



THE REAL ESTATE BOARD OF NEW YORK

MANHATTAN RETAIL REPORT | SPRING 2018



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INTRODUCTION

Asking rents in the Manhattan retail leasing market are continuing to adjust, in addition to landlord concessions which affect net effective rents. While declines have continued across Manhattan's top retail corridors into spring 2018, our Manhattan Retail Report Advisory Group stated that there have been developments in the market that offer reasons for optimism.

Owners' flexibility on lease terms have become more consistent since the fall and retailers, who paused their search for brick-and-mortar space through transitioning market conditions, have returned to explore new opportunities. Transactions and offer volume have increased, and there have also been reports of competitive bidding for spaces priced appropriately in key retail locations.

A major theme in the transition of the Manhattan retail landscape, as emphasized by our Manhattan Retail Report Advisory Group brokers, has been the shift from retail brands occupying numerous locations around the city to fewer, but more impactful locations. Retailers of food, apparel, and service providers, are all attempting to market their product through the enhanced use of technology. Retailers have employed the use of artificial intelligence, robotics, and data mining to provide a personalized shopping experience that provides brand empathy and is also social media friendly. Their physical retail spaces are designed as an extension of these marketing efforts to create a sense of "belonging" and shareable moments for the customer.

These innovative retailers are finding formulas to make stores work in the new urban retail paradigm. During previous market cycles, retailers were drawn to major Manhattan shopping corridors and reliable foot traffic. The appeal of these streets remain while tenant interest has partially shifted to locations slightly off the main shopping corridors, as creative retailers seek nearby locations whose cachet is on the rise. Through personal branding, creative promotion, and an inventive use of space, quality retailers create their own foot traffic.

This process can transform retail corridors and shift retail boundaries. Over the past few years in the Meatpacking District, brands shifted their sights to Washington Street, which they viewed as more fashionable than West 14th Street. Washington Street now commands the highest

ground floor retail rents in the district. A similar situation is currently playing out in SoHo where Lafayette Street and its neighboring side streets are competing with the established Broadway corridor.

Rent and repositioning are not the only current concerns for Manhattan retailers. Establishments are also dealing with heightened challenges from legislation, most notably mandated labor cost increases. The \$15 per hour minimum wage law will fully vest at the end of 2018, which poses an additional cost uncertainty for retailers, especially labor-intensive restaurants. This law, as well as the expensive cost of restaurant build outs, has the potential to impede retail leases with food tenants. These deals have thrived during the retail adjustment period and are very important to neighborhood development.

EXECUTIVE SUMMARY

The Manhattan retail market's orderly correction continued this spring with per square foot (psf) ground floor retail average asking rents declining year-over-year in 9 of the 17 high-profile corridors that the Real Estate Board of New York (REBNY) surveys bi-annually.

The few corridors with year-over-year increases were: Midtown South's Flatiron Broadway corridor, between 14th and 23rd Streets, where the ground floor retail average asking rent rose three percent to \$360 psf year-over-year; the West Side's Broadway corridor, between West 72nd and West 86th Streets, where the average asking rent increased three percent year-over-year to \$325 psf; and Lower Manhattan's Broadway corridor, between Battery Park and Chambers Street, where the average asking rent increased two percent year-over-year to \$368 psf in spring 2018.

Midtown's Upper Fifth Avenue, between 49th and 59th Streets, also registered a higher average asking rent this spring compared to last spring. The spring 2018 average of \$3,900 psf was 17 percent greater than last spring. Very limited ground floor retail availability along this corridor made market conditions more difficult to discern.

Similarly, we were unable to determine if the \$975 psf average asking rent this spring on Midtown's East 57th Street, between Fifth Avenue and Park Avenue, was an

EXECUTIVE SUMMARY (CONT.)

increase or decrease from last spring due to insufficient availabilities for that period.

SoHo's Broadway corridor, between Houston Street and Broome Street, saw the biggest average asking rent drop this spring compared to last year; a 27 percent decline to \$595 psf. Our Manhattan Retail Report Advisory Group noted that the corridor is undergoing a major transition in rents due to nearby competition and a changing perception of the corridor by major brands.

Average asking rents on the East Side's Third Avenue, between East 60th and East 72nd Streets, fell 26 percent to \$264 this spring compared to last spring. After reaching a record high average asking rent of \$371 psf in spring 2016, the corridor then began to experience high availability and low demand. Retail property owners have adjusted rents accordingly and there has been more deal-making and renewed retailer interest in the corridor.

We must reiterate that the rents quoted in this report are asking rents for available retail spaces. The physical components and location of a retail space factor greatly into its rental value. Attributes such as street/avenue frontage, ceiling height, and presence of below and above grade space can also affect value. Consequently, in corridors with low availability, a high quality retail space coming to market can increase the average and median asking rents greatly. Also, in smaller corridors, a lack of available spaces may lead, in some cases, to adjacent blocks becoming of greater interest to retailers.

Accordingly, we have provided information about the retail rent range as well as asking rent information from six months and 12 months ago to provide a rich, statistical context in order to evaluate current market conditions. In addition, we would like to note that the surveyed corridors in this report represent the top tier retail corridors in New York City. Rents on adjoining side streets may lease for considerably less than the locations we are profiling. Lastly, as we have learned over the 18 years that we have been preparing this report, retail brokers who are active in the market are an invaluable source of information and trends that cannot be fully captured by the numbers in our report. We attempt to provide an overview of the market at a particular point in time that is based on the available

listings of our Manhattan Retail Report Advisory Group and Retail Committee members, which include all the major retail brokers and owners in Manhattan.

ACKNOWLEDGEMENTS

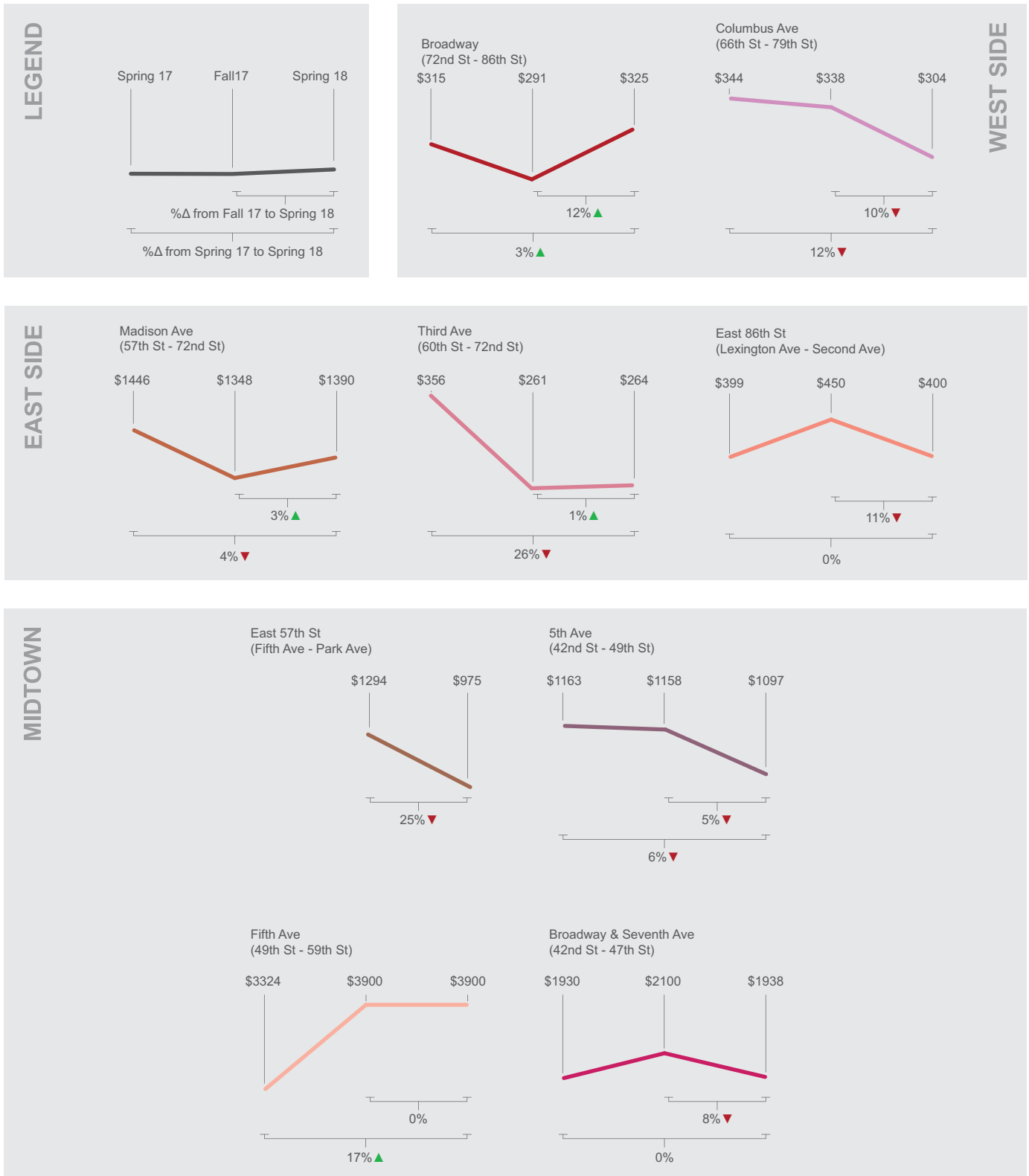
The REBNY Manhattan Retail Report Advisory Group includes:

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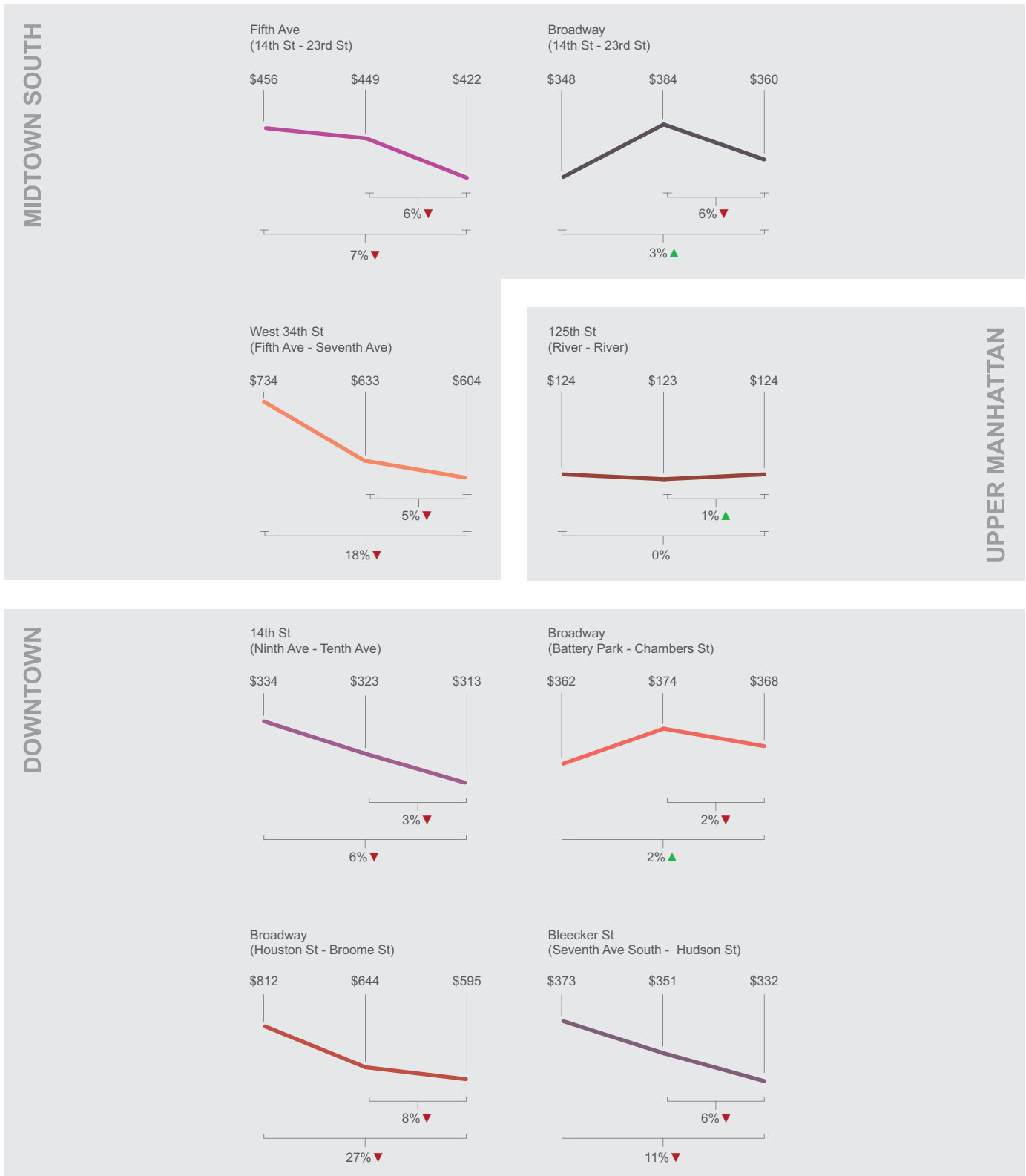
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Sinvin Real Estate
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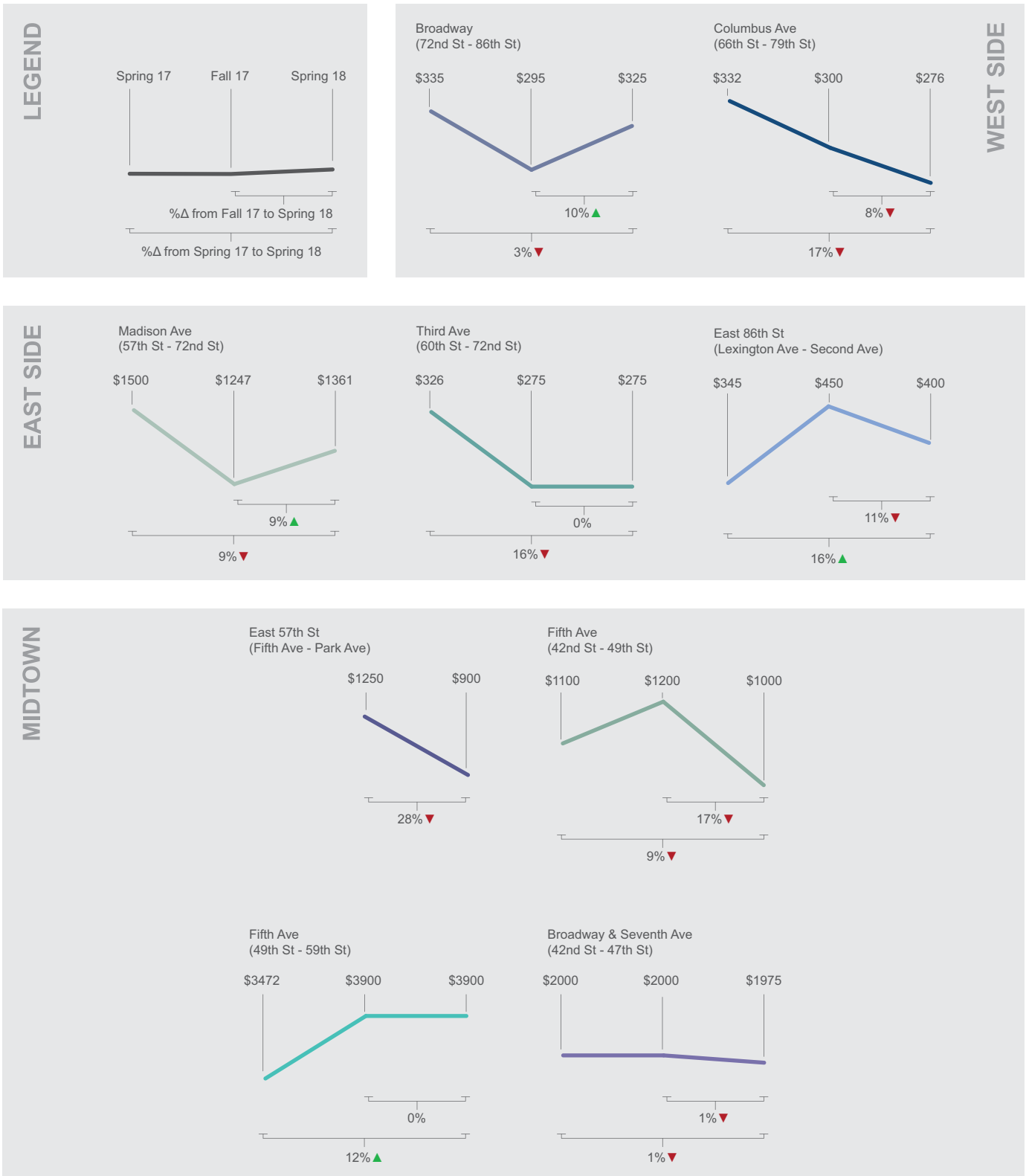
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL



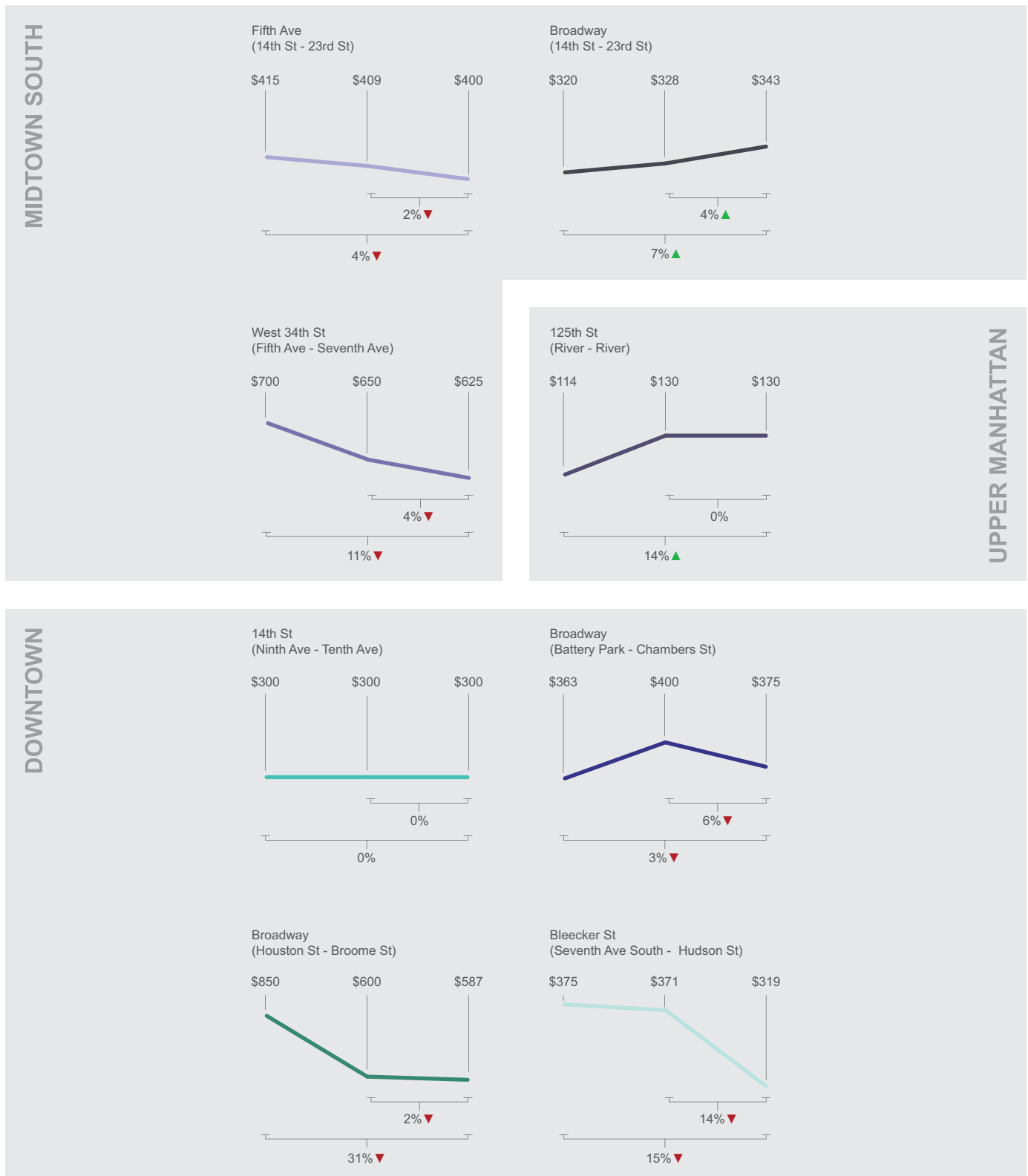
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL



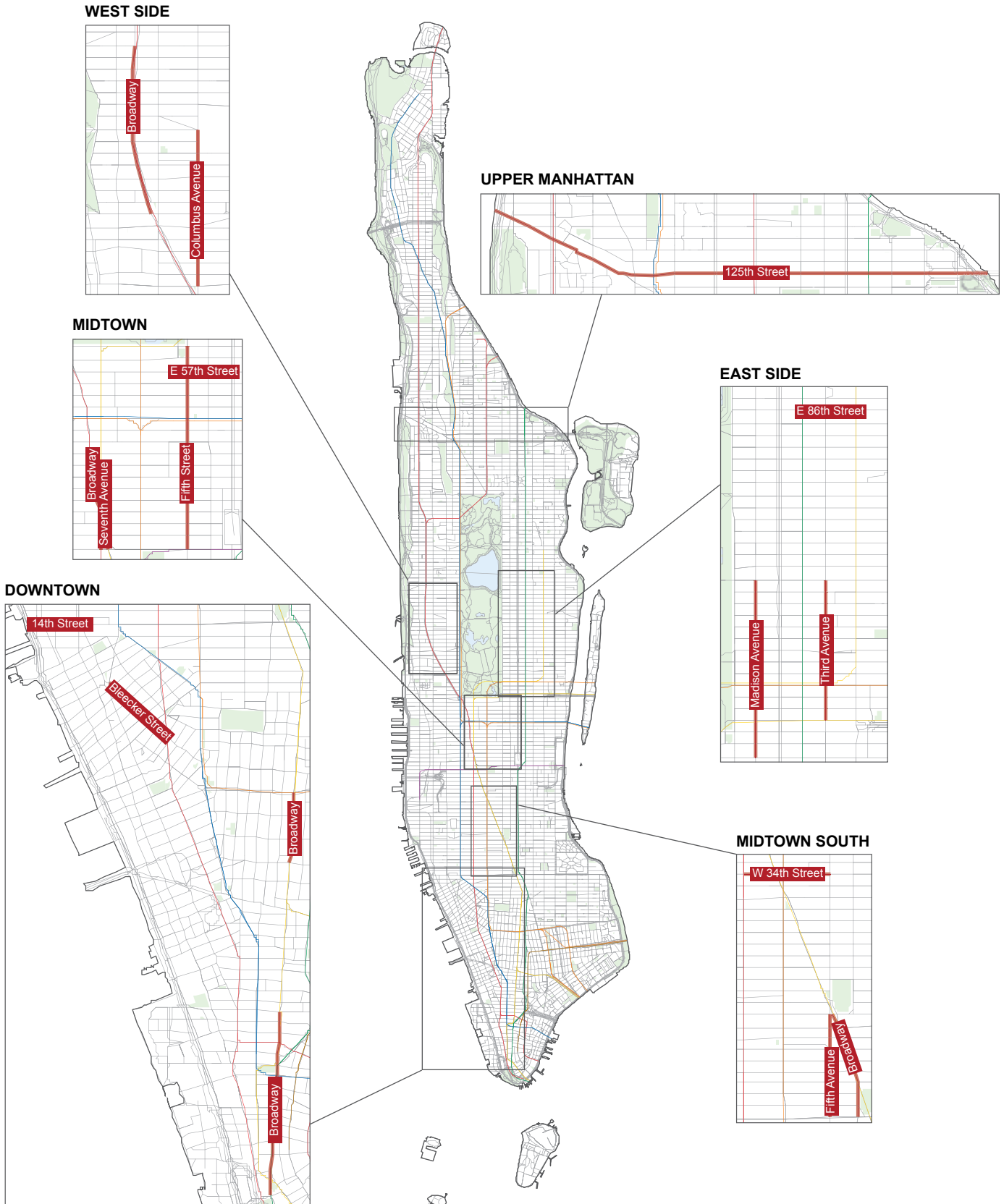
MEDIAN ASKING RENT PSF - GROUND FLOOR RETAIL



MEDIAN ASKING RENT PSF - GROUND FLOOR RETAIL



CORRIDOR MAPS



APPENDIX

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Spring 18	Fall 17	Spring 17	% Δ Fall 17	% Δ Spring 17
EAST SIDE					
East 86th St (Lexington Ave - Second Ave)	\$400	\$450	\$399	-11%	0%
Madison Ave (57th St - 72nd St)	\$1,390	\$1,348	\$1,446	3%	-4%
Third Ave (60th St - 72nd St)	\$264	\$261	\$356	1%	-26%
WEST SIDE					
Broadway (72nd St - 86th St)	\$325	\$291	\$315	12%	3%
Columbus Ave (66th St - 79th St)	\$304	\$338	\$344	-10%	-12%
MIDTOWN					
East 57th St (Fifth Ave - Park Ave)	\$975	\$1,294	-	-25%	-
Fifth Ave (49th St - 59th St)	\$3,900	\$3,900	\$3,324	0%	17%
Fifth Ave (42th St - 49th St)	\$1,097	\$1,158	\$1,163	-5%	-6%
Broadway & Seventh Ave (42nd St - 47th St)	\$1,938	\$2,100	\$1,930	-8%	0%
MIDTOWN SOUTH					
Herald Square					
West 34th St (Fifth Ave - Seventh Ave)	\$604	\$633	\$734	-5%	-18%
Flatiron					
Fifth Ave (14th St - 23rd St)	\$422	\$449	\$456	-6%	-7%
Broadway (14th St - 23rd St)	\$360	\$384	\$348	-6%	3%
DOWNTOWN					
Meatpacking					
14th St (Ninth Ave - Tenth Ave)	\$313	\$323	\$334	-3%	-6%
West Village					
Bleecker St (Seventh Ave South - Hudson St)	\$332	\$351	\$373	-6%	-11%
SoHo					
Broadway (Houston St - Broome St)	\$595	\$644	\$812	-8%	-27%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	\$368	\$374	\$362	-2%	2%
UPPER MANHATTAN					
Harlem					
125th St. (River - River)	\$124	\$123	\$124	1%	0%

APPENDIX

MEDIAN ASKING RENT PSF – GROUND FLOOR RETAIL

	Spring 18	Fall 17	Spring 17	% Δ Fall 17	% Δ Spring 17
EAST SIDE					
East 86th St (Lexington Ave - Second Ave)	\$400	\$450	\$345	-11%	16%
Madison Ave (57th St - 72nd St)	\$1,361	\$1,247	\$1,500	9%	-9%
Third Ave (60th St - 72nd St)	\$275	\$275	\$326	0%	-16%
WEST SIDE					
Broadway (72nd St - 86th St)	\$325	\$295	\$335	10%	-3%
Columbus Ave (66th St - 79th St)	\$276	\$300	\$332	-8%	-17%
MIDTOWN					
East 57th St (Fifth Ave - Park Ave)	\$900	\$1,250	-	-28%	-
Fifth Ave (49th St - 59th St)	\$3,900	\$3,900	\$3,472	0%	12%
Fifth Ave (42th St - 49th St)	\$1,000	\$1,200	\$1,100	-17%	-9%
Broadway & Seventh Ave (42nd St - 47th St)	\$1,975	\$2,000	\$2,000	-1%	-1%
MIDTOWN SOUTH					
Herald Square					
West 34th St (Fifth Ave - Seventh Ave)	\$625	\$650	\$700	-4%	-11%
Flatiron					
Fifth Ave (14th St - 23rd St)	\$400	\$409	\$415	-2%	-4%
Broadway (14th St - 23rd St)	\$343	\$328	\$320	4%	7%
DOWNTOWN					
Meatpacking					
14th St (Ninth Ave - Tenth Ave)	\$300	\$300	\$300	0%	0%
West Village					
Bleecker St (Seventh Ave South - Hudson St)	\$319	\$371	\$375	-14%	-15%
SoHo					
Broadway (Houston St - Broome St)	\$587	\$600	\$850	-2%	-31%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	\$375	\$400	\$363	-6%	3%
UPPER MANHATTAN					
Harlem					
125th St. (River - River)	\$130	\$130	\$114	0%	14%

APPENDIX

RANGE OF ASKING RENTS PSF – GROUND FLOOR RETAIL

	Spring 18		Fall 17		Spring 17	
EAST SIDE						
East 86th St (Lexington Ave - Second Ave)	\$300	-	\$500	\$450	-	\$450 \$250 - \$655
Madison Ave (57th St - 72nd St)	\$720	-	\$2,000	\$520	-	\$2,135 \$520 - \$2,100
Third Ave (60th St - 72nd St)	\$140	-	\$400	\$165	-	\$300 \$185 - \$550
WEST SIDE						
Broadway (72nd St - 86th St)	\$147	-	\$500	\$105	-	\$500 \$130 - \$480
Columbus Ave (66th St - 79th St)	\$225	-	\$500	\$176	-	\$500 \$178 - \$528
MIDTOWN						
East 57th St (Fifth Ave - Park Ave)	\$800	-	\$1,200	\$1,175	-	\$1,500 \$- - \$-
Fifth Ave (49th St - 59th St)	\$3,900	-	\$3,900	\$3,900	-	\$3,900 \$3,000 - \$3,500
Fifth Ave (42th St - 49th St)	\$635	-	\$1,600	\$700	-	\$1,600 \$700 - \$2,000
Broadway & Seventh Ave (42nd St - 47th St)	\$1,800	-	\$2,000	\$1,800	-	\$2,500 \$1,000 - \$2,350
MIDTOWN SOUTH						
Herald Square						
West 34th St (Fifth Ave - Seventh Ave)	\$371	-	\$800	\$314	-	\$1,000 \$514 - \$1,000
Flatiron						
Fifth Ave (14th St - 23rd St)	\$285	-	\$555	\$285	-	\$750 \$285 - \$750
Broadway (14th St - 23rd St)	\$311	-	\$445	\$286	-	\$540 \$285 - \$500
DOWNTOWN						
Meatpacking						
14th St (Ninth Ave - Tenth Ave)	\$150	-	\$700	\$195	-	\$700 \$225 - \$700
West Village						
Bleecker St (Seventh Ave South - Hudson St)	\$200	-	\$450	\$200	-	\$450 \$200 - \$495
SoHo						
Broadway (Houston St - Broome St)	\$341	-	\$1,000	\$444	-	\$1,000 \$550 - \$993
Lower Manhattan						
Broadway (Battery Park - Chambers St)	\$160	-	\$600	\$160	-	\$600 \$150 - \$600
UPPER MANHATTAN						
Harlem						
125th St. (River - River)	\$76	-	\$145	\$76	-	\$145 \$67 - \$210