

MARKETBEAT

Manhattan

Retail Q2 2019



ECONOMIC INDICATORS

National

	Q2 18	Q2 19	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

Q2 2019 data are based on latest available data. Growth rates are year-over-year.
Source: BLS, BOC, Moody's Analytics

Regional

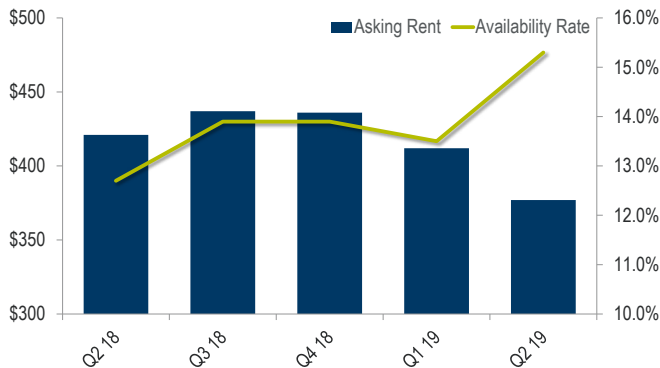
	Q2 18	Q2 19	12-Month Forecast
Household Income	\$86k	\$88k	▲
Population Growth	-0.1%	-0.1%	▲
Unemployment	3.7%	3.6%	▼

Source: Moody's Analytics

Flatiron

Asking Rental Rate and Overall Availability

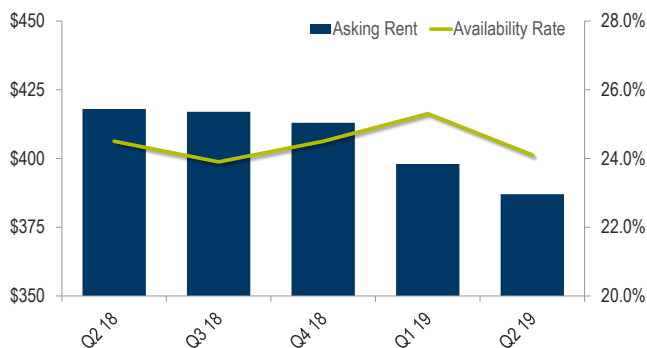
YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



SoHo

Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Economy

The New York City economy continued to expand in the second quarter of 2019, gaining 17,900 jobs in April and May. Tourism, a critical driver of retail activity, also 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 projected to reach 67 million visitors by the end of this year. 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 5.6% in 2018 and are projected to grow 3.4% in 2019.

Market Overview

Continuing last year's rent descent, asking retail rents continue to adjust from three years ago and recorded YOY decreases in almost all 11 statistical submarkets tracked by Cushman & Wakefield through midyear 2019. Positive first and second quarter retail deal velocity registered 20.1% above last year, despite the current structural challenges facing retail. The majority of leases signed during the first half of 2019 were registered in the Greenwich Village submarket, where 40 new commitments are in place—most on Bleeker Street. SoHo, with its continued popularity, was the second-most desirable area, with 33 transactions announced.

As it did last quarter, the Madison Avenue corridor (East 57th-East 72nd Street) average asking rent declined more than 25.0% YOY to \$960 per square foot (psf), down from \$1,300 psf. Asking rents on this luxury strip commanded more than \$1,600 psf four years ago, and have been declining since then. However, several designer labels will be migrating south on this prestigious avenue including luxury designers Celine, Balenciaga, and Missoni. On a decline for the past 10 quarters, the Midtown South submarket, SoHo, has dramatically lowered asking retail rents, closing the second quarter of 2019 at \$387 psf, down 19.4% from five years ago. Along the SoHo Broadway shopping corridor, where 46 stores are currently for lease, the average asking rent closed midyear at \$435 psf—a steep drop from its high of \$771 psf during the second quarter of 2013.

While retail availability rates remain high—above 13.0% in all statistical markets—select neighborhoods posted declines in availability over the past year. Stronger leasing activity in the Lower Fifth Avenue (42nd-49th Streets) corridor brought the availability rate down 8.0 percentage points compared to this time last year, closing the quarter at 19.6%. On Madison Avenue (East 57th-East 72nd Streets), nearly 30.0% of all storefronts are available for lease—the highest among the statistical markets, despite continual declines in average asking rents and new leases signed by tenants such as Monique Lhuillier and Traum Safe. Herald Square/West 34th Street closed the second quarter with its lowest availability rate since midyear 2017, registering 27.6% due to four new leases, one renewal, and no new spaces added to the market. The Upper West Side commanded the lowest availability rate of the statistical markets for the fourth consecutive quarter, reaching 13.1% at midyear 2019.

Outlook

The highly anticipated shops & restaurants within the Hudson Yards complex opened this spring, anchored by Manhattan's first Neiman Marcus department store, along with a variety of new retailers. This revitalization of the far West Side of Manhattan should prove to be a positive force for New York City leasing activity in 2019 and beyond. Additionally, new pop-up store leasing activity during this holiday season will likely continue to bolster growth throughout the city. Adding these new retailers to the mix, as they continue to bring immersive concepts and fresh entrants to the market, will assist with positive absorption. As asking rents continue to reset, New York City remains dominant in commerce and tourism and continues onward 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)	\$1,007	-12.4%	19.6%	-8.0%
Fifth Avenue (49th-60th Streets)	\$2,804	1.0%	26.5%	6.2%
Fifth Avenue (49th-60th Streets—Direct space only)	\$2,871	6.6%	13.2%	3.1%
Madison Avenue (East 57th-East 72nd Streets)	\$960	-26.2%	29.8%	2.0%
SoHo	\$387	-7.4%	24.1%	-0.4%
Third Avenue (East 57th-East 79th Streets)	\$243	-4.0%	16.0%	-3.2%
Times Square (Bow Tie)	\$1,983	-0.5%	26.7%	11.1%
Upper West Side	\$314	-11.3%	13.1%	0.9%
Flatiron/Union Square West	\$377	-10.5%	15.3%	2.6%
Meatpacking	\$364	1.1%	24.7%	0.0%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$588	-7.4%	27.6%	-5.2%
Lower Manhattan (Broadway, Wall & Fulton Streets)	\$367	-6.1%	16.9%	1.0%

*Rental rates reflect gross asking \$PSF/year

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
201 West 125th Street/One East Harlem	45,885	Food Bazaar	Residential/Retail	Harlem
14 Wall Street	36,500	Equinox*	Commercial/Retail	Lower Manhattan
1466 Broadway/6 Times Square	36,396	JD Sports	Hotel/Retail	Times Square
57 Eleventh Avenue/Pier 57	32,000	City Winery	Entertainment Pier	Chelsea
601-605 West 181st Street	25,000	Foot Locker	Retail	Washington Heights

*Renewal

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PURCHASE PRICE	SUBMARKET
Upper Fifth Avenue and Broadway (47.2% interest)	489,000	Vornado Realty Trust/ Crown Acquisition	\$2,522,242,000	Plaza & Times Square
875 Washington Street	70,766	ASB RE Investments/RFR Realty	\$129,500,000	Meatpacking
405 Lexington Avenue/ Chrysler Bldg.	32,631	Tishman Speyer Properties/ Signa Holding Group and RFR Holding LLC	\$75,500,000	Grand Central
710 Madison Avenue	8,400	Tribeca Holdings/Graff Diamonds	\$66,500,000	Madison Avenue
106-112 Spring Street	5,936	60 Guilders and Carlyle Group/ SL Green	\$79,451,010	SoHo

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