

MARKETBEAT

Manhattan

Retail Q3 2019



ECONOMIC INDICATORS

National

	Q3 18	Q3 19**	12-Month Forecast*
GDP Growth	3.1%	2.1%	▲
CPI Growth	2.6%	1.8%	▲
Consumer Spending Growth	5.9%	4.1%	▲
Retail Sales Growth	5.6%	3.7%	▲

**Q3 19 estimates. Values represent year-over-year % change
*Forecast by Cushman & Wakefield

Regional

	Q3 18	Q3 19*	12-Month Forecast
Household Income	\$86k	\$89k	▲
Population Growth	0.0%	-0.1%	▲
Unemployment	3.5%	3.7%	▲

Source: Moody's Analytics

Times Square Bowtie

Asking Rental Rate and Overall Availability

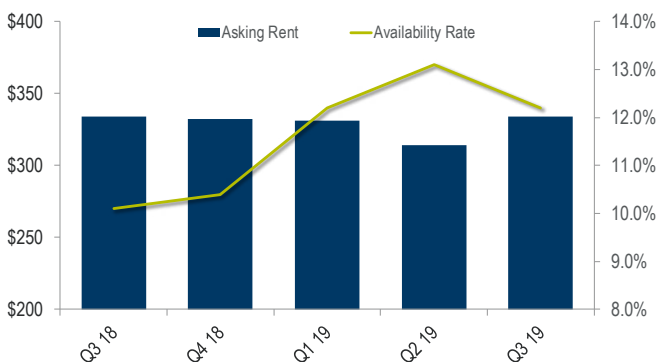
YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Upper West Side

Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Economy

The New York City economy continued to thrive during the third quarter of 2019, gaining 8,500 jobs in July and August. 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 travelers the prior year and on pace to draw a record 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 5.4% in 2018 and are projected to grow 4.9% in 2019.

Market Overview

As asking retail rents have continued to adjust over the past several years, Manhattan asking rents closed the third quarter of 2019 with YOY decreases in seven of the 11 statistical submarkets tracked by Cushman & Wakefield. Demand has been positive year-to-date, as retail leasing velocity registered 12.3% higher compared to the same time last year, despite the current economic challenges facing retailers and landlords. The bulk of new leases signed during the third quarter were leased in the Upper East Side submarket (mainly the Third Avenue corridor), where 21 new commitments were signed. The second-most desirable submarkets, both with 13 new leases announced, were Penn Plaza/Herald Square and Madison Avenue.

Mimicking the second quarter of 2019, the Madison Avenue corridor (East 57th-East 72nd Streets) average asking retail rent posted the greatest decline at \$937 per square foot (psf), down from \$1,226 psf this time last year. Asking rents on this luxury strip commanded more than \$1,600 psf nearly five years ago and have been falling since then. However, several designer boutiques have migrated south on this prestigious avenue, including lavish designers Celine, Balenciaga, and Missoni. On a descent for the past 11 quarters, the most sought-after Midtown South retail submarket, SoHo, has dramatically dropped its asking retail rents. Sporting the lowest average asking rent since year-end 2012, SoHo pricing dropped 13.9% from one year ago to \$359 psf. Along SoHo's main shopping corridor, Broadway, there are 47 stores currently available for lease, many of which are housing pop-up shops.

Retail availability rates remain high—above 12.0% in all statistical markets. Top-tier submarkets including the Times Square Bowtie (Broadway and Seventh Avenue/West 42nd -West 47th Streets) reached its highest point historically, as two new stores came to market, closing the third quarter at 31.1% for direct and sublease space. Following this, the Madison Avenue submarket (East 57th-East 72nd Streets) closed its availability rate at nearly 30.0% despite new leases by Byredo, Santoni, and Morgane Le Fay, while six additional boutiques came to market. Strong leasing activity in the Lower Fifth Avenue (42nd-49th Streets) corridor, including new announcements by UGG and Club Monaco, brought the availability rate down nearly 10 percentage points compared to the same time last year, closing the third quarter at 16.1%. Following last quarter, the Upper West Side submarket supplied the lowest availability rate of all statistical markets for the fifth consecutive quarter, closing third quarter 2019 at 12.2%.

Outlook

The master-planned community on the Far West Side of Midtown, which includes two mega developments, Hudson Yards and Manhattan West, have proven to be welcome additions to the Manhattan retail scene. This revitalization within the Midtown West retail submarket has been a positive force for New York City retail leasing activity in 2019. Also contributing towards a recovery are new pop-up stores that continue to test the market with limited risk, which should blossom further during this upcoming holiday season. Adding these new shops to the Manhattan mix can secure fresh entrants to the market that will hopefully stay long-term, further fueling retail leasing activity. As asking rents continue to decline and reset, New York City remains dominant in commerce and tourism, continuing 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)	\$840	-16.5%	16.1%	-9.8%
Fifth Avenue (49th-60th Streets)	\$2,697	1.1%	27.9%	3.3%
Fifth Avenue (49th-60th Streets—Direct space only)	\$2,871	7.0%	13.2%	3.0%
Madison Avenue (East 57th-East 72nd Streets)	\$937	-23.6%	29.2%	0.8%
SoHo	\$359	-13.9%	23.6%	-0.3%
Third Avenue (East 57th-East 79th Streets)	\$235	-1.7%	14.3%	-3.6%
Times Square (Bow Tie)	\$2,044	2.5%	31.1%	8.9%
Upper West Side	\$334	0.0%	12.2%	2.1%
Flatiron/Union Square West	\$355	-18.8%	16.0%	2.1%
Meatpacking	\$363	2.0%	22.8%	0.0%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$564	-9.2%	27.6%	-5.2%
Lower Manhattan (Broadway, Wall & Fulton Streets)	\$359	-1.1%	15.3%	-1.2%

*Rental rates reflect gross asking \$PSF/year

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
312 West 34th Street	95,341	AMC Theatres	Residential/Retail	Penn Plaza/Herald Square
63 Madison Avenue	55,202	Whole Foods	Commercial/Retail	Madison Square/NoMad
218 West 40th Street	22,927	KFF Food Hall	Commercial/Retail	Penn Plaza/Herald Square
935 Broadway/159 Fifth Avenue	17,000	Warner Brothers Entertainment	Commercial/Retail	Flatiron/ Union Square West
2 Herald Square/47-57 West 34th Street	16,647	Ulta	Commercial/Retail	Penn Plaza/Herald Square

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PURCHASE PRICE	SUBMARKET
194-196 Orchard Street (3 retail condos)	60,110	Real Estate Equities & Magnum Real Estate Group/ American Realty Capital	\$88,750,000	Lower East Side
189-199 Madison Avenue *	17,800	HUBBNYC/Rose Associates	\$16,800,000	Madison Square/NoMad
49 West 64th Street #RTL*	6,462	Rampoldi Restaurant Group/ BET Investments	\$14,500,000	Upper West Side
47-49 Greene Street*	4,300	Acadia Realty Trust/EMP Capital	\$24,800,000	SoHo
97-99 7th Avenue South (Retail property)	2,817	Avel Realty LLC/ Lurose Realty Corp.	\$11,000,000	Greenwich Village

*Retail condo

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