North Star Universal, LLC

NYC CRE 2025: Emerging Risk Trends Report

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Executive summary

NYC's commercial real estate market is being reshaped by five converging forces in 2025: a flight to quality in the office sector, growing emphasis on resiliency planning, rising tenant default rates, heightened security requirements, and the emergence of blockchain-based tokenization. North Star Universal, LLC views these trends as interconnected — quality, resilience, and tenant stability increasingly determine which assets hold value, while new financing structures reshape who can invest in them.

The evolving office market: flight to quality

Tenants are increasingly prioritizing Class A office space with premium amenities, modern facilities, and sustainable certifications. Demand is concentrated in areas like Midtown and Hudson Yards, as companies treat high-quality space as essential to attracting and retaining talent — leaving lower-tier office assets more exposed to prolonged vacancy.

Resiliency planning as a core investment strategy

Climate risk, rising insurance costs, and stricter zoning regulations have pushed resiliency planning into mainstream investment decisions. Over 64% of NYC commercial developers surveyed by CBRE in Q1 2025 now prioritize flood and energy resilience in new builds, reflecting a shift toward future-proofing assets rather than addressing environmental risk after the fact.

Tenant default risk and security pressures

- Tenant defaults across NYC rose 12% in Q1 2025, reinforcing the need for proactive lease risk analysis and tenant credit monitoring to protect cash flow.
- Recent security incidents have prompted owners to reevaluate building protocols, with increased investment in surveillance systems and additional security personnel.

Trend and risk signal summary

Trend	Risk signal	Recommended response
Flight to quality	Class B/C office demand weakening as tenants concentrate in Class A, Midtown/Hudson Yards	Reassess repositioning or CapEx case for lower-tier assets
Resiliency planning	64% of NYC developers (CBRE, Q1 2025) now prioritize flood/energy resilience	Build flood and energy resilience into new development and retrofit plans
Tenant defaults	NYC tenant defaults up 12% in Q1 2025	Proactive lease risk analysis and tenant credit monitoring
Security threats	Recent incidents prompting building security reevaluation	Invest in surveillance systems and additional security staffing
Tokenization	Blockchain-based fractional ownership lowering entry barriers	Evaluate tokenized structures for liquidity and capital access

The rise of tokenization

Blockchain-based tokenization is enabling fractional property ownership, lowering entry barriers, improving liquidity, and increasing transparency — broadening the pool of investors able to access NYC commercial real estate.

Outlook and recommendation

As the market continues to evolve, we recommend owners prioritize quality and resilience investments, tighten tenant risk monitoring, and evaluate emerging capital structures such as tokenization alongside traditional financing. Firms that align strategy with these five trends are best positioned for sustainable performance through the cycle.