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Business Costs in New York City

Historical Data and City Comparisons

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Prepared by the Office of the State Deputy Comptroller for the City of New York

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Introduction

New York City's exceptionally diverse and expansive private sector economy makes it a critical driver of both the State and national economies. In 2024, the City generated $1.4 trillion in gross domestic product, the highest of any city in the nation, and was home to some of the largest companies in the world, with 43 Fortune 500 companies headquartered here. The City also boasts a thriving small business sector, with nearly 90 percent of its 295,000 businesses employing fewer than 20 workers in 2025.

Despite its economic strengths, New York City is consistently cited as one of the most challenging places in which to start and operate a business. The City has historically had some of the highest costs in the nation, including workspace expenses, taxes, labor costs, and utilities, among others. Yet, companies and entrepreneurs continue to come to New York City for access to its unparalleled talent pool, large regional customer base, and the concentration of complementary industries. While costs generally remain higher than other cities, some components, particularly wages, have grown more slowly than in many regions experiencing rapid population increases. The City also offers certain efficiencies, such as fewer agency interactions required to open a business compared to other major cities.

Understanding the factors driving business costs is essential, especially as affordability pressures facing households are closely linked to operating costs that firms ultimately pass on to residents. As noted in this report, several cost categories, such as health insurance and utilities, that have risen faster than nationwide averages, merit continued policy attention. Other major cost drivers such as the City's tax regime and high cost of commercial and industrial space, require ongoing analysis and monitoring to assess long-term competitiveness and the broader economic effects of policy choices.

Key Findings

- **The average private-sector annual salary in New York City was $129,030 in 2025, up 44.7 percent from 2015.**
- **After adjusting for inflation, average salaries in the City increased by 6.5 percent, compared with 10.1 percent nationally, reflecting slower wage inflation than other high-growth regions.**
- **In addition to salaries, employers in the New York City MSA paid $17.74 per hour worked for employee benefits in 2025, above the $13.49 national average; health insurance remains the largest and fastest-rising benefit cost, at $4.15 per hour worked in the Northeast region.**
- **The average asking rent for commercial office space in the City was $73.19 per square foot in 2025, the highest in the country, but up only 2.2 percent since 2015, largely due to a significant decline in the wake of Covid-19 and the rise of remote work.**
- **Average market rent for retail space was $52.45 per square foot in 2025, more than twice national average but still lower than in Honolulu, Hawai'i.**

- **Industrial space average asking rent was $28.07 per square foot, the highest of any major market.**
- **The average commercial customer cost for electricity in New York City was 28.20 cents per kilowatt hour in 2024, higher than in the rest of the State and more than double the national average of 12.75 cents per kWh.**
- **New York City's nominal corporate tax rate is the highest in the nation, with a combined rate of 17.44 percent between State (6.61 percent), City (8.85 percent) and MTA-region taxes (1.98 percent) though the effective burden is lower due to the deductibility of City corporate taxes from State corporate taxes.**
- **While the City requires numerous fees and permits for businesses, the requirements are comparable or in some cases less onerous than in other peer cities.**

Methodology and Existing Research

This report draws on publicly available datasets from the U.S. Bureau of Labor Statistics, the National Federation of Independent Business, Cushman & Wakefield market reports and other industry sources to compare New York City's business cost structure with peer metropolitan areas and how those costs have changed over time. The primary analysis covers the period from 2015 to 2025, though limited data availability requires some comparisons to use slightly different years.

Existing research highlights the challenges of doing business in the City. In its *Doing Business North America 2022* report, Arizona State University ranked New York City 74th of 83 cities for overall ease of doing business.[1] The report considers a variety of factors in its ranking, citing the ease of starting a business, employing workers, getting electricity, land and work space, paying taxes, and resolving insolvency. The National Federation of Independent Business found similar concerns in its 2024 report on small business concerns, with issues such as business and property taxes, permits and regulatory compliance, costs of employment and electricity ranked as some of the biggest challenges for its members.[2]

While many of these costs are common to all businesses, the relative size of each cost can vary greatly by business type. For example, the largest cost for a retail establishment is usually the cost of goods sold, while a legal firm's primary cost is employee compensation.[3] Figure 1 shows the two largest expense categories for businesses of each type and the typical share of total expenses that they represent. While the shares can vary significantly by industry, labor costs are one of the largest expenses for all business types.

FIGURE 1

Top Expense Categories by Business Type and Typical Shares of Total Costs for U.S. Companies, in 2026

Business Type	Largest Expense Category	Typical Share of Costs	Second Largest Expense Category	Typical Share of Costs
Restaurants	Labor	30% - 35%	Food & Beverage (COGS*)	28% - 35%
Retail (brick & mortar)	Inventory (COGS)	45% - 65%	Labor	15% - 20%
Retail (e-commerce)	Inventory (COGS)	40% - 60%	Labor	8% - 15%
Construction	Material & Subcontractors	50% - 65%	Labor	20% - 30%
Health Care	Labor (Physicians & Clinical Staff)	35% - 50%	Labor (Administrative Staff)	10% - 15%
Professional Services	Labor (Billable Compensation)	35% - 50%	Labor (Administrative Staff)	8% - 15%
Manufacturing	Raw Materials	40% - 60%	Labor (Direct)	15% - 25%
Transportation	Labor (Driver Compensation)	25% - 38%	Fuel	20% - 30%
Technology	Labor (Engineering & Product Development)	25% - 40%	Labor (Sales & Marketing)	20% - 35%

Note: COGS is Cost of Goods Sold.
Sources: Crestmont Capital; OSC analysis

Average and Median Pay and Benefit Costs

Wages and Salaries

Labor costs comprise one of the biggest expenses for business owners. The average annual salary of workers in the New York City Metropolitan Statistical Area (MSA) was $106,110 in 2025, the most recent year for which complete data is available (see Figure 2).[4] Of the 14 largest MSAs in the country by population, only the San Francisco and Boston metro areas had higher average salaries ($150,910 and $110,070, respectively).

FIGURE 2

Average Private Sector Salaries and Change, 2015 to 2025, for Top 14 MSAs

MSA	2015 Average Salary	2025 Average Salary	Percent Change, 2015 to 2025	Inflation-Adjusted Change, 2015 to 2025
San Francisco-Oakland-Fremont	$83,020	$150,910	81.8%	33.8%
Boston-Cambridge-Newton	$73,230	$110,070	50.3%	10.7%
New York-Newark-Jersey City	**$74,720**	**$106,110**	**42.0%**	**4.5%**
Washington-Arlington-Alexandria	$68,320	$98,420	44.1%	6.1%
Houston-Pasadena-The Woodlands	$66,820	$87,110	30.4%	-4.0%
Dallas-Fort Worth-Arlington	$58,750	$84,870	44.5%	6.4%
Chicago-Naperville-Elgin	$59,480	$84,310	41.7%	4.4%
Los Angeles-Long Beach-Anaheim	$57,890	$83,550	44.3%	6.3%
Atlanta-Sandy Springs-Roswell	$56,360	$81,810	45.2%	6.9%
Philadelphia-Camden-Wilmington	$59,040	$80,680	36.7%	0.6%
Miami-Fort Lauderdale-West Palm Beach	$49,210	$79,210	61.0%	18.5%
Detroit-Warren-Dearborn	$56,090	$77,270	37.8%	1.4%
Phoenix-Mesa-Chandler	$49,900	$75,790	51.9%	11.8%
Riverside-San Bernardino-Ontario	$40,440	$58,230	44.0%	6.0%
U.S. TOTAL	**$52,880**	**$79,100**	**49.6%**	**10.1%**

Sources: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages; OSC analysis

When adjusting for inflation, average salaries in the New York City MSA increased 4.5 percent between 2015 and 2025, lower than the national average increase of 10.1 percent. The San Francisco MSA saw the highest rate of inflation-adjusted growth for any major area during this period at 33.8 percent.

New York City's high salaries are driven by several key sectors, including finance and technology. As the home of Wall Street and the center of the financial sector, the securities industry had the highest average annual salary in the City at $561,770 in 2025 (see Figure 3). The information sector includes digital media companies, many of which have significant workforces in the City, and had an average annual salary of $230,900.

FIGURE 3

Average Private Sector Salaries and Change, 2015 to 2025, for New York City

Sector	Number of Jobs	Average Salary	Average Salary	Salary Change	Inflation-Adjusted Change
	2025	2015	2025	2015-2025	2015-2025
Securities Industry*	198,300	$387,960	$561,770	44.8%	6.6%
Finance and Insurance	361,300	$286,480	$426,350	48.8%	9.6%
Information	209,900	$134,170	$230,900	72.1%	26.7%
Management of Companies	78,100	$191,870	$229,400	19.6%	-12.0%
Professional Services	427,700	$125,070	$196,010	56.7%	15.4%
Utilities	14,800	$104,540	$169,070	61.7%	19.1%
Wholesale Trade	111,000	$88,220	$134,870	52.9%	12.6%
Arts, Entertainment, and Recreation	90,000	$70,420	$105,350	49.6%	10.1%
Real Estate and Rental and Leasing	129,300	$75,160	$104,900	39.6%	2.8%
Educational Services	201,300	$66,560	$100,790	51.4%	11.5%
Construction	133,700	$76,070	$100,550	32.2%	-2.7%
Manufacturing	50,600	$56,440	$79,560	41.0%	3.8%
Administrative Services	237,300	$58,380	$78,420	34.3%	-1.1%
Health Care Only	659,600	$56,180	$73,300	30.5%	-3.9%
Transportation and Warehousing	171,000	$53,820	$72,310	34.3%	-1.1%
Other Services	162,900	$46,710	$68,810	47.3%	8.5%
Retail Trade	294,700	$39,600	$59,370	49.9%	10.4%
Accommodation and Food Services	358,800	$32,080	$48,620	51.6%	11.6%
Social Assistance*	325,600	$29,620	$40,240	35.8%	0.0%
Total Private	**4,074,500**	**$89,160**	**$129,030**	**44.7%**	**6.5%**

Notes: Securities and Social Assistance are subsectors but are included for comparison. Chart only includes sectors with more than 1,000 employees.
Sources: U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages; OSC analysis

The concentration of high-paying jobs in the City, particularly in the finance and information sectors, can artificially skew average salary calculations. The New York City metropolitan area's median annual salary across all industries in 2025 was $61,430, higher than the national median of $50,980.[5]

BLS also provides MSA-wide median salaries for certain occupational categories, which can be used to understand the demand for certain types of roles across peer MSAs. The New York City MSA had the fourth highest median salary in 2025, the same place it ranked in 2015, with the Washington D.C., Boston and San Francisco MSAs all having higher median incomes both in 2015 and in 2025 (see Figure 4). The median salary for all occupations rose by 39.3 percent from 2015 to 2025, slower than all but the Boston, Detroit and Philadelphia MSAs, three other relatively high-cost regions, and Houston, which was an outlier for slower median salary growth among regions in the south and western parts of the country. Most places that experienced faster population expansion during the period saw faster median wage growth.

FIGURE 4

Median Salaries by MSA, 2015 and 2025

Metropolitan Statistical Area	2015 Median Salary	2015 Rank	2025 Median Salary	2025 Rank	Median Growth
Atlanta-Sandy Springs-Roswell	$36,430	10	$51,170	10	40.5%
Boston-Cambridge-Newton	$48,020	3	$66,620	3	38.7%
Chicago-Naperville-Elgin	$38,250	7	$54,720	6	43.1%
Dallas-Fort Worth-Arlington	$36,450	9	$51,440	8	41.1%
Houston-Pasadena-The Woodlands	$37,680	8	$49,410	11	31.1%
Los Angeles-Long Beach-Anaheim	$38,700	6	$55,850	5	44.3%
Miami-Fort Lauderdale-West Palm Beach	$32,820	13	$48,640	12	48.2%
New York-Newark-Jersey City	**$44,100**	**4**	**$61,430**	**4**	**39.3%**
Philadelphia-Camden-Wilmington	$39,270	5	$54,310	7	38.3%
Phoenix-Mesa-Chandler	$35,660	11	$51,380	9	44.1%
Riverside-San Bernardino-Ontario	$34,570	12	$48,400	13	40.0%
San Francisco-Oakland-Fremont	$50,310	2	$74,260	1	47.6%
Washington-Arlington-Alexandria	$50.690	1	$71,060	2	40.2%

Sources: U.S. Bureau of Labor Statistics Occupational Employment and Wage Statistics; OSC analysis

Figure 5 shows that the half of the 22 higher-paying occupational categories which have median salaries that exceed the overall metro-wide median along with the New York City MSA's rank among the 14 largest MSAs by population in the country. While the New York City MSA became relatively more costly to hire for architecture and engineering, computer and mathematical, and installation maintenance and repair occupations, median salaries for management, arts design entertainment and sports and media, construction and extraction and healthcare practitioners and technical occupations improved on a relative basis to peer MSAs.

Figure 6 shows nine of the 22 lower-paying occupational categories which have median incomes which are below the median across all occupations (farming and mining occupations were

FIGURE 5

Higher Paying Occupations, Median Wage in the New York City MSA for Selected Occupational Categories and Ranked Among 14 Peer MSAs

Occupational Category	2015 Median Salary	NYC 2015 Rank	2025 Median Salary	NYC 2025 Rank
Management	$134,940	1	$171,990	2
Legal	$108,660	3	$150,990	3
Computer and Mathematical	$91,260	4	$133,110	3
Healthcare Practitioners and Technical	$80,120	3	$108,820	4
Business and Financial Operations	$78,890	3	$103,790	3
Architecture and Engineering	$80,410	7	$102,050	6
Life, Physical, and Social Science	$70,340	5	$91,370	5
Arts, Design, Entertainment, Sports, and Media	$63,090	2	$86,000	3
Construction and Extraction	$60,060	3	$76,050	4
Education, Training, and Library	$57,440	2	$75,900	2
Installation, Maintenance, and Repair	$49,800	4	$64,870	3
Community and Social Service	$48,880	4	$63,840	4
All Occupations	**$44,100**	**4**	**$61,430**	**4**

Sources: U.S. Bureau of Labor Statistics, Occupational Employment and Wage Statistics; OSC analysis

FIGURE 6

Lower Paying Occupations, Median Wage in the New York City MSA for Selected Occupational Categories and Ranked Among 14 Peer MSAs

Occupational Category	2015 Median Salary	NYC 2015 Rank	2025 Median Salary	NYC 2025 Rank
Office and Administrative Support	$38,240	14	$55,080	3
Protective Service	$41,500	14	$54,000	4
Sales and Related	$29,820	13	$47,540	2
Production	$31,330	14	$46,970	7
Transportation and Material Moving	$32,330	14	$46,730	2
Building and Grounds Cleaning and Maintenance	$30,200	12	$44,670	3
Healthcare Support	$27,370	13	$40,100	3
Personal Care and Service	$24,460	9	$38,310	5
Food Preparation and Serving Related	$21,920	8	$38,160	4
All Occupations	**$44,100**	**4**	**$61,430**	**4**

Sources: U.S. Bureau of Labor Statistics Occupational Employment and Wage Statistics; OSC analysis

excluded from this analysis.) As in the higher paying occupations, the New York City MSA generally had occupational groups fall within the top five by median salary in 2025, the only exception being production (manufacturing) occupations. It is notable that healthcare support, which paid relatively less in 2015 than most peers, has risen significantly in rank over the analysis period. Several policy changes to increase wages for healthcare support roles occurred over the analysis period.

Benefit Costs

In addition to salaries, employers take on costs in offering employee benefits. Benefits can fall under a variety of categories, including paid leave (vacation, sick, holiday, and personal leave days), supplemental pay (overtime, shift differentials, and some bonuses), insurance (health, life, and disability), retirement (defined benefits and contributions), and legally required benefits (Social Security, Medicare, unemployment insurance and workers' compensation). According to the National Compensation Survey, 63 percent of private-sector workers in the nation have access to both medical and retirement benefits in 2025; in the Northeast region the share is 65 percent.[6] Availability of benefits offered varies significantly by industry and by firm size.

In 2025, the average benefits cost per employee per hour worked at privately-owned firms in the NYC metro area was $17.74, higher than the national average of $13.49, according to the Employer Costs for Employee Compensation survey. However, five of the 15 major metro areas tracked in the survey had higher costs (San Francisco, CA; Seattle, WA; Philadelphia, PA; Detroit, MI and Boston, MA).[7] The highest single benefit cost for employers is health insurance coverage, which costs $4.15 per employee hour worked in 2025 in the privately owned firms in the Northeast region (the smallest geography for which detailed data is available; see Figure 7). This represented an increase of 39.3 percent over the level in 2015, a faster increase than in the nation (36.3 percent).

Benefit costs increased 24.5 percent in the City area between 2015 and 2025, below the national rate of 38.9 percent. In fact, when adjusted for inflation, benefit costs declined 8.3 percent during this period, the lowest growth rate of the 15 metros in the survey, and one of only four that saw a

FIGURE 7

Employment Costs in Dollars, by Benefit, for the Northeast Region and U.S. Total for 2015 and 2025

Benefit	Northeast Region			US Total		
	2015	2025	Change	2015	2025	Change
Vacation	1.44	2.41	67.4%	1.13	1.75	54.9%
Holiday	0.83	1.29	55.4%	0.65	1.01	55.4%
Sick leave	0.37	0.62	67.6%	0.26	0.46	76.9%
Personal leave	0.18	0.37	105.6%	0.12	0.22	83.3%
Paid leave subtotal	**2.82**	**4.70**	**66.7%**	**2.15**	**3.44**	**60.0%**
Overtime and premium pay	0.25	0.40	60.0%	0.26	0.44	69.2%
Shift differentials	0.08	0.09	12.5%	0.06	0.09	50.0%
Nonproduction bonuses	1.85	1.55	-16.2%	0.78	1.31	67.9%
Supplemental pay subtotal	**2.18**	**2.04**	**-6.4%**	**1.10**	**1.84**	**67.3%**
Life insurance	0.05	0.06	20.0%	0.04	0.05	25.0%
Health insurance	2.98	4.15	39.3%	2.42	3.23	33.5%
Short-term disability insurance	0.10	0.20	100.0%	0.06	0.10	66.7%
Long-term disability insurance	0.06	0.06	0.0%	0.05	0.05	0.0%
Insurance subtotal	**3.19**	**4.47**	**40.1%**	**2.57**	**3.44**	**33.9%**
Defined benefit	0.76	0.68	-10.5%	0.55	0.40	-27.3%
Defined contribution	0.89	1.51	69.7%	0.69	1.14	65.2%
Retirement and savings subtotal	**1.65**	**2.19**	**32.7%**	**1.24**	**1.54**	**24.2%**
Social Security and Medicare	2.08	3.21	54.3%	1.81	2.71	49.7%
Social Security	1.64	2.55	55.5%	1.44	2.17	50.7%
Medicare	0.44	0.66	50.0%	0.36	0.54	50.0%
Federal unemployment insurance	0.04	0.05	25.0%	0.04	0.03	-25.0%
State unemployment insurance	0.32	0.26	-18.8%	0.21	0.14	-33.3%
Workers' compensation	0.52	0.52	0.0%	0.44	0.43	-2.3%
Legally required benefits subtotal	**2.96**	**4.04**	**36.5%**	**2.50**	**3.31**	**32.4%**
Total, All Benefits	**12.8**	**17.44**	**36.3%**	**9.56**	**13.58**	**42.1%**

Note: Totals may not add due to rounding.
Sources: U.S. Bureau of Labor Statistics Employer Costs for Employee Compensation; OSC analysis

decrease (including Minneapolis, MN, Atlanta, GA, and Houston, TX). Limited data availability at the metro level makes it difficult to determine what caused the decrease. Nationally, the inflation-adjusted cost of benefits increased 2.3 percent during this period.

Because labor costs comprise a large share of operating expenses, minimum wage requirements can have a big impact on firms' profit margins. While the national minimum wage has stagnated at $7.25 per hour since 2009, the City has seen its minimum pay rate increase more regularly, reaching $17 per hour in 2026. A bill was recently introduced in the City Council to increase the minimum hourly wage in the City. The bill proposes increasing the minimum wage by $3 each year through 2029, then by $4 in 2030, resulting in a minimum wage of $30 per hour. Businesses with fewer than 500 employees would see more gradual increases, reaching the $30 per hour level by 2032. Data from the Occupational Employment and Wage Statistics program suggests that in the New York State MSA (the smallest geography published in the survey, which includes the City, Long Island, the Lower- and Mid-Hudson Valley, and Northern New Jersey), 46 percent of jobs had an average hourly wage below the newly proposed

minimum wage rate in 2025. These jobs cross many occupational types, but some of the largest categories include home health care aides, cashiers and customer service roles, restaurant servers, personal services workers (e.g., manicurists and pedicurists), and janitorial and maintenance jobs. Given the varying timeframes, it is difficult to say exactly what the potential cost to employers in the City would be, but the proposal suggests a potential impact on labor costs for local businesses.

Another potential impact on labor costs is the deployment of artificial intelligence (AI) software. Recent earnings statements from major banks, for example, showed that profits have increased despite overall reductions in the workforce.[8] Bank CEOs attributed these changes to efficiencies from technology, and to AI specifically. Data from payroll processing firm ADP shows that other industries are also impacted by the technology. Software development is one area in which AI models have shown progress while the overall number of software developer jobs decreased in recent years, with particular weakness seen for early-career employees, suggesting that some entry-level work has been replaced by software.[9] Customer service employment follows a similar trend as companies deploy AI chatbot agents to handle some interactions with customers. Other fields, such as the home health care industry, have seen little impact as the nature of the work makes them less susceptible to replacement by AI. As the technology continues to mature, businesses may balance further efficiencies and associated AI costs with labor costs.

Commercial Rents

Securing operational space is another significant cost for businesses. Space can vary widely based on the type of use (commercial or industrial), the type of space needed, location and amenities offered.

Office Space

With more than 417 million square feet of office space in Manhattan alone, New York City is the largest office market in the country and nearly twice the size of Chicago, the next largest market. See the Office of the State Comptroller's (OSC) Office Market report for details. While all types of businesses lease office space in the City, several industry groups dominate the market. The finance, insurance, and real estate sector (FIRE) accounts for 37 percent of companies currently seeking office space.[10] TAMI companies (technology, advertising, media, and information) account for 31.8 percent of active leasing activity. Legal services and business services account for 12.8 percent and 5.9 percent of activity, respectively, while the remainder of companies seeking space (12.5 percent) are in other industries.

Asking rents for office space in the City were $73.19 per square foot in the fourth quarter of 2025, far and away the highest rate among peer markets (see Figure 8).[11] The City's high asking rents have been little changed over the past 10 years (from the fourth quarter of 2015 to the fourth quarter of 2025), up 2.2 percent in Manhattan. Though the 10-year view shows little change, the market experienced significant volatility in the wake of the Covid-19 pandemic, when average asking prices fell from $73.41 at the end of 2019 to $69.67 just two years later (a decline

FIGURE 8

Asking Rents and Vacancy Rates for Office Market Properties, for Select Markets, in 2015 and 2025

Market	2015		2025		Change in Asking Rent
	Asking Rent	Vacancy Rate	Asking Rent	Vacancy Rate	
New York City, NY	**$71.58**	**8.5%**	**$73.19**	**21.1%**	**2.2%**
San Francisco, CA	$68.14	5.9%	$67.47	33.1%	-1.0%
Washington DC	$50.69	10.8%	$55.04	22.8%	8.6%
Los Angeles, CA	$38.68	19.6%	$47.12	31.7%	21.8%
Miami, FL	$34.20	12.2%	$64.48	15.2%	88.5%
Boston, MA	$32.95	9.8%	$48.99	18.2%	48.7%
Houston, TX	$29.17	16.8%	$31.81	24.8%	9.1%
Chicago, IL	$28.60	15.1%	$35.52	25.6%	24.2%
Detroit, MI	$25.01	17.9%	$20.06	19.5%	-19.8%
Philadelphia, PA	$24.55	13.1%	$29.12	19.7%	18.6%
Dallas, TX	$24.15	16.3%	$33.88	25.9%	40.3%
Phoenix, AZ	$23.09	18.7%	$30.10	26.5%	30.4%
Atlanta, GA	$22.23	16.2%	$32.98	25.0%	48.4%
Riverside, CA	$21.00	16.1%	$26.82	8.7%	27.7%
U.S. Average	**$28.15**	**13.9%**	**$38.37**	**20.5%**	**36.3%**

Note: For New York City, the Office market reflects Manhattan alone. Values for all markets represent the fourth quarter of each year.
Sources: Cushman & Wakefield Marketbeat Reports; OSC analysis

of 5.1 percent). While some segments of the market have seen a full recovery since then, average rents in Manhattan remain below the pre-pandemic level (down 0.3 percent from 2019; see OSC's Office Sector Dashboard for details).

The changes in rent vary by submarket, however, with Midtown South seeing an increase of 20 percent during this period, while the Downtown market saw asking rents decline 5.6 percent. The stagnation in asking rents for overall office space reflects the surge in available space in the wake of the Covid-19 pandemic. The average office vacancy rate in Manhattan at the end of 2025 was 21.1 percent. Vacancy rates and asking rents vary significantly by building quality, with top-tier trophy and Class A buildings showing higher asking rents and lower availability than other classes. While vacancies have fallen from their peak (23.6 percent in the second quarter of 2024), they are more than double the rate of 10 years ago (8.5 percent in the fourth quarter of 2015).

The City's office market prices fared better than the national average, which grew 36.3 percent over the last 10 years.[12] The largest increases were seen in Colorado Springs, CO (up 90.6 percent) and Miami, FL (up 88.5 percent). Despite the slower rate of growth, Manhattan still has the highest prices in the country for office space, just above the second-most expensive, San Mateo County, CA (at $72.60 per square foot, an increase of 46.1 percent during the same period).

Retail Space

As of 2025, New York City had over 68 million square feet of retail space. For retail space, the average market rent in the City was $52.45 per square foot, higher than the national average of $24.22, but unlike office space, not quite the highest in the country (see Figure 9).[13] The highest average rate in the country was in Honolulu, HI, which averaged $53.11 per square foot.

FIGURE 9

Market Rents and Vacancy Rates for Retail Properties, for Select Markets, in 2015 and 2025

Market	2015		2025		Change in Asking Rent
	Asking Rent	Vacancy Rate	Asking Rent	Vacancy Rate	
New York - NY	$46.46	3.5%	$52.45	5.8%	12.9%
Miami - FL	$28.31	2.4%	$42.82	2.7%	51.3%
San Francisco - CA	$35.50	2.9%	$41.86	5.8%	17.9%
Los Angeles - CA	$27.86	4.9%	$35.38	6.2%	27.0%
Washington - DC	$26.37	4.3%	$35.04	4.7%	32.9%
Inland Empire - CA	$19.65	8.3%	$27.45	7.5%	39.7%
Phoenix - AZ	$17.25	10.0%	$26.43	5.3%	53.2%
Boston - MA	$19.30	3.8%	$25.60	3.8%	32.7%
Dallas-Fort Worth - TX	$17.14	6.9%	$24.89	7.1%	45.2%
Houston - TX	$18.89	5.7%	$24.84	6.7%	31.5%
Atlanta - GA	$15.61	8.3%	$24.30	5.0%	55.7%
Chicago - IL	$17.64	9.5%	$22.00	7.4%	24.7%
Philadelphia - PA	$18.14	7.2%	$21.70	5.7%	19.7%
Detroit - MI	$14.40	9.8%	$18.87	7.0%	31.0%
U.S. Average	**$17.85**	**7.3%**	**$24.22**	**5.8%**	**35.7%**

Note: For New York City, the Retail market reflects Manhattan alone. Values for all markets represent the fourth quarter of each year.
Sources: Cushman & Wakefield Marketbeat Reports; OSC analysis

Since 2015, the average market rent for retail space in the City has increased 12.9 percent, one of the lowest growth rates in the country. As with office space, the price increase in retail properties is well below the national average, which saw an increase of 35.7 percent during the same period. The largest increases were seen in Nashville, TN, which grew 75.6 percent, and Tampa, FL (up 67.5 percent), areas that have seen a significant population influx in recent years

Industrial Space

With 141 million square feet of inventory in 2025, New York City is one of the smaller markets for industrial space in the country. Chicago, IL and Fort Worth, TX, for example, have over 1 billion square feet of industrial space each. Likely due to this reduced industrial space capacity, the average asking rent for industrial space in the outer boroughs was $28.07 per square foot, well above the next-most expensive market ($20.04 per square foot in San Jose, CA).[14] Prices have increased 46.8 percent from 2018 (the year in which Cushman & Wakefield began tracking the market). Increases have been slower than in some nearby markets, such as Philadelphia, PA and Northern New Jersey, both of which have seen asking rents more than double in the same period (see Figure 10).

While many markets see manufacturers as the main tenants for industrial space, in New York City it is largely utilized by e-commerce companies, third-party logistics providers and retailers.[15] The proximity to John F. Kennedy and Newark Liberty International airports, which are among the largest cargo-ranked airports in the country, along with the Port of New York and New Jersey, the third-largest cargo port in the country, make the City a natural location for these operations. It also provides easy access to the metro area's massive consumer base.

Demand for industrial space had been increasing in 2018 and 2019, but accelerated by the Covid-19 pandemic and its aftermath, as consumers more fully embraced online shopping and

FIGURE 10

Asking Rents and Vacancy Rates for Industrial Space, for Select Markets, in 2015 and 2025

Market	2015		2025		Change in Asking Rent
	Asking Rent	Vacancy Rate	Asking Rent	Vacancy Rate	
New York City, NY*	**$19.12***	**5.0%***	**$28.07**	**6.4%**	**46.8%***
San Francisco, CA	$11.64	3.4%	$19.60	5.1%	68.4%
Miami, FL	$7.08	5.7%	$16.73	6.5%	136.2%
Los Angeles, CA	$8.09	2.3%	$15.96	4.6%	97.3%
Boston, MA	$5.96	7.2%	$14.64	10.8%	145.6%
Riverside, CA	$6.21	4.6%	$13.19	8.1%	112.3%
Phoenix, AZ	$6.29	9.9%	$13.06	12.7%	107.7%
Philadelphia, PA	$4.70	5.6%	$12.75	11.2%	171.4%
Dallas, TX	$5.09	7.5%	$8.38	8.2%	64.6%
Houston, TX	$6.09	5.0%	$7.78	6.0%	27.8%
Detroit, MI	$5.04	4.6%	$7.35	3.7%	45.8%
Atlanta, GA	$4.29	7.9%	$7.27	9.0%	69.6%
Chicago, IL	$4.76	5.9%	$7.16	4.7%	50.3%
U.S. Average	**$5.45**	**7.2%**	**$10.18**	**7.1%**	**86.8%**

Note: For New York City, the industrial market reflects the outer boroughs. Values for NYC in the 2015 column are actually from 2018, the first year Cushman & Wakefield began tracking the NYC market. Washington, D.C. was excluded from this figure because Cushman & Wakefield does not track its industrial market. Values for all markets represent the fourth quarter of each year.
Sources: Cushman & Wakefield Marketbeat Reports; OSC analysis

delivery services, driving demand for warehousing (see OSC's Transportation and Warehousing Sector Report and Industry Dashboard for details). Asking rents rose dramatically in 2022 and 2023, as vacancies hovered around 4 percent. The market has softened slightly since then as additional space has been delivered to the market.

Electrical and Utility Costs

Electrical, gas and water services can also be a significant cost for businesses, particularly those that rely on these resources to manufacture products or have intensive heating and cooling needs.

Electrical Costs

At the statewide level, New York's average annual electricity cost for commercial customers in 2025 was 21.07 cents per kilowatt hour (kWh), the seventh-highest level in the nation, and significantly above the national average of 13.41 cents.[16] The highest costs were seen in Hawai'i, California and Rhode Island, at 36.37 cents, 26.36 cents, and 23.46 cents per kWh, respectively (see Figure 11).

FIGURE 11

Growth in Electrical Costs for Commercial Customers, by State, from 2015 to 2025

State	Cents per Kilowatt Hour (kWh)		
	2015	2025*	Growth
Hawai'i	26.93	36.37	35.1%
California	15.73	26.36	67.6%
Rhode Island	15.78	23.46	48.7%
Connecticut	15.97	23.11	44.7%
Massachusetts	15.79	23.08	46.2%
Alaska	17.44	22.32	28.0%
New York	**15.31**	**21.07**	**37.6%**
Maine	12.47	20.96	68.1%
Washington D.C.	12.01	20.41	69.9%
New Hampshire	14.96	20.16	34.8%
U.S. Total	**10.64**	**13.41**	**26.0%**

Note: List includes the 10 states with the highest commercial electrical rates. Figures represent annual averages.
Sources: U.S. Energy Information Administration; OSC analysis

Unlike labor and rental space costs, growth in electrical prices in New York has outpaced the nation. Average commercial electrical costs in New York State increased 37.6 percent between 2015 and 2025, above the national average increase of 26 percent. The increase in rates in the State has elevated discussions about the composition of local energy sources and the cost of reliably sourcing energy during periods of peak demand. The largest increase was seen in Washington D.C., where prices rose 69.9 percent during the same period. Maine and California also saw increases of over 50 percent.

New York City also faces higher commercial customer electric rates and faster increases than the rest of the State. Con Edison, which services New York City, had rates that were well above the rest of the State, with average rates for utility customers at 28.20 cents per kWh in 2024 (the latest year for which data is available), an increase of 37 percent over the price in 2015.[17]

Natural Gas Costs

New York City businesses have also faced significant growth in natural gas costs (see Figure 12). For both small and large commercial buildings, peak natural gas costs grew over 70 percent from 2017 to 2025 with large commercial experiencing higher growth (88.6 percent) than small commercial buildings.

For both small and large commercial buildings, off-peak natural gas costs grew even higher, by over 110 percent from 2017 to 2025, with large commercial once again experiencing higher growth (144.8 percent) than small commercial (115.1 percent).

FIGURE 12

Annual Growth in Average Monthly Commercial Natural Gas Bills in New York City, from 2017 to 2025

Year	Large Commercial				Small Commercial			
	Rate I Bill	Growth	Rate II Bill	Growth	Rate I Bill	Growth	Rate II Bill	Growth
2016	$22,008	- - -	$21,781	- - -	$316	- - -	$313	- - -
2017	$25,771	17.1%	$28,166	29.3%	$353	11.6%	$378	20.8%
2018	$32,571	26.4%	$32,032	13.7%	$425	20.4%	$422	11.5%
2019	$26,428	-18.9%	$31,852	-0.6%	$368	-13.5%	$424	0.6%
2020	$22,957	-13.1%	$29,049	-8.8%	$337	-8.5%	$400	-5.8%
2021	$30,091	31.1%	$37,585	29.4%	$419	24.4%	$497	24.3%
2022	$43,698	45.2%	$47,915	27.5%	$565	34.9%	$610	22.9%
2023	$36,034	-17.5%	$49,883	4.1%	$489	-13.4%	$632	3.5%
2024	$34,125	-5.3%	$46,259	-7.3%	$471	-3.6%	$602	-4.8%
2025	$41,499	21.6%	$53,316	15.3%	$546	15.8%	$674	12.0%
Cumulative Growth 2016-2025		**88.6%**		**144.8%**		**72.5%**		**115.1%**

Sources: Consolidated Edison, Inc; OSC analysis

Water and Sewer Costs

Water and sewer costs are predominately metered properties and are residential (84 percent in FY 2020) but water rate increases still affect businesses as well. From 2015 to 2025, City commercial water and sewer costs grew 31.6 percent, slower than the national average rate of growth (55.2 percent) during the same period, as well as major comparable cities like San Francisco (155.9 percent), Houston (84.9 percent), and Los Angeles (81.4 percent; see Figure 13). City industrial water and sewer costs grew at the same rate (31.6 percent) as commercial water and sewer costs and were lower than the U.S. average of 56.7 percent during the same period.

While water rates have grown by 31.6 percent from 2015 to 2025, water usage per capita has increased only 2.3 percent (from 2015 to 2024, the latest year of published data). Per capita water usage declined significantly in recent decades, down 23.7 percent from 2000 to 2024, as conservation programs have been effective to reduce water use in the City.[18] While usage has declined, rates have

FIGURE 13

Annual Average Water and Sewer Costs for Commercial Customers, by City, in 2015 and 2025

City	2015	2025	growth 2015-2025
Seattle	$27,718	$44,209	59.5%
San Francisco	$16,079	$41,151	155.9%
Washington, D.C.	$22,590	$39,804	76.2%
Atlanta	$29,123	$28,922	-0.7%
Boston	$16,733	$26,876	60.6%
Baltimore	$14,487	$26,777	84.8%
Cleveland	$15,519	$26,134	68.4%
Austin	$19,000	$24,578	29.4%
Detroit	$18,361	$23,319	27.0%
Miami-Dade	$14,578	$23,177	59.0%
Philadelphia	$14,253	$22,446	57.5%
Los Angeles	$12,183	$22,100	81.4%
Houston	$11,099	$20,527	84.9%
San Jose	$10,609	$19,750	86.2%
San Diego	$11,835	$19,310	63.2%
Louisville	$10,935	$18,764	71.6%
New York	**$12,812**	**$16,863**	**31.6%**
Charlotte	$11,899	$15,935	33.9%
Columbus	$11,289	$15,820	40.1%
Indianapolis	$10,597	$15,102	42.5%
U.S. Average	**$13,232**	**$20,542**	**55.2%**

Sources: New York City Municipal Water Finance Authority; OSC analysis

increased due to several factors, including the partial funding of the City budget through the water rental payment (see OSC Miscellaneous Revenues report).[19]

New York City taxable sales and purchase transactions that are subject to sales tax can be tracked by sector according to the State Tax Year (STY) calendar, which runs from March to

FIGURE 14

New York City Utility Taxable Sales and Purchases

Categories (in millions)	STY 2015-2016	STY 2025-2026	Percent Change
Electric Power Generation, Transmission and Distribution	$9.286.7	$13,981.6	50.6%
Natural Gas Distribution	$1,947.2	$3,181.3	63.4%
Water, Sewage and Other Systems	$15.5	$54.4	249.8%
Total	**$11.249.4**	**$17,217.3**	**53.1%**

Sources: NYS Department of Taxation and Finance; OSC analysis

February. The utility sector, which includes transactions in power generation and transmission, natural gas distribution, and water and sewage systems, has experienced significant growth since STY 2015-2016, with total utility transactions increasing 53.1 percent during this period, slightly below the overall rate of growth in taxable sales of 64 percent (see Figure 14). Water and sewage sales dollars increased the most rapidly, more than tripling during this period, though they comprised only 0.3 percent of transaction dollars in STY 2025-2026. Electric generation and transmission costs accounted for 81.2 percent of sales and increased 50.6 percent during this period.

Business Taxes

In 2023, State and local corporate tax collections totaled $32.9 billion in New York State, the highest of any state in the nation. California had the second-highest level at $29.9 billion, while all other states had less than $10 billion in annual corporate tax collections.[20]

New York had the highest State and local corporate income tax collections per capita at $1,660 per person in FY 2023, followed by the District of Columbia ($1,621 per person), Connecticut ($956 per person), and New Jersey ($921 per person).[21] Federal and state business income tax were both in the top 10 small business problems in 2024 in a survey done by the National Federation of Independent Businesses (NFIB).[22]

Between 2017 and 2023, corporate tax revenues in New York State more than tripled, increasing by 210.5 percent (based on the Census Bureau's Annual Survey of State and Local Government Finances; this dataset begins in 2017, and 2023 is the most recent year for which data is available). Nationally, revenues grew by 190.5 percent, with New York showing the 18th-highest increase among the states. North Dakota saw the greatest increase of more than five-fold during this period, but made no increase to tax rates, while Indiana showed the smallest increase at 20 percent. In 2021, New York State increased its top corporate tax rate from 6.5 percent to 7.25 percent, which contributed to the growth in collections, along with an increase in the taxable base.

Increases in corporate tax revenues during this period are heavily skewed by some states creating pass-through entity tax (PTET) vehicles. Business entities such as partnerships, limited liability companies (LLCs), and S-Corporations can elect to pay the PTET, a tax on the income of the business entity, rather than partners or members having their shares of the business' income subject to the personal income tax (PIT). The tax was created as a mechanism for certain taxpayers to avoid the federal cap of $10,000 on the itemized deduction for state and local tax (SALT) paid, which was enacted as part of the Tax Cuts and Jobs Act of 2017. However, the SALT cap does not apply to business taxes. H.R.1 temporarily increased the cap to $40,000 with a phase down to $10,000 beginning when adjusted gross income exceeds $500,000. Any payment to the PTET will reduce taxpayers' quarterly estimated payments (the component of PIT that is based on nonwage income) by an equivalent amount. Thus, when combined with PIT, the PTET is expected to be revenue neutral for the State and City according to the State Department of the Budget. Because of this arrangement, many states saw corporate tax revenues increase as money passed through these PTET entities and was realized under business taxes and not PIT. Because New York City's corporate tax is not affected by the PTET program, its corporate tax revenues grew 30.4 percent between 2017 and 2023.

New York City business income taxes are imposed on both corporations and unincorporated businesses (such as limited liability companies and sole proprietorships) operating in the City. Businesses are taxed based on net income allocated to the City jurisdiction. Corporate taxes are the fourth-largest City tax revenue source. In 2022, 0.25 percent of corporate taxpayers paid more than 75 percent of corporate tax liability.[23] The majority of businesses operating in the City pay an unincorporated tax rate of 4 percent of business income (excluding S-Corporations, which

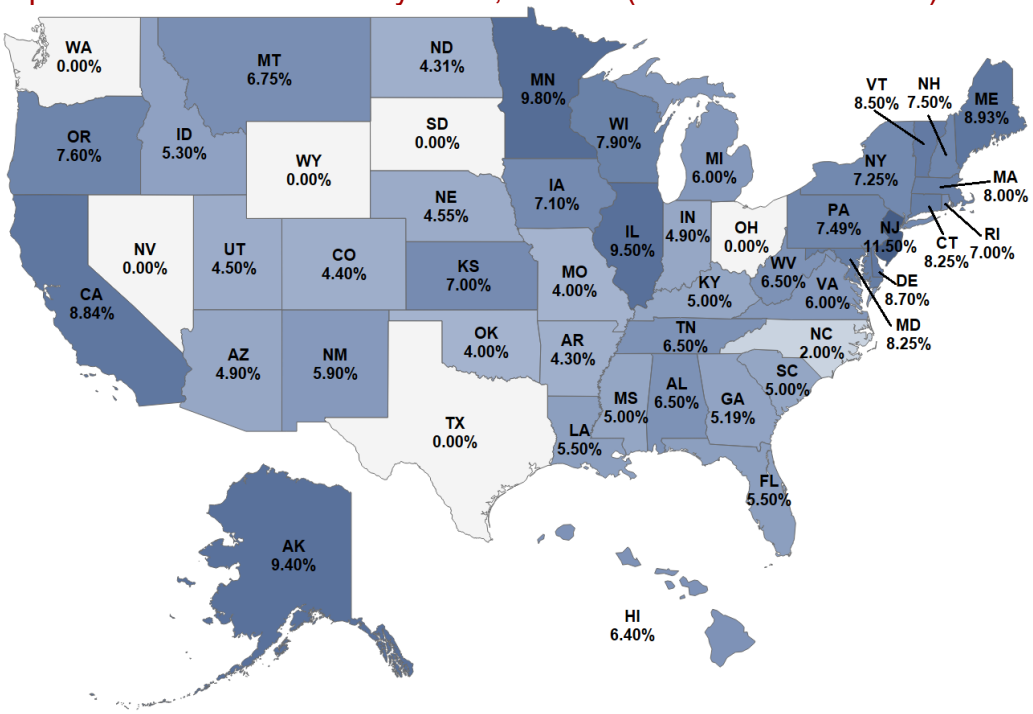
pay 8.85 percent City general corporate tax). Understanding business taxes can be complex due to the different tax exemptions available to business, effective tax rates, and combined tax rates.

New York City has a combined marginal corporate franchise income tax rate of 17.44 percent. This reflects corporate taxes of 6.61 percent collected by the State, 8.85 percent collected by the City, and 1.98 percent collected by the Metropolitan Transportation Authority (MTA) in the Metropolitan Commuter Transportation District (MCTD), which includes the City as well as Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester counties. The effective total tax rate is lower because City corporate taxes are deductible from State corporate taxes. The Tax Foundation ranked New York State as having the 16th-highest corporate tax rate in the nation, with New Jersey coming at number one (see Figure 15). One proposal would increase the top tax rate to match New Jersey's 11.50 percent corporate tax rate, which would bring the combined corporate tax rate to 22.48 percent.

In fiscal year (FY) 2025 New York City collected $11.02 billion in business taxes, including audits, with more than half of that (67 percent) from corporate tax collections. City corporate tax collections are primarily driven by profits of New York Stock Exchange member firms. In FY 2025, corporate collections reached $7.4 billion while NYS collected $6.8 billion for corporate franchise tax.[24] Since FY 2015, New York City corporate tax collections have increased 69.7 percent through FY 2025.

FIGURE 15

Top Corporate Income Tax Rate by State, in 2025 (excludes local levies)



Note: Does not reflect additional taxes levied by municipalities or other tax types (e.g., gross receipts or franchise taxes).
Sources: Tax Foundation; OSC analysis

Permits and Approvals

Businesses must also navigate the regulatory structure of the localities in which they intend to operate, which can create additional burdens, especially when starting out.

Permitting challenges vary significantly based on the type of business. In its *Barriers to Business* report, the Institute of Justice looked at the challenges of starting a business in 20 U.S. cities, and found that an individual looking to open a restaurant in New York City was required to pay eight different fees before opening for business, with a total cost of $2,882.[25] Of the cities studied, New York City had the least number of required fees (tied with St. Louis), well below the average of 13, and also well below the average total cost of $5,358 (the average was inflated by extremely high costs in San Francisco and Minneapolis). Fees are exacerbated by overlapping requirements of different agencies. For example, to start a food truck business in the City, entrepreneurs must interact with six different City agencies, which adds to the time and expense required. However, New York City was again tied for the fewest agencies required among the 20 cities examined, while the highest number of agencies was in Minneapolis (11 agency interactions required).

The length of time required for agencies to respond to entrepreneur requests can also be a burden. In 2025, the Department of Consumer and Worker Protection (DCWP) in the City took an average of 10 days to approve submitted permit applications.[26] However, the timeframe can vary wildly by business type, with electronics stores taking an average of three days, while tow truck companies required 73 days on average. It should be noted that these times are for permits from DCWP only; other agencies may take longer, especially if inspections are required (e.g., the Department of Buildings or Department of Health). OSC has reported that certain building inspections required to ultimately ascertain a certificate of occupancy have taken longer in recent years, one example of such delays that ultimately cost businesses time and money.

Since the beginning of June, both the Governor and the Mayor have released plans to undertake regulatory reform. These reform proposals acknowledge the burden on businesses from regulation, covering a wide swath of permitting, approvals, fines and fees touching unique businesses and industries. The proposals also recognize that direct costs of regulation are only one aspect of the burden on businesses, and some reforms are meant to reduce the time approvals take. OSC has noted in the past that businesses surveyed that operate within New York State report “unreasonable” government regulations at a higher rate than nationally.

Outlook

New York City is likely to remain an attractive location for firms seeking access to a large and diverse labor pool, dense customer markets, and global connectivity. These advantages will continue to outweigh cost considerations for many businesses. However, the City's persistently high costs, particularly for workspace, utilities and certain taxes, pose challenges, especially for small and midsize firms operating with narrower margins.

As shown in this report, the City's high-cost structure remains well above many peers across major business cost inputs, although it is comparable to the higher end of its peer group for most types of expenses, excluding work space where it is consistently higher priced than peers. The cost of space will likely continue to be a challenge for businesses as the City continues to experience land use demand for other purposes, including residential.

Several peer regions have experienced rapid population and economic growth, contributing to faster increases in wages, rents, and utility costs than in New York City. As these cost pressures rise elsewhere, the City could gain a competitive advantage if it succeeds in keeping cost growth manageable. Policymakers can influence this trajectory through decisions on tax rates, regulatory requirements, and infrastructure investments that affect costs such as utilities and transportation. Recent efforts to improve the regulatory landscape provide one such opportunity. Careful monitoring of the effect of tax policy changes is another avenue for understanding the business environment.

OSC has noted in the past that entrepreneurship in the State is lower than many other states and that the State, and its localities including New York City, can take steps to reduce barriers to entry. A robust and competitive business landscape may offer more options for the pricing of goods and services, enhancing affordability. Maintaining affordability and predictability for new and expanding businesses will be essential to sustaining the City's economic competitiveness and ensuring broad-based growth.

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