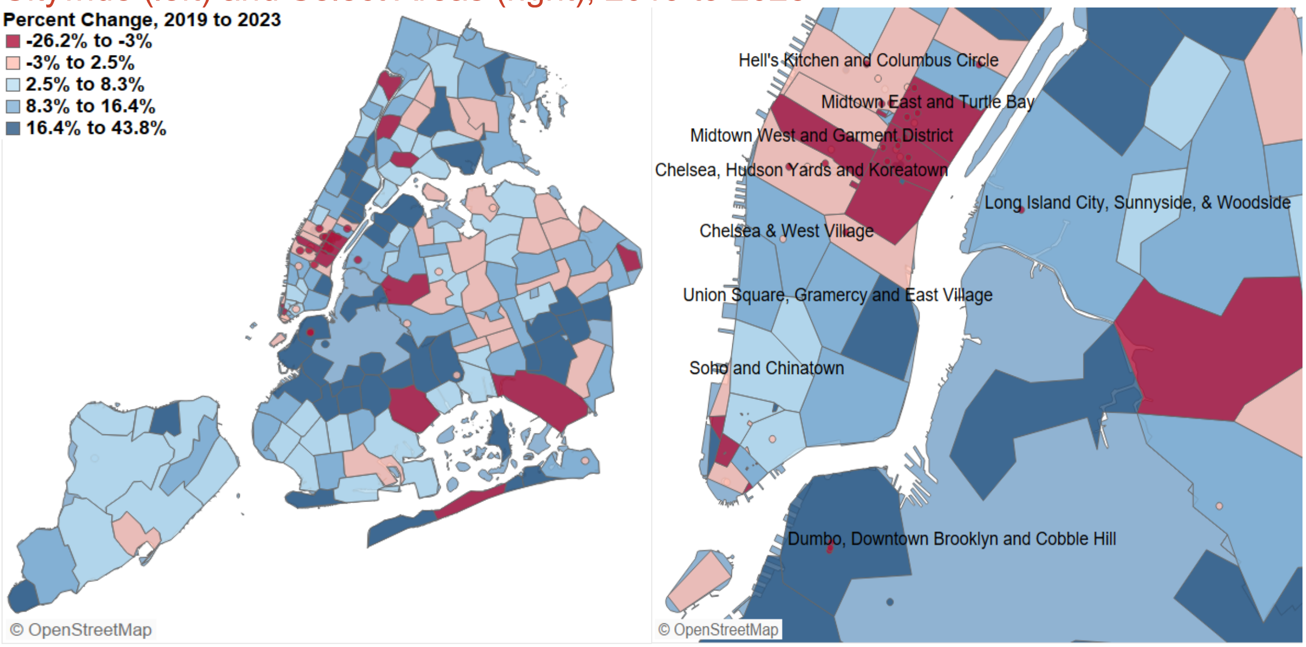
While these gains have helped push overall office building market valuation back above FY 2020 levels, several of the largest ZIP codes by office market value remained below those levels. These include ZIP codes 10022, 10017, 10036 and 10019, which cover a substantial portion of the City's office market between 42nd Street and 59th Street, including Midtown East, Midtown West, Grand Central, Times Square, Rockefeller Center and Columbus Circle.

Industry Activity in Office-Using Buildings

In 2019, there were almost 85,664 office-using businesses citywide.[16] By 2023, that figure grew by 8.1 percent to reach almost 92,626 businesses. The growth among office-using

FIGURE 7

Percent Change in Number of Office-Using Businesses by Zip Code
Citywide (left) and Select Areas (right), 2019 to 2023



Sources: New York State Department of Labor, Quarterly Census of Employment and Wages; OSC analysis

businesses was greater than the overall business growth of 5.3 percent during that period.

Certain areas of the City including the Chelsea and West Village; Union Square, Gramercy and East Village; and Dumbo, Downtown Brooklyn and Cobble Hill neighborhoods saw particularly strong growth in office-using businesses (see Figure 7).

In 2023, the top 10 neighborhoods for number of office-using businesses citywide were in Manhattan: Midtown East and Turtle Bay; Chelsea and Hudson Yards; Grand Central; Kips Bay and Murray Hill; Midtown West and Garment District; Hell's Kitchen and Columbus Circle; Union Square; Flatiron; the Financial District and Greenwich Village; the West Village; and East Village. Together, office-using businesses in these neighborhoods made up almost one-third (30.8 percent) of those citywide. However, this share was smaller than the 33.6 percent in 2019. Despite the double-digit growth in the Union Square, Gramercy and East Village and Chelsea and West Village, the number of office-using businesses in the Midtown East; Grand Central; and Midtown West and Garment District neighborhoods declined between 2019 and 2023.

As some office-heavy Manhattan neighborhoods faced challenges over the period, others in Brooklyn and Queens saw greater activity. Between 2019 and 2023, parts of Williamsburg and Greenpoint added almost 483 office-using businesses, growing by 68 percent. Bedford-Stuyvesant added almost 346 office-using businesses, growing over 101 percent. Other neighborhoods in Brooklyn that saw significant growth include Crown Heights North, and Ocean Hill and Brownsville. Part of Long Island City, Sunnyside and Woodside in Queens added over 25 office-using businesses, growing 58 percent.

Certain subsectors of the office-using sector, including information, financial activities and professional and businesses services, further explain the movement of businesses from Manhattan to the outer boroughs and other parts of Manhattan. Between 2019 and 2023, only two of the largest zip codes by market valuation, East (10022) and West (10018) Midtown (which includes the Garment District), saw businesses in all three sectors decline. Financial activities and professional and business services firms declined in the area around Grand Central and in Kips Bay and Murray Hill. The number of financial activities firms also declined in parts of the Financial District (10004, 10005, 10038), although information and professional and business service businesses increased in these areas. The parts of Chelsea and the West Village that already had information and financial activities businesses saw sizable growth.

Downtown Brooklyn and Fort Greene also saw business growth in the information, financial activities, and professional and business services sectors. From FY 2019 to FY 2023, securities, and administrative and support services businesses grew by 50 percent each as the number of computer infrastructure providers grew by over three times. Long Island City, Sunnyside and Woodside in Queens also saw an almost threefold increase in computer infrastructure providers.

Office Conversions and Alterations

While office properties have faced a variety of challenges since the pandemic, the City is also facing a crisis in housing availability and affordability, as local housing expenses have continued to grow over the last decade amid low supply.[17] The triennial Housing and Vacancy Survey showed that the citywide rental vacancy rate fell to 1.4 percent in 2023.[18]

With a glut of underutilized office space and a dearth of available housing, the topic of converting office units to residential spaces has been discussed more frequently over the last few years, as conversions may help to address both problems. Researchers at Columbia University published a study in 2023 suggesting that more than 600 office properties in New York City had the characteristics necessary for a successful conversion to take place (physical suitability, appropriate zoning and building codes, and financial feasibility of the project).[19]

Several high-profile conversions have already begun in the City. Among the most notable is 25 Water Street as it is expected to offer 1,200 rental units once complete, making it the largest conversion project in the country. Other major projects include 160 Water Street, with an expected 588 residential units, and the recently sold 222 Broadway, which is estimated to yield between 600 and 800 apartments.

Using data on construction permit applications from the Department of Building's NOW Build database, OSC identified 35 buildings in Manhattan that have undergone some level of conversion in the past eight years.[20] In the aggregate, these buildings have seen their total assessed market values increase by 9.9 percent from fiscal years 2020 to 2025, outperforming the total market value performance for Manhattan office buildings (2.6 percent during the same period).

Not all office buildings are suitable candidates for residential conversion, however. Residential units have requirements for access to openable windows, which can be difficult to satisfy in a newer building with larger core-to-window depths or permanently sealed exteriors. Additionally, large offices tend to consolidate plumbing, electrical and telecom infrastructure in the core of the building, making the necessary connections for all units an engineering challenge. As a result, older buildings (generally those constructed before 1970) or those that have narrow footprints may present fewer architectural and design challenges to be overcome. This consideration is even more notable given what is known about the age of the office building market overall compared to submarkets. Citywide, 84 percent of the market by square footage was initially built prior to 1990. This number was noticeably higher, over 94 percent, in Midtown East (10022) and Midtown West (10018), two of the three largest office districts, where total office market value remains below FY 2020 levels.

For those properties that may not be suitable for residential conversion, another potential option is to upgrade the existing space to make the building more appealing to potential commercial tenants. As noted above, while the overall office market has record high vacancies, the effect is significantly different when comparing submarkets and property types, with high-quality, amenity-rich office space still in demand. In addition, the construction pipeline for new office space has tightened considerably, potentially allowing for upgrades to satiate demand for this higher-end space. In the third quarter of 2019, over 16 million square feet of new office space was under construction, but by the second quarter of 2024, the office pipeline had decreased to just 5.3 million square feet.[21]

As a result, older office buildings that undergo significant renovations have the potential to fill in the gap caused by shrinking availability of higher-end space. According to the property tax assessment rolls, 185 office properties received alterations from fiscal years 2020 to 2025. Total market valuations for these properties in FY 2025 are up 8.1 percent compared to their pre-pandemic levels in FY 2020, outperforming the overall market's increase of 4.4 percent.

Office Outlook

Office buildings in New York City remain a critical contributor to its economy and tax base. Recent pronouncements concerning drastic changes to valuations in the sector and their impact on the City's tax base have not yet come to pass. A significant revaluation response by DOF to the initial impact of the pandemic on assessments and a shift in demand for the type of office space has offset the effect of prolonged softness in some of the City's historic office districts. This phenomenon has so far held off the worst prognostications for office property values citywide.

The outlook for the sector will continue to be led by business and employment growth in industries that use office space. During the pandemic, growth in the information sector in particular and the professional and business services sectors in the outer boroughs led to improvement in market values in certain ZIP codes.

A number of the City's historical office ZIP codes remain below pre-pandemic levels and are likely to face a longer road to recovery, particularly if absorption rates remain negative for a prolonged period. The age of these buildings is also relevant and worth monitoring, as the vast majority of properties built after 2010 have flat or higher valuations than in 2020, even as many older buildings remain below their pre-pandemic valuation. A recession, or even sustained slowdown in hiring in the office-using industries or the creation of new businesses, could lead to continued pressure on values in certain parts of the City, even as overall market values for office properties avoid a substantial decline.

Despite recent weakness, the City's budget continues to benefit from an outsized contribution in office property taxes and the coming years will likely continue this trend. Interest rates are expected to decline in the coming months and investors continue to pursue new investment opportunities that arise as prices have softened for certain properties and in certain neighborhoods, improving the economics of financing the purchase and modernization of these buildings. The rolling nature of leases renewals, particularly when aggregated to the ZIP code or citywide level, will also mitigate the overall property tax impact even as individual buildings may experience significant drops in value.

In addition, renovation and conversion potential may also provide another mitigating factor for valuations. This report suggests that new buildings, with amenities, including high-capacity digital connectivity, that are suited to new uses have fueled much of the recent growth in market values, even as older buildings that have not been renovated have stagnated.

The State Fiscal Year 2024-25 Enacted Budget includes a tax incentive under Section 467-m that would provide a property tax exemption for conversions that include affordable housing units. The City has also promoted the idea by establishing the Office Conversion Accelerator. The Accelerator is designed to help property owners navigate the process of designing and planning for these projects, as well as navigating any permitting and zoning issues that may arise.

As part of its proposed City of Yes zoning update, the City could also ease a path for residential conversion of buildings built prior to 1990, rather than limit some neighborhoods to conversions to buildings built before 1970 (or 1960 in some neighborhoods.) Older buildings, which are in some ways more structurally amenable to upgrades, may also be better candidates for these types of conversions, and a number of older buildings are located in the City's traditional office districts in Midtown. A slowdown in supply of new office space may also support improved occupancy and asking rents as growth continues and demand for space follows.

Ultimately, the City's office real estate market will continue to evolve with the fate of the market remaining keenly tied to the business environment and talent pool in the City. New York City's dynamism and ability to transform has long been essential to its success, enabling new economic activity to grow and thrive.

Appendix A

Office Taxable Values, Top 20 Zip Codes by FY 2025 Taxable Values

Zip Code	Neighborhood	Taxable Value (FY 2020)	Share of Total (FY 2020)	Taxable Value (FY 2025)	Share of Total (FY 2025)	Taxable Value Change (FY 2020 – FY 2025)
10022	Midtown East & Turtle Bay	$9,823,202,927	14.7%	$8,861,527,792	12.4%	-9.8%
10017	Grand Central, Midtown East & Turtle Bay	$6,646,129,907	9.9%	$6,725,514,274	9.4%	1.2%
10019	Hell's Kitchen & Columbus Circle	$6,483,772,018	9.7%	$6,445,905,213	9.0%	-0.6%
10036	Midtown West, Hell's Kitchen and Times Sq.	$5,597,584,050	8.4%	$5,777,168,667	8.1%	3.2%
10018	Midtown West & Garment District	$3,231,697,884	4.8%	$3,902,658,104	5.4%	20.8%
10001	Chelsea, Hudson Yards & Koreatown	$3,135,416,437	4.7%	$3,770,030,825	5.3%	20.2%
10013	Soho & Chinatown	$2,025,103,780	3.0%	$2,465,586,286	3.4%	21.8%
10011	Chelsea & West Village	$2,014,911,904	3.0%	$2,462,234,318	3.4%	22.2%
10016	Kips Bay & Murray Hill	$2,387,938,194	3.6%	$2,399,028,945	3.3%	0.5%
10010	Flatiron, Gramercy and Kips Bay	$2,070,501,779	3.1%	$2,364,024,041	3.3%	14.2%
10020	Rockefeller Center & Diamond District	$2,040,333,069	3.0%	$2,031,207,263	2.8%	-0.4%
10003	Union Square, Gramercy and East Village	$1,269,919,763	1.9%	$1,571,129,088	2.2%	23.7%
10004	Battery Park City & Financial District	$1,553,776,051	2.3%	$1,483,221,845	2.1%	-4.5%
10005	Financial District & Lower Manhattan	$1,496,956,192	2.2%	$1,474,635,380	2.1%	-1.5%
10012	East Village and Soho	$1,160,020,006	1.7%	$1,288,593,813	1.8%	11.1%
10014	West Village	$944,946,777	1.4%	$1,270,977,877	1.8%	34.5%
11201	Dumbo, Downtown Brooklyn and Cobble Hill	$803,458,125	1.2%	$1,172,570,999	1.6%	45.9%
10038	Two Bridges and Civic Center	$951,611,724	1.4%	$865,505,244	1.2%	-9.0%
11101	Long Island City	$310,508,489	0.5%	$793,773,454	1.1%	155.6%
10007	Tribeca & Civic Center	$651,088,890	1.0%	$663,764,625	0.9%	1.9%
	Subtotal of Top 20 Zip Codes	$54,598,877,966	81.6%	$57,789,058,053	80.7%	5.8%
	Grand Total for New York City	**$66,949,888,750**	**100.0%**	**$71,629,660,711**	**100.0%**	**7.0%**

Note: Zip 10119 was removed from this list because it represents a single property (One & Two Penn Plaza).
Sources: NYC Department of Finance Property Tax Assessment Rolls; OSC analysis

ENDNOTES

[1] For a thorough analysis of the property assessment process, see New York City Independent Budget Office, "Does NYC's Method for Assessing Commercial Property Values Result in Inequities?" at https://www.ibo.nyc.ny.us/iboreports/does-nycs-method-for-assessing-commercial-property-values-result-in-inequalities-fiscal-brief-august-2022.pdf

[2] NYC Department of Finance, "FY2025 Final Property Assessment Data (All NYC Properties)," https://www.nyc.gov/site/finance/property/property-assessments.page. Market values represent the selling price a property would be expected to obtain if put on the market. Taxable values are based on the market values, but are reduced by assessment ratios (45% for commercial properties in Tax Class 4), transitional values (assessment increases are phased-in over a five-year period), and any property tax exemptions or abatements the property may receive. The tax bill is then calculated as a percentage of the taxable value (10.592% in FY 2024). For additional information see the Department of Finance's "Calculating your property taxes" page at https://www.nyc.gov/site/finance/property/calculating-your-property-taxes.page.

[3] Office of the New York State Comptroller (OSC), *Residential Real Estate in NYC: Rising Tax Bills During COVID Fuel Disparities*, Report 7-2024, September 2023, https://www.osc.ny.gov/files/reports/osdc/pdf/residential-real-estate-in-nyc.pdf.

[4] Department of Finance, Assessment Data.

[5] Cushman & Wakefield, "U.S. Office MarketBeat Q1 2024," https://www.cushmanwakefield.com/en/united-states/insights/us-marketbeats/us-office-marketbeat-reports. While many private commercial real estate firms produce data on the office market, their figures do not always align because of differences in methodology and proprietary data. However, there is general agreement on overall market trends. Because each firm offers a slightly different set of data products, there is some variation between the data in some of the figures in this report depending on the source. Data was used from Cushman & Wakefield, Jones Lang Lasalle, and Newmark; data attributions are included throughout.

[6] This figure includes all buildings in New York City that appear in the property assessment rolls with a building code of O1 through O9 (traditional office properties) or RB (office condo properties).

[7] See OSC's Industry Dashboard for the latest data: https://www.osc.ny.gov/osdc/reports/nyc-sectors/office.

[8] Kastle Systems, "Kastle Back to Work Barometer," July 22, 2024, at https://www.kastle.com/safety-wellness/getting-america-back-to-work/.

[9] "Real Estate Board of New York, "Report: Office Building Visitations in Manhattan Jump from 66% in February to 74% in March and 75% in April," June 3, 2024,, https://www.rebny.com/press-release/report-office-building-visitations-in-manhattan-jump-from-66-in-february-to/.

[10] Cushman & Wakefield, "Manhattan Office MarketBeat Q1 2024."

[11] Ibid.

[12] Arpit Gupta, Candy Martinez, and Stijn Van Nieuwerburgh, "Converting Brown Offices to Green Apartments," Brookings Institution, November 3 2023, https://www.brookings.edu/articles/converting-brown-offices-to-green-apartments/.

[13] NYC Department of Finance Final Assessment Rolls. Analysis by market values is based on the FY 2025 value and excludes records that do not appear in all years 2020 through 2025.

[14] New York City Comptroller Brad Lander, *Spotlight: New York City's Office Market*, May 2024, https://comptroller.nyc.gov/reports/spotlight-new-york-citys-office-market/.

[15] Newmark, "1Q24 Manhattan Office Market Overview," https://www.nmrk.com/insights/market-report/manhattan-market-reports .

[16] U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages. The office sector includes the following codes from the U.S. Census Bureau's North American Industry Classification System (NAICS): 51-Information, 52-Finance, 53-Real Estate, 54-Professional, Scientific, and Technical Services, 55-Management of Companies and Enterprises and 56-Administrative and Support Services. These industries are commonly referred to as "supersectors" in the following groupings: Information (NAICS 51), Financial Activities (NAICS 52 & 53), and Business Services (NAICS 54, 55 & 56).

[17] OSC, *The Cost of Living in New York City: Housing*, Report 17-2024, January 2024, https://www.osc.ny.gov/files/reports/osdc/pdf/report-17-2024.pdf.

[18] U.S. Census Bureau, New York City Housing and Vacancy Survey, 2023, https://www.nyc.gov/assets/hpd/downloads/pdfs/about/2023-nychvs-selected-initial-findings.pdf.

[19] Arpit Gupta et. al., "Office Real Estate Apocalypse."

[20] Dataset consists of DOB Now Build permit applications with no existing residential units that are expected to yield 10 or more residential units because of the renovation. Limited to buildings with an office building code in Manhattan that are listed in the assessment rolls for each of fiscal years 2020 to 2025. Includes approved permits as well as construction that is underway or complete.

[21] Cushman & Wakefield, "Office MarketBeat."

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