

THE REAL ESTATE BOARD OF NEW YORK

RETAIL REPORT

SPRING 2009



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REAL ESTATE BOARD OF NEW YORK

EXECUTIVE SUMMARY

Manhattan average asking rents for all available space declined 11 percent from the Fall 2008 to \$115. Each of the borough's six geographic areas showed a decline in the average asking rent for all available space, ranging from 6 percent in Midtown to 22 percent on the West Side compared to six months earlier. Double digit declines in the average asking rent for all available space were reported on the East Side (12 percent), Midtown South (14 percent), Downtown and Upper Manhattan (13 percent).

These declines in the average asking rent for all space are from market highs in the fall 2008. In most cases, the average rents for Manhattan and the borough's six geographic areas are comparable to asking rents from a year ago.

Since September 2008, the turmoil in the financial markets has reverberated through the real estate industry and the retail market. Despite this uncertainty, our Advisory Group reports that leasing activity is occurring throughout Manhattan. More interestingly, new retail tenants are looking at store space in New York for the first time. No doubt declining prices are attracting tenants for whom the city is becoming more affordable.

The average asking rent for ground floor space in many of the major retail corridors highlighted in the report likewise showed declines compared to Fall 2008. Madison Avenue declined 14 percent, Broadway on the Upper West Side declined 5 percent and Fifth Avenue in the 50s fell 3 percent from Fall 2008.

In a few corridors, such as Fifth Avenue in the Flatiron District and Broadway in SoHo, the average asking rent for ground floor space showed a modest gain. Our Advisory Group noted that in this economy owners are uncertain about what is an appropriate asking rent. Hence, they do not modify the asking rent which could have been set as much as a year ago. Instead, they would offer a longer free rent period and a more generous build out allowance. These economic incentives vary from owner to owner.

A few years ago, in our meeting to review our report, our Advisory Group began to express concern about the steep rise in asking rents. They believed that asking rent increases in the major retail corridors in Manhattan were outpacing overall economic growth and questioned the sustainability of these asking rent increases. Accordingly, they see the recent decline in asking rents as an anticipated market correction in a market that was experiencing unsustainable rent growth.

In our tumultuous economy it is crucial to examine all the asking rent information—average, median and range of ground floor space—in assessing the market conditions of an individual major retail corridor and evaluating asking rents for individual stores.

An emerging issue identified by our Advisory Group is the rise in sublet space. In earlier reports, this sublet space was virtually indistinguishable from space marketed directly by the landlord and was included in our reports. Going forward, our Advisory Group will be examining the asking rents for sublet space listings. Those listings that reflect market conditions (comparable rent with a term of 7 years or more) in a particular location will be included. In situations where there are sublet listings with shorter lease terms we will attempt to determine if these sub-leases are likely to be converted to long-term leases with the participation of the building owner. Those listings, however, in which the asking price reflects economic distress of the tenant and significantly lower than other available space in the market will be omitted.

The goal of our report is to provide complete, comprehensive information—the major neighborhoods and prime corridors in Manhattan—on the retail market. With the invaluable assistance of our Advisory Group, we have attempted to alert the readers of our report to factors that are not captured by the rent data. This information is critical to understanding the market.

We hope in these challenging times you find our report informative and useful.



AVERAGE ASKING RENT: SELECTED MAJOR RETAIL CORRIDORS

AVAILABLE GROUND FLOOR SPACE ONLY

	Spring	Fall	Spring	% Change	% Change
	2009	2008	2008	From Fall	From Spring
				2008	2008
EASTSIDE					
Madison Ave: 57 - 72 St	\$979	\$1,143	\$1,066	-14%	-8%
Third Ave: 60 - 72 St	\$275	\$287	\$329	-4%	-16%
East 86 St: Lexington Ave - 2nd Ave	\$400	\$475	\$450	-16%	-11%
WESTSIDE					
Broadway: 72 - 86 St	\$293	\$309	\$384	-5%	-24%
Columbus Ave: 66 - 79 St	\$257	\$300	\$268	-14%	
MIDTOWN					
East 57 St: 5 Ave - Park Ave	\$900	\$600	n/a	50%	n/a
Fifth Ave: 42 - 49 St	\$615	\$550	\$704	12%	-13%
Fifth Ave: 49 - 59 St	\$1,631	\$1,675	\$1,958	-3%	-17%
Broadway & 7 Ave: 42 - 47 St	\$941	\$775	\$809	21%	16%
MIDTOWN SOUTH					
Flatiron					
Fifth Ave: 14 - 23 St	\$285	\$276	\$401	3%	-29%
Herald Square					
West 34 St: 5 - 7 Ave	\$508	\$643	\$656	-21%	-23%
Meatpacking					
14 St: 9 - 10 Ave	\$417	\$304	\$462	37%	-10%
DOWNTOWN					
Financial District					
Broadway: Battery Park - Chambers St	\$251	\$251	\$198	0%	27%
SoHo					
Broadway: Houston - Broome St	\$452	\$432	\$424	5%	7%
West Village					
Bleeker St: 7 Ave South - Hudson St	\$528	\$362	\$397	n/a	33%
UPPER MANHATTAN					
Harlem					
125th St. (River to River)	\$119	\$125	\$107	-5%	11%



MEDIAN ASKING RENT: SELECTED MAJOR RETAIL CORRIDORS AVAILABLE GROUND FLOOR SPACE ONLY

	Spring	Fall	Spring	% Change	% Change
	2009	2008	2008	From Fall	From Spring
				2008	2008
EASTSIDE					
Madison Ave: 57 - 72 St	\$1,000	\$1,140	\$1,121	-12%	-11%
Third Ave: 60 - 72 St	\$250	\$300	\$342	-17%	-27%
East 86 St: Lexington Ave - 2nd Ave	\$400	\$450	\$450	-11%	-11%
WESTSIDE					
Broadway: 72 - 86 St	\$300	\$316	\$325	-5%	-8%
Columbus Ave: 66 - 79 St	\$271	\$300	\$288	-10%	-6%
MIDTOWN					
East 57 St: 5 Ave - Park Ave	\$600	\$600	n/a	0%	n/a
Fifth Ave: 42 - 49 St	\$506	\$550	\$455	-8%	11%
Fifth Ave: 49 - 59 St	\$1,561	\$1,500	\$1,958	4%	-20%
Broadway & 7 Ave: 42 - 47 St	\$1,000	\$775	\$809	24%	29%
MIDTOWN SOUTH					
Flatiron					
Fifth Ave: 14 - 23 St	\$250	\$271	\$400	-8%	-38%
Herald Square					
West 34 St: 5 - 7 Ave	\$500	\$640	\$672	-22%	-26%
Meatpacking					
14 St: 9 - 10 Ave	\$400	\$300	\$467	33%	-14%
DOWNTOWN					
Financial District					
Broadway: Battery Park - Chambers St	\$200	\$200	\$225	0%	-11%
SoHo					
Broadway: Houston - Broome St	\$480	\$400	\$421	20%	14%
West Village					
Bleeker St: 7 Ave South - Hudson St	\$525	\$304	\$332	73%	n/a
UPPER MANHATTAN					
Harlem					
125th St. (River to River)	\$100	\$115	\$92	-13%	9%



ASKING RENT RANGE: SELECTED MAJOR RETAIL CORRIDORS AVAILABLE GROUND FLOOR SPACE ONLY

	Spring 2009	Fall 2008	Spring 2008
EASTSIDE			
Madison Ave: 57 - 72 St	\$700 - \$1,200	\$704 - \$1,667	\$600 - \$1,538
Third Ave: 60 - 72 St	\$200 - \$400	\$184 - \$503	\$300 - \$350
East 86 St: Lexington Ave - 2nd Ave	\$400 - \$400	\$325 - \$781	\$400 - \$500
WESTSIDE			
Broadway: 72 - 86 St	\$236 - \$325	\$168 - \$450	\$325 - \$620
Columbus Ave: 66 - 79 St	\$162 - \$325	\$131 - \$447	\$150 - \$348
MIDTOWN			
East 57 St: 5 Ave - Park Ave	\$600 - \$1,500	\$400 - \$800	\$0 - \$0
Fifth Ave: 42 - 49 St	\$432 - \$1,333	\$300 - \$800	\$325 - \$1,333
Fifth Ave: 49 - 59 St	\$1,200 - \$2,200	\$1,200 - \$2,500	\$1,915 - \$2,000
Broadway & 7 Ave: 42 - 47 St	\$622 - \$1,200	\$550 - \$1,000	\$618 - \$1,000
MIDTOWN SOUTH			
Flatiron			
Fifth Ave: 14 - 23 St	\$200 - \$400	\$238 - \$325	\$300 - \$556
Herald Square			
West 34 St: 5 - 7 Ave	\$475 - \$550	\$500 - \$791	\$450 - \$830
Meatpacking			
14 St: 9 - 10 Ave	\$400 - \$450	\$250 - \$400	\$320 - \$600
DOWNTOWN			
Financial District			
Broadway: Battery Park - Chambers St	\$100 - \$400	\$100 - \$500	\$75 - \$400
SoHo			
Broadway: Houston - Broome St	\$333 - \$550	\$220 - \$800	\$275 - \$600
West Village			
Bleeker St: 7 Ave South - Hudson St	\$393 - \$667	\$130 - \$800	\$265 - \$600
UPPER MANHATTAN			
Harlem			
125th St. (River to River)	\$75 - \$200	\$80 - \$222	\$40 - \$220



RETAIL REPORT

SPRING 2009

AVERAGE ASKING RENT: MAJOR RETAIL NEIGHBORHOODS

ALL AVAILABLE SPACE (GROUND FLOOR, LOWER LEVEL, UPPER LEVEL, MEZZANINE)

	Spring 2009	Fall 2008	Spring 2008	% Change From Fall 2008	% Change From Spring 2008
MANHATTAN	\$115	\$129	\$111	-11%	4%
EASTSIDE 60th Street to 96th Street, Fifth Avenue to the East River	\$168	\$190	\$164	-12%	2%
WESTSIDE 60th Street to 116th Street, West of Morningside Park	\$116	\$147	\$123	-22%	-6%
MIDTOWN 35th Street to 59th Street	\$152	\$161	\$145	-6%	5%
MIDTOWN SOUTH 15th Street to 34th Street	\$96	\$111	\$96	-14%	0%
DOWNTOWN South of 14th Street	\$95	\$110	\$103	-13%	-8%
UPPER MANHATTAN 97th Street and higher, Fifth Avenue to the East River; 116th Street and higher, West of Morningside Park	\$52	\$60	\$60	-13%	-13%



RETAIL REPORT

SPRING 2009

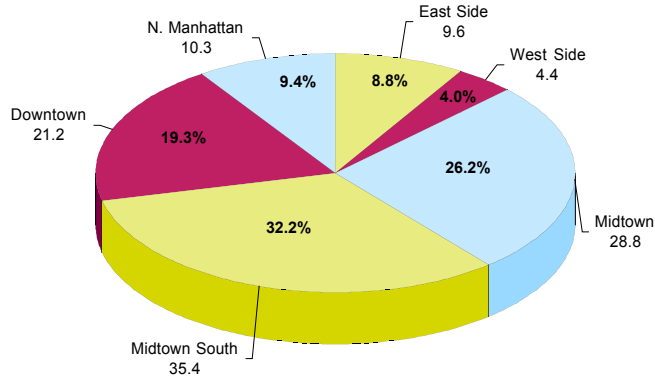
MEDIAN ASKING RENT: MAJOR RETAIL NEIGHBORHOODS

ALL AVAILABLE SPACE (GROUND FLOOR, LOWER LEVEL, UPPER LEVEL, MEZZANINE)

	Spring 2009	Fall 2008	Spring 2008	% Change From Fall 2008	% Change From Spring 2008
MANHATTAN	\$83	\$94	\$77	-11%	8%
EASTSIDE 60th Street to 96th Street, Fifth Avenue to the East River	\$125	\$139	\$125	-10%	0%
WESTSIDE 60th Street to 116th Street, West of Morningside Park	\$88	\$120	\$100	-27%	-12%
MIDTOWN 35th Street to 59th Street	\$100	\$113	\$83	-12%	20%
MIDTOWN SOUTH 15th Street to 34th Street	\$70	\$85	\$76	-18%	-8%
DOWNTOWN South of 14th Street	\$80	\$85	\$80	-6%	0%
UPPER MANHATTAN 97th Street and higher, Fifth Avenue to the East River; 116th Street and higher, West of Morningside Park	\$45	\$50	\$47	-10%	-4%

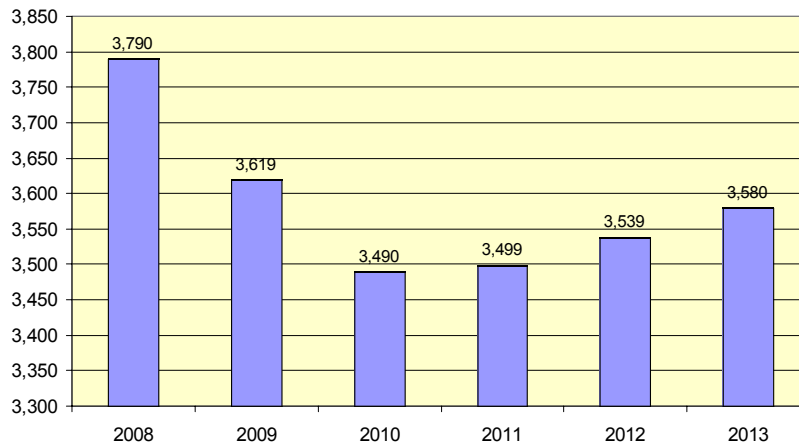
SELECTED MARKET DATA

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



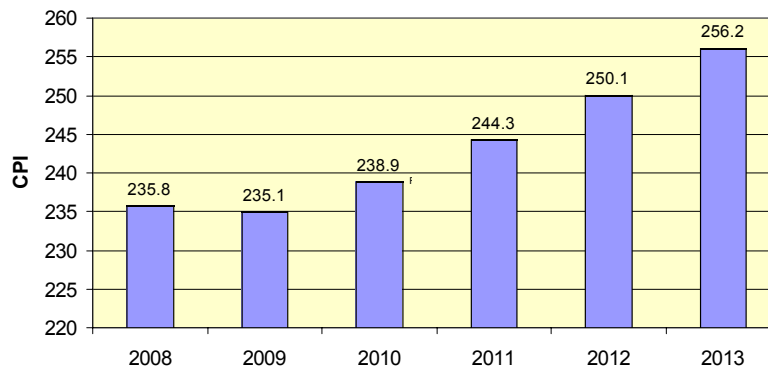
Forecast of New York City Economic Indicators

New York City Employment (in thousands)



Source: NYC Office of Management & Budget

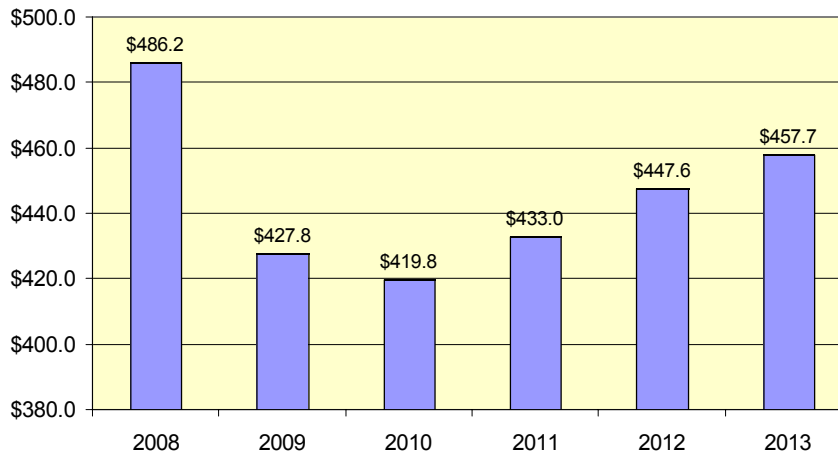
New York City CPI (1982-1984=100)



Source: NYC Office of Management & Budget

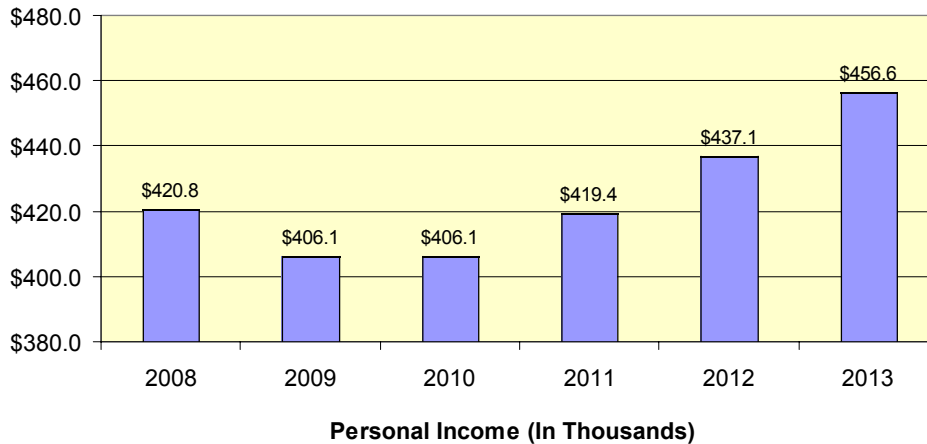
SELECTED MARKET DATA

New York City Real Gross City Product (billions)



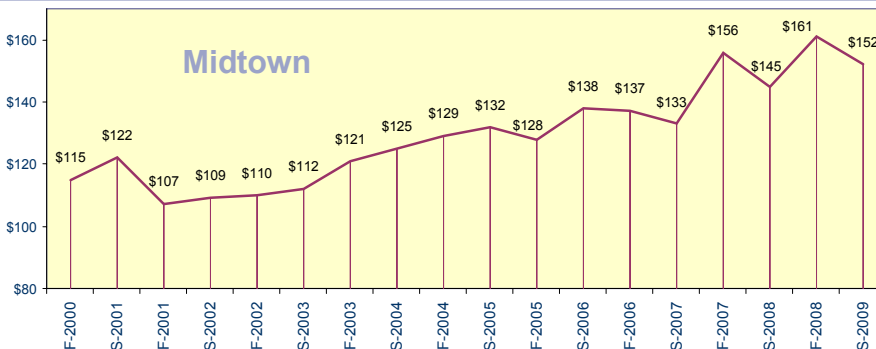
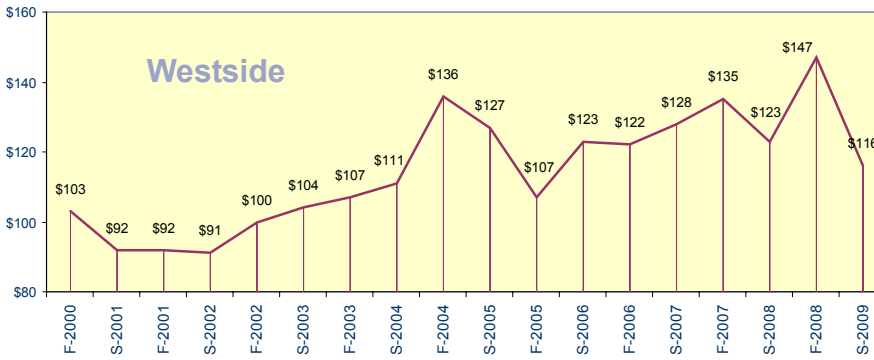
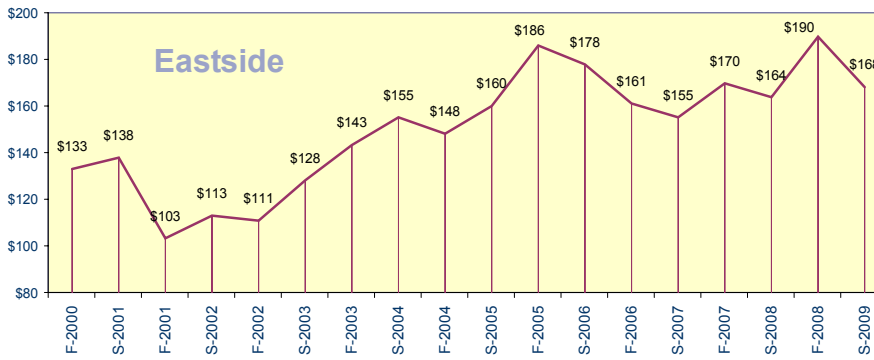
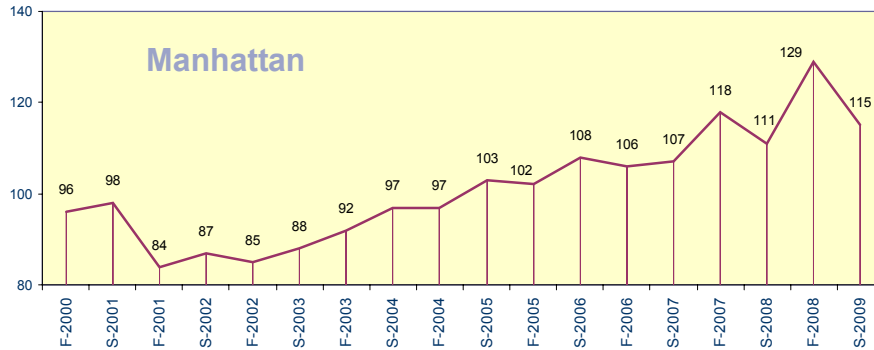
Source: NYC Office of Management & Budget

New York City Gross Personal Income

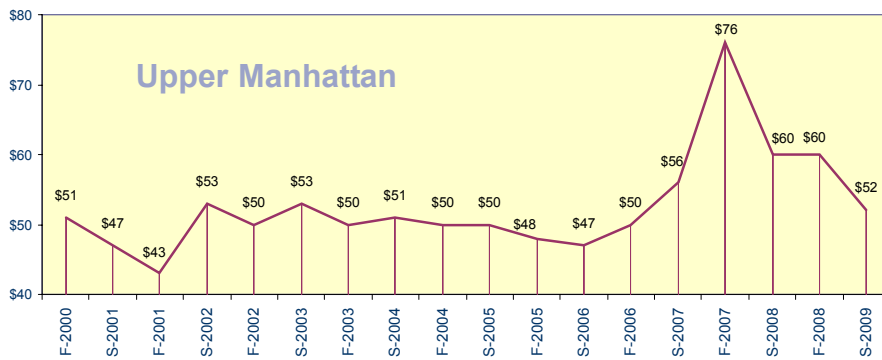
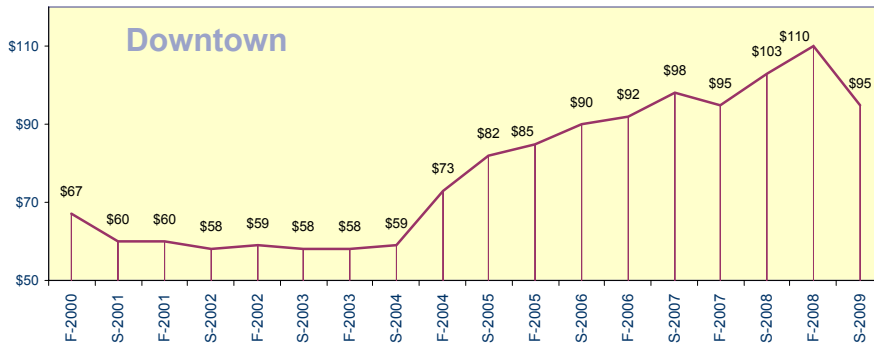
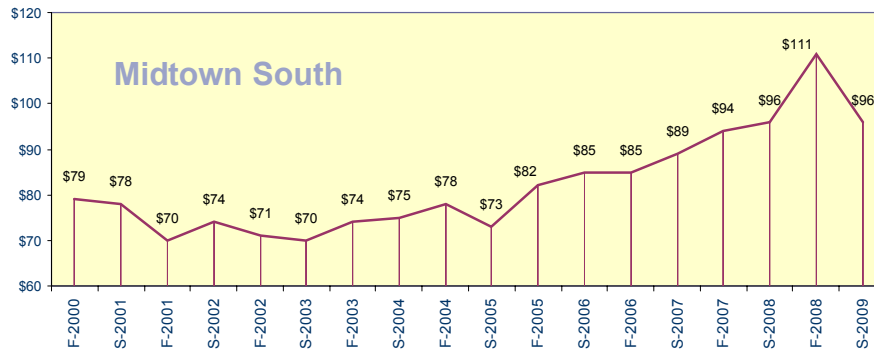


Source: NYC Office of Management & Budget

AVERAGE RETAIL ASKING RENTS PSF



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The Retail Report provides objective, comprehensive information about asking rents and market trends in Manhattan.

Issued twice a year—Spring and Fall—the report is a project of the REBNY Retail Committee.

The report presents retail space information by geographical area and focuses on the asking rent of the ground floor space on the major retail streets.