

Manhattan Retail, Q1 2015

# Supersized billboards in Times Square command ever-increasing rents



\*Arrows indicate month-over-month change

Figure 1: Key Economic Indicators



NYC  
Unemployment Rate

**↓6.6%**

(March 2015)



NYC  
Retail Job Count

**↓352.3 K**

(March 2015)



Manhattan  
Retail Sales Volume

**↓1.5 B**

(Q1 2015)



NYC  
Private Sector Job Count

**↑23 K**

(March 2015)

\*Arrows indicate month-over-month change, except for Manhattan Retail Sales Volume, which is quarter-over-quarter.

Sources: The Conference Board; U.S. Department of Commerce; U.S. Department of Labor; New York State Department of Labor; Real Capital Analytics.

**RETAIL NEWS**

- Bloomingdale's will debut its first outlet store located in an urban center, at 2085 Broadway. Slated to open by fall 2015, the company's 14th outlet store will occupy 25,000 sq. ft. across three stories.
- General Growth Properties Inc. recently purchased the retail co-op at 85 Fifth Avenue for \$86 million. Located one block west of Union Square, the building contains 12,946 sq. ft. of retail space across the ground floor and lower level, currently occupied by Anthropologie.
- Acadia Realty Trust recently paid \$51 million for the more than 53,000-sq.-ft. combined office, retail and garage condominium space in the mixed-use 1035 Third Avenue.

- Brookfield place celebrated its grand opening after undergoing a \$250 million redevelopment. With 375,000 sq. ft. of retail space, the luxury mall features Diane von Furstenberg, Tory Burch, Omega and Vince among its tenant roster, as well as innovative dining destinations Le District and Hudson Eats.
- Set to become the second largest residential building in Manhattan, 606 W. 57th Street will total 1.2 million sq. ft. TF Cornerstone's development will feature more than 1,000 apartments alongside a hotel and nearly 40,000 sq. ft. of retail.

Figure 2: Notable Transactions

Address	Size (Sq. Ft.)	Tenant	Industry
640 Fifth Avenue	36,000	Forever 21	Apparel/Accessories
2085 Broadway	24,985	Bloomingdale's	Apparel/Accessories
89 Fifth Avenue	14,550	Aritzia	Apparel/Accessories
580 Fifth Avenue	20,380	Sephora	Cosmetics/Beauty
195 Broadway	14,384	Nobu	Restaurant/Consumables
129 Fifth Avenue	8,987	Tory Burch Sport	Apparel/Accessories
300 E. 64th Street	5,800	Barry's Bootcamp	Fitness
100 Wooster Street	3,800	Balmain	Apparel/Accessories
625 Madison Avenue	3,700	Diesel	Apparel/Accessories
73 Wooster Street	3,700	Moschino	Apparel/Accessories
17 E. 71st Street	3,733	The Row	Apparel/Accessories
841 Broadway	2,232	Santander	Bank
241 Columbus Avenue	1,560	IRO	Apparel/Accessories
106 Reade Street	1,500	Jacadi	Apparel/Accessories

Source: CBRE Research, Q1 2015.

**AVERAGE ASKING RENTS**

As 2015 commenced, average asking rents on Manhattan's main retail corridors saw slight to moderate quarter-over-quarter increases, with eight of the 11 corridors seeing a bump. These upticks were slight, as rents along many of Manhattan's retail corridors rounded out 2014 at all-time highs. On a year-over-year comparison, the same eight of the 11 major retail corridors experienced an increase in average asking rent; four of these increases exceeded 15%, with Midtown Fifth Avenue from 42nd to 49th streets leading the group, with a 23.2% increase. The continual rise of average asking rents along prominent corridors solidifies Manhattan's reputation as a global retail destination.

Third Avenue from 60th to 72nd streets witnessed the largest quarter-over-quarter increase, at 11.4%. Rising from \$299 to \$333 per sq. ft., Third Avenue's

rent increase can be attributed to a variety of factors. Among these are the addition of new availabilities priced above the average—including 1035 Third Avenue, which is slated for repositioning—and also the removal of available space priced below the market average. This corridor also experienced the third largest year-over-year increase in average asking rent, up 19.8% from \$278 per sq. ft. in 2014. Throughout the past year, vacancy rates along the corridor have declined substantially, as the dense residential population increasingly commands "lifestyle" amenities. National retailers have responded by leasing space in the area, serving the area's affluent residents and shoppers.

Meanwhile, the Flatiron District experienced the steepest quarter-over-quarter decline in asking rents. The average asking rent on Fifth Avenue between 14th and 23rd streets decreased by 10.4%, dropping from \$413 per sq. ft. to \$370 per sq. ft. Year-over-year asking rents decreased more

Figure 3: Average Asking Rents

Neighborhood	Parameters	Average Asking Rent Q1 2015 (\$)	Average Asking Rent Q4 2014 (\$)	% Change	Average Asking Rents Q1 2014 (\$)	% Change
Upper West Side	Broadway   72nd to 86th Streets	375	351	6.8	326	15.0
Upper East Side	Third Avenue   60th to 72nd Streets	333	299	11.4	278	19.8
Upper Madison Avenue	Madison Avenue   57th to 72nd Streets	1,633	1,671	(2.3)	1,693	(3.5)
Midtown	Fifth Avenue   49th to 59th Streets	3,617	3,600	0.5	3,500	3.3
Midtown	Fifth Avenue   42nd to 49th Streets	1,338	1,236	8.3	1,086	23.2
Times Square	Broadway & 7th Avenue   42nd to 47th Streets	2,315	2,235	3.6	2,250	2.9
Herald Square	34th Street   Fifth to Seventh Avenues	988	963	2.6	807	22.4
Flatiron	Fifth Avenue   14th to 23rd Streets	370	413	(10.4)	383	(3.4)
Flatiron	Broadway   14th to 23rd Streets	230	N/A	N/A	N/A	N/A
SoHo	Broadway   Houston to Broome Streets	853	813	4.9	846	0.8
SoHo	Prince Street   Broadway to West Broadway	1,038	N/A	N/A	N/A	N/A
SoHo	Spring Street   Broadway to West Broadway	1,031	N/A	N/A	N/A	N/A
Meatpacking District	14th Street   Eighth to Eleventh Avenues	394	375	5.1	355	11
Meatpacking District	Washington Street   14th to Gansevoort Streets	597	N/A	N/A	N/A	N/A
Meatpacking District	Gansevoort Street   Little West 12th/13th Street   9th Avenue to Hudson River	300	N/A	N/A	N/A	N/A
Downtown	Broadway   Battery Park to Chambers Street	280	288	(2.7)	280	0

\*Based on ground floor only; not inclusive of subleases.

Source: CBRE Research, Q1 2015.

modestly, by 3.4%. Various spaces with asking rents between \$400 and \$500 per sq. ft. were leased throughout the quarter, contributing to the drop in the market’s average. Flatiron remains an active market. Tory Burch Sport, Banana Republic, Bonobos and Aritzia are among the handful of new tenants slated to open stores along Fifth Avenue.

Given that SoHo, a neighborhood that offers both locals and tourists a unique retail experience, can no longer be fully defined by average asking rents on Broadway bound by Houston Street to the north and Broome Street to the south, CBRE has begun tracking two other significant corridors as of this quarter. Additional streets within the neighborhood such as Prince, Spring, Wooster and Greene now

serve as prominent retail destinations. The average asking rent along Broadway increased by 4.9% from Q4 2014 to Q1 2015. Largely shaped by new market

**NEW RETAIL CORRIDORS TRACKED**

This quarter, CBRE has begun tracking five new corridors: in Flatiron, Broadway between 14th and 23rd Streets; in SoHo, both Prince and Spring between Houston and Broome; and in Meatpacking, close-ups along Washington and Gansevoort streets.

availabilities priced above the average, Broadway SoHo continues to gain significant traction from mass-market tenants. Inditex recently purchased the 41,188-sq.-ft. retail condo at 503-511 Broadway, which will house a new Zara store. Average asking

rents along Prince and Spring streets now rival those along Broadway, capping out at \$1,038 per sq. ft. and \$1,031 per sq. ft., respectively. Availability along these two corridors remains limited, as luxury boutique retailers gravitate toward these high-end destinations. Asking rents along Wooster Street ranged from \$200 per sq. ft. to \$600 per sq. ft. While more modest in comparison to rents along Prince and Spring streets, these numbers are likely to grow as the street's tenant mix improves. Luxury international brands Balmain and Moschino will be the latest additions to this growing retail corridor. Greene Street, while similar to Wooster, provides for a more affordable, yet still luxurious SoHo retail experience, with retail asking rents on the corridor averaging \$350 per sq. ft. The corridor, defined by

geographical area, Times Square is one of the most visited sites in the world—attracting more than 300,000 pedestrians daily and an estimated 50 million visitors annually.<sup>1</sup>

Times Square epitomizes a mixed-use environment occupied by office, hotel and retail entities. Prominent office tenants include Barclays, Microsoft, Morgan Stanley, Ernst & Young, Thomson Reuters and Viacom. This profound office presence is accompanied by 43 hotels, which account for more than 17,000 rooms—more rooms than in the entire city of Philadelphia.<sup>2</sup> Increased hotel demand in Times Square has resulted in three new developments that will come online by 2017 and create an additional 1,352 rooms.<sup>3</sup>

*20 Times Square will offer 76,000 sq. ft. of premier retail accompanied by an 18,000-sq.-ft. LED sign, while 4 Times Square will provide an outstanding retail presence across more than 12,000 sq. ft.*

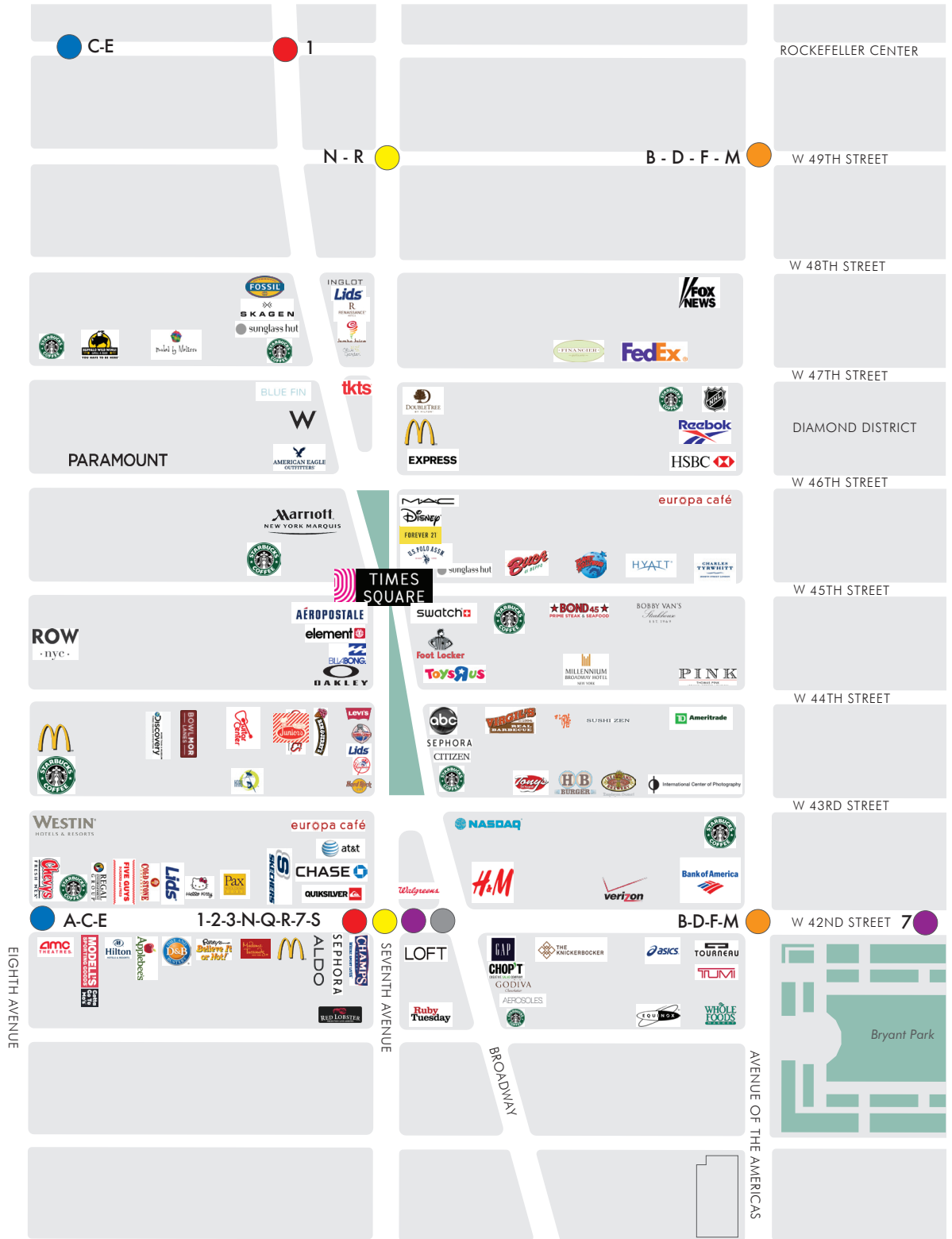
upscale boutique retailers and cast-iron architecture, will welcome Brunello Cucinelli and Sonos in the near future.

#### FEATURED NEIGHBORHOOD | TIMES SQUARE

Times Square, known as the “Crossroads of the World,” was named after the New York Times Building in 1904. Functioning as the only seven-day-a-week, late-night shopping experience in Manhattan, the brightly lit neighborhood is a dynamic gathering place where tourism, theatre, entertainment, retail and office uses converge. Concentrated within “the Bowtie,” this billboard-laden stretch is bounded by 42nd Street to the south and 47th Street to the north along Seventh Avenue and Broadway. Though confined to a small

Featuring mainly mass-market brands, Times Square offers retailers unprecedented branding opportunities and global exposure. As part of the “Special Midtown District,” retailers with storefronts on Seventh Avenue and Broadway are subject to unique zoning ordinances that allow for illuminated signage. In fact, certain retailers will lease air time on the area's world-famous signs rather than lease space within the district. Advertising prices on one of these highly coveted signs vary depending on size and location as well as how frequently an ad runs, but sign owners often collect millions of dollars from lessees. In November 2014, the world's largest and most expensive billboard landed in Times Square at 1535 Broadway, spanning the entire block between 45th and 46th streets. The 24 million LED

Figure 4: Times Square



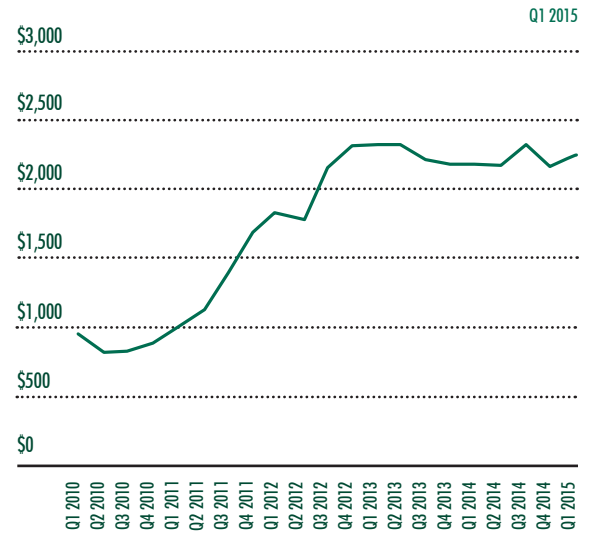
Source: CBRE Research, Q1 2015.

pixels have the power to captivate a global audience in a neighborhood already known as an advertising mecca. Cellphone retailer T-Mobile is poised to take advantage of this branding opportunity when it occupies a 4,000-sq.-ft. portion of the building’s retail availability.

Retailers drawn to the neighborhood capitalize on Times Square’s large floor plates. These tenants span an array of uses ranging from apparel retailers like Express, American Eagle, Forever 21 and H&M to kid-friendly candy “worlds” like Hershey’s and M&M’s. Additionally, restaurants focused on family entertainment such as Hard Rock Café and Planet Hollywood span the Bowtie, joined by a handful of white-tablecloth restaurants that appeal to the theatre crowd. Both Skechers USA and Swatch recently signed for space at 1515 Broadway—the 54-story office tower between 44th and 45th streets—fully occupying the building’s retail component. Citizen Watch joined the tenant mix on the Bowtie in late 2014, opening a 1,300-sq.-ft. global flagship store at 1500 Broadway. Meanwhile, Toys “R” Us, which opened its doors in Times Square in 2000, will vacate its 110,000-sq.-ft. flagship location at 1514 Broadway; the 150,000-sq.-ft. property is currently on the market and will be available upon the famed toy store’s exit in 2016.

With numerous large-scale availabilities currently on the market, Times Square’s powerful retail presence will continue to grow. 20 Times Square, at West 47th Street and Seventh Avenue, will offer 76,000 sq. ft. of premier retail accompanied by an 18,000-sq.-ft. LED sign. Similarly, 4 Times Square, located at the southern tip of the Bowtie, will offer an outstanding retail presence across more than

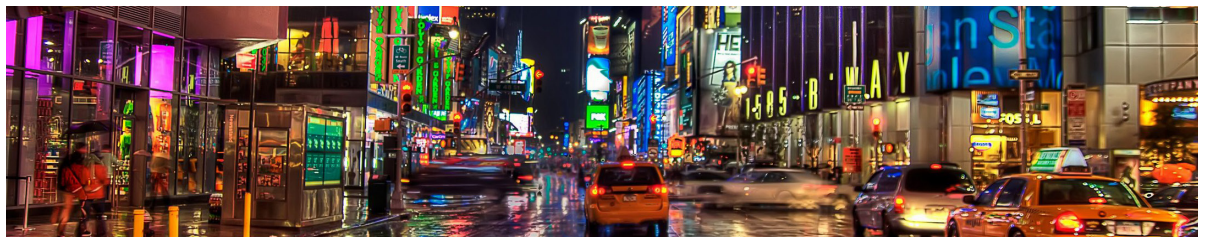
Figure 5: Times Square Average Asking Rents



Source: CBRE Research, Q1 2015.

12,000 sq. ft. Times Square retailers rely on the area’s robust pedestrian traffic as a means to support the bullish rents on Broadway and Seventh Avenue between 42nd and 47th streets, where asking rents range from \$2,350 to \$2,800 per sq. ft.

Previously subject to congestion and chaotic vehicular traffic, the Bowtie has seen many recent changes—with new ones well underway. Times Square is currently undergoing a \$55 million renovation to repurpose the area on Seventh Avenue and Broadway from 42nd to 47th streets to create multifunctional pedestrian-only public spaces, all served by upgraded utility and event infrastructure. The initiative aims to improve the overall quality and safety of Times Square while restoring its cultural prominence. Creating a pedestrian-friendly zone will ensure that crowds can continue to fill the Bowtie—enabling retailers to thrive at New York City’s lively center.





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**SOURCE**

1,2,3. Times Square Alliance.

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**CONTACT**

**Leah Hyman**

*CBRE Research*

+1 212 656 0518

leah.hyman@cbre.com

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