Emerging Risks in NYC Commercial Real Estate

A Resource Guide from The North Star Universal, LLC — Risk Management & Advisory

The North Star Universal, LLC monitors New York City's commercial real estate market closely, tracking how risk is shifting across property types and financing structures. Office vacancy has climbed to roughly 20 percent citywide, a margin wide enough to strain tax revenue and dent investor confidence. This guide summarizes the four risk areas owners, lenders, and asset managers should be watching right now, along with the questions each one raises for underwriting and portfolio strategy.

1. Underwriting Risk & Tax Shortfalls

Office property values fell sharply between 2019 and 2023, and that decline has now hit municipal finances directly, opening an estimated $1.16 billion revenue gap for New York City. Tax assessments have been slow to catch up with real-world valuations, leaving owners exposed to reassessment risk even as building income softens. Municipal budgets are feeling the squeeze, which in turn raises the odds of future tax-policy responses aimed at closing the gap.

> Key questions for owners: Is your assessed value still aligned with current market value? Have you modeled a scenario where assessments rise faster than rents?

2. Refinancing & Investor Response

Capital has not disappeared — it has become more selective. Investors raised roughly $11 billion in CMBS lending this year, with sizable deals closing for Midtown towers and Times Square assets. Demand is concentrated in well-leased, high-quality buildings, while older or largely vacant properties continue to face elevated risk and thinner refinancing options. The gap between prime and secondary assets is widening.

3. Security & Safety Pressures

A recent Midtown shooting has put safety squarely on the risk map for NYC landlords. In response, owners are ramping up AI-driven surveillance and reinforcing on-site security operations centers. The North Star Universal, LLC views robust security protocols as protection for tenants and for building reputation alike — a factor increasingly weighed by both insurers and prospective tenants during lease negotiations.

4. Macroeconomic Headwinds: Interest Rates & Debt

High interest rates and looming debt maturities continue to add to overall risk. A wave of maturing commercial loans is pressuring refinancing options across the board, and owners must balance the cost of new capital against the flexibility they need to manage occupancy swings. Tightening lending standards mean that even fundamentally sound assets may face longer, more document-heavy refinancing timelines.

Takeaways for Owners & Investors

- Stress-test property tax assessments against post-2019 valuation declines, not pre-pandemic baselines.
- Prioritize leasing quality and occupancy stability — capital is flowing to well-leased buildings first.
- Treat security infrastructure (AI surveillance, monitoring centers) as a standard underwriting line item, not an afterthought.
- Build refinancing timelines around tighter lending standards and rising near-term loan maturities.
- Revisit portfolio risk quarterly; NYC's CRE risk profile is shifting faster than typical review cycles.

Conclusion

The North Star Universal, LLC sees both turmoil and opportunity in today's NYC commercial real estate market. Risks ranging from tax shortfalls to safety concerns and refinancing pressure are reshaping how the market operates. Resilient owners are the ones leaning on strong buildings, solid security, and strategic capital planning. At The North Star Universal, LLC, we help clients navigate these complex risks and find a steady path forward.

The North Star Universal, LLC is a risk management and advisory firm. For more insights on NYC realty and beyond, visit thenorthstaruniversal.com/WP