RETAIL REPORT

REBNY®
REAL ESTATE BOARD OF NEW YORK

SPRING 2002

Burton P. Resnick, Chairperson
Steven Spinola, President

REBNY
REAL ESTATE BOARD OF NEW YORK

RETAIL REPORT

SPRING 2002

INTRODUCTION

This fourth biannual REBNY Retail Report traces an important real estate market's progress since September's tragic events. Signs of a rebound in the retail sector, even in Lower Manhattan, the city's most affected district, can be found in this survey. Many smaller establishments in the Central Business District failed to withstand the successive blows of a recession and the most lethal foreign assault ever on our city. But average asking rents in four of the six districts covered here have started to drift upward after generally declining precipitously in the wake of the terrorist attacks. Prompt federal assistance, sound municipal management and low inflation are some of the factors helping the city through one of the most challenging periods in its history. The retail property market continues to be a leading indicator of New York's economic wellbeing. We salute the fine work of REBNY's Stores Committee Advisory Group in preparing the following report.

Steven Spinola

REBNY's Stores Committee Advisory Group

Larry Abrams   Robin Abrams   Benjamin Fox   David Green

Fred Posniak   Alan Victor   Chase Welles

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ACKNOWLEDGEMENTS

REBNY would like to thank the following firms for providing information for this report.

Abrams Realty Corp.

CB Richard Ellis, Inc.

Columbia University

Cushman & Wakefield, Inc.

Robert K. Futterman & Associates, LLC

HGCD Retail Services, LLC

Insignia/ESG, Inc.

Jones Lang LaSalle

The Lansco Corporation

Murray Hill Properties

Newmark New Spectrum Retail, LLC

Northwest-Atlantic Partners, Inc.

Retail Realty, LLC

Rockrose Development Corp.

Rose Associates, Inc.

Rudin Management Co., Inc.

Peter Sharp & Co., Inc.

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This report is a project of the REBNY Stores Committee

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STREETTALK

Looking Downtown: Signs of Spring At Last

Retail business in Lower Manhattan is one measure of how New York's economy has fared since last September's terrorist attacks.

Six months after the worst day in the city's history, the district's situation has improved notably. Visitors can watch the final stages of Ground Zero's cleanup and certain stores that had been open six days a week before the assaults now have customers on the seventh as well. Pockets of strength, such as TriBeCa and Broadway between Canal and Houston streets, are evident. According to one broker, "Retail is stronger south of Wall Street than it was a year ago." Another participant in our survey recently listed some space when his tenant decided not to re-lease, and received 550 inquiries, 38 of which were unsolicited by a broker. Such a response could indicate pent-up demand, a lack of available space of similar quality or both. Ann Taylor Loft and Nine West are two establishments that have opened downtown recently and seem to be thriving. Manhattan's overall growth rate for available retail space, particularly for larger stores, has been dropping for the past six months, one indication that the recession is waning. Downtown, the rate of increase in available store space, which had been climbing since September 11th, is on the decline.

Yet, shops on some side streets, like Wooster and Greene in SoHo, and many of Chinatown's stores are still feeling the catastrophe's effects. Many smaller establishments have vanished, victims of the economic slowdown as well as the terrorists' momentary success in halting many New Yorkers' discretionary purchases. Their departure leaves a considerable residue of empty space, especially south of Canal Street.

Century 21 and J&R Music Stores had built large businesses during the late 1990's as downtown drew more workers, tourists, shoppers and residents. The focal point of Lower Manhattan's retail activity was the Twin Towers' mall where many national chains were represented. Beyond the unthinkable human loss, the Word Trade Center's destruction deprived these firms of a unique merchandising setting where daily pedestrian flows through the concourse generated sales figures comparable to

STREET TALK

Looking Downtown: Signs of Spring At Last (continued)

some suburban malls. The attacks also worsened a national recession that had begun six months earlier. As a result of the economic downturn, financing for new retail establishments became scarcer and consumers' spending diminished. These trends deepened after September 11th. The Trade Center's dislodged merchants were reluctant to consider opening stores at other locations in Manhattan as the city's payrolls kept shrinking. Right after the tragedy, some downtown property owners responded by deferring rents or giving other concessions to merchants in distress. The five boroughs have lost 146,800 positions since December of 2000; 98,000 of those jobs have been eliminated since the assaults.

Nevertheless, the outlook for Manhattan's retail property market—including its downtown sector—is guardedly favorable for several reasons. First, local government's success in obtaining the largest federal HUD grant in history and clearing away the Trade Center's more than 1.5 million tons of debris gives merchants confidence in the city's management and in New York's future as a retail location. Second, interest rates and inflation remain low (a federal funds rate of 1.75 percent and a 2.5 percent inflation rate at this writing), circumstances that could promote investment, economic growth and retail patronage. Third, the allocated $11.5 billion in federal tax incentives for business and residents as well as infrastructure repair funds could produce a downtown that is more appealing than ever.

Retail rents dipped considerably after September 11th throughout Manhattan's Central Business District but are picking up again. Participating brokers agree that there is a shortage of "good" retail space and an abundance of "neighborhood" facilities. This mixture of strengths and weaknesses prevails in Lower Manhattan and in most of the borough's most patronized shopping areas.

The Retail Report will continue to feature this Street Talk column as a preface to our statistical survey. Street Talk will include impressions, anecdotes and predictions from REBNY's Stores Committee Advisory Group.

MARKET AREA DEFINITIONS

East Side
60th Street to 96th Street, Fifth Avenue to the East River

West Side
60th Street to 110th Street, Hudson River to west of Fifth Avenue

Midtown
31st Street to 59th Street

Midtown South
Canal Street to 30th Street

Downtown
South of Canal Street

Upper Manhattan
97th Street and higher, Fifth Avenue to the East River;
111th Street and higher, west of Fifth Avenue to the Hudson River

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MARKET PROFILE

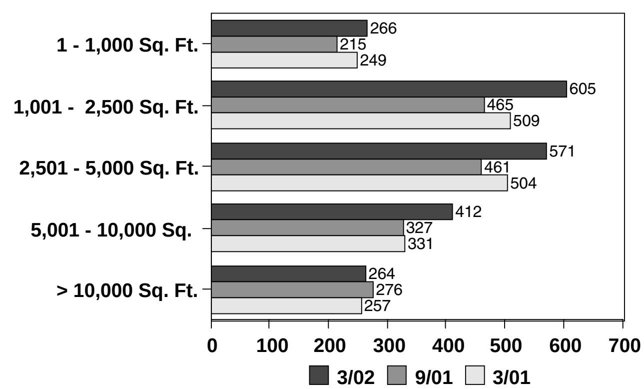
MANHATTAN

ALL SPACE

Availability Summary

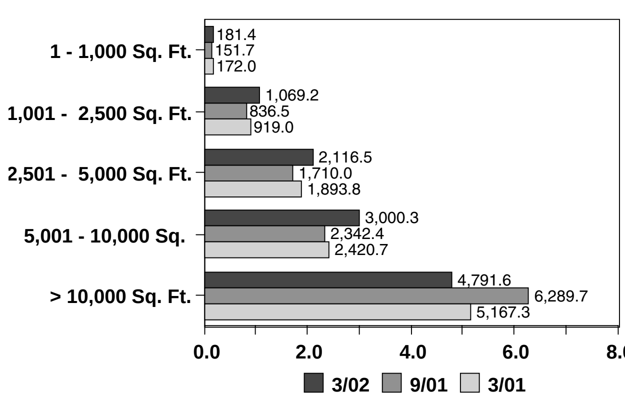
	3/31/02	9/30/01	3/31/01
# of Stores:	2,118	1,744	1,850
SF:	11,158,883	11,330,587	10,573,173
Average Asking Rent PSF:	$87	$84	$98
Average Store SF:	5,269	6,497	5,715

Total Number of Stores by Store Size

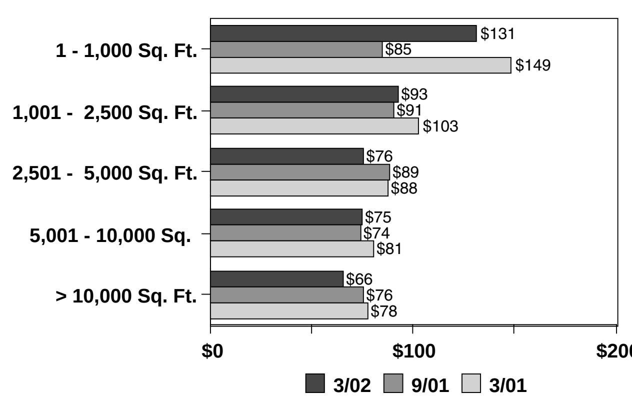


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



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MARKET PROFILE

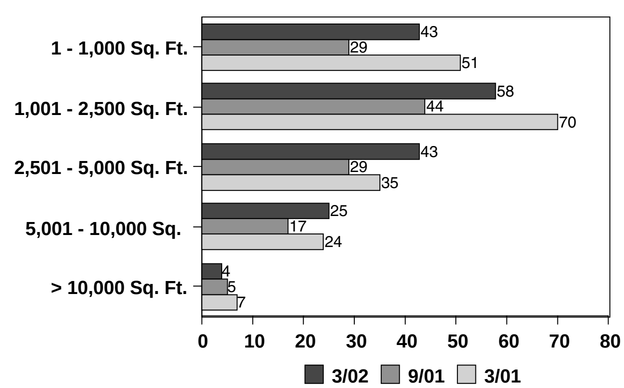
EAST SIDE

ALL SPACE

Availability Summary

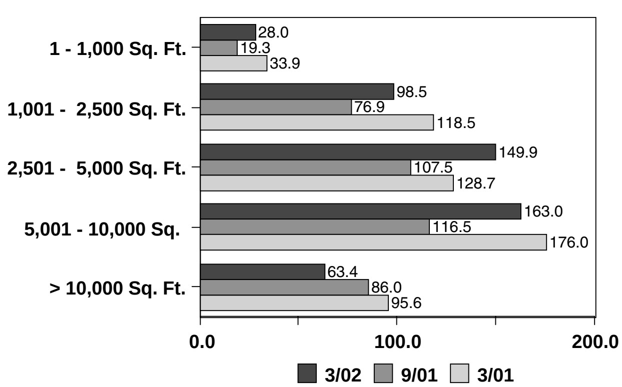
	3/31/02	9/30/01	3/31/01
# of Stores:	173	124	187
SF:	502,713	406,481	552,923
Average Asking Rent PSF:	$113	$103	$138
Average Store SF:	2,906	3,278	2,957

Total Number of Stores by Store Size

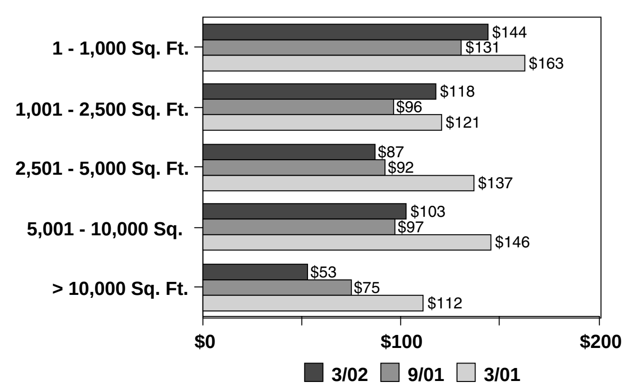


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



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MARKET PROFILE

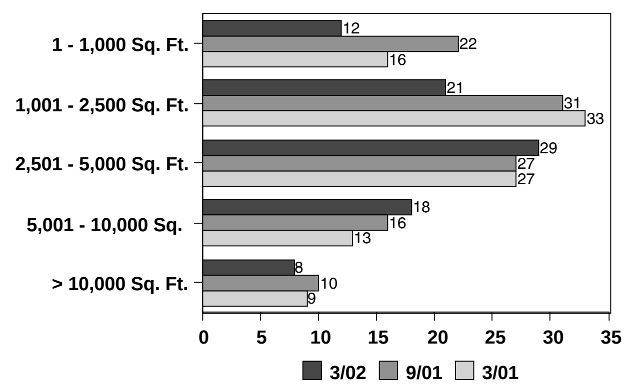
WEST SIDE

ALL SPACE

Availability Summary

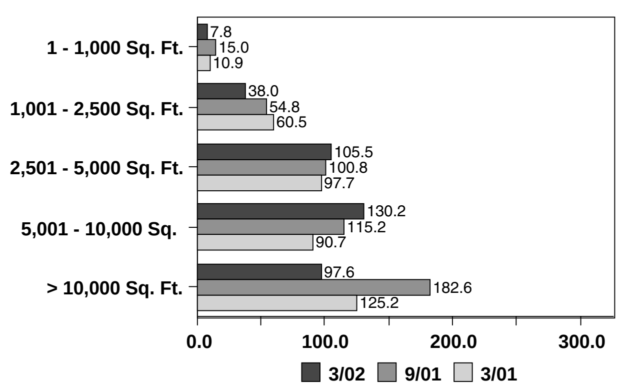
	3/31/02	9/30/01	3/31/01
# of Stores:	88	106	98
SF:	379,187	468,702	385,306
Average Asking Rent PSF:	$91	$92	$92
Average Store SF:	4,309	4,422	3,932

Total Number of Stores by Store Size

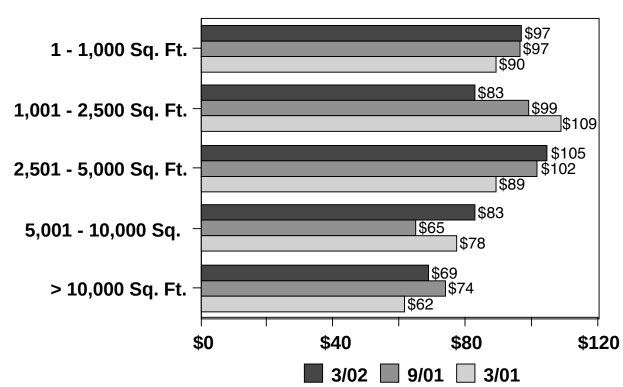


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



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MARKET PROFILE

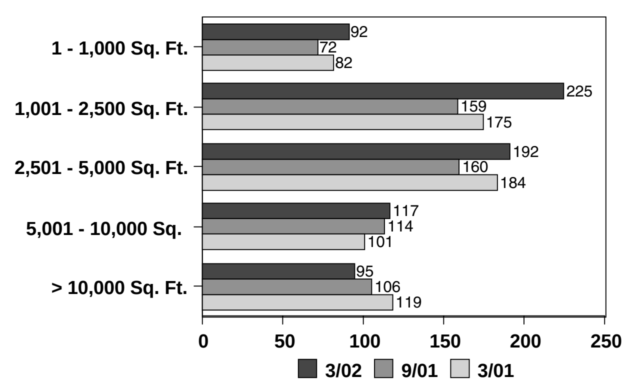
MIDTOWN

ALL SPACE

Availability Summary

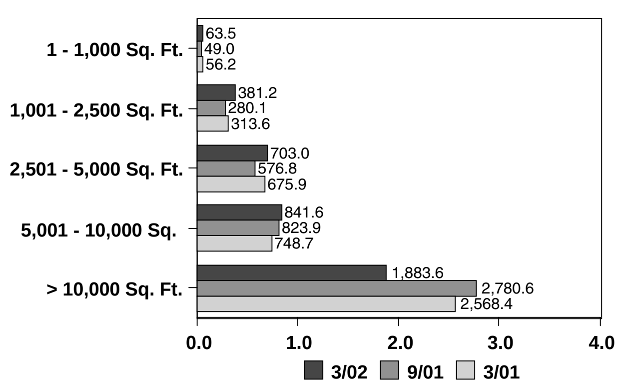
	3/31/02	9/30/01	3/31/01
# of Stores:	721	611	661
SF:	3,873,069	4,510,740	4,362,963
Average Asking Rent PSF:	$109	$107	$122
Average Store SF:	5,372	7,383	6,601

Total Number of Stores by Store Size

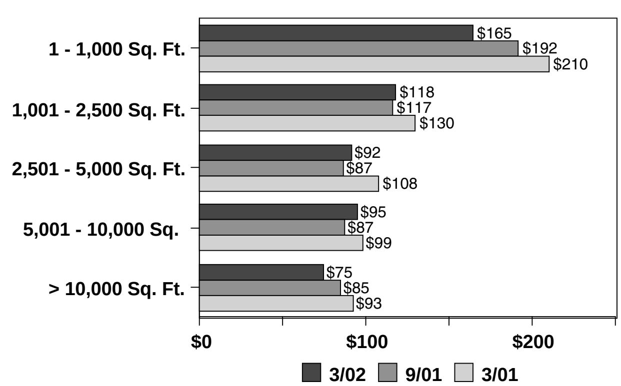


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



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MARKET PROFILE

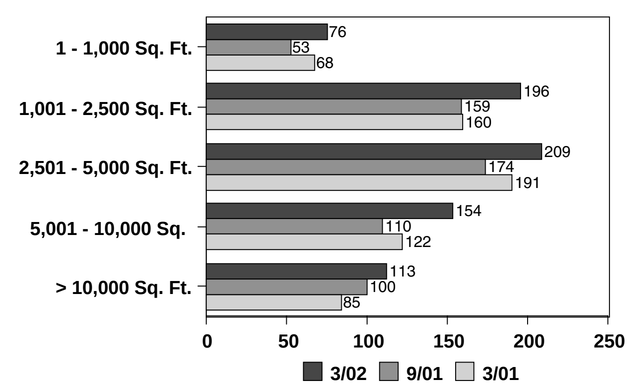
MIDTOWN SOUTH

ALL SPACE

Availability Summary

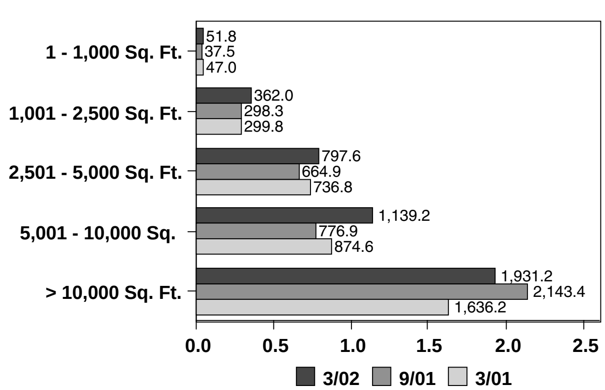
	3/31/02	9/30/01	3/31/01
# of Stores:	748	596	626
SF:	4,281,769	3,921,165	3,594,616
Average Asking Rent PSF:	$74	$70	$78
Average Store SF:	5,724	6,579	5,742

Total Number of Stores by Store Size

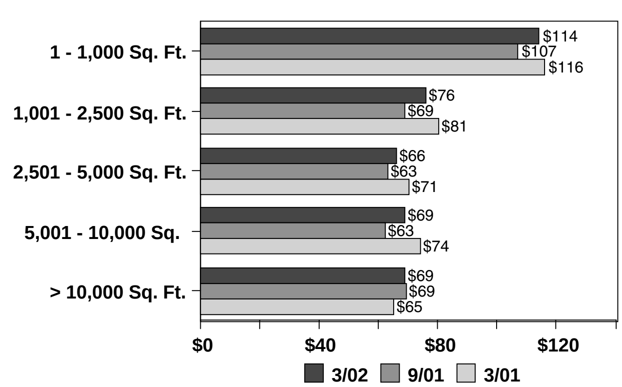


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



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MARKET PROFILE

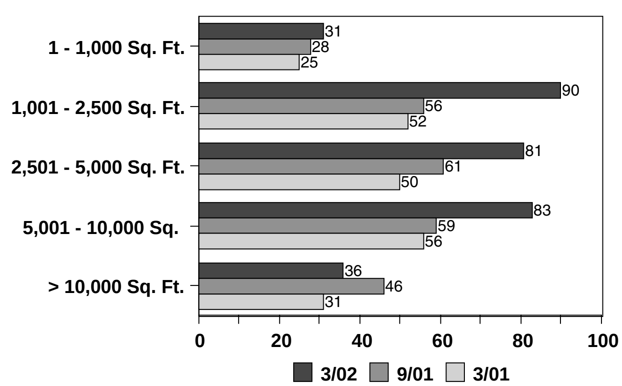
DOWNTOWN

ALL SPACE

Availability Summary

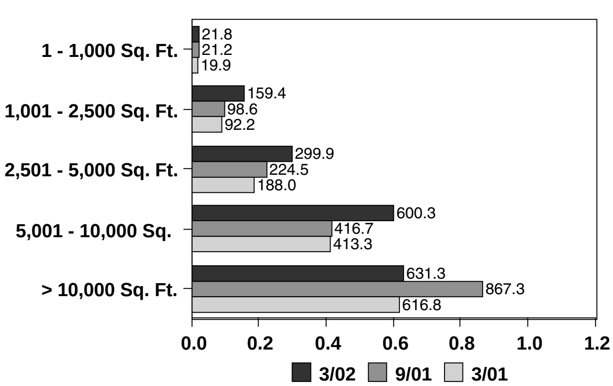
	3/31/02	9/30/01	3/31/01
# of Stores:	321	250	214
SF:	1,712,603	1,628,602	1,330,401
Average Asking Rent PSF:	$58	$60	$60
Average Store SF:	5,335	6,514	6,217

Total Number of Stores by Store Size

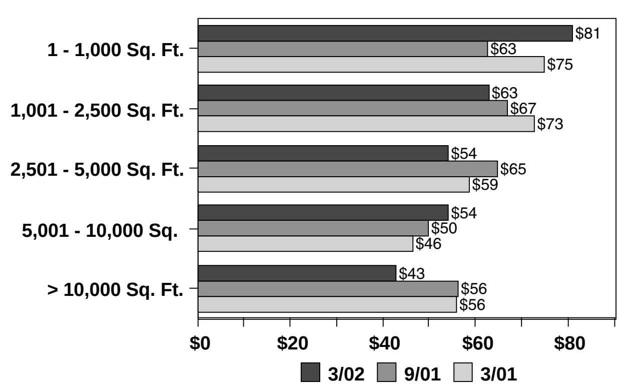


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



MARKET PROFILE

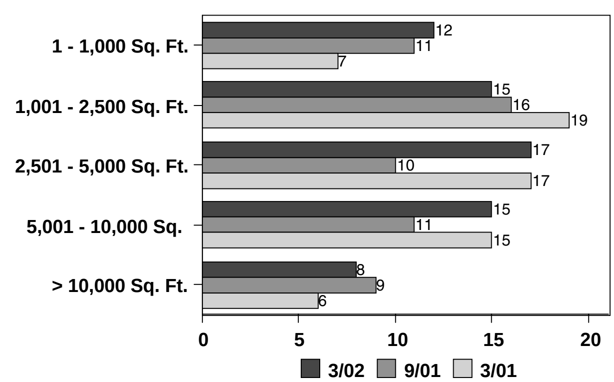
UPPER MANHATTAN

ALL SPACE

Availability Summary

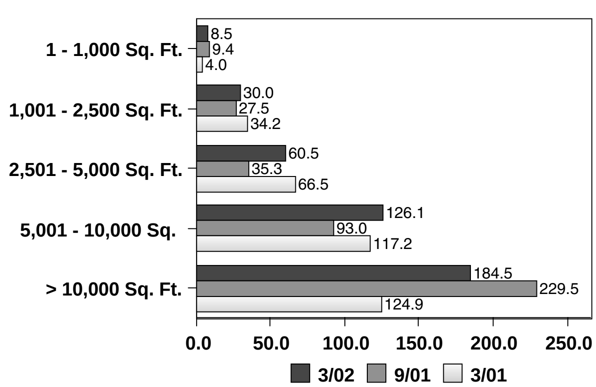
	3/31/02	9/30/01	3/31/01
# of Stores:	67	57	64
SF:	409,542	394,897	346,964
Average Asking Rent PSF:	$53	$43	$47
Average Store SF:	6,113	6,928	5,421

Total Number of Stores by Store Size

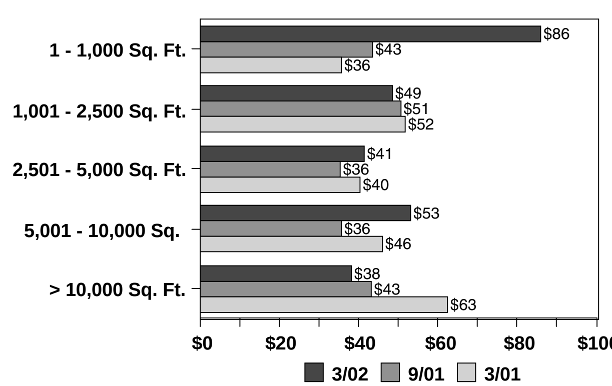


Available Space by Store Size

(in 000's)



Asking Rents by Store Size



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STATISTICAL SPOTLIGHT

Range

Ground Floor Space Only

	Spring 2002		Fall 2001		Spring 2001	
	Store Size	Asking Rent	Store Size	Asking Rent	Store Size	Asking Rent
East Side						
Third Ave.						
60th - 72nd St.	270 - 3,809	$80 - $400	270 - 5,022	$150 - $165	270 - 5,324	$145 - $315
Madison Ave.						
57th - 67th St.	385 - 2,800	$170 - $800	385 - 3,100	$787 - $800	495 - 3,100	$200 - $850
West Side						
Broadway						
72nd-86th St.	1,800 - 4,500	$98 - $225	330 - 5,000	$56 - $291	400 - 5,000	$150 -$273
Midtown						
34th St.						
5th-7th Ave.	800 - 5,362	$75 - $425	800 - 5,000	$227 - $425	800 - 8,000	$75 - $344
5th Ave.						
48th - 59th St.	1,689 -20,000	$120 - $500	500 - 5,750	$800 -$1,043	160 - 3,506	$592 - $896
57th St.						
5th-Park Ave.	260 - 4,300	$291 - $600	933 - 2,500	$500 - $800	933 - 4,300	$274 - $833
Times Square						
Broadway						
42nd-47th St.	320 -21,000	$70 - $600	750 - 8,649	$75 - $188	530 - 8,142	$75 - $350
7th Ave.						
42nd-47th St.	2,389 - 8,000	$85 - $250	225 -14,000*	$177 -$350*	2,500 -10,000	$200 - $417
42nd St.						
6th - 8th Ave.	1,550 - 8,800	$50 - $284	2,000 -23,000	$109 - $284	500 -23,000	$75 - $632

*from April 1st through September 30th

STATISTICAL SPOTLIGHT

Range

Ground Floor Space Only

	Spring 2002		Fall 2001		Spring 2001	
	Store Size	Asking Rent	Store Size	Asking Rent	Store Size	Asking Rent
Midtown South						
Flatiron						
5th Ave.						
14th - 23rd St.	1,800 -10,000	$80 - $250	2,124 - 5,500	$76 - $217	500 - 4,200	$51 - $324
SoHo						
Broadway						
Houston-Broome St.	2,000 -10,000	$60 - $200	2,400 -25,000	$150 - $225	2,000 -10,000	$40 - $350
Downtown						
Broadway						
Battery Park-Chambers St.	300 -11,000	$65 - $280	472 -13,739	$32 - $200	935 -18,144	$32 - $200
TriBeCa						
Hudson St.						
Chamber St.-Canal St.	2,000 -12,410	$25 - $60	2,038 -12,410	$25 - $75	1,000 -$7,564	$34 - $162
West Broadway						
Vesey -Canal St.	600 - 6,473	$60 - $100	$900 -$2,000	$50 - $75	256 - 9,000	$24 - $106

*from April 1st through September 30th

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STATISTICAL SPOTLIGHT

Median

Ground Floor Space Only

	Spring 2002		Fall 2001		Spring 2001	
	Store Size	**Asking Rent**	**Store Size**	**Asking Rent**	**Store Size**	**Asking Rent**
East Side						
Third Ave.						
60th - 72th St.	1,179	$151	2,414	$182	900	$180
Madison Ave.						
57th - 67th St.	1,300	$464	2,100	$794	1,500	$550
West Side						
Broadway						
72nd-86th St.	2,000	$162	1,800	$200	2,210	$204
Midtown						
34th St.						
5th-7th Ave.	2,500	$175	2,200	$406	3,350	$245
5th Ave.						
48th - 59th St.	3,000	$350	3,125	$922	1,352	$721
57th St.						
5th-Park Ave.	2,000	$385	2,000	$650	2,000	$579
Times Square						
Broadway						
42nd-47th St.	1,760	$188	2,600	$100	2,000	$178
7th Ave.						
42nd-47th St.	3,446	$120	5,400*	$200*	3,600	$312
42nd St.						
6th - 8th Ave.	3,301	$145	3,801	$220	3,250	$185

*from April 1st through September 30th

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STATISTICAL SPOTLIGHT

Median
Ground Floor Space Only

	Spring 2002		Fall 2001		Spring 2001	
	Store Size	Asking Rent	Store Size	Asking Rent	Store Size	Asking Rent
Midtown South						
Flatiron						
5th Ave.						
14th - 23rd St.	4,675	$150	4,000	$150	2,350	$179
SoHo						
Broadway						
Houston-Broome St.	6,600	$110	5,300	$150	4,500	$150
Downtown						
Broadway						
Battery Park-Chambers St.	2,679	$118	3,887	$73	3,700	$79
TriBeCa						
Hudson St.						
Chambers St.-Canal St.	4,718	$35	6,278	$40	6,079	$95
West Broadway						
Vesey St. - Canal St.	2,200	$60	1,450	$63	3,300	$76

*from April 1st through September 30th

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STATISTICAL SPOTLIGHT

Average
Ground Floor Space Only

	Spring 2002		Fall 2001		Spring 2001	
	Store Size	Asking Rent	Store Size	Asking Rent	Store Size	Asking Rent
East Side						
Third Ave.						
60th - 72th St.	1,624	$182	2,359	$209	1,622	$198
Madison Ave.						
57th - 67th St.	1,526	$501	1,898	$794	1,807	$575
West Side						
Broadway						
72nd-86th St.	2,584	$170	2,019	$186	2,491	$205
Midtown						
34th St.						
5th-7th Ave.	2,547	$196	2,417	$353	3,640	$233
5th Ave.						
48th - 59th St.	6,210	$329	3,125	$922	1,593	$733
57th St.						
5th-Park Ave.	2,187	$425	1,784	$650	2,117	$579
Times Square						
Broadway						
42nd-47th St.	3,212	$213	4,119	$117	3,066	$197
7th Ave.						
42nd-47th St.	3,987	$153	6,044*	$223*	5,320	$310
42nd St.						
6th - 8th Ave.	4,433	$153	6,361	$211	5,266	$229

*from April 1st through September 30th

STATISTICAL SPOTLIGHT

Average
Ground Floor Space Only

	Spring 2002		Fall 2001		Spring 2001	
	Store Size	Asking Rent	Store Size	Asking Rent	Store Size	Asking Rent
Midtown South						
Flatiron						
5th Ave.						
14th - 23rd St.	5,432	$148	3,875	$148	2,428	$167
SoHo						
Broadway						
Houston-Broome St.	5,783	$125	7,354	$175	4,913	$145
Downtown						
Broadway						
Battery Park-Chambers St.	4,216	$130	5,331	$88	5,431	$85
TriBeCa						
Hudson St.						
Chamber St.-Canal St.	5,138	$41	6,353	$45	5,540	$94
West Broadway						
Vesey St. - Canal St.	2,610	$69	1,450	$63	3,330	$75

*from April 1st through September 30th

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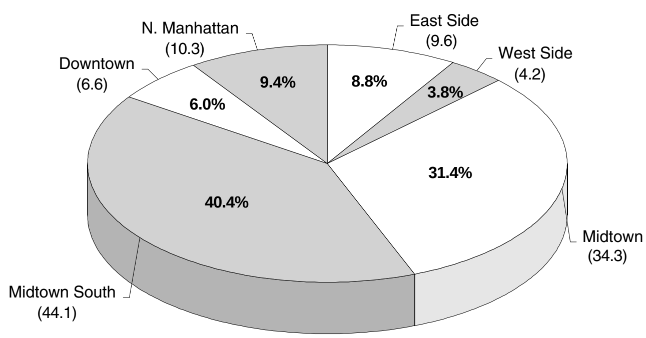
SELECTED DOWNTOWN TRANSACTIONS

Completed After 9/11/01

Month Closed	Address	Square Footage	Tenant	Broker	Firm
2001					
Oct.	100 Church St	2,500	Estee Lauder	Jordan Roth	Insignia/ESG
Oct.	46 Trinity Pl	3,000	VoiceStream Wireless Corp.		
Nov.	86 Chambers St	5,000	Washington Mutual		
Dec.	2 Broadway	6,300	Ann Taylor Loft	Gary Alterman/Joanne Podell	Newmark New Spectrum Retail
Dec.	336 Broadway	5,700	King's Pharmacy		
Dec.	17 Battery Place	5,200	Amish Markets	Craig Slosberg	Newmark New Spectrum Retail
2002					
Jan.	65 Broadway	10,000	Variety Café		
Jan.	136 Church St.	16,500	Janovic Plaza, Inc.	Allison Winters/Matthew Gorman	Insignia/ESG
Feb.	280 Broadway	11,000	Chase Bank		
Feb.	71 Broadway	1,200	Colortek Photo	Loren Baron/David Green	Insignia/ESG
Feb.	280 Broadway	10,000	Duane Reade		
Feb.	115 Broadway	1,316	Starbucks	Loren Baron/David Green	Insignia/ESG
Feb.	280 Broadway	16,000	Modell's		
Feb.	270 Broadway	4,000	Washington Mutual	Steve Asch/David Firestein	NNS/Northwest Atlantic
Mar.	85 John St.	2,200	4G Data-computer	Gary Alterman	Newmark New Spectrum Retail
Mar.	2 Broadway	1,200	Nine West	Gary Alterman/Joanne Podell	Newmark New Spectrum Retail
Mar.	140 Fulton St	250	Beep America	Sheldon Snyder	Abrams Realty
Apr.	233 Broadway	1,500	Starbucks	David Green/ C. Bradley Mendelson/ Allison Winters	Insignia/ESG

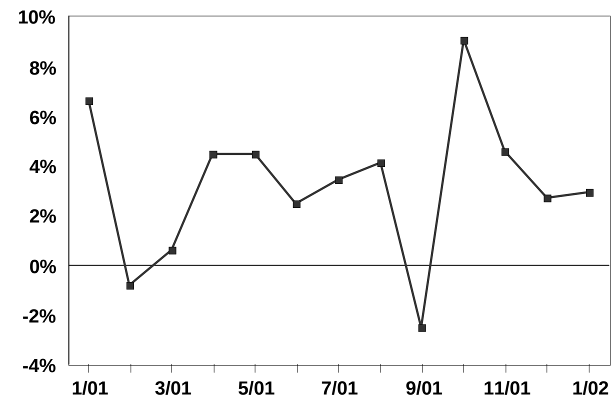
SELECTED MARKET DATA

Manhattan Retail Square Feet by Area (millions of square feet)



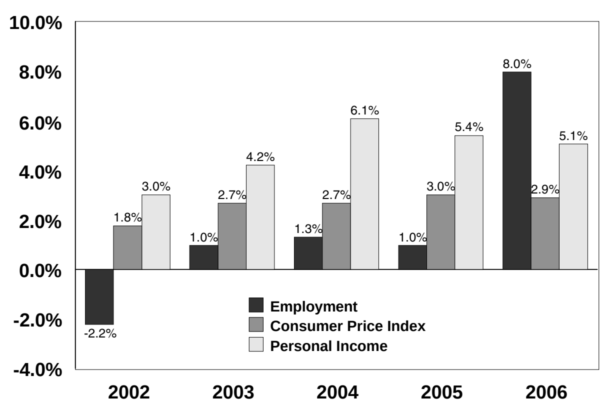
Source: New York City Department of Finance

U.S. Monthly Retail Sales (12 month percent change)



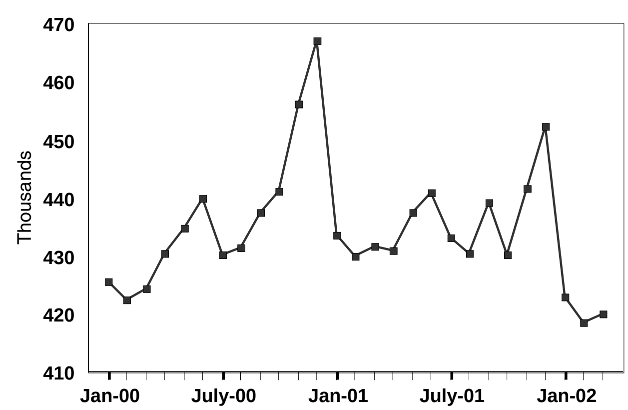
Source: U.S. Census Bureau

Forecast of New York City Economic Indicators (percent change from prior year)



Source: NYC Office of Management & Budget

New York City Retail Employment



Source: NYS Department of Labor