

THE REAL ESTATE BOARD OF NEW YORK

MANHATTAN RETAIL REPORT | SPRING 2019



INTRODUCTION

As rents continue to self-correct, deal-making has increased with tenants committing to space in key areas for both new and existing product. Amid increases in consumer spending, income growth, and employment, Manhattan's top retail corridors continue to experience decreased rent values with heightened availability rates. In more recent periods, asking rent depreciation has slowed causing rents in several corridors to level off as transaction volumes increase. Continuing 2018 trends, Manhattan retail leases in the first months of 2019 were driven by the food and beverage industry, followed by activewear, cosmetic, and technology brands.

Manhattan retail inventory increased with new high-profile development projects such as Hudson Yards, Gansevoort Row, the Seaport District, and Essex Crossing, which all offer competitive asking rents and elevated visibility. Amid these new, prominent retail availabilities, property owners are facing pressure to reprice existing vacant retail spaces at lower asking rents. As a result, many owners are also offering greater flexibility to prospective tenants in the form of shorter-term deals, concessions, and build-outs.

The Real Estate Board of New York's (REBNY) Manhattan Retail Report Advisory Group remains optimistic on the Manhattan retail market as they are seeing increased interest in retail space by new retailers entering the market, retailers previously deterred by high prices, and retailers looking to move to emerging neighborhoods. Retail leasing activity among e-commerce and digitally native brands are highlighting the importance of brick-and-mortar locations as distribution hubs for products and a physical extension of their marketing presence.

EXECUTIVE SUMMARY

In spring 2019, average asking rents for available ground floor retail spaces decreased in 12 of the 17 Manhattan corridors analyzed by REBNY in its bi-annual Manhattan Retail Report, when compared to the spring of 2018.

The average asking rent on Madison Avenue, between the 57th and 72nd Streets, declined by 25 percent to \$1,039 price per square foot (psf) compared to spring 2018. Out of the 17 observed corridors, Madison Avenue represented the largest year-over-year decline. According to REBNY's Manhattan Retail Report Advisory Group, high availability rates along the corridor have led owners to continue lowering their rents and offer more short-term lease agreements. Flagship retailers across the prestigious strip are taking advantage of the softening rents by either locking in long-term lease agreements, moving to smaller-sized spaces, or migrating further south. Declining rents have fostered a healthier environment as more retail space is being absorbed at an affordable rate.

On East 86th Street, between Lexington Avenue and Second Avenue, the average asking rents declined nine percent to \$365 psf compared to spring 2018. This drop was due to more expensive retail spaces along Lexington Avenue being recently leased out by Old Navy and JP Morgan Chase with remaining availabilities along the corridor being located further eastwards where rents tend to be lower.

In Upper Fifth Avenue, between 49th and 59th Streets, the average asking rent declined 22 percent from \$3,900 psf in spring 2018 to \$3,047 psf in spring 2019. This decline is attributed to both historically high availability rates and low absorption rates, as high asking rents are diminishing tenant demand. Despite instances of rent reductions, newer owners who purchased spaces at peak market rates are slow to adjust their prices and are struggling to fill vacant spaces. Similarly, on Fifth Avenue, between 42nd and 49th Streets, the average asking rent dropped for the third consecutive year-over-year period to \$878 psf, a 20 percent decrease compared to spring 2018.

EXECUTIVE SUMMARY (CONT.)

On Columbus Avenue, between 66th and 79th Streets, the average asking rent declined eight percent year-over-year to \$279 psf. This represented the third consecutive year-over-year decline in rents along this corridor. Likewise, the average asking rent for Broadway, along 72nd and 86th Streets, dropped 16 percent from \$325 psf in spring 2018 to \$273 psf in spring 2019. Both corridors continue to undergo price corrections that have been ongoing since 2015.

In SoHo on Broadway, between Houston Street and Broome Street, the average asking rent declined nine percent from \$595 psf to \$544 psf year-over-year. While asking rents in this corridor softened for the second consecutive year-over-year period, this decrease was much smaller. Adjusted asking rents have incentivized deal-making by various tenants including pop-up shops, digitally native brands, and retailers such as H&M, Brandy Melville, and The North Face.

On 14th Street, between 9th Avenue and 10th Avenue, the average asking rent decreased 12 percent to \$277 psf compared to spring 2018. Tourists, daytime workers, and nearby residents flock to the corridor for attractions such as The High Line, Google's corporate campus, Chelsea Market, and Gansevoort Row. With this high foot traffic, 14th Street is viewed as the prime location for "experiential retail" concepts that cater to customer experiences, pop-up shops, fashion, and food and beverage stores.

Out of the 17 Manhattan retail corridors observed, 125th Street in Harlem posted the largest year-over-year average asking rent increase of 10 percent to \$137 psf. This increase was attributed to several new spaces west of Fifth Avenue that came to market at the end of 2018, where rents tend to be higher compared to the eastside. Deal-making along the corridor has remained steady with new tenants including Shake Shack, Whole Foods Market, Victoria's Secret, and Bath & Body Works.

In four of the 17 observed corridors, average asking rents were flat with minimal year-over-year changes. These corridors were East 57th Street, between Fifth Avenue and Park Avenue; Broadway and Seventh Avenue, between 42nd and 47th Streets; West 34th Street, between Fifth Avenue and Seventh Avenue; and Broadway, between 17th and 23rd Streets.

ACKNOWLEDGMENTS

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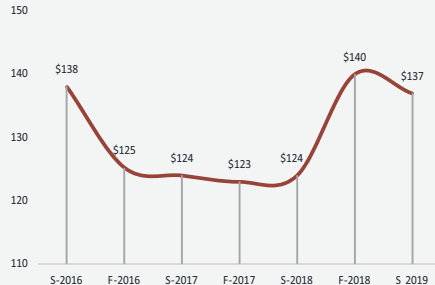
REBNY would like to thank the following firms for their assistance in preparing the report:

CBRE
Compass
Colliers International
Cushman & Wakefield
Empire State Realty Trust
Newmark Knight Frank
Ripco Real Estate
RKF

HISTORICAL AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

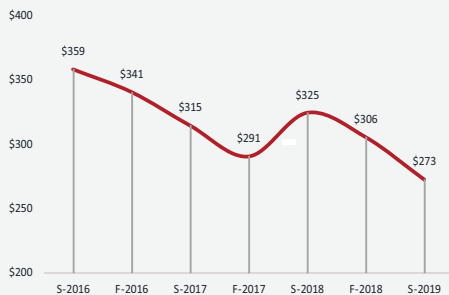
UPPER MANHATTAN

125th St | (5th Ave - Morningside Ave)

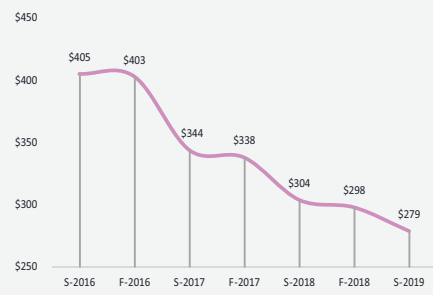


UPPER WEST SIDE

Broadway | (72nd St - 86th St)

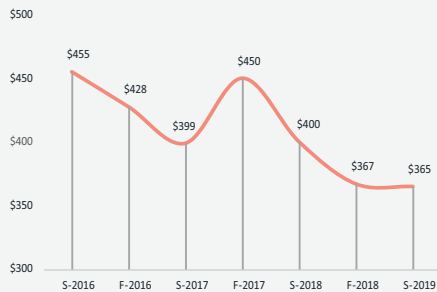


Columbus Ave | (66th St - 79th St)

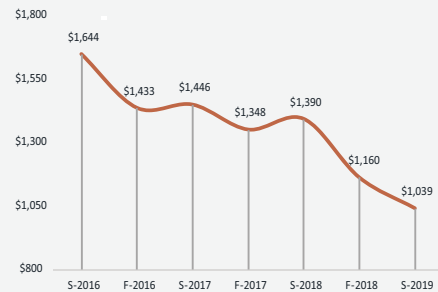


UPPER EAST SIDE

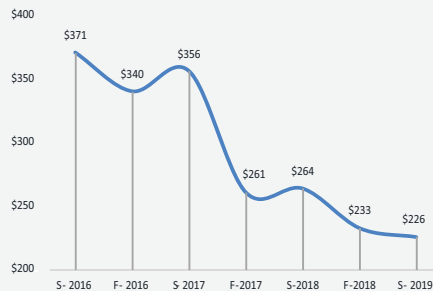
East 86th St | (Lexington Ave - 2nd Ave)



Madison Ave | (57th St - 72nd St)

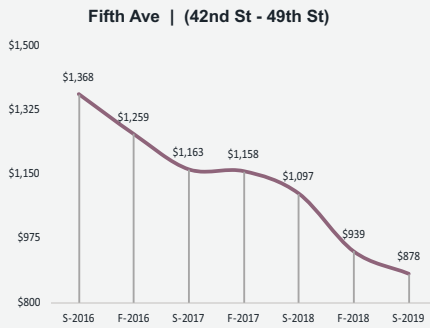


Third Ave | (60th St - 72nd St)

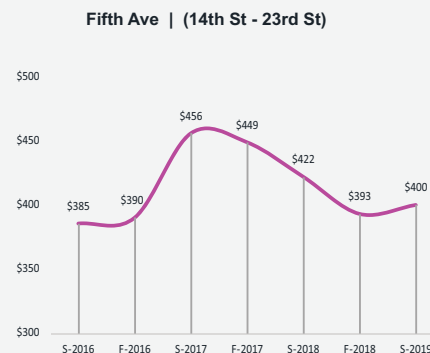
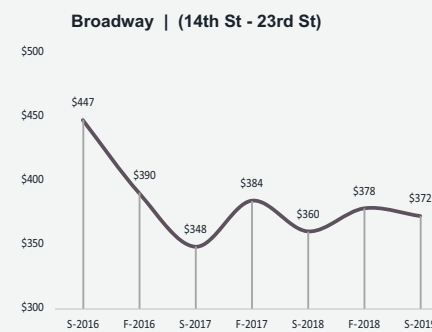
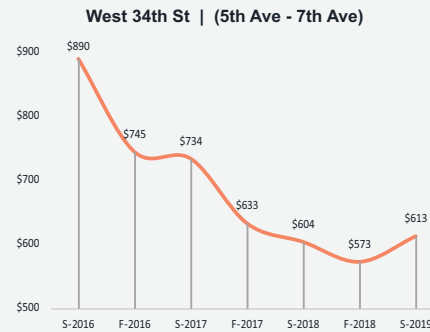


HISTORICAL AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

MIDTOWN



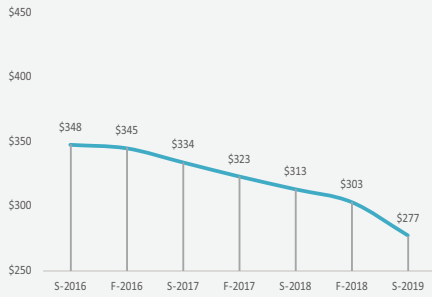
MIDTOWN SOUTH



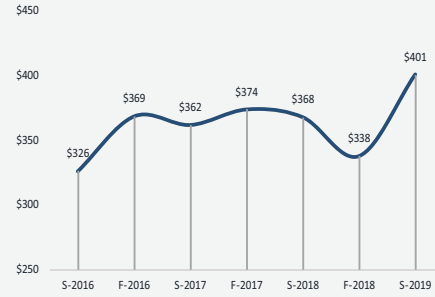
HISTORICAL AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

DOWNTOWN

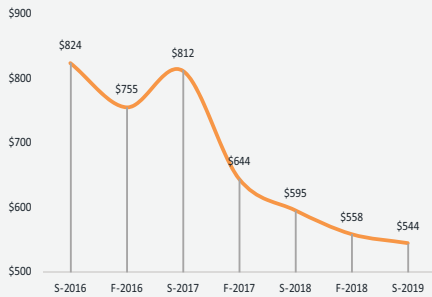
14th St | (9th Ave - 10th Ave)



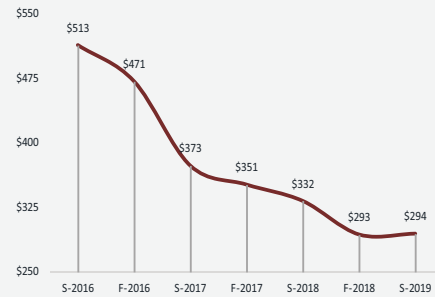
Broadway | (Battery Park - Chambers St)



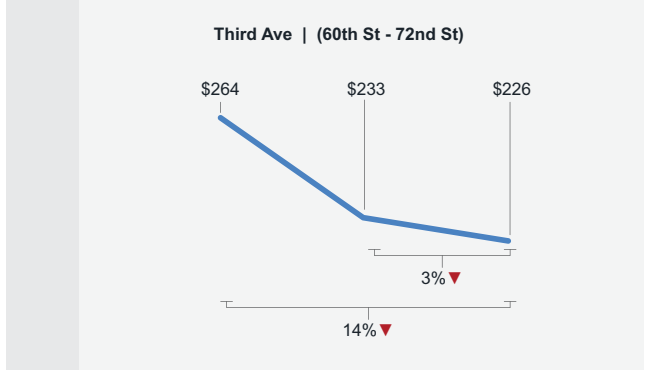
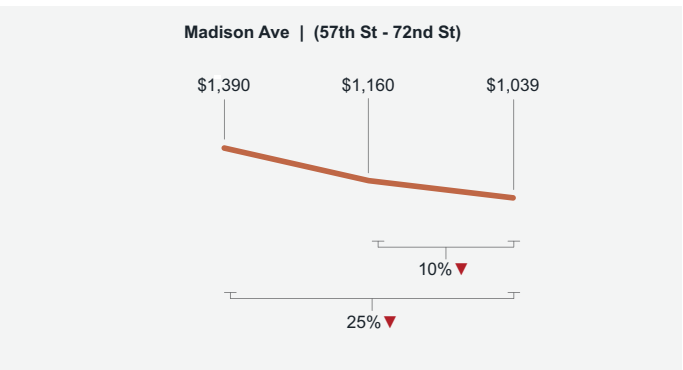
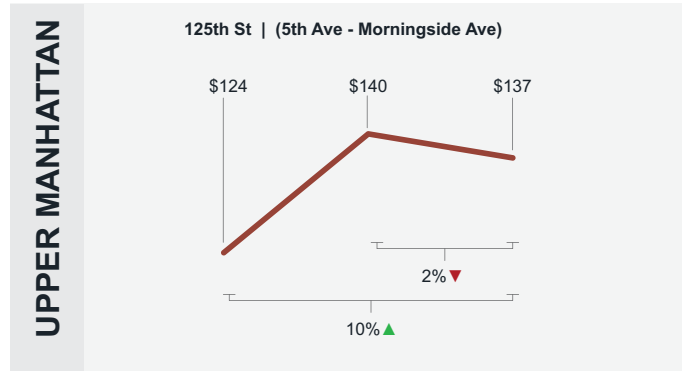
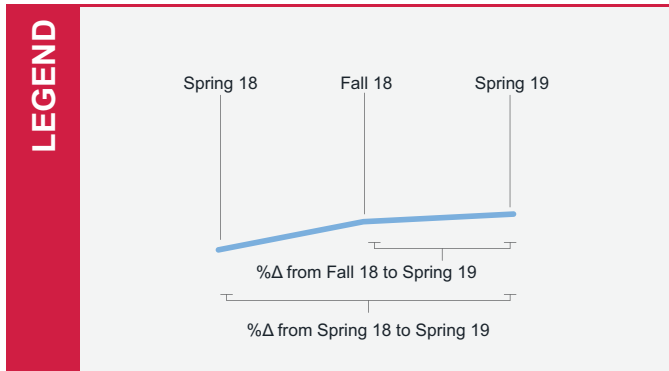
Broadway | (Houston St - Broome St)



Bleecker St | (7th Ave South - Hudson St)



AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL



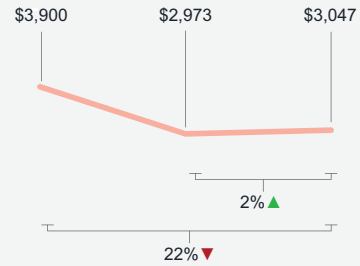
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

MIDTOWN

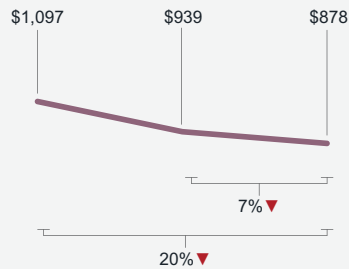
Broadway & 7th Ave | (42nd - 47th St)



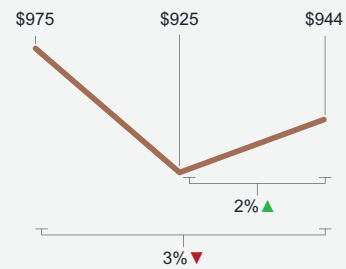
Fifth Ave | (49th St - 59th St)



Fifth Ave | (42nd St - 49th St)

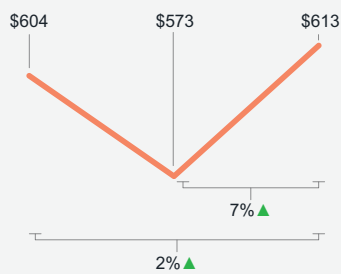


East 57th St | (5th Ave - Park Ave)

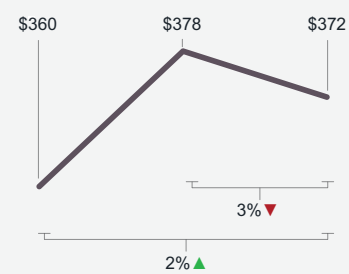


MIDTOWN SOUTH

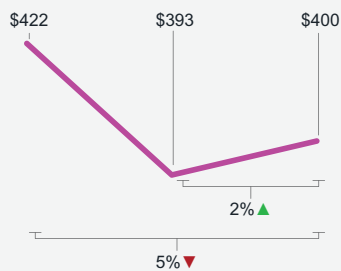
West 34th St | (5th Ave - 7th Ave)



Broadway | (14th St - 23rd St)



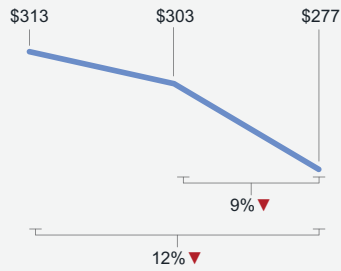
Fifth Ave | (14th St - 23rd St)



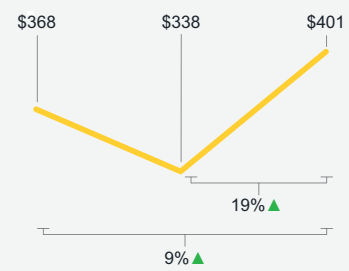
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

DOWNTOWN

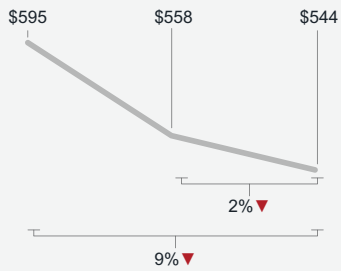
14th St | (9th Ave - 10th Ave)



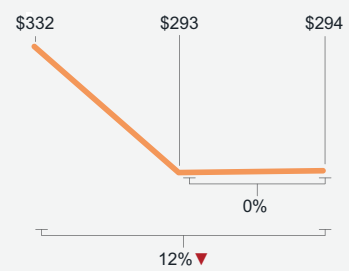
Broadway | (Battery Park - Chambers St)



Broadway | (Houston St - Broome St)



Bleecker St | (7th Ave South - Hudson St)



APPENDIX

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Spring 19	Fall 18	Spring 18	% Fall 18	% Spring 18
UPPER WEST SIDE					
Broadway (72nd St - 86th St)	\$273	\$306	\$325	-11%	-16%
Columbus Ave (66th St - 79th St)	\$279	\$298	\$304	-6%	-8%
UPPER EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	\$365	\$367	\$400	-1%	-9%
Madison Ave (57th St - 72nd St)	\$1,039	\$1,160	\$1,390	-10%	-25%
Third Ave (60th St - 72nd St)	\$226	\$233	\$264	-3%	-14%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	\$944	\$925	\$975	2%	-3%
5th Ave (49th St - 59th St)	\$3,047	\$2,973	\$3,900	2%	-22%
5th Ave (42th St - 49th St)	\$878	\$939	\$1,097	-7%	-20%
Broadway & 7th Ave (42nd St - 47th St)	\$1,936	\$1,860	\$1,938	4%	0%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	\$613	\$573	\$604	7%	2%
Flatiron					
5th Ave (14th St - 23rd St)	\$400	\$393	\$422	2%	-5%
Broadway (14th St - 23rd St)	\$372	\$378	\$360	-2%	3%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	\$277	\$303	\$313	-9%	-12%
West Village					
Bleecker St (7th Ave South - Hudson St)	\$294	\$293	\$332	0%	-12%
SoHo					
Broadway (Houston St - Broome St)	\$544	\$558	\$595	-2%	-9%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	\$401	\$338	\$368	19%	9%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	\$137	\$140	\$124	-2%	10%

APPENDIX

MEDIAN ASKING RENT PSF – GROUND FLOOR RETAIL

	Spring 19	Fall 18	Spring 18	% Fall 18	% Spring 18
UPPER WEST SIDE					
Broadway (72nd St - 86th St)	\$250	\$325	\$325	-23%	-23%
Columbus Ave (66th St - 79th St)	\$248	\$280	\$276	-11%	-10%
UPPER EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	\$365	\$375	\$400	-3%	-9%
Madison Ave (57th St - 72nd St)	\$1,000	\$1,160	\$1,361	-14%	-27%
Third Ave (60th St - 72nd St)	\$225	\$225	\$275	0%	-18%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	\$900	\$800	\$900	13%	0%
5th Ave (49th St - 59th St)	\$3,050	\$2,600	\$3,900	17%	-22%
5th Ave (42th St - 49th St)	\$800	\$909	\$1,000	-12%	-20%
Broadway & 7th Ave (42nd St - 47th St)	\$1,800	\$1,975	\$2,000	-9%	-10%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	\$600	\$650	\$625	-8%	-4%
Flatiron					
5th Ave (14th St - 23rd St)	\$400	\$418	\$400	-4%	0%
Broadway (14th St - 23rd St)	\$375	\$350	\$343	7%	9%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	\$262	\$300	\$300	-13%	-13%
West Village					
Bleecker St (7th Ave South - Hudson St)	\$270	\$268	\$319	1%	-15%
SoHo					
Broadway (Houston St - Broome St)	\$544	\$547	\$587	-1%	-7%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	\$413	\$325	\$375	27%	10%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	\$125	\$130	\$130	-4%	-4%

APPENDIX

RANGE OF ASKING RENTS PSF – GROUND FLOOR RETAIL

	Spring 19		Fall 18		Spring 18	
UPPER WEST SIDE						
Broadway (72nd St - 86th St)	\$166	–	\$410	\$200	–	\$450 \$147 – \$500
Columbus Ave (66th St - 79th St)	\$125	–	\$458	\$178	–	\$458 \$225 – \$500
UPPER EAST SIDE						
East 86th St (Lexington Ave - 2nd Ave)	\$225	–	\$475	\$250	–	\$475 \$300 – \$500
Madison Ave (57th St - 72nd St)	\$800	–	\$1,600	\$720	–	\$1,700 \$720 – \$2,000
Third Ave (60th St - 72nd St)	\$160	–	\$300	\$165	–	\$300 \$140 – \$400
MIDTOWN						
East 57th St (5th Ave - Park Ave)	\$800	–	\$1,175	\$800	–	\$1,175 \$800 – \$1,200
5th Ave (49th St - 59th St)	\$2,000	–	\$4,000	\$2,000	–	\$4,000 \$3,900 – \$3,900
5th Ave (42th St - 49th St)	\$500	–	\$1,500	\$590	–	\$1,744 \$635 – \$1,600
Broadway & 7th Ave (42nd St - 47th St)	\$1,500	–	\$2,350	\$1,000	–	\$2,350 \$1,800 – \$2,000
MIDTOWN SOUTH						
Herald Square						
West 34th St (5th Ave - 7th Ave)	\$447	–	\$850	\$314	–	\$750 \$371 – \$800
Flatiron						
5th Ave (14th St - 23rd St)	\$295	–	\$550	\$285	–	\$511 \$285 – \$555
Broadway (14th St - 23rd St)	\$325	–	\$410	\$311	–	\$500 \$311 – \$445
DOWNTOWN						
Meatpacking						
14th St (9th Ave - 10th Ave)	\$195	–	\$375	\$150	–	\$700 \$195 – \$700
West Village						
Bleecker St (7th Ave South - Hudson St)	\$150	–	\$584	\$200	–	\$450 \$200 – \$450
SoHo						
Broadway (Houston St - Broome St)	\$300	–	\$978	\$341	–	\$1,000 \$444 – \$1,000
Lower Manhattan						
Broadway (Battery Park - Chambers St)	\$150	–	\$625	\$160	–	\$600 \$160 – \$600
UPPER MANHATTAN						
Harlem						
125th St. (5th Ave - Morningside Ave)	\$90	–	\$250	\$76	–	\$145 \$76 – \$145

CORRIDOR MAPS

