

FIGURES | MANHATTAN RETAIL | Q1 2023

Manhattan Retail Rents and Leasing Show Quarterly Improvement



Note: Arrows indicate change from previous quarter.

Market News

- Average asking rent in Manhattan’s retail corridors was \$638 per sq. ft.—up 3.7% from the prior quarter and the third consecutive quarterly increase.¹
- The taking rent index for the prime 16 retail corridors was 75.5%, up 310 bps from the prior quarter and 1160 bps from 63.9% in Q1 2022.²
- The number of direct ground floor availabilities tracked across Manhattan’s 16 premier shopping corridors decreased for the seventh consecutive quarter from 222 to 206—a 7.2% decline quarter-over-quarter and down 16.6% year-over-year.³
- The rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, was 2.8 million sq. ft., up 5.4% from the prior quarter and 14.5% from the same period a year ago.⁴
- The city’s tourism board, New York City Tourism + Conventions, anticipates approximately 63.3 million travelers arriving in Manhattan by the end of 2023—a 12.2% increase over the 56.4 million visitors in 2022.⁵

Market Overview

Manhattan’s retail market showed signs of improvement in the first quarter of 2023. The rebound in international tourism along with improved consumer demand for the luxury and entertainment sectors has propelled the city’s retail market to a stronger position than last year. In Q1 2023, average asking rent in the prime 16 retail corridors increased for the third consecutive quarter to \$638 per sq. ft.—up 3.7% from the prior quarter and 8.0% higher than a year ago. The number of direct ground floor availabilities dropped 7.2% from the prior quarter to 206 spaces and a 16.6% reduction year-over-year. The rolling four-quarter aggregate leasing velocity improved to 2.8 million sq. ft., up 5.4% from the prior quarter and 14.5% from the same period last year. While strong consumer spending near the end of 2022 may have exuded positive momentum into the first quarter of 2023, continued supply chain complexities and economic uncertainty are expected to present a challenge for retailers over the next several quarters, which could slow progress in New York’s retail landscape.

Economic Overview

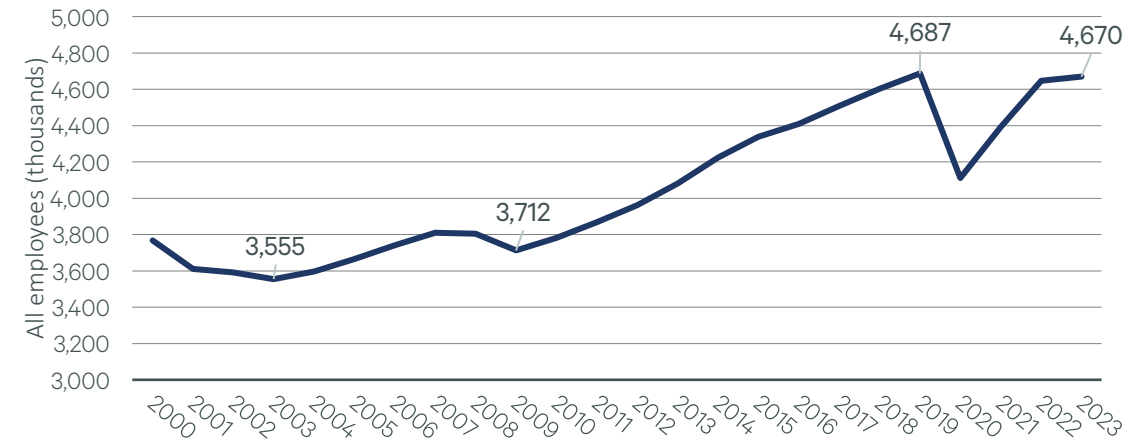
On a national level, downstream consequences of the Fed’s tightening program are surfacing and signaling slower growth ahead. Specifically, trouble in the banking sector will likely weigh on even the strongest feature of the economy – the consumer – as banks limit lending to increase their own liquidity. Meanwhile, other corners of the labor market, especially technology and corporate functions, are under pressure as hiring far exceeded revenue growth in recent years causing firms to shelve expansion plans and limit business investment.

This risk-off environment points to a moderate recession this year. The impact on commercial real estate will be two-pronged – a weaker economy will slow NOI growth and tighter bank lending will limit investment activity. These conditions will likely accelerate and crystalize value loss in the office sector, but losses elsewhere will be less severe due to stronger fundamentals. The silver lining is that a faster slowdown in the economy will reduce inflation pressure later this year and allow the Fed to ease monetary policy, providing greater clarity to the real estate sector.

Seasonally adjusted total nonfarm employment for NYC was nearly 4.7 million jobs, up 1.2% from the prior quarter and 24.5% above the pandemic low of 3.7 million jobs. The retail job count experienced a slight decline from the prior quarter to approximately 302,100 jobs but remained up 2.2% year-over-year. Quarterly retail sales were \$42.4 billion in Q1 2023, down 1.9% from the previous quarter.

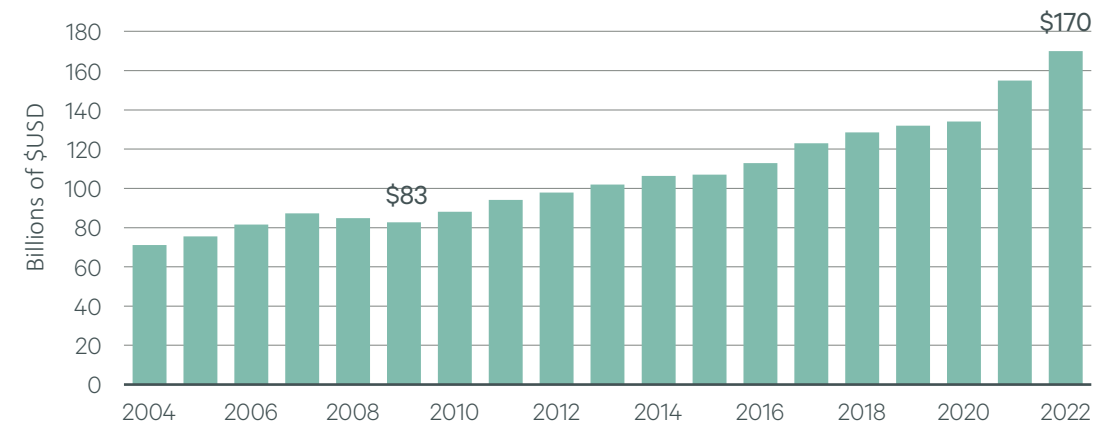
As of February 2023, NYC’s overall unemployment rate stood at 5.4%, up from its pandemic era low point of 4.6% in August 2022. At this level it remains down considerably from its 21.4% pandemic peak, but higher than the 3% range seen just prior to the pandemic. It also remains higher than the February 2023 national unemployment rate of 3.6%.

FIGURE 1: Seasonally Adjusted Total Employment



Source: NYC Department of Labor, February 2023.

FIGURE 2: NYC Total Retail Sales | Annual



Source: US Census Bureau, Oxford Economics, March 2023

Leasing Activity

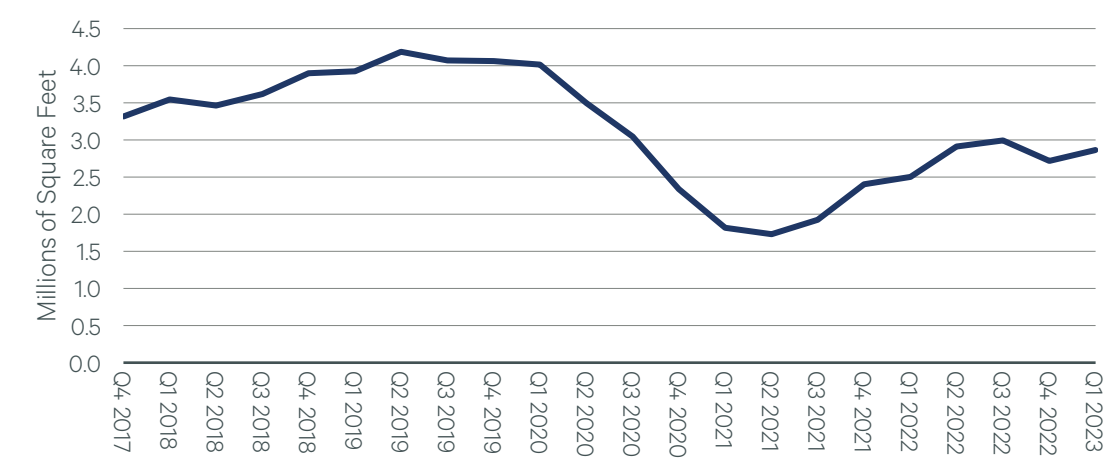
The rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, totaled 2.8 million sq. ft.—a 5.4% quarterly increase and 14.5% more than the same period in 2022. In Q1 2023, contemporary brands and luxury tenants were active in seeking new locations in Flatiron and the Plaza District. While overall demand for prime spaces in the city continues to rise, leasing remained 31.6% below the peak of 4.1 million sq. ft. recorded in Q2 2019.

The Flatiron/Union Square neighborhood recorded the highest leasing velocity of the quarter with more than 100,000 sq. ft. leased across 12 transactions. The Fifth Avenue and Broadway corridors were particularly active in the first quarter. J. Crew’s 27,000-sq.-ft. renewal at 91 Fifth Avenue was the largest transaction of the quarter. Additionally, the Aqua Restaurant Group, an international group of upscale Asian eateries based in Hong Kong, announced plans to take more than 26,000 sq. ft. formerly leased by Food52 at 902 Broadway; and Abercrombie & Fitch leased a new 6,700-sq.-ft. outpost at Thor Equities’ 139 Fifth Avenue.

The Plaza District recorded the second highest leasing volume in Q1 as the Italian luxury fashion house LVMH signed a new 43,500-sq.-ft. lease at The Trump Organization’s 4 East 57th Street, and the English luxury apparel brand Burberry announced plans to temporarily lease 14,700 sq. ft. at 693 Fifth Avenue while its existing outpost on 57th Street is renovated.

SoHo also recorded significant leasing velocity in the first quarter with over 59,000 sq. ft. across ten transactions. Apparel brands were active along the Broadway and Spring Street corridors in Q1. The largest deal was a 10-year lease signed by the Swedish fast fashion brand H&M, which took over 18,000 sq. ft. for a new outpost at 591 Broadway. Additionally, Abercrombie & Fitch secured a new 9,000-sq.-ft. lease at 547 Broadway, and the Italian fashion brand OVS announced plans to open a 3,800-sq.-ft. Piombo store at 149 Spring Street—its first NYC location.

FIGURE 3: Four-Quarter Aggregate Leasing Velocity⁴



Source: CBRE Research, Q1 2023.

FIGURE 4: Rolling Four-Quarter Aggregate Total Leasing Velocity⁴

Period	12 Month Aggregate (Sq. Ft.)	Period	12 Month Aggregate (Sq. Ft.)
Q4 2017	3,319,820	Q3 2020	3,045,548
Q1 2018	3,546,195	Q4 2020	2,338,667
Q2 2018	3,466,262	Q1 2021	1,817,982
Q3 2018	3,619,662	Q2 2021	1,734,029
Q4 2018	3,899,352	Q3 2021	1,927,053
Q1 2019	3,923,693	Q4 2021	2,405,329
Q2 2019	4,189,580	Q1 2022	2,502,816
Q3 2019	4,072,151	Q2 2022	2,912,503
Q4 2019	4,061,911	Q3 2022	2,994,981
Q1 2020	4,014,536	Q4 2022	2,718,543
Q2 2020	3,499,306	Q1 2023	2,865,866

Source: CBRE Research, Q1 2023

The apparel industry leased more square footage than any other industry during the first quarter with over 242,000 sq. ft. across 27 transactions. The largest transaction of the quarter was the aforementioned LVMH deal. SoHo and Nolita were particularly popular for apparel tenants, as J. Crew signed for a new 9,000-sq.-ft. outpost at 75 Spring Street, and the pre-owned luxury vintage retailer What Goes Around Comes Around leased a new 8,300-sq.-ft location at 113 Wooster Street.

Food and beverage (F&B) was the most active tenant category by number of deals in Q1 with 41 transactions totaling nearly 150,000 sq. ft. The largest F&B deal was signed by the aforementioned Aqua Restaurant Group at 902 Broadway. Other noteworthy deals in this sector included Scores Gentleman’s Club’s lease for a new 9,000-sq.-ft. sports bar concept at 416 Eighth Avenue, and SA Hospitality Group’s 8,600-sq.-ft. renewal of its upscale Milanese restaurant at the base of the Lever House at 390 Park Avenue.

FIGURE 5: Top Lease Transactions | Q1 2023

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
LVMH	43,500	4 E 57th Street	Plaza District	Apparel
Barnes & Noble, Inc.*	34,536	557 Fifth Avenue	Grand Central	Books
TMPL (Empire Holdings)	27,717	200 Madison Avenue	Grand Central	Health Club
J. Crew Group, Inc.*	27,000	91 Fifth Avenue	Flatiron/Union Square	Apparel
Aqua Restaurant Group	26,554	902 Broadway	Flatiron/Union Square	Food & Beverage
LOOK Brands, LLC	25,000	625 W 57th Street	Midtown West	Entertainment
H & M	18,358	591 Broadway	SoHo	Apparel
Burberry USA, Ltd.	14,761	693 Fifth Avenue	Plaza District	Apparel
Carolina Herrera, Ltd.	12,835	825 Madison Avenue	Upper Madison Avenue	Apparel
Olgam Life	12,700	131 E 125th Street	Harlem	Health Care

*Renewals.
Source: CBRE Research, Q1 2023.

FIGURE 6: Most Active Neighborhoods by Sq. Ft. Leased | Q1 2023

Neighborhood	Number of deals	Leased (Sq. Ft.)
Flatiron/Union Square	12	100,956
Plaza District	9	91,789
Grand Central	3	62,807
SoHo	10	59,391
Chelsea	4	45,832
Upper Madison Avenue	7	32,026
Penn Plaza/Herald Square	5	31,013
Midtown West	3	28,880
Upper East Side	9	24,880
14th Street	1	24,500

Source: CBRE Research, Q1 2023.

FIGURE 7: Most Active Tenant Type by Sq. Ft. Leased | Q1 2023

Tenant Type	Number of deals	Leased (Sq. Ft.)
Apparel	27	242,845
Food & Beverage	41	149,615
Entertainment	2	49,500
Books	2	35,036
Health Club	1	27,717
Health Care	2	16,516
Novelty/Souvenirs/Collectibles	3	14,736
Consumables	3	10,971
Home Furnishings/Furniture	2	7,286
Cosmetics	3	7,025

Source: CBRE Research, Q1 2023.

Availability

For the seventh consecutive quarter, the number of direct ground floor availabilities tracked across Manhattan’s 16 premier shopping corridors declined. There were 206 availabilities as of Q1 2023, down 7.2% from 222 in the prior quarter and a 16.6% reduction year-over-year. The count of available spaces was 29.0% below the peak of 290 spaces recorded in Q2 2021.

High demand for the Flatiron Fifth Avenue corridor contributed to the decline across the major corridors. Flatiron Fifth Avenue saw a 46.2% quarter-over-quarter drop to seven available spaces. The neighborhood’s availabilities are down 68.2% year-over-year—the largest annual decline among the 16 corridors. Seven spaces were leased in the first quarter of 2023, as various opportunistic brands rushed to secure the few remaining prime locations left on the corridor. The most notable removal was the aforementioned 27,000-sq.-ft. renewal signed by J. Crew at 91 Fifth Avenue. Additionally, two firms completed deals in the corridor for their first Manhattan locations: the Brooklyn-based Japanese grocery store Ten Ichi Mart leased 3,400 sq. ft. at 178 Fifth Avenue, and Shatila Bakery, a Middle Eastern bakery based in Michigan, signed for its first 2,000 sq. ft. outpost at 180 Fifth Avenue.

The Upper Madison Avenue corridor also recorded a significant decline in availability, dropping 5.9% quarter-over-quarter and 23.8% year-over-year to 32 spaces. The most notable transaction of the six spaces leased was the new 12,000-sq.-ft. lease signed by the Barcelona-based apparel brand Carolina Herrera for both Friedland Properties’ 825 and 827 Madison Avenue. Additionally, 755 Madison Avenue saw two deals totaling 4,600 sq. ft. Hugo Fine Arts Galerie committed long-term to 1,200 sq. ft. and the Italian luxury brand Armani took 3,400 sq. ft. of temporary space while renovating its flagship location at 760 Madison Avenue.

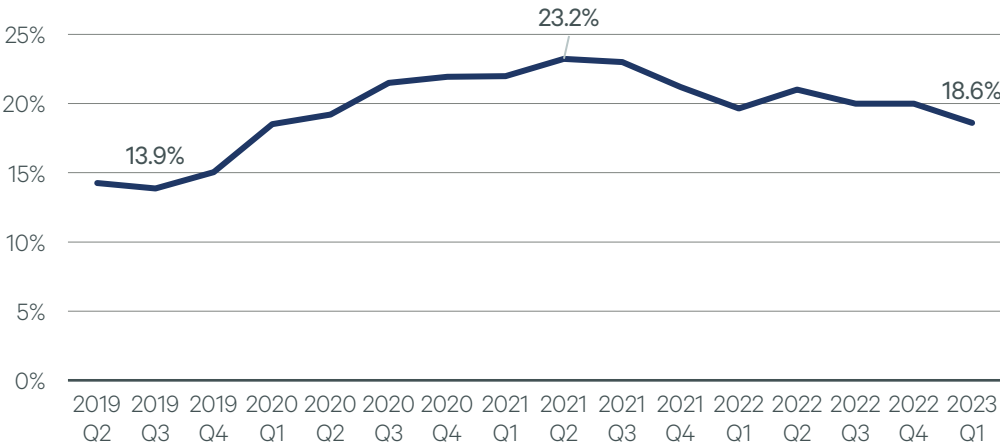
The 14th Street corridor in the Meatpacking District was one of the only markets to record both an annual and quarterly increase in availability, as the number of spaces grew by 6.7% quarter-over-quarter and 45.5% year-over-year to 16 listings. In Q4 2022, the retail space recently vacated by SoHo Home Studio at 401 West 14th Street was brought to market.

FIGURE 8: Count of Direct Ground-Floor Availabilities



Source: CBRE Research, Q1 2023.

FIGURE 9: Direct Ground-Floor Retail Frontage Availability Rates



Source: CBRE Research, Q1 2023.

In Q1 2023, the frontage availability rate, which measures the aggregate amount of direct available retail frontage on the city’s main retail corridors, dropped 138 bps from the prior quarter to 18.6%. The frontage availability was 464 bps below the pandemic peak of 23.2% but remained 355 bps above the 15.1% recorded in Q4 2019. The frontage within the corridors is seeing a divergence in trend. Many corridors like Herald Square and Grand Central located in dense office districts still had elevated frontage availability rates around 25-29%. Strong leasing activity from tenants seeking to reposition themselves in the Flatiron/Union Square and SoHo corridors drove the available frontage rates between 6-13%. The strength in these corridors carried the downward movement across the prime 16 corridors availability rate.

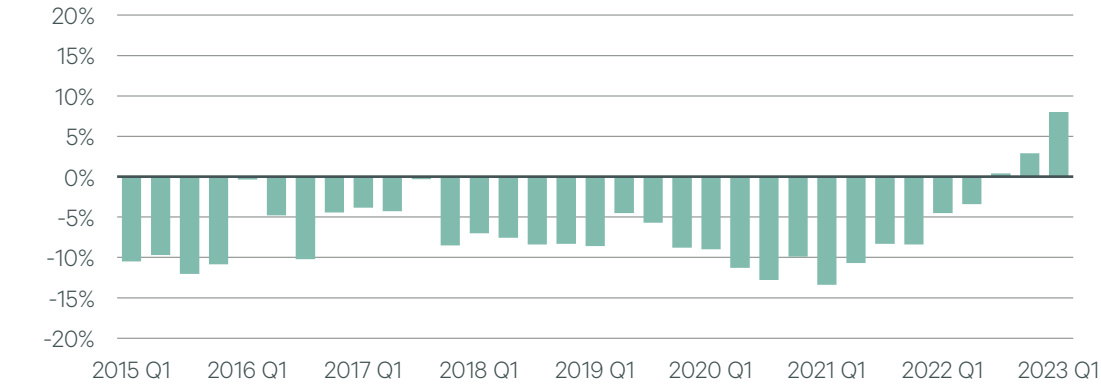
Average Asking Rent

Average asking rent in Manhattan’s prime 16 retail corridors increased for the third consecutive quarter in Q1 2023. Asking rent reached \$638 per sq. ft., up 3.7% quarter-over-quarter and 8.0% year-over-year. Improving demand for prime spaces helped reduce supply and create some space competition within certain pockets of the retail market. Although asking rents improved, overall pricing remains 42.7% below peak levels recorded in 2014 and the market still requires generous concession packages and flexible lease terms to bring deals to completion.

Average pricing on Fifth Avenue in Flatiron saw the largest quarterly increase among the 16 corridors to \$349 per sq. ft.— up 17.5% quarter-over-quarter and 20.4% year-over-year. Flatiron/Union Square has remained a popular destination for new retailers looking to enter the market or existing tenants seeking to reposition themselves in NYC. This demand has depleted many prime availabilities along the Fifth Avenue corridor. Strong demand for the market has allowed new spaces to push pricing upwards.

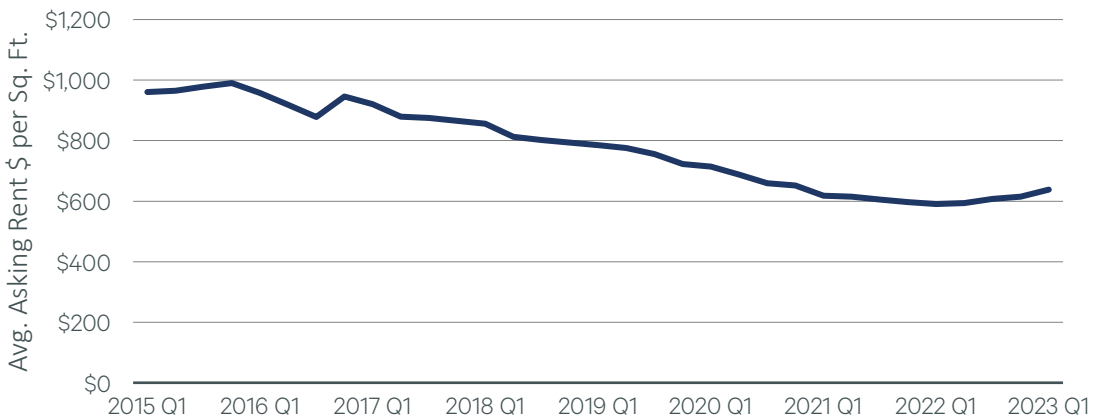
Average asking rents on Spring Street in SoHo rose to \$540 per sq. ft., a 17.4% quarterly and 20.0% annual increase. Demand from luxury and apparel brands looking to penetrate the popular SoHo submarket remained strong in the early parts of 2023 and depleted most of the discounted spaces on the corridor. As the inventory of availabilities diminished, only the premium priced spaces remained on the corridor.

FIGURE 10: Year-over-Year Asking Rent Change



Source: CBRE Research, Q1 2023.

FIGURE 11: Asking Rent – Average of Corridors



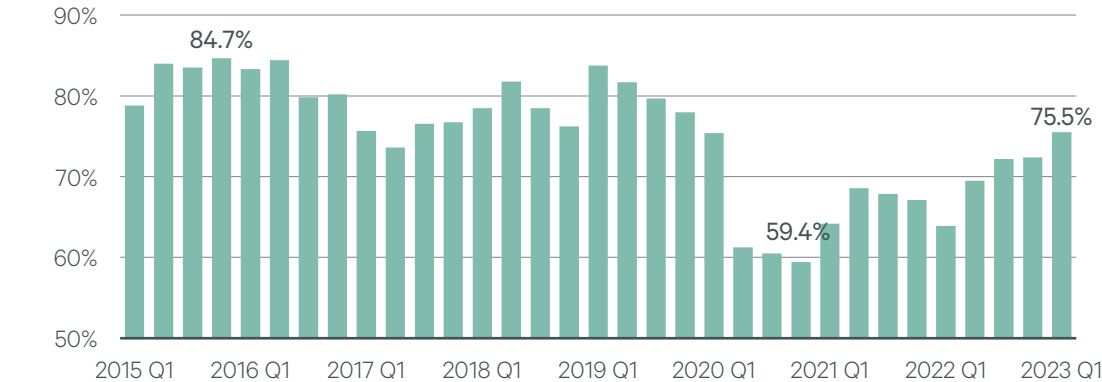
Source: CBRE Research, Q1 2023.

Washington Street in the Meatpacking District was one of the only corridors to record a modest decline in average asking rent on both a quarterly and annual basis, falling 4.5% quarter-over-quarter and 8.8% year-over-year to \$437 per sq. ft. While demand for the Meatpacking District as an up-and-coming luxury market grew with the recent completion of Gansevoort row, several of the larger spaces with higher capital expenditures/rents have not seen the same level of activity. This dichotomy of demand has encouraged owners to reprice their spaces and caused a modest decline in pricing of available space.

Taking Rent Index

The taking rent index, which measures how close taking rents were to asking rents on the prime 16 retail corridors, increased by 310 bps to 75.5% in Q1 2023. This was an 1160 bps increase from the prior year to a level not seen since 2017. Overall demand for prime locations in Manhattan remained strong, particularly in the popular SoHo and Flatiron/Union Square trade areas where the supply of prime spaces has almost fully absorbed. However, as economic outlook remains uncertain, the narrowing gap between asking and taking rents might slow in coming quarters.

FIGURE 12: Taking Rent Index (Taking/Asking %)



* Quarterly totals reflect the quarter to date average. For quarters with limited data, a blended value was calculated using the past 5 quarters

Source: CBRE Research, Q1 2023.

FIGURE 13: Average Asking Rents * | Q1 2023

Neighborhood	Corridor Parameters	Total direct ground floor availabilities Q1 2023	Q1 2023	Q4 2022	Quarter-over- quarter change	Q1 2022	Year-over-year change
Upper West Side	Broadway 72nd to 86th Streets	22	\$245	\$257	(4.7%)	\$239	2.6%
Upper East Side	Third Avenue 60th to 72nd Streets	13	\$258	\$221	16.8%	\$224	15.2%
Upper Madison Ave	Madison Avenue 57th to 72nd Streets	32	\$854	\$792	7.9%	\$782	9.2%
Plaza District	Fifth Avenue 49th to 59th Streets**	5	\$2,654	\$2,568	3.3%	\$2,524	5.1%
Grand Central	Fifth Avenue 42nd to 49th Streets**	16	\$655	\$636	3.1%	\$630	4.0%
Times Square	Broadway & Seventh Avenue 42nd to 47th Streets	7	\$1,315	\$1,274	3.3%	\$1,173	12.1%
Herald Square	34th Street Fifth to Seventh Avenues**	19	\$523	\$523	0.0%	\$510	2.6%
Flatiron/Union Square	Broadway 14th to 23rd Streets	11	\$422	\$424	(0.4%)	\$370	14.2%
Flatiron/Union Square	Fifth Avenue 14th to 23rd Streets	7	\$349	\$297	17.5%	\$290	20.4%
SoHo	Broadway Houston to Broome Streets	10	\$369	\$322	14.5%	\$341	8.3%
SoHo	Prince Street Broadway to West Broadway	5	\$627	\$640	(2.1%)	\$469	33.7%
SoHo	Spring Street Broadway to West Broadway	5	\$540	\$460	17.4%	\$450	20.0%
Meatpacking	14th Street Eighth to Tenth Avenues	16	\$343	\$343	(0.2%)	\$297	15.6%
Meatpacking	Gansevoort Little West 12th Street 13th Street Ninth to Tenth Avenues	14	\$314	\$323	(2.7%)	\$359	(12.6%)
Meatpacking	Washington Street 14th to Gansevoort Streets	8	\$437	\$458	(4.5%)	\$479	(8.8%)
Downtown	Broadway Battery Park to Chambers Street	16	\$298	\$299	(0.2%)	\$316	(5.8%)
All	Average of corridors	-	\$638	\$615	3.7%	\$591	8.0%
		Total direct ground floor availabilities Q1 2023	Q1 2023	Q4 2022	Quarter-over- quarter change	Q1 2022	Year-over-year change
Aggregate Average Asking Rent**		206	\$551	\$529	4.2%	\$514	7.2%

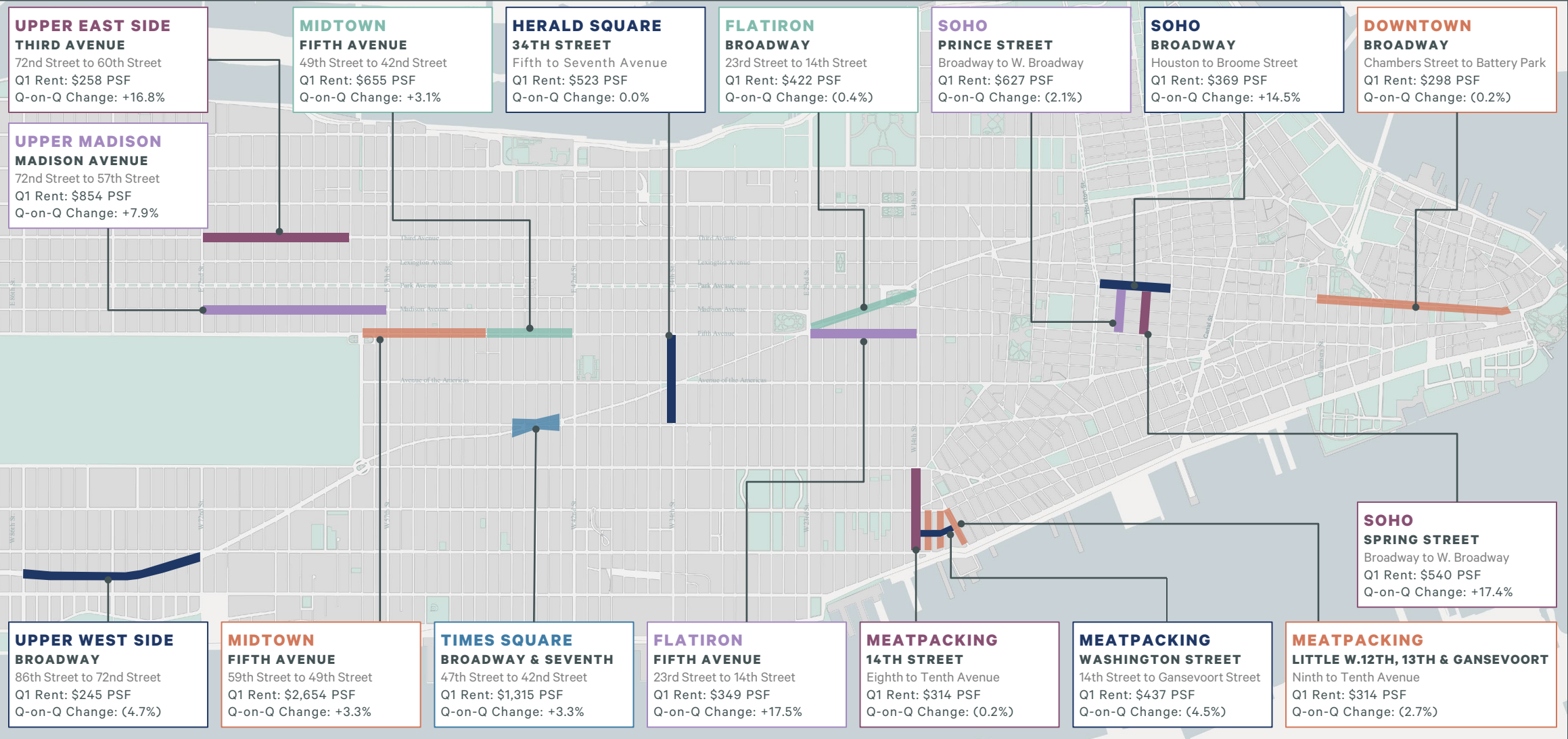
*Based on ground floor only, not inclusive of subleases.

**Historic Average Asking Rent data has been revised since original publication due to updated information

Source: CBRE Research, Q1 2023.

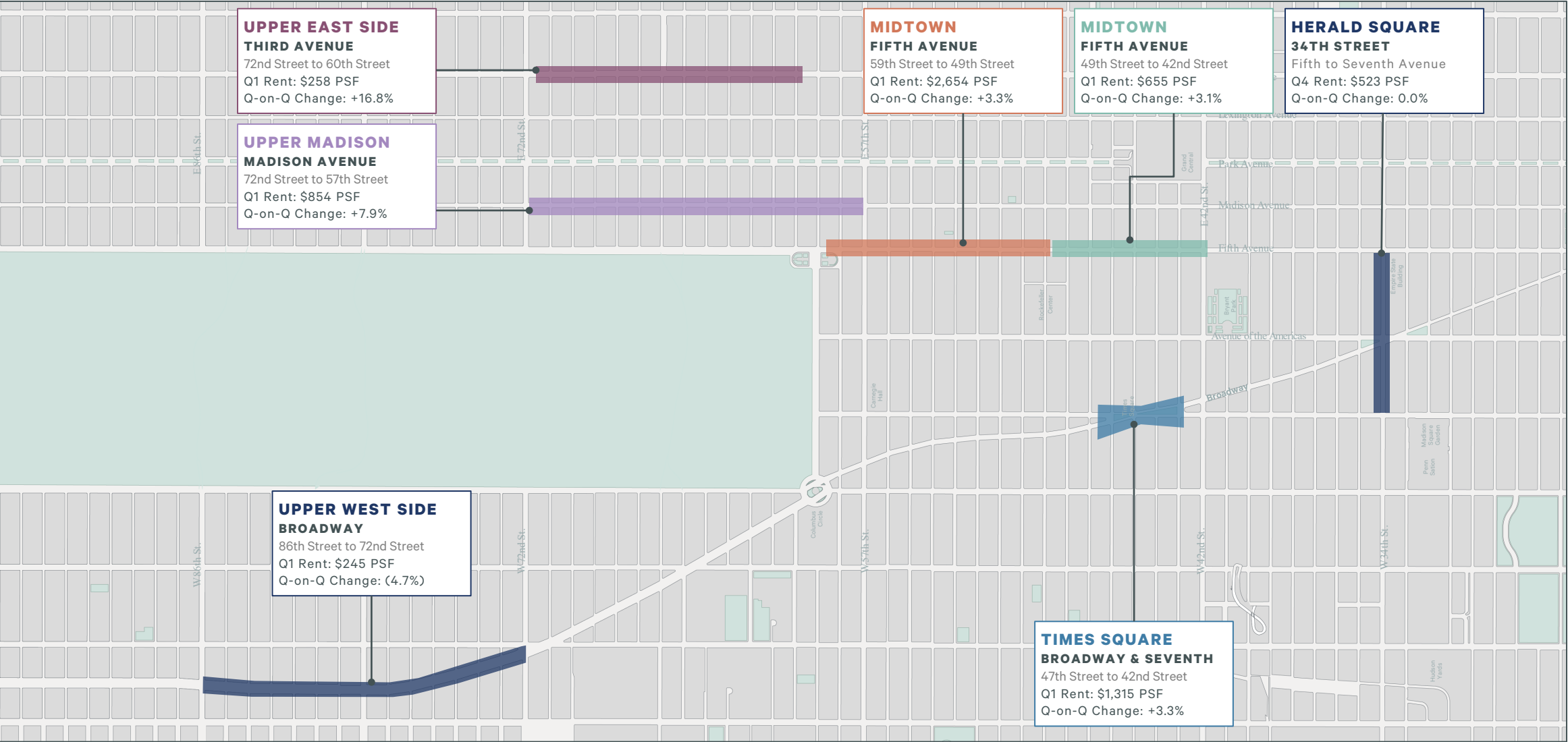
Retail Corridors

Overall Aggregate Average Asking: \$551 PSF +4.2% | Overall Average Asking Rent: \$638 PSF +3.7%



Source: CBRE Research, Q1 2023

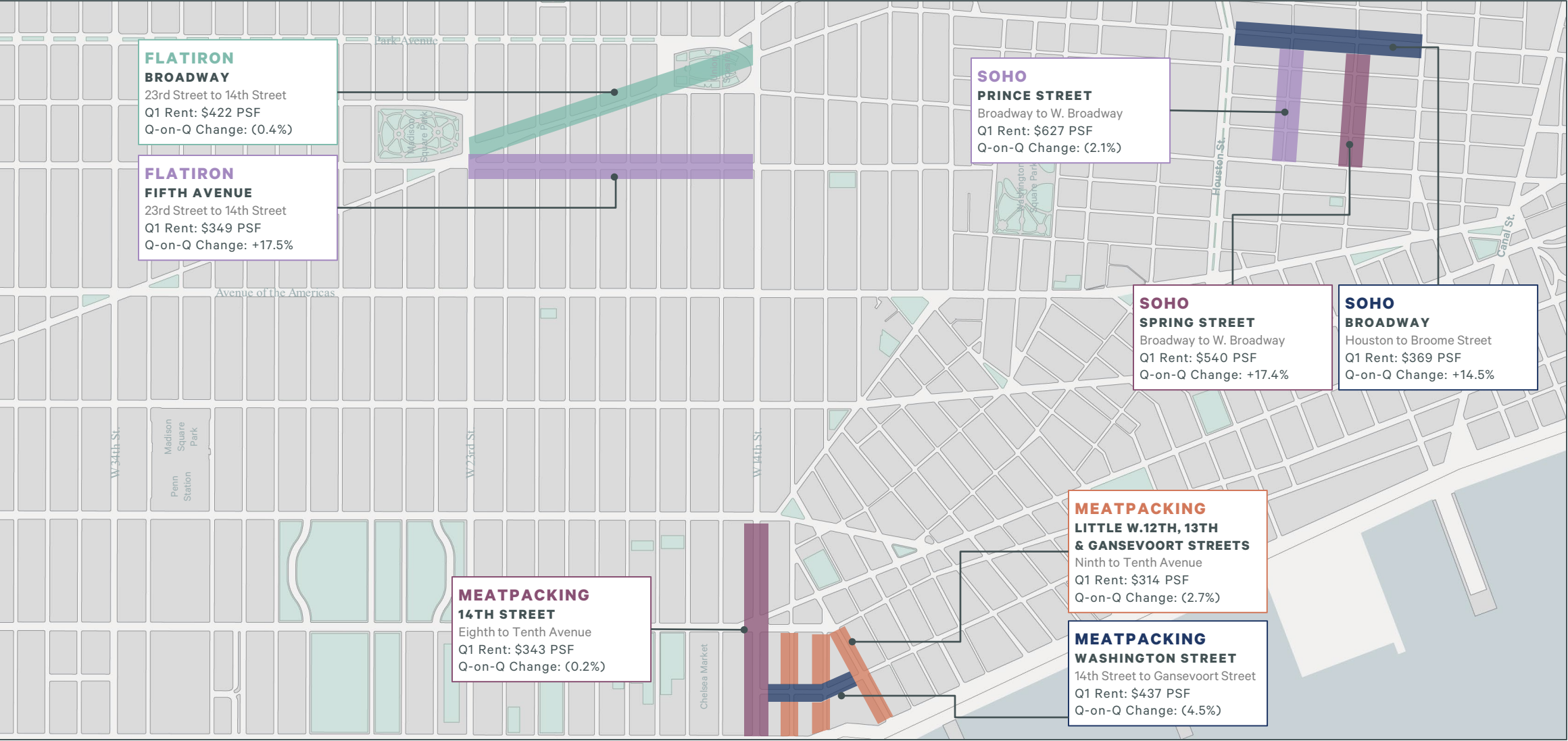
Retail Corridors: Midtown
Overall Average Asking Rent: \$929 PSF +3.7%



Source: CBRE Research, Q1 2023.

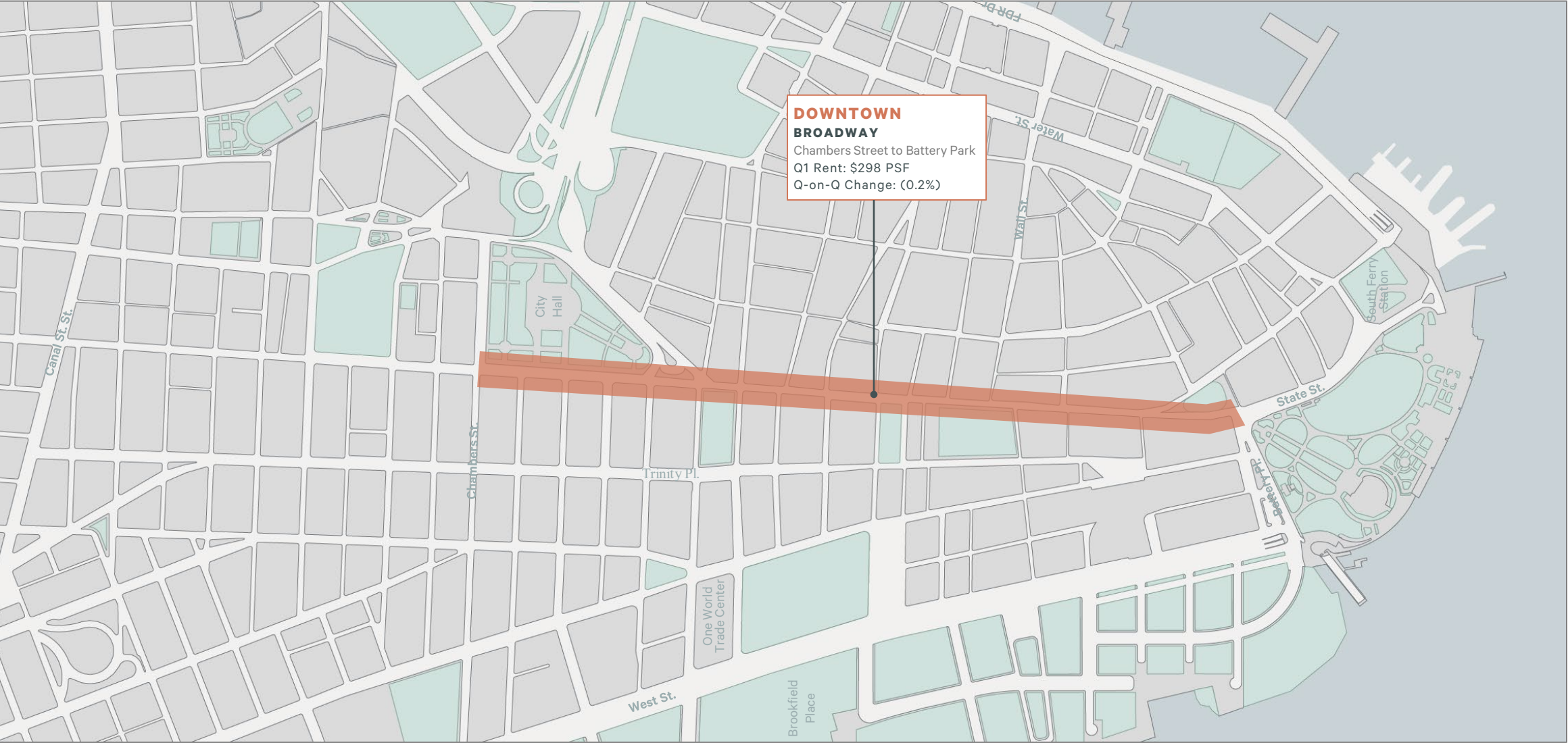
Retail Corridors: Midtown South

Overall Average Asking Rent: \$425 PSF +4.1%



Source: CBRE Research, Q1 2023.

Retail Corridors: Downtown
Overall Average Asking Rent: \$298 PSF (0.2%)



Source: CBRE Research, Q1 2023.

Market Area Overview

Definitions

Availability: Direct space that is actively marketed; includes spaces for immediate and future occupancy.

Asking Rent: Average asking rent calculated using the straight-line average for direct ground-floor spaces that have street frontage along one of the 16 corridors tracked by CBRE. Does not include sublease space.

Aggregate Average Asking Rent: The straight-line average of all direct, ground-floor availabilities with corridor frontage.

Average of Corridors: The average rent for the 16 main retail corridors tracked by CBRE. This is calculated by taking the average of the 16 corridor averages for the quarter.

Frontage Availability Rate: The average percentage of direct available frontage on the 16 main retail corridors tracked by CBRE. This is calculated by dividing the total direct available retail frontage by the total frontage of each corridor.

Leasing Velocity: Total amount of square feet leased within a specified period of time, including pre-leasing and renewals.

Rent Change: Percentage changes to asking rents that are less than 1% are reported as flat or virtually unchanged. Rent changes greater than 1% are reported as either increases or decreases.

Rolling Four-Quarter Aggregate Total Leasing Velocity: This metric is calculated as the sum of total leasing velocity for the previous four quarters. For example, the rolling aggregate for Q1 2023 includes total leasing velocity over Q4 2022, Q3 2022, Q2 2022 and Q1 2022. The rolling four-quarter aggregate figure helps track momentum in leasing velocity while controlling for the normal up and down variations seen between quarterly leasing totals. The aggregate data lags by one quarter, to allow time for complete data collection of closed deals.

Definitions

Taking Rent Index: Percentage of direct ground floor asking rents achieved. Quarterly totals reflect the quarter to date average on the 16 main retail corridors tracked by CBRE. For quarters with limited data, a blended value was calculated using the past 5 quarters.

Total Available Space: Based on available ground-floor space with street frontage that faces one of the 16 corridors tracked by CBRE.

Sources

- 1. CBRE Research, Q1 2023
- 2. The 2023 taking rent index was revised since original publication, based on the availability of additional leasing data.
- 3. CBRE Research, Q1 2023
- 4. The Q4 2022 rolling four-quarter aggregate total leasing velocity was revised since original publication, based on the availability of additional leasing data.
- 5. <https://business.nycgo.com/press-and-media/press-releases/articles/post/nyc-company-is-now-new-york-city-tourism-conventions/>

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