

MARKETBEAT

Manhattan

Retail Q1 2019



ECONOMIC INDICATORS

National

	Q1 18	Q1 19*	12-Month Forecast**
GDP Growth	2.6%	2.9%	▲
CPI Growth	2.2%	1.6%	▲
Consumer Spending Growth	2.4%	3.2%	▲
Retail Sales Growth	4.9%	4.2%	▲

*Q1 estimates **Forecast by Cushman & Wakefield. Values represent year-over-year % change

Regional

	Q1 18	Q1 19	12-Month Forecast
Household Income	\$87k	\$88k	▲
Population Growth	0.1%	0.1%	▲
Unemployment	3.7%	3.5%	▼

Source: Moody's Analytics

Third Avenue

Asking Rental Rate and Overall Availability

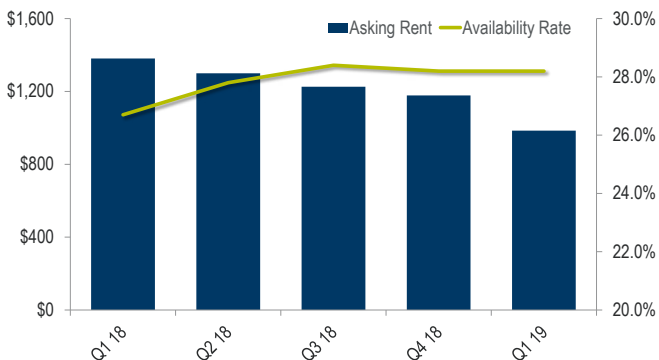
YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Madison Avenue

Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Economy

The New York City economy started 2019 strong with 18,500 jobs added over the first two months—driving total employment to a historic high of 4.6 million jobs. Robust tourism, a critical driver of retail activity, remained strong as a record 65.2 million tourists visited New York City in 2018, up 3.8% from 61.8 million tourists the prior year, and is projected to reach 67 million visitors in 2019. Continued record tourism, combined with rising employment and increased year-over-year (YOY) household income, supports increased shopping activity and may curtail store closures. According to Moody's Analytics, Manhattan retail sales increased by 5.5% in 2018 and are projected to grow 4.1% in 2019.

Market Overview

Continuing the 2018 trend, asking retail rents recorded YOY decreases in almost all 11 statistical submarkets to start 2019. Similarly, first quarter 2019 Manhattan retail deal velocity remained on track compared to the same time period last year, despite the acceleration of eCommerce with the majority of the leases signed in 2019 in the popular SoHo submarket.

Through the first quarter of 2019, asking rents continued the 2018 trend and dropped in the majority of the high markets. The Madison Avenue corridor (East 57th-East 72nd Street) average asking rent declined nearly 30% YOY to \$985 per square foot (psf), down from \$1,381 psf. Four years ago, asking rents on this luxury strip commanded more than \$1,600 psf. However, as of late, several designer brands have migrated south on this prestigious avenue including luxury designers Celine, Balenciaga, and Missoni. The second high market corridor to register a significant decrease in its retail asking rent was Lower Fifth Avenue (42nd to 49th Streets). Continuing its descent, similar to last year, the asking rent decreased by \$173 psf, closing at \$987 psf from \$1,160 YOY—its lowest rate in six years. The Times Square Bow Tie (Broadway & Seventh Avenue, West 42nd-West 47th Streets) was the only statistical submarket to exhibit a slight increase in its average asking rent, closing the first quarter of 2019 at \$1,994 psf up from \$1,980 one year ago.

Retail availability rates in all of the statistical markets finished the first quarter of 2019 above 12.0%. As average asking rents continued to drop in SoHo for the ninth consecutive quarter, the availability rate remained high at 25.3%. On the Upper East Side, the availability rate is down 5.3 percentage points since this time last year, closing at 15.2%, due to a strong demand with 11 new leases signed between East 57th and East 79th Streets on Third Avenue in the first quarter. Lower Fifth Avenue gained two new retailers—Sunglass Hut and lululemon—during the first quarter, which contributed to its availability rate decrease of 11.4 percentage points YOY to 21.4%. Additionally, one small lease by Cho Cheng at 781 Fifth Avenue/The Sherry Netherland Hotel contributed to the slight decrease in the Upper Fifth Avenue (49th to 60th Streets) availability rate, closing at 25.0%, down from 27.5% at the close of 2018.

Outlook

The Manhattan retail leasing pace remained steady through the first quarter of 2019, driven by the food & beverage industry, unchanged compared to the same time period last year despite the difficulties in the retail market. Last year's pop-up shop trend slowed at the close of the holiday season and into 2019. However, additional new leasing activity is likely to occur again in the pop-up field as fresh, online, retailers may opt to potentially extend their short term leases with a Manhattan brick and mortar presence. As asking rents continue to decline, the New York City retail leasing scene continues to be cautiously optimistic with healthy consumer spending and densely populated city streets driven by steady income growth coupled with low unemployment. New York City continues to dominate in commerce and tourism and is in no danger of relinquishing its spot as the most important city for retailers in the United States.

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SUBMARKET	ASKING RENTAL RATE*	YEAR-OVER-YEAR COMPARISON	AVAILABILITY RATE	YEAR-OVER-YEAR % PT. CHANGE
Fifth Avenue (42nd-49th Streets)	\$987	-14.9%	21.4%	-11.4%
Fifth Avenue (49th-60th Streets)	\$2,779	-0.3%	25.0%	7.6%
Fifth Avenue (49th-60th Streets—Direct space only)	\$2,871	10.8%	13.2%	4.5%
Madison Avenue (East 57th-East 72nd Streets)	\$985	-28.7%	28.2%	1.5%
SoHo	\$398	-6.6%	25.3%	1.4%
Third Avenue (East 57th-East 79th Streets)	\$237	-9.5%	15.2%	-5.3%
Times Square (Bow Tie)	\$1,994	0.7%	20.0%	8.9%
Upper West Side	\$331	-6.8%	12.2%	0.3%
Flatiron/Union Square West	\$412	-1.4%	13.5%	-1.0%
Meatpacking	\$350	-5.7%	21.5%	-5.0%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$595	-9.7%	34.5%	3.5%
Lower Manhattan (Broadway, Wall & Fulton Streets)	\$377	-6.7%	16.4%	2.2%

*Rental rates reflect gross asking \$PSF/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Brookfield Place	73,000	Convene	Retail	Lower Manhattan
One Wall Street	72,800	Lifetime Fitness	Residential/Retail	Lower Manhattan
1501 Broadway (Renewal & Expansion)	45,705	Hard Rock Café	Commercial/Retail	Times Square
706 Madison Avenue	37,831	Hermes	Retail	Madison Avenue
515 Broadway (Renewal)	30,000	H&M	Residential/Retail	SoHo

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
424 Fifth Avenue	662,729	Hudson's Bay Co./WeWork Property Advisors, Rhone Group	\$850M/\$1,283	Grand Central
One Dag Hammarskjöld Plaza/ 885 Second Avenue	815,000	Ruben Companies/ Rockpoint Group	\$566M/\$694	Midtown East
850 Third Avenue	617,000	HNA Group, MHP Real Estate, Atco Properties/Chetrit Group	\$422M/\$684	Midtown East
710 Madison Avenue	8,400	ASG Equities & Tribeca Holdings/ Graff Company	\$66.5M/\$7,917	Madison Avenue
212 Fifth Avenue (Retail Condo)	4,620	Thor Equities/Building & Land Technology/Madison Equities/ Eunate Real Estate S.A.	\$26.5M/\$5,736	Madison Square/NoMad

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