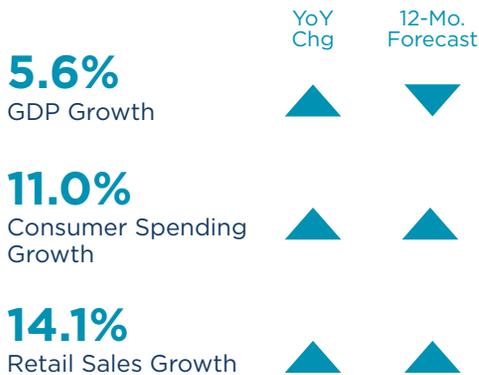


Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q3 2021



Source: BLS, BOC, Census Bureau

ECONOMY: Delta Variant Stalls Resurgence

The rise in COVID-19 cases caused by the emergence of the delta-variant in August slightly stalled the momentum from the second quarter, resulting in New York City implementing pandemic-related restrictions again. Mayor DeBlasio's "Key to NYC" enforces patrons 12 years and older and all staff members for indoor dining, fitness and entertainment to show proof of at least one dose of the COVID-19 vaccination. The implementation of mask-wearing indoors in public establishments became mandatory as well. Despite all of this, many positives continue to prove New York City is coming back strong, as Broadway shows opened to full capacity, office occupancies neared 30% and public transportation throughout Manhattan neared pre-pandemic levels in September.

SUPPLY & DEMAND: Available Storefronts Taper Off as Leasing Momentum Continues

The rising availability of storefronts in Manhattan slowed on a quarterly basis for the first time since the pandemic began, as only two of the 11 submarkets recorded higher availability rates than in the second quarter of 2021. The two submarkets with increases, Lower Fifth Avenue (42nd to 49th streets) and Herald Square/West 34th Street, each had one new storefront added to the market, but the lack of deals signed in these neighborhoods pushed availability higher. That was not the case throughout the rest of the major retail corridors, as availability rates declined in seven submarkets and remained static in two during the third quarter. SoHo continued to shine this year and, after peaking at 29.8% in the first quarter of 2021, the availability rate dropped for the second consecutive quarter to 22.8%. Soho's 7.0 percentage point decline was the largest two-quarter swing in availability on record for any submarket.

Leasing activity through the first three quarters of the year was up 29.2% compared to one year ago, as demand continued its momentum through the third quarter. Food & beverage users have accounted for more than 40.0% of the leases signed this year, with apparel and accessories a distant second with nearly 17.0% of the demand. The food & beverage sector continues to bring an eclectic mix of new retailers to Manhattan, from Buyk, an ultra-quick grocery food delivery startup which leased three new locations in the third quarter, to fast food chains like Popeyes, which leased its third location this year and PF Chang's taking down two spaces this quarter. The biggest announcement of the third quarter, however, was Wegmans' 30-year lease at 770 Broadway for 85,411 square feet (sf), which will be the mega-successful supermarket's first Manhattan location and is slated to open in the third quarter of 2023.

PRICING: Asking Rents Turn the Corner in Q3 2021

Asking rents for ground floor retail space increased minimally in eight of the 11 submarkets during the third quarter. Despite the quarterly pricing increases, rents remain down year-over-year by an average of \$94 per square foot (psf) throughout all submarkets, marking a 5.1% improvement from the second quarter. Three submarkets recorded double-digit quarterly price increases, with Upper Fifth Avenue (49th to 60th streets) up \$56 psf and Lower Fifth Avenue (42nd to 49th streets) and Third Avenue (57th to 79th streets) up \$10 psf each. Despite the positive quarterly shift in asking rents, these three submarkets combined remain 10.5% off pre-pandemic pricing. The three submarkets that produced negative rent growth during the third quarter, Madison Avenue (57th to 72nd streets), Times Square and the Upper West Side, averaged less than a 1.0% reduction in pricing. Although rental decreases slowed in these three submarkets, Times Square and Madison Avenue have reported two of the highest asking rent declines since the start of the pandemic, down 21.6% and 20.0%, respectively.

SOHO ASKING RENT / OVERALL AVAILABILITY RATE



HERALD SQUARE / WEST 34TH STREET ASKING RENT / OVERALL AVAILABILITY RATE



MARKET STATISTICS

SUBMARKET	Q3 2020 ASKING RENT	Q3 2021 ASKING RENT	% CHANGE YOY	Q3 2020 AVAILABILITY RATE	Q3 2021 AVAILABILITY RATE	% POINT CHANGE YOY
Fifth Avenue (42nd-49th Streets)	\$693	\$623	-10.1%	22.2%	27.8%	5.6%
Fifth Avenue (49th-60th Streets)	\$2,664	\$2,461	-7.6%	23.2%	21.7%	-1.5%
Fifth Avenue (49th-60th Streets) Direct space only	\$2,925	\$2,733	-6.6%	11.6%	13.0%	1.4%
Madison Avenue (East 57th-East 72nd Streets)	\$779	\$742	-4.7%	34.7%	38.1%	3.4%
SoHo (Broadway to West Broadway)	\$310	\$278	-10.3%	27.4%	22.8%	-4.6%
Third Avenue (East 57th Street-East 79th Street)	\$212	\$208	-1.9%	23.8%	19.2%	-4.6%
Times Square Bow Tie (Broadway and Seventh, 42nd-49th Streets)	\$1,936	\$1,521	-21.4%	29.4%	31.4%	2.0%
Upper West Side (Broadway and Columbus Avenue)	\$289	\$270	-6.6%	19.9%	19.2%	-0.7%
Flatiron/Union Square West (Fifth, Broadway)	\$315	\$283	-10.2%	25.5%	27.6%	2.1%
Meatpacking	\$363	\$332	-8.5%	28.0%	29.3%	1.3%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$463	\$395	-14.7%	23.7%	35.6%	11.9%
Lower Manhattan (Broadway, Wall, and Fulton Streets)	\$375	\$352	-6.1%	22.9%	25.1%	2.2%

*Rental rates reflect gross asking \$PSF/Year

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
770 Broadway	NoHo	Wegmans	85,411	New Lease
7 West 21st Street	Flatiron/Union Square	Bathhouse	34,328	New Lease
145 West 45th Street	Times Square	Museum of Broadway	26,200	New Lease

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
119-121 Spring Street	SoHo	Oaktree Capital / 60 Guiders and Meadow Partners	—	\$56,078,852 / —
761-771 Madison Avenue	Madison Avenue	Reuben Brothers / Vornado Realty Trust	13,603	\$30,000,000 / \$2,205
23 East 21st Street	Flatiron/Union Square	Brigade Capital Management / Madeline Weinrib	3,100	\$5,500,000 / \$1,774

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