

THE REAL ESTATE BOARD OF NEW YORK

MANHATTAN RETAIL REPORT | FALL 2019



INTRODUCTION

The Manhattan retail market is evolving with an uptick in year-over-year leasing activity despite an increase in retail supply. Outlook remains positive with new operators entering the market and heightened interest in retail spaces. High asking rents have begun to drop, resulting in an uptick in leasing activity and a stabilizing market. Manhattan retail leases in the second half of 2019 were driven by e-commerce proof of concept uses such as food/beverage, service, and medical offices.

Despite traditional storefront retail lessening its footprint, other types of brick-and-mortar uses continue to be in demand as new retailers are becoming more innovative in their uses. Omni-channel retail is effective for digitally native brands that require showrooms to showcase their products/services, which act in conjunction with their e-commerce and marketing efforts. An increased presence of pop-ups and promotional spaces indicate that brands are offering unique in-person experiences to attract both online and in-store shoppers. Other uses such as bookstore cafes and daytime co-working spaces reflect that consumer demand is shifting in favor of modern storefront uses.

EXECUTIVE SUMMARY

In fall 2019, average asking rents for available ground floor retail spaces decreased in 11 of the 17 corridors analyzed by REBNY in its bi-annual Manhattan retail report, compared to the fall of 2018.

In Lower Fifth Avenue, between 42nd and 49th streets, average asking rents declined 9% year-over-year to \$852 psf. This drop is attributed to an increased amount of available spaces, as high-end apparel is leaving the corridor in favor of emerging downtown shopping strips. Owners are seeking to fill available spaces at a higher rate by offering short-term lease agreements with the hope of attracting more long-term tenants. Notable new leases include Lululemon, Uggs, Club Monaco, and PUMA. In Upper Fifth Avenue, between 49th and 59th streets, average asking rents declined 5% year-over-year to \$2,838 psf. Comparing the two corridors, Upper Fifth Avenue is experiencing slower activity, as no recent deals have occurred. Asking rents are expected to decrease.

In Times Square on Broadway and Seventh Avenue, between 42nd and 47th streets, average asking rents increased 2% year-over-year to \$1,889 psf. The retail environment in Times Square is adjusting as new leases primarily consist of food/beverage and experiential retail uses. Owners are willing to cover a greater share of improvements on retail spaces to make it worthwhile for quality tenants. Recent leases consist of Krispy Kreme, JD Sports, and Hard Rock Café.

On West 34th Street, between Fifth and Seventh Avenue, average asking rents declined 8% year-over-year to \$528 psf. Compared to Times Square, Herald Square presents a more challenging retail environment with a lower absorption rate and more spaces available on the market. Despite the recent closings of Sephora, GAP and J. Crew, the outlook for Herald Square remains positive with the recent leases by Ulta Beauty, Abercrombie & Fitch, Famous Footwear, and the Century 21 pop-up signing a long-term agreement.

EXECUTIVE SUMMARY (CONT.)

Average asking rents on Madison Avenue, between 57th and 72nd streets, declined 22% to \$906 psf compared to the fall 2018. Out of the 17 observed corridors, Madison Avenue experienced the largest year-over-year decline. An increased amount of leases expiring has contributed to the high availability rates that has led owners to lower asking rents and offer more short-term lease agreements. Softening rents has led to increased absorption as recent leases consist of retailers relocating to smaller-sized storefronts with better co-tenancy. Notable tenants such as Akris, Mont Blanc, and Morgane Le Fay indicate that apparel tenants still dominate this corridor.

On East 86th Street, between Lexington and 2nd Avenue, average asking rents declined 11% to \$327 psf. This drop is credited to a lack of available prime retail space as current availabilities are located along 2nd Avenue where asking rents are lower and foot traffic is more local. More expensive retail spaces along Lexington Avenue were recently leased by Old Navy and JP Morgan Chase that caused asking rents to artificially inflate.

On Third Avenue, between 60th and 72nd Street, average asking rents remained flat year-over-year at \$233 psf. The retail market on Third Avenue remains stable with a large stretch of occupied retail space due to access to public transportation and major retailers keeping and renewing leases nearby. IKEA opening its first Manhattan location on Third Avenue has increased the corridor's credibility and driven interest from new tenants entering the corridor. In order to fill vacant spaces, owners are becoming more flexible with a steady amount of deal-making occurring with new tenants such as Wells Fargo, TD Bank, and Tudor Salon.

On Columbus Avenue, between 66th and 79th Street, average asking rents remained flat year-over-year at \$298 psf. Columbus Avenue is a self-contained and a tight market with low availability. With high residential foot traffic, Columbus Avenue is labeled as a destination location for branded retailers with a diverse mix of tenants composed of smaller-sized storefronts.

In SoHo on Broadway, between Houston and Broome street, average asking rents declined 12% year-over-year to \$491 psf. Broadway is composed of loft buildings with large retail spaces that are difficult to subdivide due to historic regulations. Further complications stem from restrictive zoning that places limits on food/beverage uses in SoHo. The decline in asking rents is attributed to post-recession asking rents nearly doubling to historic peaks, as flagship brands were considered ideal tenants capable of affording expensive large retail spaces. As asking rents continue to adjust, Broadway is witnessing increased activity by pop-ups and digitally native brands experimenting with retail space.

On Bleecker Street, between 7th Avenue South and Hudson Street, average asking rents declined 5% year-over-year to \$278 psf. Asking rents on Bleecker Street continue to decline from post-recession all-time highs, as lesser foot traffic and a more neighborhood centric retail landscape has caused flagship brands to look for Downtown retail space elsewhere. Bleecker Street has gained new traction with Brookfield Properties filling in its new portfolio of 7 storefronts with a mix of digitally native and e-commerce brands, which has encouraged similar retailers to search for space along the corridor. Examples of new digitally native and e-commerce tenants include LoveShackFancy, Hill House Home, Slightly Alabama, and Bonberi.

ACKNOWLEDGMENTS

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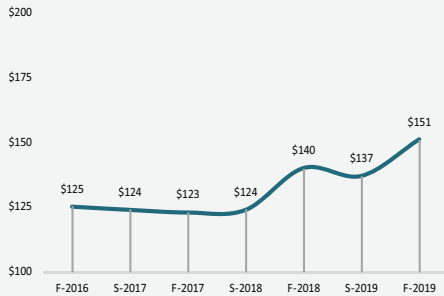
REBNY would like to thank the following firms for their assistance in preparing the report:

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Ripco Real Estate
RKF

HISTORICAL AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

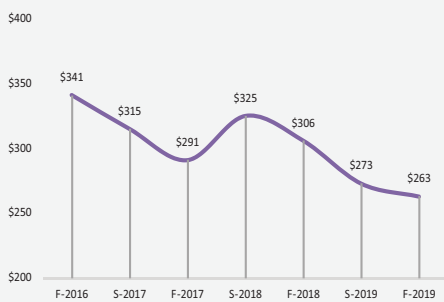
UPPER MANHATTAN

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

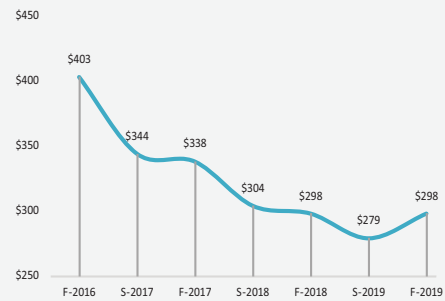


UPPER WEST SIDE

Broadway | (72nd St - 86th St)

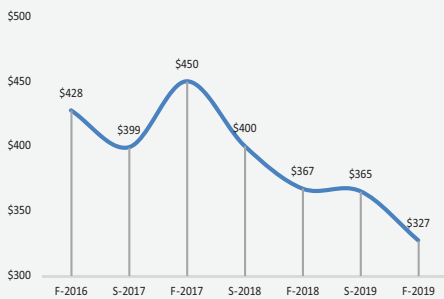


Columbus Ave | (66th St - 79th St)

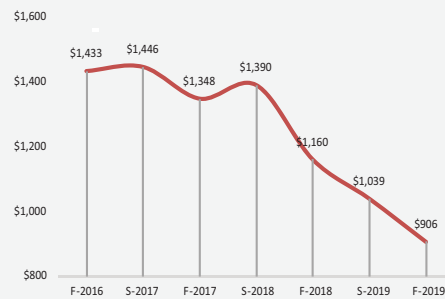


UPPER EAST SIDE

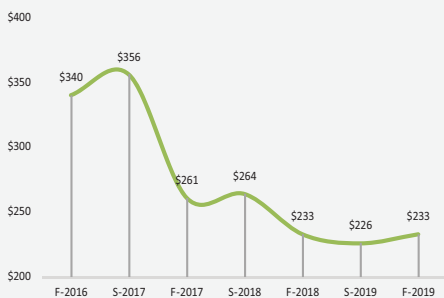
East 86th St | (Lexington Ave - 2nd Ave)



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



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



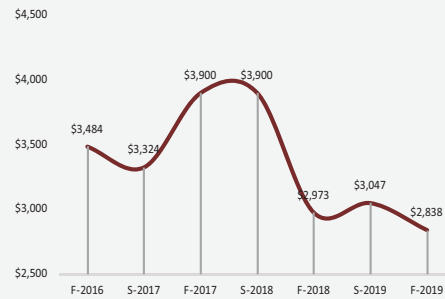
HISTORICAL AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

MIDTOWN

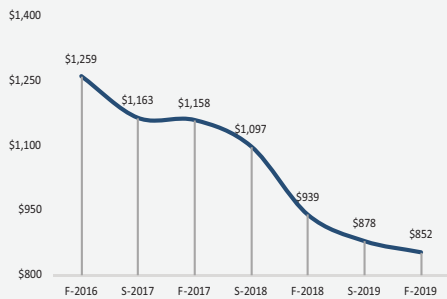
Broadway & 7th Ave | (42nd - 47th St)



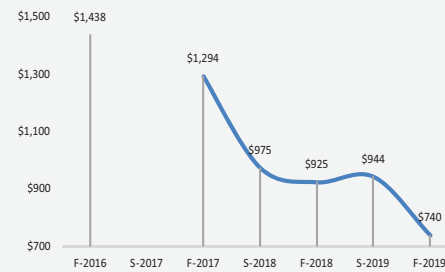
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Fifth Ave | (42nd St - 49th St)

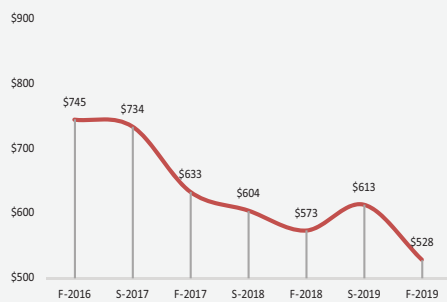


East 57th St | (5th Ave - Park Ave)
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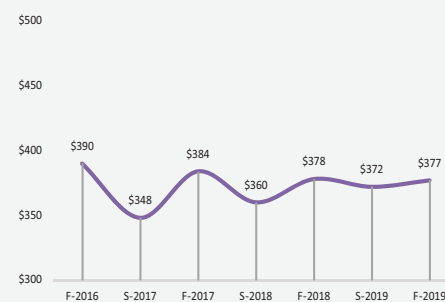


MIDTOWN SOUTH

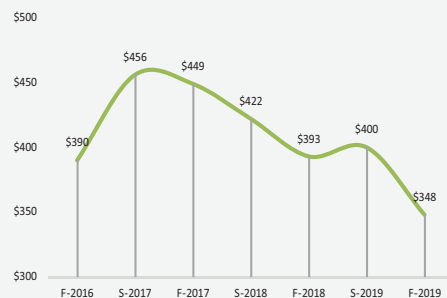
West 34th St | (5th Ave - 7th Ave)



Broadway | (14th St - 23rd St)



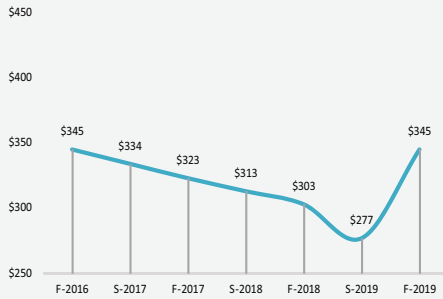
Fifth Ave | (14th St - 23rd St)



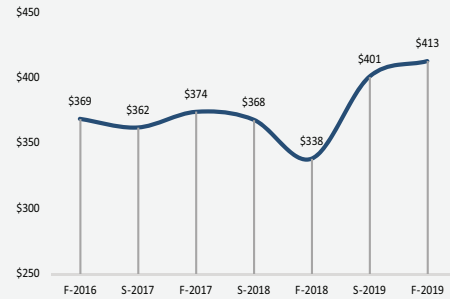
HISTORICAL AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

DOWNTOWN

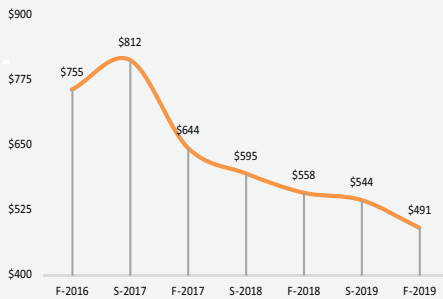
14th St | (9th Ave - 10th Ave)



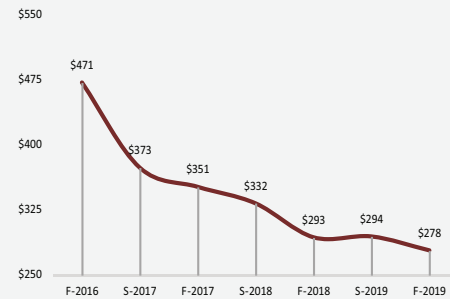
Broadway | (Battery Park - Chambers St)



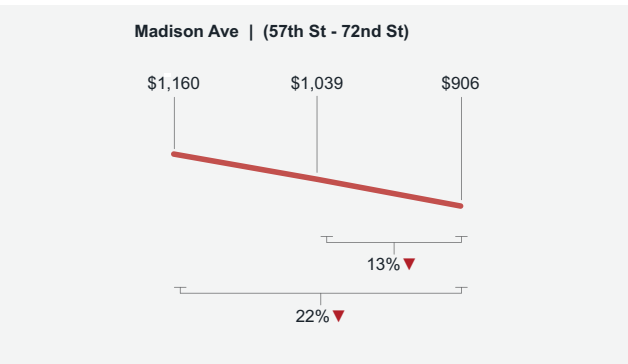
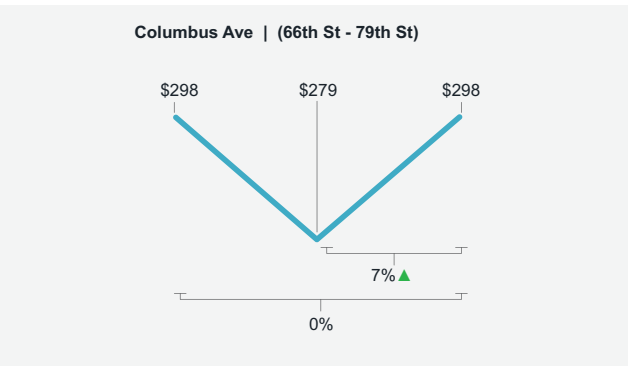
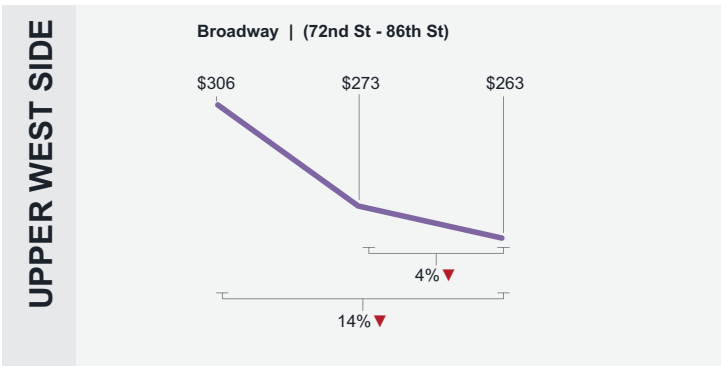
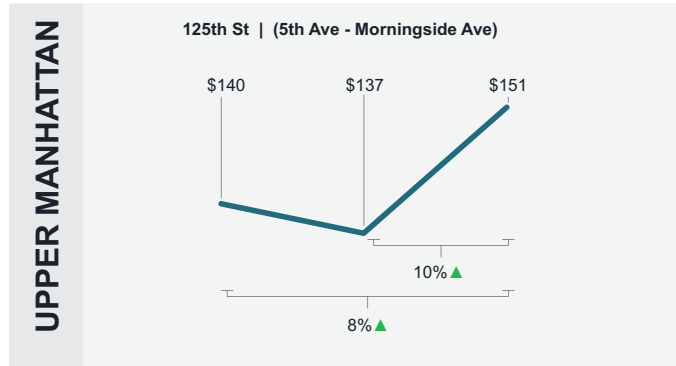
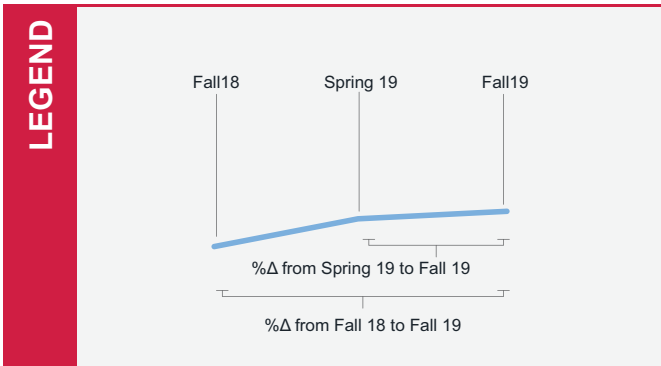
Broadway | (Houston St - Broome St)



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



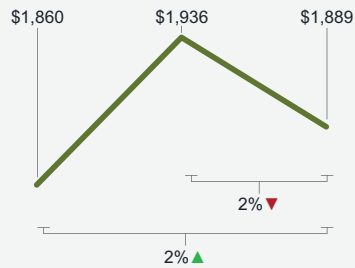
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL



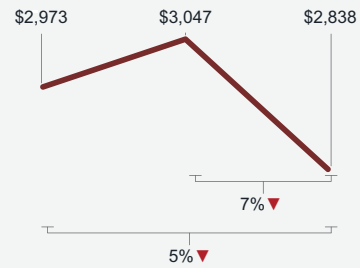
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

MIDTOWN

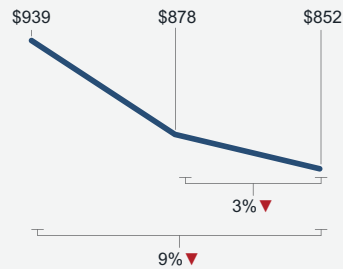
Broadway & 7th Ave | (42nd - 47th St)



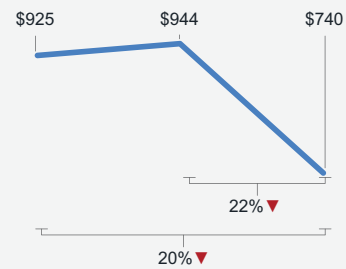
Fifth Ave | (49th St - 59th St)



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

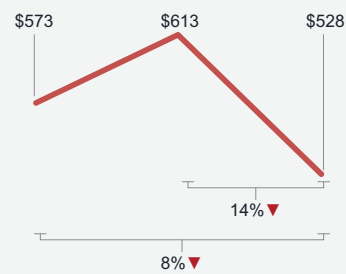


East 57th St | (5th Ave - Park Ave)

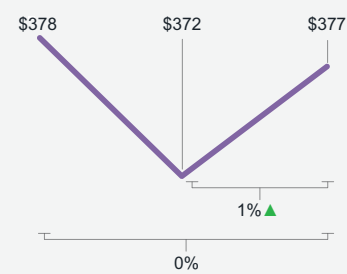


MIDTOWN SOUTH

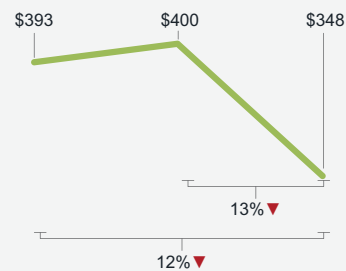
West 34th St | (5th Ave - 7th Ave)



Broadway | (14th St - 23rd St)



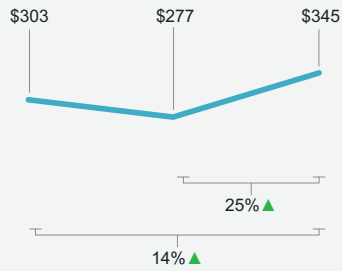
Fifth Ave | (14th St - 23rd St)



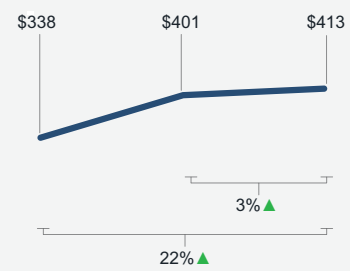
AVERAGE ASKING RENT PSF - GROUND FLOOR RETAIL

DOWNTOWN

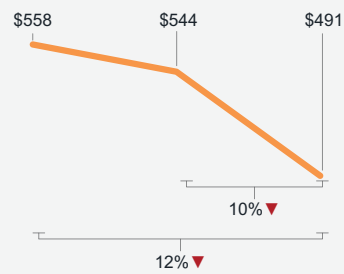
14th St | (9th Ave - 10th Ave)



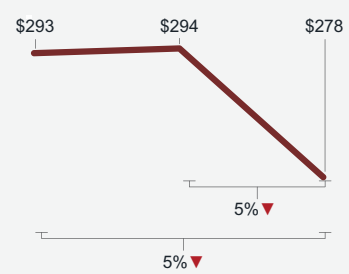
Broadway | (Battery Park - Chambers St)



Broadway | (Houston St - Broome St)



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



APPENDIX

AVERAGE ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 19	Spring 19	Fall 18	% Spring 19	% Fall 18
UPPER WEST SIDE					
Broadway (72nd St - 86th St)	\$263	\$273	\$306	-4%	-14%
Columbus Ave (66th St - 79th St)	\$298	\$279	\$298	7%	0%
UPPER EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	\$327	\$365	\$367	-10%	-11%
Madison Ave (57th St - 72nd St)	\$906	\$1,039	\$1,160	-13%	-22%
Third Ave (60th St - 72nd St)	\$233	\$226	\$233	3%	0%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	\$740	\$944	\$925	-22%	-20%
5th Ave (49th St - 59th St)	\$2,838	\$3,047	\$2,973	-7%	-5%
5th Ave (42th St - 49th St)	\$852	\$878	\$939	-3%	-9%
Broadway & 7th Ave (42nd St - 47th St)	\$1,889	\$1,936	\$1,860	-2%	2%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	\$528	\$613	\$573	-14%	-8%
Flatiron					
5th Ave (14th St - 23rd St)	\$348	\$400	\$393	-13%	-12%
Broadway (14th St - 23rd St)	\$377	\$372	\$378	1%	0%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	\$345	\$277	\$303	25%	14%
West Village					
Bleecker St (7th Ave South - Hudson St)	\$278	\$294	\$293	-5%	-5%
SoHo					
Broadway (Houston St - Broome St)	\$491	\$544	\$558	-10%	-12%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	\$413	\$401	\$338	3%	22%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	\$151	\$137	\$140	10%	8%

APPENDIX

MEDIAN ASKING RENT PSF – GROUND FLOOR RETAIL

	Fall 19	Spring 19	Fall 18	% Spring 19	% Fall 18
UPPER WEST SIDE					
Broadway (72nd St - 86th St)	\$260	\$250	\$325	4%	-20%
Columbus Ave (66th St - 79th St)	\$287	\$248	\$280	16%	2%
UPPER EAST SIDE					
East 86th St (Lexington Ave - 2nd Ave)	\$330	\$365	\$375	-10%	-12%
Madison Ave (57th St - 72nd St)	\$900	\$1,000	\$1,160	-10%	-22%
Third Ave (60th St - 72nd St)	\$225	\$225	\$225	0%	0%
MIDTOWN					
East 57th St (5th Ave - Park Ave)	\$750	\$900	\$800	-17%	-6%
5th Ave (49th St - 59th St)	\$2,500	\$3,050	\$2,600	-18%	-4%
5th Ave (42th St - 49th St)	\$888	\$800	\$909	11%	-2%
Broadway & 7th Ave (42nd St - 47th St)	\$1,800	\$1,800	\$2,000	0%	-10%
MIDTOWN SOUTH					
Herald Square					
West 34th St (5th Ave - 7th Ave)	\$507	\$600	\$650	-16%	-22%
Flatiron					
5th Ave (14th St - 23rd St)	\$325	\$400	\$418	-19%	-22%
Broadway (14th St - 23rd St)	\$388	\$375	\$350	3%	11%
DOWNTOWN					
Meatpacking					
14th St (9th Ave - 10th Ave)	\$375	\$262	\$300	43%	25%
West Village					
Bleecker St (7th Ave South - Hudson St)	\$300	\$270	\$268	11%	12%
SoHo					
Broadway (Houston St - Broome St)	\$475	\$544	\$547	-13%	-13%
Lower Manhattan					
Broadway (Battery Park - Chambers St)	\$411	\$413	\$325	0%	26%
UPPER MANHATTAN					
Harlem					
125th St. (5th Ave - Morningside Ave)	\$125	\$125	\$130	12%	8%

APPENDIX

RANGE OF ASKING RENTS PSF – GROUND FLOOR RETAIL

	Fall 19			Spring 19			Fall 18		
UPPER WEST SIDE									
Broadway (72nd St - 86th St)	\$166	–	\$409	\$166	–	\$410	\$200	–	\$450
Columbus Ave (66th St - 79th St)	\$150	–	\$458	\$125	–	\$458	\$178	–	\$458
UPPER EAST SIDE									
East 86th St (Lexington Ave - 2nd Ave)	\$200	–	\$475	\$225	–	\$475	\$250	–	\$475
Madison Ave (57th St - 72nd St)	\$350	–	\$1,502	\$800	–	\$1,600	\$720	–	\$1,700
Third Ave (60th St - 72nd St)	\$185	–	\$300	\$160	–	\$300	\$165	–	\$300
MIDTOWN									
East 57th St (5th Ave - Park Ave)	\$650	–	\$800	\$800	–	\$1,175	\$800	–	\$1,175
5th Ave (49th St - 59th St)	\$1,750	–	\$3,750	\$2,000	–	\$4,000	\$2,000	–	\$4,000
5th Ave (42th St - 49th St)	\$600	–	\$1,176	\$500	–	\$1,500	\$590	–	\$1,744
Broadway & 7th Ave (42nd St - 47th St)	\$1,425	–	\$2,350	\$1,500	–	\$2,350	\$1,000	–	\$2,350
MIDTOWN SOUTH									
Herald Square									
West 34th St (5th Ave - 7th Ave)	\$400	–	\$800	\$447	–	\$850	\$314	–	\$750
Flatiron									
5th Ave (14th St - 23rd St)	\$300	–	\$415	\$295	–	\$550	\$285	–	\$511
Broadway (14th St - 23rd St)	\$325	–	\$425	\$325	–	\$410	\$311	–	\$500
DOWNTOWN									
Meatpacking									
14th St (9th Ave - 10th Ave)	\$150	–	\$700	\$195	–	\$375	\$195	–	\$450
West Village									
Bleecker St (7th Ave South - Hudson St)	\$142	–	\$379	\$150	–	\$584	\$182	–	\$465
SoHo									
Broadway (Houston St - Broome St)	\$250	–	\$733	\$300	–	\$978	\$300	–	\$900
Lower Manhattan									
Broadway (Battery Park - Chambers St)	\$150	–	\$785	\$150	–	\$625	\$125	–	\$500
UPPER MANHATTAN									
Harlem									
125th St. (5th Ave - Morningside Ave)	\$100	–	\$250	\$90	–	\$250	\$76	–	\$230

CORRIDOR MAPS

