

MARKETVIEW

Manhattan Retail, Q2 2021

Warm weather and loosened restrictions renew confidence and demand for NYC retail

 **Consumer Confidence**
127.3

 **NYC Unemployment**
10.9%

 **NYC Quarterly Retail Sales**
\$36.9B

 **NYC Retail Job Count**
288.6K

*Arrows indicate change from previous quarter.

Sources: The Conference Board, June 2021;
NYS Department of Labor, May 2021;
U.S. Census Bureau, Oxford Economics, June 2021;
NYS Department of Labor, May 2021.

- In June, New York Governor Cuomo lifted the state’s COVID-19 restrictions. The State’s health guidance and industry specific guidelines—including curfews, capacity restrictions, social distancing, cleaning and disinfection, health screening and contact information for tracing—are now optional for retail, entertainment, and other commercial settings.¹
- New York City Mayor Bill de Blasio announced that the city’s office, retail, and entertainment sectors can reopen at 100% as of July 1st. Restaurants, gyms, shops, hair salons and arenas are now reopened at full capacity.²
- Harry Potter New York, a store based on author J.K. Rowling’s fantasy novels, opened its first 20,000-sq.-ft. brick and mortar flagship at 935 Broadway in NYC’s Flatiron/Union Square neighborhood. The shop includes 15 distinct areas as well as various handcrafted exhibits and unique experiences exclusive to NYC.³

MARKET OVERVIEW

The Manhattan retail market began its road to recovery from the impact of COVID-19 in the second quarter of 2021, with many market metrics starting to show positive trends. While some fundamentals are improving as the city reopens, leasing, asking rents and available space are still off from pre-pandemic levels. Leasing velocity in Manhattan decelerated in the second quarter of 2021, marking eight consecutive quarters of decline. Additionally, the number of direct, ground-floor availabilities in Q2 2021 increased to 290 spaces from 275 in Q1 in the 16 prime retail corridors tracked by CBRE. The average retail asking rent in Manhattan’s prime 16 retail corridors dropped 10.7% year-over-year and 0.6% quarter-over-quarter to \$615 per sq. ft. in Q2 2021, marking the 15th consecutive quarterly decrease.

The market saw a few bright spots, as Vashi, AMI Paris, Kanuk and Mezeh Mediterranean Grill signed new leases for their first ever New York City locations – a vote of confidence in the city and its recovery. Opportunistic retailers are taking advantage of the tenant-favorable market conditions, successfully negotiating enhanced tenant improvement allowance, free rent,

flexibility on term length and percentage-rent deal structures.

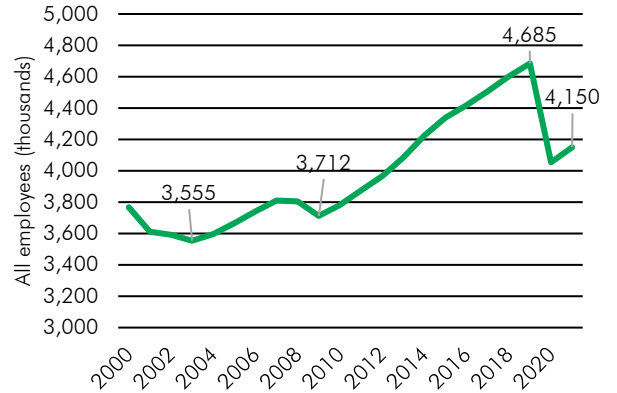
ECONOMIC OVERVIEW

2021 will exhibit the highest U.S. economic growth since the early 1980s, with GDP growth hitting 7% as the pandemic fades and society and commerce normalize. U.S. consumer spending has been strong throughout, and particularly those who increased their savings amid the pandemic are increasing their spending as more of the economy reopens and widespread vaccinations allow for resumption of more “normal” activity. Today, demand for restaurants and travel-related leisure is surging faster than establishments can match with workers, bringing relief to a hard-hit corner of the labor market. Average hourly earnings for leisure and hospitality workers surged 8% from late 2020, compared to about 2% for the broader workforce.

Wage and price escalations have driven inflationary fears. In May, core CPI grew at its fastest annual pace since the early 1990s at 5%. Inflation will fall from current levels but remain above the Fed’s traditional 2% target through 2022. The Fed is likely to retain its ‘dovish’ stance but could begin to curtail its asset purchase program earlier than expected.

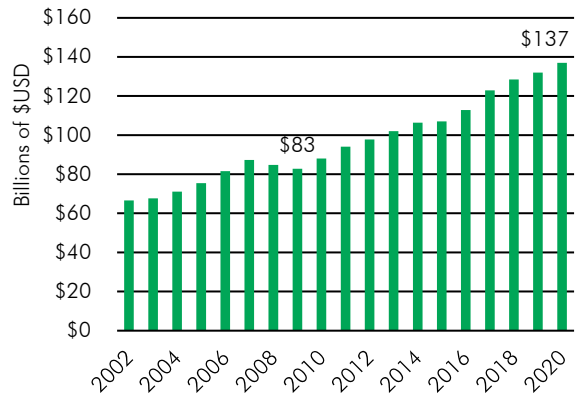
Locally, quarterly retail sales in NYC continue to improve, rising roughly 1.4% to \$36.9 billion in the second quarter while the city’s overall unemployment rate continues to improve but remains elevated. At 10.9% as of May 2021, it is down considerably from its 20.0% pandemic peak, but higher than the 3% range just prior to the pandemic.

Figure 1: Seasonally Adjusted Total Employment



Source: NYC Department of Labor, May 2021

Figure 2: NYC Total Retail Sales | Annual



Source: US Census Bureau, Oxford Economics, June 2021.

LEASING

Retail leasing velocity in Q2 2021 decreased for the eighth consecutive quarter. The Q2 2021 rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, was approximately 1.3 million sq. ft., falling roughly 15% from the prior quarter and 60% year-over-year.⁴

SoHo recorded the highest leasing velocity in Q2 2021 with over 47,000 sq. ft. transacted across 13 deals. Greene Street was the most active street in this popular retail neighborhood as four tenants completed over 21,000 sq. ft. of leases in the second quarter. The largest transaction was by Vashi, a luxury jewelry brand based in the UK, which secured more than 11,000 sq. ft. for their first U.S. outpost at SL Green’s 110 Greene Street. AMI Paris, a French apparel brand by Alexandre Mattiussi, signed a new lease for 2,500 sq. ft. at 77 Greene Street, and Canadian winter coat and accessories brand Kanuk took 4,000 sq. ft. at 75 Greene Street – each marketing their first brick and mortar outpost in Manhattan. Broadway was also an active street in Q2, as Vaber Medical Testing, a COVID testing medical lab, signed for nearly 5,000 sq. ft. at 597 Broadway, while Harley-Davidson, the American motorcycle manufacturer, is relocating from 376 Broadway into nearly 4,300 sq. ft. at 595 Broadway.

The Plaza District also recorded a high level of leasing activity in the second quarter with approximately 32,000 sq. ft. in two transactions. The larger and more significant transaction was Mango, the Spanish apparel and accessories brand, planning to take over Ralph Lauren’s former 28,000-sq.-ft. flagship store at 711 Fifth Avenue, while Shake Shack announced plans for a new 3,200-sq.-ft. restaurant at 399 Park Avenue.

Flatiron/Union Square saw activity in Q2 2021 with five transactions for over 25,000 combined sq. ft., many of which are on Broadway. The largest deal was signed by Mezeh Mediterranean Grill, a Mediterranean restaurant chain based out of Virginia, leasing over 7,800 sq. ft. for its first New York outpost at 900 Broadway. Timothy Oulton, an English furniture brand, also committed to more than 7,100 sq. ft. for its first NYC ground floor brick and mortar store at 901 Broadway.

Figure 3: Four Quarter Aggregate Leasing Velocity



Source: CBRE Research, Q2 2021

Figure 4: Rolling Four-Quarter Aggregate Total Leasing Velocity

Period	12 Month Aggregate (Sq. Ft.)
Q2 2018	3,365,275
Q3 2018	3,547,517
Q4 2018	3,848,553
Q1 2019	3,886,288
Q2 2019	4,106,544
Q3 2019	3,941,360
Q4 2019	3,886,813
Q1 2020	3,788,559
Q2 2020	3,295,656
Q3 2020	2,854,961
Q4 2020	2,114,662
Q1 2021	1,561,796
Q2 2021	1,328,004

Source: CBRE Research, Q2 2021

With 23 closed deals, food and beverage (F&B) was the most active category in terms of number of transactions and square footage leased, with more than 83,000 sq. ft. or roughly 34% of the total retail square footage leased in Manhattan in Q2 2021. The most notable F&B transaction was the 15,000-sq.-ft., 10-year lease by La Casa Del

Mofongo, a Latin restaurant and nightclub owned by Felix Cabrera at 29 West 36th Street. The aforementioned 7,800 sq. ft. lease signed by Mezeh Mediterranean Grill, as well as a new 7,600 sq.-ft. outpost by Sweetgreen at 315 Hudson Street also contributed to the flurry of activity in this sector.

Figure 5: Most Active Neighborhoods by Sq. Ft. Leased | Q2 2021

Neighborhood	Number of deals	Leased (Sq. Ft.)
SoHo	13	47,332
Plaza District	2	31,622
Flatiron/Union Square	5	25,300
Upper West Side	7	24,114
Upper East Side	5	15,213
Penn Plaza/Herald Square	1	15,000
NoLIta	4	11,752
Greenwich Village	8	11,685
Midtown West	2	11,461
Grand Central	3	9,715

Source: CBRE Research, Q2 2021

Figure 6: Most Active Tenant Type by Sq. Ft. Leased | Q2 2021

Tenant Type	Number of deals	Leased (Sq. Ft.)
Food & Beverage	23	83,333
Apparel	10	49,236
Health Care	2	17,429
Jewelry	2	14,374
Home Furnishing	1	7,170
Footwear	2	6,822
Bed & Bath	2	4,800
Consumables	1	4,500
Telecommunications	1	4,300
Automotive	1	4,300

Source: CBRE Research, Q2 2021

Figure 7: Top Lease Transactions | Q2 2021

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
Mango	28,335	711 Fifth Avenue	Plaza District	Apparel
La Casa Del Mofongo	15,000	29 West 36th Street	Penn Plaza/Herald Square	Food & Beverage
CityMD	12,429	1865 Broadway	Upper West Side	Health Care
Vashi	11,777	110 Greene Street	SoHo	Jewelry
Mezeh Mediterranean Grill	7,800	900 Broadway	Flatiron/Union Square	Food & Beverage
Sweetgreen	7,665	315 Hudson Street	Hudson Square	Food & Beverage
Timothy Oulton Retail USA	7,170	901 Broadway	Flatiron/Union Square	Home Furnishing
Wolkonsky Bakery & Cafe	6,414	8 West 40th Street	Grand Central	Food & Beverage
Vaber Medical Testing LLC	5,000	597 Broadway	SoHo	Health Care
Flex Mussels	4,560	1431 Third Avenue	Upper East Side	Food & Beverage

Source: CBRE Research, Q2 2021

AVAILABILITY

In Q2 2021, the number of direct ground floor availabilities tracked across Manhattan’s 16 premier shopping corridors increased from 275 to 290 quarter-over-quarter, a 5.5% hike and replacing last quarter’s total as the new high watermark for availability.

Upper Madison Avenue added 11 new listings over the past 12 months – increasing the number of ground floor spaces by 25.0% from 44 to 55. In Q2 2021, the former Sergio Rossi space at 680 Madison Avenue and the former Givenchy space at 745 Madison Avenue were brought to market as demand from luxury retailers continues to be strained by the impact of the COVID-19 pandemic. Both retailers and consumers have increased focus on the more affordable and active markets in Midtown South and Downtown. Stagnant Inventory and a lack of new demand continue to make the Upper Madison corridor a challenging draw for new retailers.

Fifth Avenue in Flatiron also saw availabilities double over the past 12 months, from 11 to 22 ground floor spaces. In Q2 2021, three new availabilities whose tenants signed during the

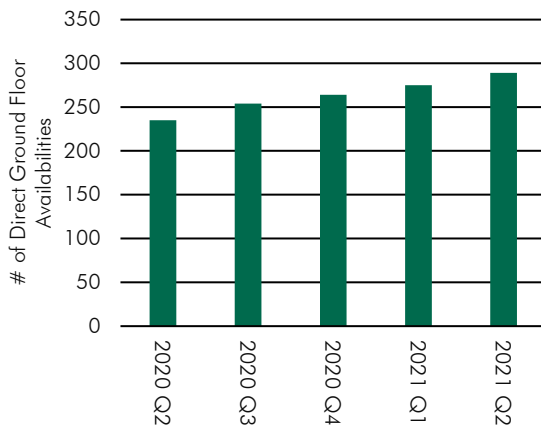
peak of the market chose not to renew. Examples of this were the 8,000 sq. ft. space formerly occupied by The White Company at 155 Fifth Avenue and the 9,000 sq. ft. former LOFT space at 156 Fifth Avenue. This corridor and submarket have seen moderate leasing activity over the past several months, fresh opportunities now available on the avenue could attract additional demand as tenants look to capitalize on the favorable market conditions.

AVERAGE ASKING RENTS

Average asking rent in Manhattan’s retail corridors declined for the 15th consecutive quarter, falling to \$615 per sq. ft. in Q2—a 0.6% decline from Q1 2021 and 10.7% drop from the prior year. The current rent marks the lowest level for nearly a decade. The aggregate average asking rent among all available spaces in the 16 corridors increased 1.9% quarter-over-quarter but declined 14.2% year-over-year to \$543 per sq. ft. While there was a slight slowdown in the quarterly decline in Q2, pricing remains mostly negotiable beyond face asking rents as leasing agencies remain reluctant to quote numbers due to the fear of scaring potential tenants away. Concessions such as generous tenant improvement allowances, free rent periods, lease flexibility through termination clauses and renewal options, and percentage-rent deals remain the major talking points of the Manhattan retail market.

Among the corridors, Spring Street in SoHo’s 22.9% annual decline was the largest percentage decrease of Q2 2021. Asking rents fell from \$631 per sq. ft. to \$487 per sq. ft. year-over-year. In the prior quarter, pricing in the corridor dropped below \$500 per sq. ft. to levels not seen since tracking began in 2015. Ongoing downward repricing of the stagnant inventory continued to push rents to historic low levels.

Figure 8: Count of Direct Ground-Floor Availabilities



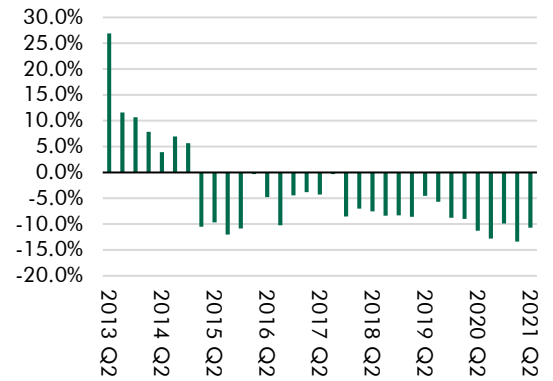
Source: CBRE Research, Q2 2021

The Times Square corridor, which has been deeply impacted by the disruption to tourism, recorded the second largest annual decrease in Q2 2021 with a 22.5% year-over-year decline in average rents, from \$1,647 per sq. ft. to \$1,277 per sq. ft., the lowest level since 2011. Despite some recent long-term commitments to the area by credit F&B tenants and optimism about improving foot traffic on the horizon, downward pressure persists from stagnant inventory in the corridor and retailers looking to sublet existing locations.

Prince Street in SoHo was one of the only corridors to record an increase in average asking rent, rising 13.3% quarter-over-quarter and 7.4% year-over-year to \$469 per sq. ft. The uptick was mainly caused by the addition of above-average priced space formerly occupied by UNO de 50 at 123 Prince Street, while the inventory remained mostly unchanged.

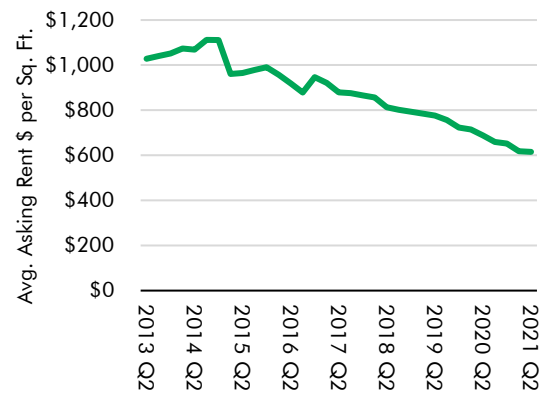
Meatpacking District’s Washington Street corridor also saw a sizable increase in pricing in the second quarter. The average asking rent increased 21.2% quarter-over-quarter to \$501 per sq. ft. While one of the lowest-priced spaces on the corridor at 817 Washington Street was leased and removed by Le Pecora Bianca in Q2 2021, the addition of the above-average-priced former Sugar Factory space at 835 Washington Street resulted in a significant jump in asking rents on the corridor.

Figure 9: Year-over-Year Asking Rent Change



Source: CBRE Research, Q2 2021

Figure 10: Average of Corridors



Source: CBRE Research, Q2 2021

Figure 11: Average Asking Rents* | Q2 2021

Neighborhood	Corridor Parameters	Total direct ground floor availabilities Q2 2021	Q2 2021	Q1 2021	Quarter-over-quarter change	Q2 2020	Year-over-year change
Upper West Side	Broadway 72nd to 86th Streets	25	\$229	\$226	1.2%	\$243	(5.8%)
Upper East Side	Third Avenue 60th to 72nd Streets	16	\$185	\$197	(5.9%)	\$206	(10.2%)
Upper Madison Ave	Madison Avenue 57th to 72nd Streets	55	\$773	\$731	5.8%	\$882	(12.3%)
Plaza District	Fifth Avenue 49th to 59th Streets**	10	\$2,750	\$3,000	(8.3%)	\$3,000	(8.3%)
Grand Central	Fifth Avenue 42nd to 49th Streets**	15	\$675	\$686	(1.6%)	\$753	(10.4%)
Times Square	Broadway & Seventh Avenue 42nd to 47th Streets	12	\$1,277	\$1,293	(1.2%)	\$1,647	(22.5%)
Herald Square	34th Street Fifth to Seventh Avenues**	11	\$500	\$503	(0.4%)	\$486	3.0%
Flatiron/Union Square	Broadway 14th to 23rd Streets	16	\$318	\$309	2.9%	\$357	(10.8%)
Flatiron/Union Square	Fifth Avenue 14th to 23rd Streets	22	\$310	\$298	4.2%	\$334	(7.2%)
SoHo	Broadway Houston to Broome Streets	24	\$340	\$310	9.9%	\$399	(14.7%)
SoHo	Prince Street Broadway to West Broadway	9	\$469	\$414	13.3%	\$437	7.4%
SoHo	Spring Street Broadway to West Broadway	9	\$487	\$479	1.7%	\$631	(22.9%)
Meatpacking	14th Street Eighth to Tenth Avenues	17	\$278	\$293	(5.2%)	\$345	(19.4%)
Meatpacking	Gansevoort Little West 12th Street 13th Street Ninth to Tenth Avenues	16	\$337	\$340	(0.9%)	\$378	(10.9%)
Meatpacking	Washington Street 14th to Gansevoort Streets	6	\$501	\$413	21.2%	\$503	(0.6%)
Downtown	Broadway Battery Park to Chambers Street	27	\$407	\$406	0.2%	\$410	(0.8%)
All	Average of corridors	-	\$615	\$618	(0.6%)	\$688	(10.7%)

	Total direct ground floor availabilities Q2 2021	Q2 2021	Q1 2021	Quarter-over-quarter change	Q2 2020	Year-over-year change
Aggregate Average Asking Rent**	290	\$543	\$533	1.9%	\$633	(14.2%)

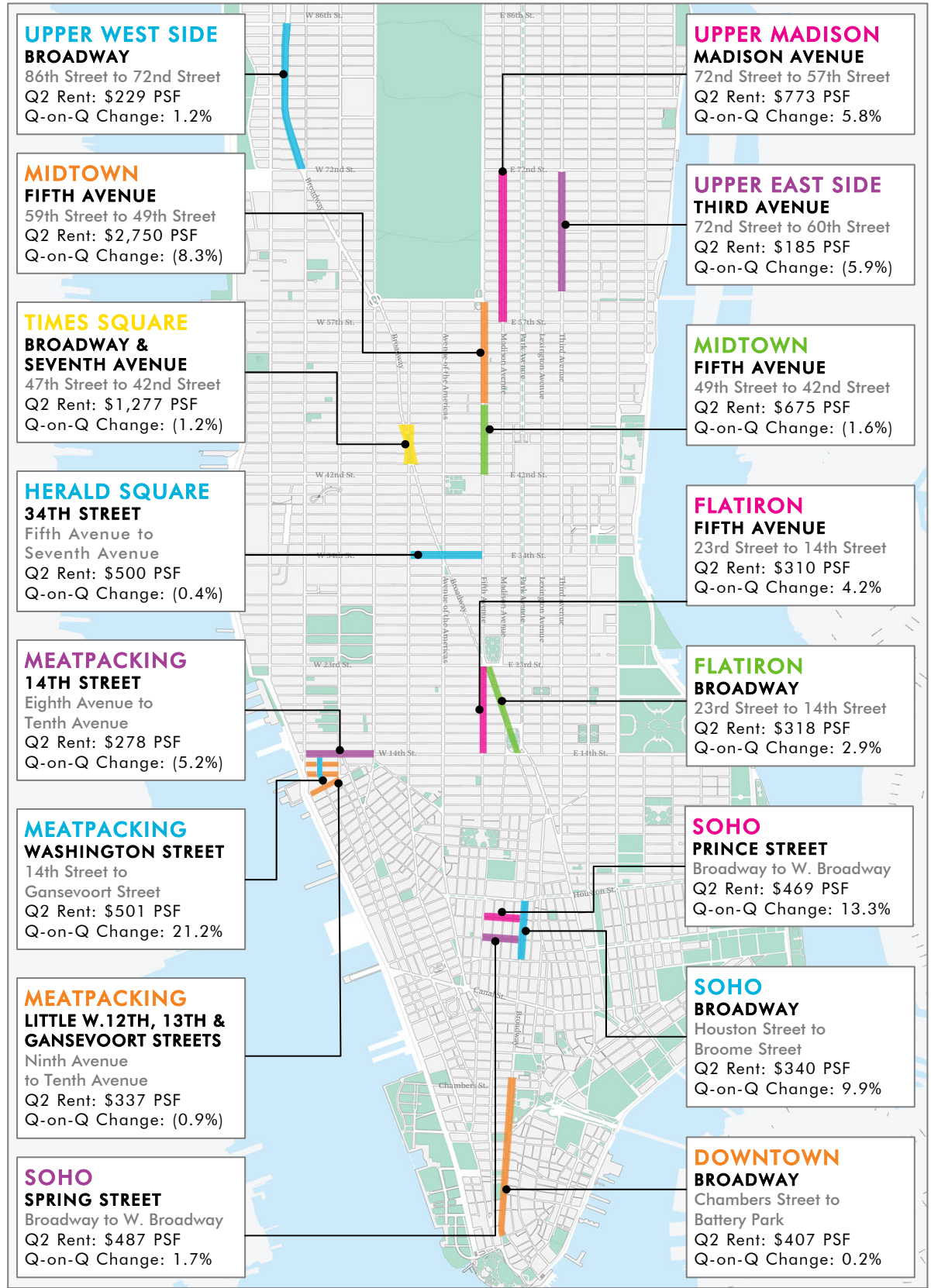
*Based on ground floor only, not inclusive of subleases.

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

Source: CBRE Research, Q2 2021.

RETAIL CORRIDORS

OVERALL AGGREGATE AVERAGE ASKING: \$543 PSF | 1.9%
OVERALL AVERAGE ASKING RENT: \$615 PSF | (0.6%)



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.

LEASING VELOCITY

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

SOURCES

1. <https://www.governor.ny.gov/news/governor-cuomo-announces-covid-19-restrictions-lifted-70-adult-new-yorkers-have-received-first>
2. <https://www.cnbc.com/2021/04/29/new-york-city-mayor-bill-de-blasio-says-the-city-will-re-open-100percent-on-july-1.html>
3. <https://nypost.com/2021/06/03/harry-potter-fans-wait-hours-in-the-rain-for-nyc-store-opening/>
4. The Q1 2021 rolling four-quarter aggregate total leasing velocity was revised since original publication, based on the availability of additional leasing data.

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RENT CHANGES

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 Q2 2021 includes total leasing velocity over Q1 2021, Q4 2020, Q3 2020 and Q2 2020. 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.

TOTAL AVAILABLE SPACES

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

CBRE OFFICE

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