Portfolio Media. Inc. | 230 Park Avenue, 7th Floor | New York, NY 10169 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Weil Leader: NYC Class A Office Having Year Of The Century

By **Andrew McIntyre**

Law360 (August 12, 2026, 2:02 PM EDT) -- New York City is having the strongest Class A office leasing year this century, one of Weil's real estate leaders told Law360 Real Estate Authority in a recent interview.


Thomas Henry

Thomas Henry, a New York-based partner and co-head of real estate at Weil Gotshal & Manges LLP, said office has been a "tale of two sectors," with amenity-rich, Class A space in key markets like New York in high demand. Office properties in secondary and tertiary markets are seeing far less demand, Henry added.

Manhattan saw 11.78 million square feet of office leases inked in the first quarter, which marked the strongest first quarter there since 2014, according to a report earlier this year from brokerage firm Colliers. And leasing in subsequent months has remained strong, with July seeing nearly 3.87 million square feet of leases signed in Manhattan, up 22.1% from a month earlier, Colliers reported earlier this month.

Henry also discussed the commercial mortgage-backed securities market as well as real estate investment trust mergers and acquisitions activity and the continued appetite for real estate among private equity shops.

This conversation has been edited for length and clarity.

I want to start with interest rates, because we had a recent Fed meeting. The Fed held rates steady, but there were three members of the Federal Open Market Committee who wanted to raise rates. What are you hearing from clients on the interest rate question right now?

It depends on the client, frankly. For our real estate owner-operator, institutional investor, sponsor clients, I would say that interest rates are fairly priced into their strategic activities, their refinancings, their acquisitions, their dispositions, because they've maintained them at a historically high rate for this cycle for a number of years now. So people have to inevitably deal with the maturity dates on loans or recycling capital and returning it to investors, if it's a private equity firm. And that's just the reality.

So, if it's relatively down-market from pricing, which is very sector-specific, then they just have to deal with it. And a lot of the transactional activity over the last couple of years has reflected that, meaning a lot more restructurings that require infusions of equity. For example, bringing in new investors to either sit side by side with or in seniority to the original equity investors.

And loans are accordingly being sized down depending on the nature of the asset. But that's very sector-specific. As far as going forward, like anyone else, who knows? We read it in the news every day. Again, our industry has already sort of addressed this and accepted it, and transactions are continuing assuming we'll stay at an elevated interest rate for the time being.

A related question about CMBS debt. We've talked a lot for years about waves of CMBS debt coming due and interest rates being higher now. How are you seeing that question play out?

What I'm seeing now is a lot more single-asset securitizations versus broader pools. You still see both. Earlier this year, I did a hospitality refinancing for a client that was part of a pooled CMBS structure with other similarly situated hospitality assets that were performing at a very high level. So it was like CMBS in the old days, where you could pool a number of assets at a similar performance level and expect vigorous investor appetite for that product. Say, for instance, a single Class A office tower in Manhattan. A lot more single-asset securitizations.

It has become the norm, and it allows investors to focus in on that one opportunity, really have the transparency on the tenant role and the tenant expirations and all the things that go into pricing and valuing office real estate in a way that is much easier for those bondholders and investors to digest and price. What it means to us on the deal side is we're seeing a lot tighter interest rates. We're not seeing the kind of swings that a lender might see in an interest rate environment that was more uncertain. So when lenders are pricing deals, they're usually hitting the mark on the execution of that deal weeks or months later when they sell the paper.

On the CMBS question, I assume this kind of ties back to what you said earlier about sometimes when these deals get refinanced or restructured, borrowers are having to put in an infusion of equities. Is that the case on the CMBS side as well?

Well, usually on the CMBS side, it's a much more restrictive prepayment structure. So unless you're approaching the maturity date, you get to the same result, but you take advantage in a CMBS loan of the broader rights for a borrower to create an assumption.

What you'll typically do, and this is fairly technical, is you'll create a new sponsor vehicle of the existing owners, and then the new equity holders that will take the assumption of the CMBS loan, typically pay a relatively modest fee for that assumption, and that same loan will continue on through maturity. Other loans that are not securitized have more flexibility with respect to paydowns and prepayments, because you have one or a smaller syndicate of lenders who you go to to approve the restructuring versus a servicer on behalf of the CMBS pool of investors, which makes it just a little more cumbersome.

I want to kind of dive into a couple of sectors here, maybe back on the CMBS question. Are you seeing that play out differently across different sectors? I'd love to get your thoughts on the office and the hotel sector, among others.

Office has really been a tale of two sectors. The gateway office in New York and San Francisco has not only rebounded, but it's become very robust. And I think you have a large investor appetite not only on the equity side, but also on the CMBS and private credit side to be investors in those solutions. Partner that with the lease signings that were recently announced for July in New York. We have had a historically high level for leasing activity as well as rent rate increases, and in fact, I think we're having, from a volume perspective, the best year in the New York City Class A office market of this century.

Flashback to five years ago, where people were putting a question mark around whether office was still viable. I think that not only has been answered, we're at all-time records. And when you look around the city and see the new development, it is office development. Whether you look across from my building here at the GM Building to 59th and Madison, there's a project that's going up that originally was slated as residential that converted in the last year to office. The same is true as recently announced by Vornado Realty Trust on their earnings call. The 350 Park Avenue project that's proceeding forward is, I think, indicative of the robust nature of the current market and where investors see the market to go.

The lender markets tend to follow. When you have higher rents, when you're exceeding your prior rent rolls, the lending spigot is open, and it's robust. The alternative to that is some of the secondary and tertiary markets here in the U.S., where office and return-to-the-office has been less robust. So I tend to see lenders taking a different look at that, and I tend to see less securitized lending in those markets in the office space than you're getting in the prime gateway markets.

In hospitality, I think you saw in the last few years a real run-up in occupancy levels and pricing, especially among luxury and super-luxury products. I think that too is a very divided sector. Those assets have had no problem seeking new money to recap loans, to do securitized loans on a more pooled basis depending on the size, and to otherwise be treated in the same sort of robust manner as office or data centers or other very active sectors. I'd otherwise say light industrial remains hot as well for CMBS and that type of product. And then there are other sectors where that's less available, just because of the cyclical nature of those sectors.

What are your thoughts on the types of deals that REITs have been doing, or trends in that space? There's been talk about an uptick in M&A activity in the REIT space, but I'm curious what you're seeing among REITs from a 30,000-foot view.

From a pure-play REIT perspective — office, multifamily, residential — I think, as you indicated, the uptick in M&A has started to occur. Many people thought that was going to be the case for a few years now, but I'd say the last 12 months in particular, whether it's actual deals executed or deals that seem to be coming to the market, I agree, there is an uptick in that M&A activity.

And I think that's understandable given the continuing discount of the public shares to the net asset value of the real estate that those REITs own. And that's been a chronic problem in the industry for years and years. It's not just this cycle, but I think it's become more acute in this cycle, and the cost of capital makes sense more on the private side, in many instances, than it has been on the public side. My prediction: I would think in the near- to mid-term, you should expect more of that M&A, in particular in take-private activity.

You've got such a wide roster of clients. I know private equity is among your client groups as well. What are you seeing in the private equity space? Is there still a lot of dry powder on the sidelines?

Yes. We see a lot of robust activity. In particular, I see more private equity investing into hot construction sectors. Obviously, everyone's reading about data centers. I think a lot of that data center growth is not being addressed by the public data center companies and their capital markets raise, but private equity direct investing, both on the equity side with data center owner-developers as well as on the construction, finance and permanent finance side, which has become much, much more robust as the demand for those products has just gone through the roof, as we read in the papers every day. So we're seeing a lot of private equity activity in that sector.

We see continued private equity as well in the traditional sectors, where they are a private, nimble capital solution. As you said, they continue to have dry powder and can be very thoughtful on a hybrid capital basis, coming in anywhere in the capital structure that a particular portfolio or asset demands. Whether it's coming in as common equity, preferred equity, becoming a lender through a private credit sleeve of the private equity firm.

You're seeing all of that, and that continues to run apace. I think one thing that's unique in the real estate sector is, as you mentioned, there are these refinancing walls across real estate sectors that all owner-sponsors face eventually. So the private equity solution remains one of the top recapitalization solutions for owner-sponsors. You continue to see that. It's just expanded to be at every level of the capital structure in real estate.

Last question for you. We're here almost mid-August — what trends are you watching for the rest of 2026 in commercial real estate?

I would say one trend that I'm focused on, and it's one sector in particular, is where is multifamily going? As you know, the sector had a very strong run-up in valuations based on access to cheaper finance capital. That became very interest-rate sensitive, in particular relative to other sectors, as rates have gone up over the last few years. That's run into issues of public policy, for instance, here in New York, where the state and the city have, on behalf of tenants, tried to enhance rent regulation laws — which sometimes has had an unintended consequence of putting a squeeze on ownership of multifamily.

We saw that earlier this year in the very public Chapter 11 sale by Pinnacle Group to Summit Gold Inc. of 92 multifamily assets. I would expect in the near term to continue to see that kind of pressure in the multifamily space, depending on the sector and the capitalization. But I predict in the long term that will get worked out because the need for that kind of product is so strong that eventually, like any cycle, it will break through, and there'll be another run-up in values. It's really a case of where the investor was.

On other sectors in the near term, I expect it to be steady state. Companies will continue to be very busy addressing capital needs. Real estate, remember, and I'll leave you with this, it's a very capital-intensive business. So there'll always be the need to refill those buckets of capital to address new tenants, growing business, growing data centers, growing industrial. Redeveloping and developing new office. It'll continue. It's the same old story as it's been in real estate since I've been in the business. Very cyclical, and it's hard to predict where we are in the cycle, other than to know you are in a cycle.

--Additional reporting by Emily Lever and Andrea Keckley. Editing by Haylee Pearl and Philip Shea.
