

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
\$105,000 Median HH Income	▲	▲
0.0% Population Growth	▬	▼
4.9% Unemployment Rate	▲	▼

Source: BLS

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.4% GDP Growth	▲	▲
7.0% Consumer Spending Growth	▲	▲
1.7% Retail Sales Growth	▼	▲

Source: BEA, Census Bureau

ECONOMY: Tourism and Modest Easing of Financial Conditions Expected to Support Retail

In Q3 2024, the Manhattan retail market continued its positive growth, driven by resilient consumer confidence, increased office occupancy, and a tourism boom ignited by the city's peak travel season. Tourism, particularly boosted by New York Fashion Week, led to significant spikes in foot traffic and a slew of new store openings along Manhattan's high fashion corridors. In Midtown, Times Square recorded its third consecutive quarter surpassing pre-pandemic retail spending, with restaurant and dining spending reaching \$315 million between July and September.

In September, the FOMC announced a 50-basis-point (-bp) cut to the federal funds rate with an additional 50-bp drop expected by year-end. This modest easing of financial conditions combined with economic growth is projected to support hiring and consumer spending, positively impacting the real estate transaction market. Given the retail sector's restructuring and resilience over the past several years, the market is well-positioned for sustained growth.

DEMAND: Prime Submarkets at Historically Low Availability

In Q3 2024, the average availability rate across the prime Manhattan retail corridors dropped to a nine-year low of 13.9% from the peak of 27.8% during the pandemic in 2021. Upper Fifth Avenue (49th to 60th Streets) recorded the most significant year-over-year (YOY) decline, reaching 14.5%. This was largely driven by Moncler's 24,000-sf sublease at 767 Fifth Avenue, set to be the Italian luxury fashion brand's largest flagship in the United States.

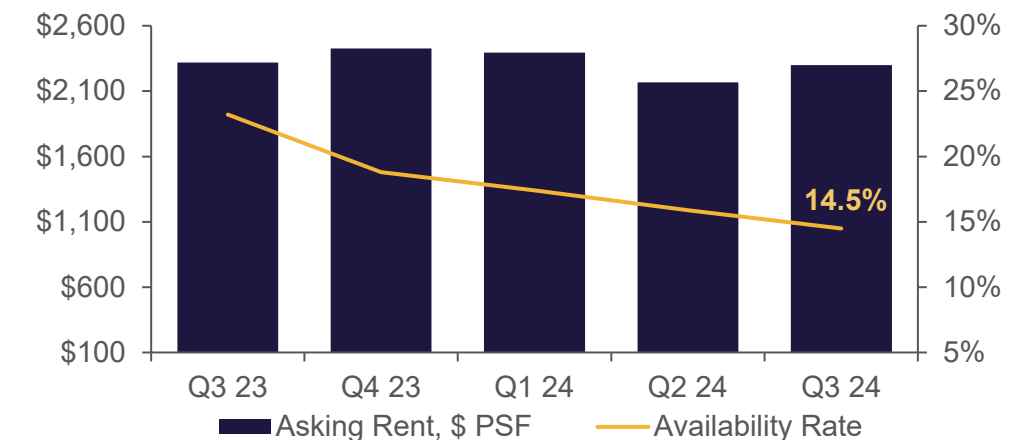
Retailer investment in Upper and Lower Fifth Avenue (42nd to 60th Streets), across both owner-user purchasing and leasing, illustrates the value top global brands place on the most productive retail street in the Americas. Along Lower Fifth Avenue (42nd to 49th Streets), availability decreased to a record low rate of 14.8%, led by The North Face committing to relocate to the opposite corner of 43rd Street to 27,250 sf at 511 Fifth Avenue. After reaching a record high of 42.4% in Q2 2023, retail availability along Herald Square/West 34th Street decreased for the third consecutive quarter to 32.2%, down 8.5% YOY. A major factor in this decline was discount retailer Primark's 77,760-sf lease to open its first Manhattan storefront at 150 West 34th Street, the largest lease of the quarter.

During Q3 2024, apparel tenants made up 28.0% of completed leases, totaling 258,000 sf, led by fast fashion and digitally native brands expanding their store fleets. Adding to its growing physical retail footprint in the U.S., Australian direct-to-consumer clothing brand Princess Polly signed the largest lease in SoHo across 9,100 sf at 514 Broadway. As wellness users expand throughout Manhattan, encompassing 11.0% of quarterly leasing, luxury fitness brand Equinox signed for a new 35,000-sf location at 1 Hudson Square. In 2024 YTD, retail leases totaled over 3.1 msf, surpassing the first three quarters of 2023 across both square footage and lease count.

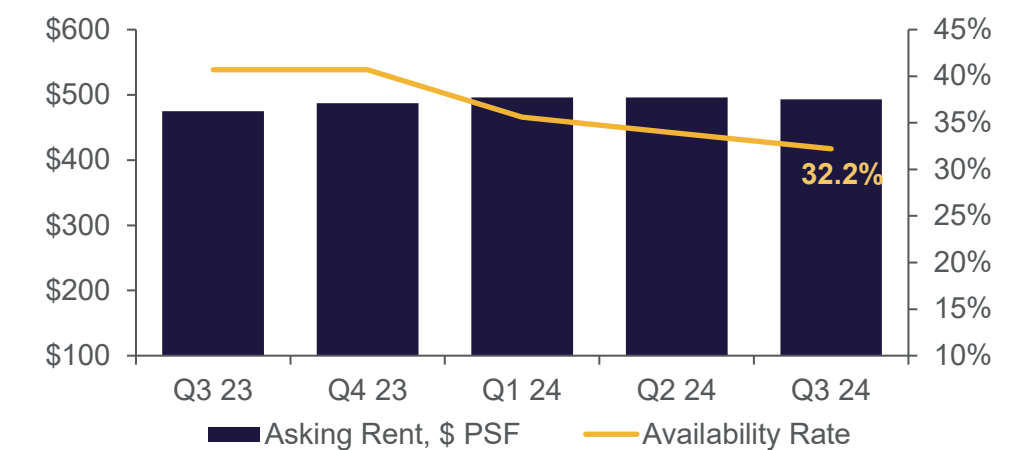
PRICING: Average Asking Rent Increases Vary by Neighborhood

Limited availability and strong demand across the prime Manhattan retail corridors pushed asking rents higher for the eighth consecutive quarter, up 3.1% YOY. However, despite consistent average rental increases, asking rents remain 12.8% below Q3 2019 and 32.0% below peak levels recorded in 2015. Pricing recovery has varied by neighborhood, highlighted by the 19.0% YOY increase in average asking rent in SoHo to \$388 psf—boosted by new availabilities along high streets Broadway, Spring and Prince Streets commanding asking rents of up to \$1,000 psf. While still ahead of 2022 pricing, the largest annual decrease took place in Flatiron/Union Square, where average asking rents dropped 7.4% to \$326-psf, driven by high-rent spaces at 85 Fifth Avenue and 142 Fifth Avenue being leased, in addition to discounted subleases spaces entering the market. Continued price stabilization is expected to create further opportunities for retailers to establish or expand their brick-and-mortar presence in Manhattan.

UPPER FIFTH AVENUE (49TH TO 60TH STREETS) ASKING RENT / OVERALL AVAILABILITY RATE



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



MARKET STATISTICS

SUBMARKET	Q3 2023 ASKING RENT	Q3 2024 ASKING RENT*	% CHANGE YOY	Q3 2023 AVAILABILITY RATE	Q3 2024 AVAILABILITY RATE	% POINT CHANGE YOY
Fifth Avenue (42nd-49th Streets)	\$620	\$641	3.4%	20.4%	14.8%	-5.6%
Fifth Avenue (49th -60th Streets)	\$2,319	\$2,298	-0.9%	23.2%	14.5%	-8.7%
Fifth Avenue (49th -60th Streets) Direct space only	\$2,344	\$2,280	-2.7%	14.5%	13.0%	-1.5%
Madison Avenue (East 57th-East 72nd Streets)	\$820	\$897	9.4%	19.3%	14.0%	-5.3%
SoHo (Broadway to West Broadway)	\$326	\$388	19.0%	11.5%	11.2%	-0.3%
Third Avenue (East 57th Street-East 79nd Street)	\$239	\$243	1.7%	7.9%	9.2%	1.3%
Times Square Bow Tie (Broadway and Seventh, 42nd-49th Streets)	\$1,472	\$1,554	5.6%	24.6%	17.5%	-7.1%
Upper West Side (Broadway and Columbus Avenue)	\$275	\$286	4.0%	12.3%	10.1%	-2.2%
Flatiron/Union Square West (Fifth, Broadway)	\$352	\$326	-7.4%	15.2%	16.6%	1.4%
Meatpacking	\$314	\$302	-3.8%	25.3%	24.0%	-1.3%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$475	\$493	3.8%	40.7%	32.2%	-8.5%
Lower Manhattan (Broadway, Wall, and Fulton Streets)	\$246	\$238	-3.3%	18.4%	19.0%	-0.6%

*Rental rates reflect gross asking \$PSF/Year

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
150 West 34th Street	Penn Plaza / Herald Square	Primark	77,760	New Lease
111 West 57th Street	Plaza	Bonhams	42,700	New Lease
75 Varick Street / 1 Hudson Square	Hudson Square	Equinox	35,000	New Lease
511 Fifth Avenue	Plaza	The North Face	27,450	New Lease
408 Grand Street	Lower East Side	Lidl	20,480	New Lease
767 Fifth Avenue	Plaza	Moncler	24,400	New Lease
28 Liberty Street	Lower Manhattan	Soccerroof	20,000	New Lease
1290 Avenue of the Americas	Rockefeller Center	Five Iron Golf	15,320	New Lease

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE /\$ PSF
2 Times Square	Times Square	Sherwood Equities / Bando Construction	25,694	\$99.3M/\$3,863
56 Crosby Street	SoHo	Invesco Real Estate / Punta Na	19,760	\$26.9M/\$1,361
Bleecker Portfolio (350 Bleecker, 382-384 Bleecker, 367-369 Bleecker, 387 Bleecker)	Greenwich Village	Brookfield Properties / Acadia Realty Trust	15,135	\$20.3M/\$1,338

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