

FIGURES | MANHATTAN RETAIL | Q1 2022

New opportunistic tenants drive Q1 leasing but rent correction continues

▼ 107.2

Consumer Confidence

▼ 7.0%

NYC Unemployment

▶ \$40.6B

NYC Quarterly Retail Sales

▲ 302.1K

NYC Retail Job Count

▼ \$591

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

Market News

- New York State Governor Hochul announced in her FY 2023 Executive Budget the New York Social Equity Cannabis Investment Fund: a \$200 million program to establish the nation's first official fund dedicated to the adult-use cannabis retail market. The program will support the development of turnkey dispensary facilities for equity entrepreneurs licensed through the state's Seeding Opportunity Equity Owners Lead Program.¹
- Twenty-two retail brands looking to open their first brick and mortar Manhattan outposts leased over 184,000 sq. ft. of new deals in NYC in the first quarter, 35.3% of all retail transactions. The largest deal was the 26,000-sq.-ft. lease signed by the kitchen and home improvement brand Food52 at 902 Broadway.²
- The Times Square Alliance, one of Manhattan's largest business improvement districts, reported a 128% annual increase in daily visitors for February over the same period a year ago—averaging roughly 204,959 daily visitors.³

Market Overview

New York City's retail market recovery was a bit of a mixed bag in Q1 2022. While residential neighborhoods are full and flourishing, the CBD areas still lack the levels of workers and tourists seen pre-pandemic. Some lingering impact from the Omicron variant early in 2022, coupled with additional economic stressors like the conflict in Ukraine, supply chain delays and inflation have hindered the recovery. Rents continued their decline for the 18th straight quarter, registering a 1.1% quarterly dip to \$591 per sq. ft.

Bright spots in Q1 2022 included the number of availabilities dropping 7.1% from 266 to 247 direct ground floor spaces in the 16 prime retail corridors. Leasing velocity totaled 2.1 million sq. ft., the second consecutive quarter this total surpassed two million sq. ft. Velocity reflected a 23.4% improvement over Q1 2021. The market remains largely tenant favorable, as landlords continue to offer concessions and flexible lease terms in order to close deals, but sentiment is that this trend is waning. Additional positive news regarding demand included several long-term leases signed as well as an inflow of tenants debuting first-time New York City locations.

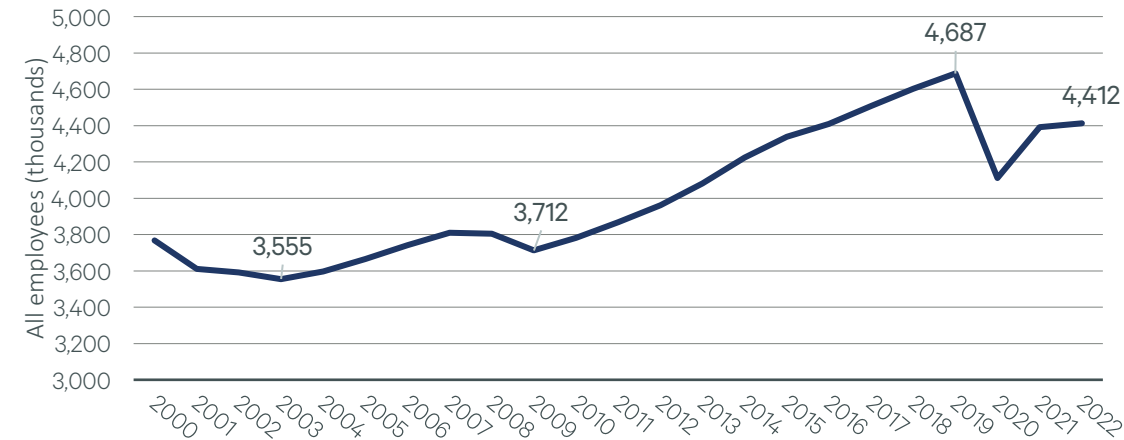
Economic Overview

On a national level, sentiment took a turn for the worse during the first quarter. Russia’s invasion of Ukraine has led to a rise in energy prices, magnifying the economic anxiety among U.S. consumers already rattled by inflation. On the upside, consumer demand should remain heightened this year driven by excess savings, especially among affluent households, and a very strong labor market. This should translate into another year of above-trend annual growth at 2.4%. While there is plenty of momentum left in the U.S. economy, medium-term risks are rising, with an increasingly hawkish Federal Reserve being the main cause for concern.

Manhattan daily office occupancy fell to approximately 14.0% at the beginning of Q1, and very slowly climbed back up over the quarter to reach 36.0%, the highest level of the pandemic era. Daily occupancy in Manhattan office buildings remains well below pre-pandemic levels, depriving retailers in the CBDs of a significant demand driver.

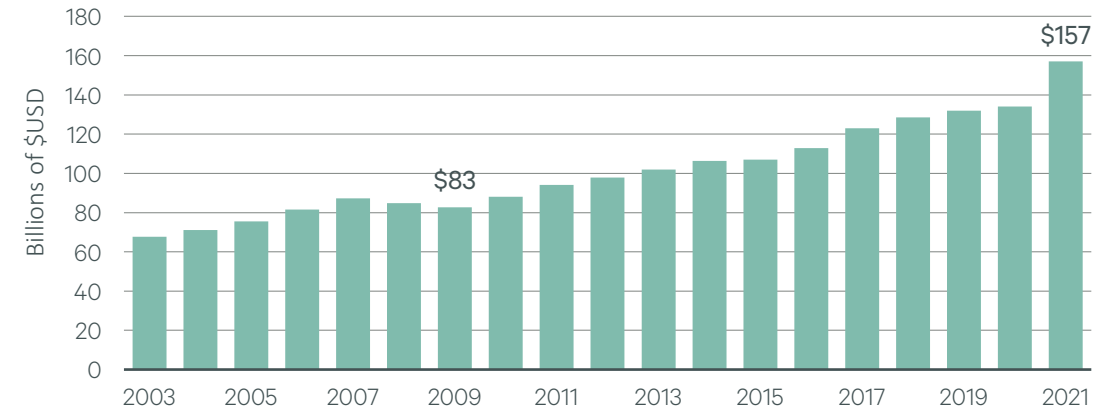
Seasonally adjusted total nonfarm employment for NYC rose to 4.4 million jobs, roughly 17.9% above the pandemic low of 3.7 million, and quarterly retail sales was \$40.6 billion in the first quarter of 2022. The city’s overall unemployment rate along with the retail job count also showed improvement. At 7.0% as of February 2022, NYC’s unemployment rate was down considerably from its 20.0% pandemic peak but remains far higher than the 3% range experienced just prior to the pandemic.

FIGURE 1: Seasonally Adjusted Total Employment



Source: NYC Department of Labor, February 2022.

FIGURE 2: NYC Total Retail Sales | Annual



Source: US Census Bureau, Oxford Economics, March 2022.

Leasing Activity

The rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, was 2.1 million sq. ft., unchanged from the prior quarter and up 23.4% from the same period last year. While still trailing pre-pandemic levels, this improvement is a testament to a return of demand and forward movement in the recovery.

The Plaza District recorded the highest leasing velocity among all neighborhoods in Q1 2022 with over 83,000 sq. ft. leased across nine transactions. Food and beverage (F&B) tenants propelled Plaza’s leasing in Q1. The largest deal in the neighborhood was the 15-year, 26,000-sq.-ft. lease signed by the California-based Michelin-starred Taiwanese eatery, Din Tai Fung, which committed to its first NYC location at The Paramount Group’s 1633 Broadway. A new high-end Italian chophouse, Maribella, announced plans to take over the 17,000-sq.-ft. former New York Yankees Steakhouse at 7 West 51st Street. Luxury brands were also active within the Plaza neighborhood along the Fifth Avenue corridor in Q1. Upscale Austrian jewelry brand Swarovski AG signed a 13,500-sq.-ft. lease for its new “Wonderlab” retail concept at Gap’s former flagship at 680 Fifth Avenue. Winter outerwear brand Canada Goose committed to more than 8,100 sq. ft. at Vornado Realty Trust’s 689 Fifth Avenue, and the French luxury fashion house Chanel, Inc. secured a new 3,900-sq.-ft. location at Brookfield Properties’ Crown Building at 730 Fifth Avenue.

Flatiron/Union Square also recorded significant leasing velocity in the first quarter with over 74,000 sq. ft. across six transactions. The largest deal was signed by Petco Animal Supplies, Inc. to take nearly 30,000 sq. ft. at the recently renovated 44 Union Square East—the historic Tammany Hall building. Food52, a new kitchen and home improvement brand, committed to more than 26,000 sq. ft. of retail space at 902 Broadway while the California-based health and wellness brand Remedy Place signed a 7,200-sq.-ft. lease at 12 West 21st Street – both debuting their first brick and mortar locations in Manhattan. The Fifth Avenue corridor was also active in Q1 as the Canadian outdoor clothing brand Arc’teryx committed to more than 5,500 sq. ft. at the space recently vacated by LOFT at 149 Fifth Avenue, and the facial spa Glowbar announced plans to take over the 1,700-sq.-ft. former Dramatics NYC space at 77 Fifth Avenue.

FIGURE 3: Four Quarter Aggregate Leasing Velocity⁴



Source: CBRE Research, Q1 2022.

FIGURE 4: Rolling Four-Quarter Aggregate Total Leasing Velocity⁴

Period	12 Month Aggregate (Sq. Ft.)
Q1 2019	3,900,431
Q2 2019	4,150,273
Q3 2019	3,996,522
Q4 2019	3,947,814
Q1 2020	3,876,818
Q2 2020	3,375,349
Q3 2020	2,933,780
Q4 2020	2,222,222
Q1 2021	1,697,697
Q2 2021	1,576,456
Q3 2021	1,665,871
Q4 2021	2,109,809
Q1 2022	2,095,676

Source: CBRE Research, Q1 2022.

With over 144,000 sq. ft. leased across 23 transactions, the food & beverage (F&B) category led the way both in terms of square footage leased and number of deals completed among Manhattan’s retail sectors in Q1. The largest share of activity was recorded in the Plaza District, driven by the Din Tai Fung and Maribella leases. F&B tenants were also active in the lower half of the city as a new eatery backed by Todd English Enterprises signed a 19,000-sq.-ft. lease to open a two-story food hall at the former site of J&R Music World at 15 Park Row. Beefbar, an international upscale, meat-focused restaurant chain based in Monaco, leased the 9,800-sq.-ft. former Nobu outpost at 105 Hudson Street for its first NYC location.

Availability

In Q1 2022, the number of direct ground floor availabilities tracked across Manhattan’s 16 premier shopping corridors decreased from 266 to 247, a decline of 7.1% quarter-over-quarter – the third consecutive quarterly improvement. The count of available spaces was 10.2% below the 275 spaces recorded one year ago – registering an annual decline for the first time since 2019.

Much of the decline is attributable to improving conditions in the Upper Madison Avenue corridor, which saw availability drop 8.7% quarter-over-quarter and 20.8% year-over-year to 42 spaces in the first quarter – the largest annual decline among the 16 corridors. Although nine spaces were removed from the market in the first quarter of 2022, the luxury corridor continues to have an elevated number of availabilities which has kept pricing near levels not seen since 2010. Q1 saw opportunistic tenants capitalize on the discounts to secure prime locations on the lower half of the avenue near 57th Street. Three major Italian luxury brands—Canali, Cipriani, and Versace—announced plans to take over 600, 694, and 749 Madison Avenue, respectively. Additionally, the French luxury brand Zadig & Voltaire leased the former Tom Ford corner space at 843 Madison Avenue and the handcrafted jewelry brand Ippolita relocated from 796 Madison to a new location at 721 Madison Avenue.

The Downtown Broadway corridor also recorded a significant annual decline in availability, dropping 23.1% quarter-over-quarter and 25.9% year-over-year to 20 spaces in Q1 2022. Six spaces were leased in the first quarter as a French department store leased five of the last remaining retail spaces at Macklowe Properties’ recently developed 1 Wall Street, and a lease was signed for the former Capital One space at 270 Broadway.

FIGURE 5: Most Active Neighborhoods by Sq. Ft. Leased | Q1 2022

Neighborhood	Number of deals	Leased (Sq. Ft.)
Plaza District	9	83,499
Flatiron/Union Square	6	74,064
Times Square	2	33,742
Meatpacking District	5	30,232
Penn Plaza/Herald Square	5	29,019
SoHo	7	24,945
Wall Street/Financial	1	21,069
Chelsea	5	20,701
Midtown East	3	20,371
Grand Central	4	20,143

Source: CBRE Research, Q1 2022.

FIGURE 6: Most Active Tenant Type by Sq. Ft. Leased | Q1 2022

Tenant Type	Number of deals	Leased (Sq. Ft.)
Food & Beverage	23	144,400
Apparel	11	62,434
Home Furnishings/Furniture	2	38,900
Pet Supply/Services	3	34,888
Entertainment	3	32,734
Health Care	7	29,809
Financial Services	2	23,806
Department Store	1	21,069
Novelty/Souvenirs/Collectibles	2	19,859
Jewelry	4	19,823

Source: CBRE Research, Q1 2022.

Some corridors added to the volume of availabilities. The 34th Street corridor in Herald Square recorded the most notable annual increase in availability, as the number of spaces increased 18.8% quarter-over-quarter and 111.1% year-over-year to 19 listings. In Q1 2022, four new listings were brought to market including the Banana Republic at 17 West 34th Street, the recently vacated and partially leased Victoria’s Secret at 2 Herald Square, and the former Verizon space at 106 West 34th Street.

Average Asking Rent

Average asking rent in Manhattan’s retail corridors declined for the 18th consecutive quarter, falling to \$591 per sq. ft. in Q1 2022—down 1.1% from Q4 2021 and 4.5% annually. The aggregate average asking rent among all available spaces in the 16 corridors decreased 4.7% quarter-over-quarter and 3.6% year-over-year to \$514 per sq. ft. Pricing declines on the main retail corridors brought rents to 2011 levels and have kept landlords negotiable on deal terms including flexible structures, early termination rights, and percentage-rent leases to encourage activity in the recovering market. While the trend of downward repricing is expected to continue through 2022, one positive note is the quarterly declines in pricing seem to be waning around 1% for the past four consecutive quarters compared to the average of 3.5% recorded between Q2 2020 and Q1 2021.

Average asking rent in Downtown Broadway fell to \$316 per sq. ft. in Q1 2022, down 14.1% quarter-over-quarter and 22.0% year-over-year, the largest annual decline among the 16 corridors. A majority of the decline in pricing was a result of the aforementioned French department store leasing five of the last remaining premium-priced retail spaces at Macklowe Properties’ 1 Wall Street.

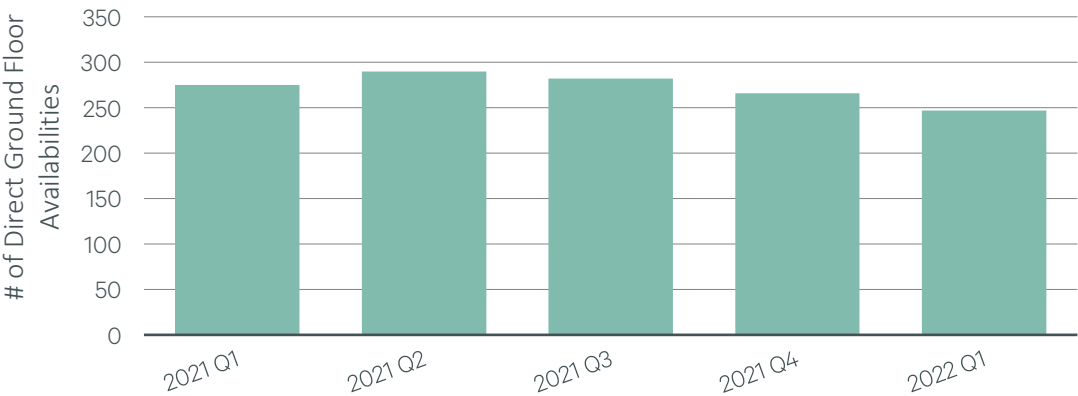
Average asking rents in Fifth Avenue in the Plaza District fell to \$2,524 per sq. ft., a 5.3% quarterly and 15.9% annual decline. The Q1 2022 asking rent marked the first time that average pricing on the corridor fell below \$2,600 per sq. ft. since 2012. A flurry of new deals signed by the aforementioned high-end brands Swarovski, Canada Goose and Chanel removed several of the highest priced spaces in this luxury corridor, causing a drop in the average asking rent.

FIGURE 7: Top Lease Transactions | Q1 2022

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
Petco Animal Supplies, Inc.	29,989	44 Union Square East	Flatiron/Union Square	Pet Supply
Food52	26,554	902 Broadway	Flatiron/Union Square	Home Furnishings
Din Tai Fung	26,371	1633 Broadway	Plaza District	Food & Beverage
Terra Bruce Productions	21,857	232 West 42nd Street	Times Square	Entertainment
Todd English Enterprises	19,327	13 Park Row	City Hall	Food & Beverage
Maribella	17,350	7 West 51st Street	Plaza District	Food & Beverage
Capital One	15,500	2 Herald Square	Penn Plaza/Herald Sq.	Financial Services
Key Food Stores	13,542	739 Amsterdam Avenue	Upper West Side	Grocery
Swarovski AG	13,500	680 Fifth Avenue	Plaza District	Jewelry
Blu Dot	12,346	715 Lexington Avenue	Midtown East	Home Furnishings

*Renewals.
Source: CBRE Research, Q1 2022.

FIGURE 8: Count of Direct Ground-Floor Availabilities



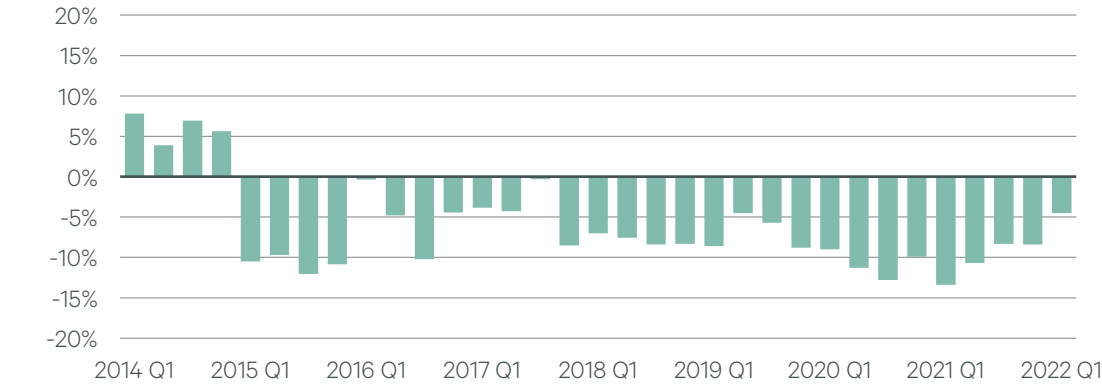
Source: CBRE Research, Q1 2022.

At \$1,173 per sq. ft., the Times Square corridor also saw a decline in average asking rents, contributing to a 1.4% quarter-over-quarter and a 9.3% year-over-year drop. Pricing in this corridor remains at levels not seen since 2011. Rent declines could persist until disruptions to international tourism ease. Better spaces on this corridor have garnered interest from new retailers in the F&B and entertainment sectors. Popular chicken fingers chain Raising Cane’s announced its NYC debut location at 1501 Broadway, removing a higher priced space on the corridor and causing average rent to decline.

Broadway in Flatiron was one of the only corridors to record both a significant quarterly and annual increase in average asking rent in Q1 2022, rising 5.1% quarter-over-quarter and 19.6% year-over-year to \$370 per sq. ft. Demand for prime retail in Flatiron/Union Square remained strong throughout the first quarter as new tenants such as Arc’teryx and Remedy Place entered the popular submarket. On Broadway, the Food52 deal at 902 Broadway removed the largest, yet lowest priced space based on price per square foot, which led to the uptick in average asking rent in Q1 2022.

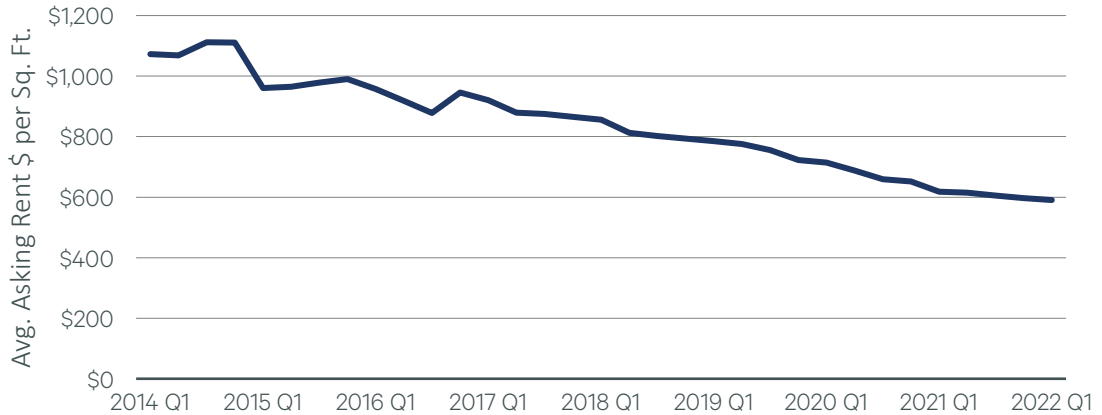
The Upper Madison Avenue corridor also recorded an uptick in pricing in the first quarter with the average asking rent increasing 9.0% quarter-over-quarter and 6.9% year-over-year to \$782 per sq. ft. While average pricing on the luxury corridor remains depressed near levels not seen since 2010, the demand for the lower half of the avenue near 57th Street remained strong. The new leases signed by major luxury brands Canali, Versace and Cipriani put upward pressure on rents and encouraged agents to submit new availabilities at above average prices.

FIGURE 9: Year-over-Year Asking Rent Change



Source: CBRE Research, Q1 2022.

FIGURE 10: Asking Rent – Average of Corridors



Source: CBRE Research, Q1 2022.

FIGURE 11: Average Asking Rents * | Q1 2022

Neighborhood	Corridor Parameters	Total direct ground floor availabilities Q1 2022	Q1 2022	Q4 2021	Quarter-over- quarter change	Q1 2021	Year-over-year change
Upper West Side	Broadway 72nd to 86th Streets	23	\$239	\$244	(2.0%)	\$226	5.4%
Upper East Side	Third Avenue 60th to 72nd Streets	16	\$224	\$217	2.9%	\$197	13.6%
Upper Madison Ave	Madison Avenue 57th to 72nd Streets	42	\$782	\$718	9.0%	\$731	6.9%
Plaza District	Fifth Avenue 49th to 59th Streets**	7	\$2,524	\$2,666	(5.3%)	\$3,000	(15.9%)
Grand Central	Fifth Avenue 42nd to 49th Streets**	14	\$630	\$641	(1.7%)	\$686	(8.1%)
Times Square	Broadway & Seventh Avenue 42nd to 47th Streets	6	\$1,173	\$1,189	(1.4%)	\$1,293	(9.3%)
Herald Square	34th Street Fifth to Seventh Avenues**	19	\$510	\$461	10.6%	\$503	1.4%
Flatiron/Union Square	Broadway 14th to 23rd Streets	13	\$370	\$352	5.1%	\$309	19.6%
Flatiron/Union Square	Fifth Avenue 14th to 23rd Streets	22	\$290	\$278	4.2%	\$298	(2.7%)
SoHo	Broadway Houston to Broome Streets	19	\$341	\$339	0.4%	\$310	10.1%
SoHo	Prince Street Broadway to West Broadway	9	\$469	\$465	0.7%	\$414	13.3%
SoHo	Spring Street Broadway to West Broadway	7	\$450	\$454	(0.9%)	\$479	(5.9%)
Meatpacking	14th Street Eighth to Tenth Avenues	11	\$297	\$312	(5.1%)	\$293	1.3%
Meatpacking	Gansevoort Little West 12th Street 13th Street Ninth to Tenth Avenues	12	\$359	\$351	2.3%	\$340	5.7%
Meatpacking	Washington Street 14th to Gansevoort Streets	7	\$479	\$501	(4.3%)	\$413	16.0%
Downtown	Broadway Battery Park to Chambers Street	20	\$316	\$369	(14.1%)	\$406	(22.0%)
All	Average of corridors	-	\$591	\$597	(1.1%)	\$618	(4.5%)
		Total direct ground floor availabilities Q1 2022	Q1 2022	Q4 2021	Quarter-over- quarter change	Q1 2021	Year-over-year change
Aggregate Average Asking Rent**		247	\$514	\$540	(4.7%)	\$533	(3.6%)

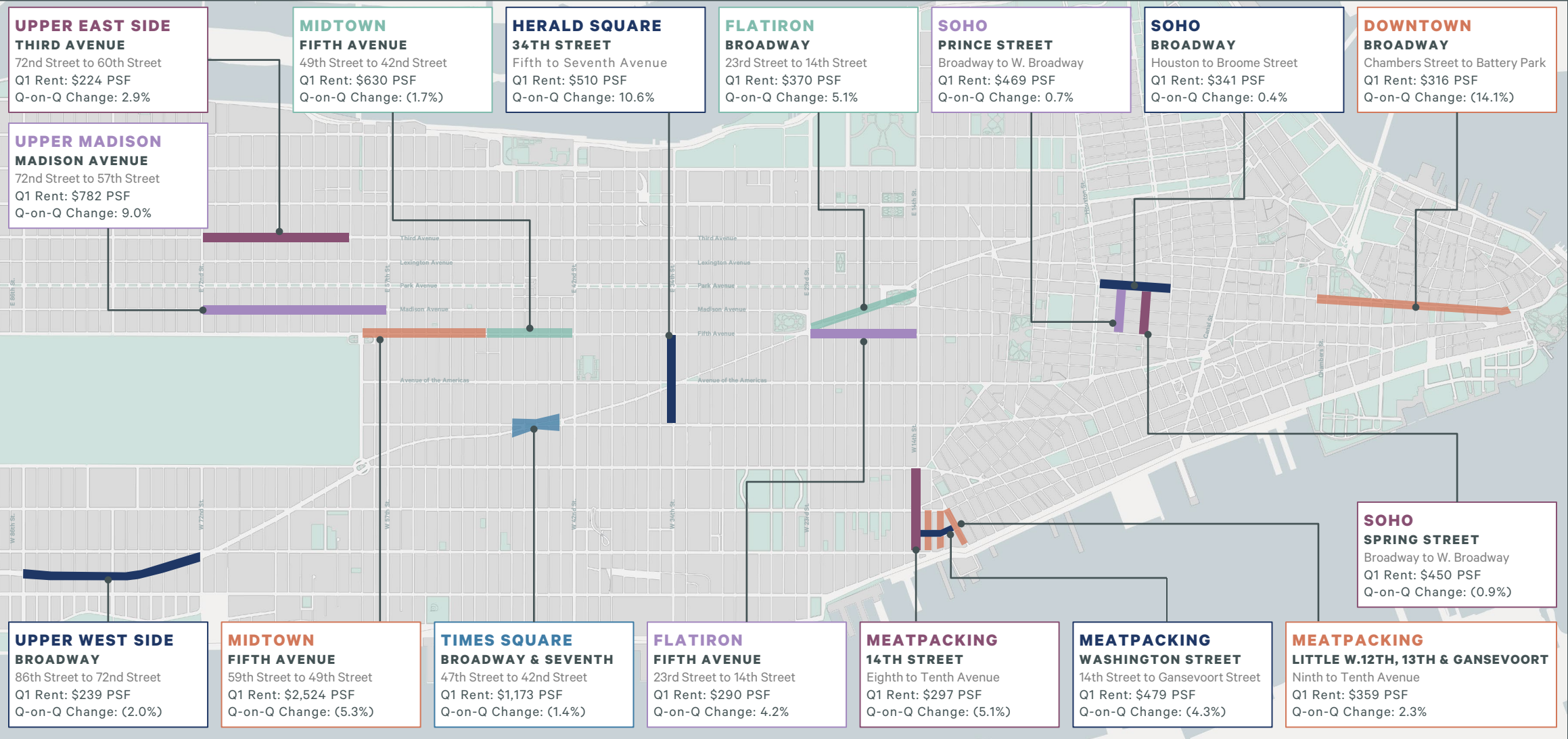
*Based on ground floor only, not inclusive of subleases.

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

Source: CBRE Research, Q1 2022.

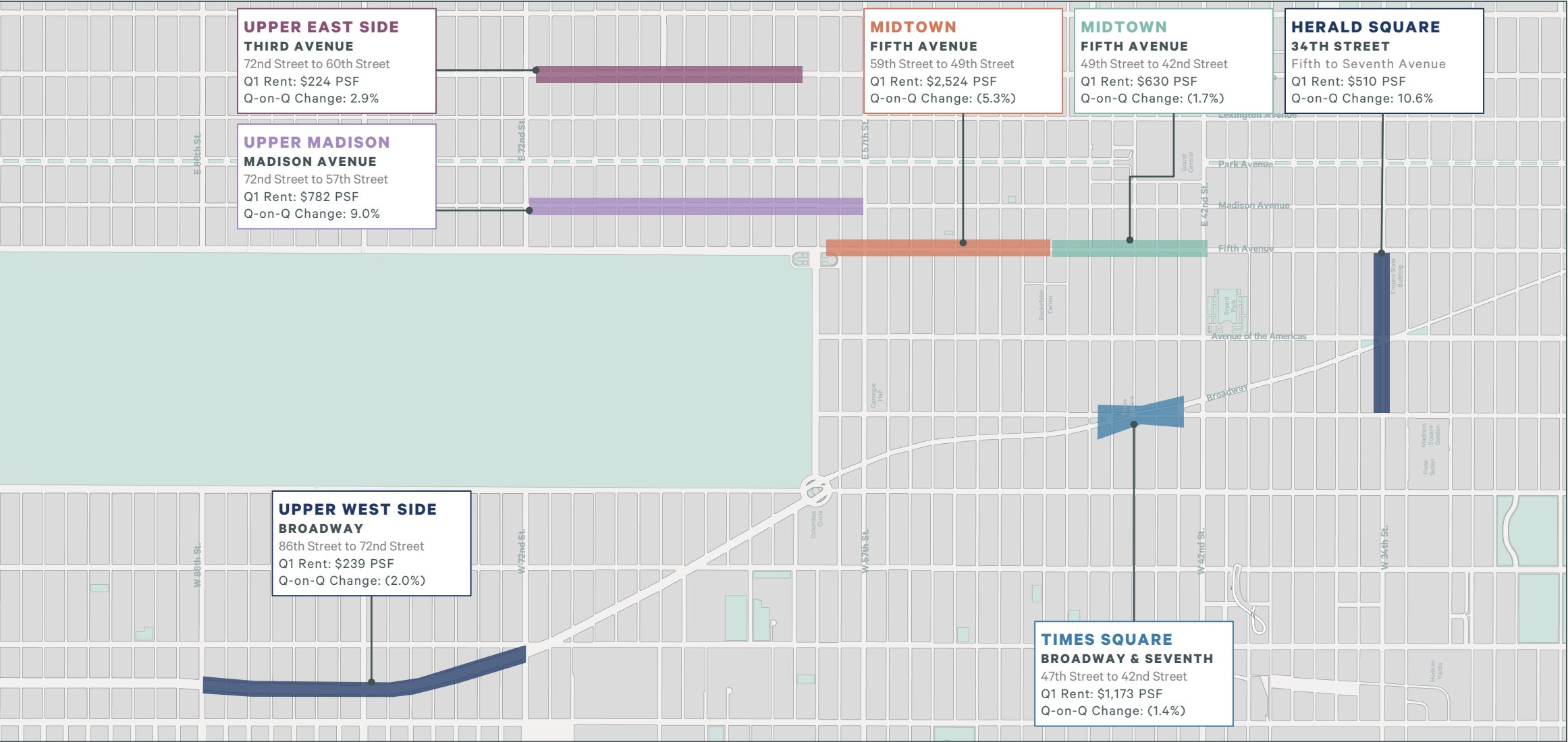
Retail Corridors

Overall Aggregate Average Asking: \$514 PSF (4.7%) | Overall Average Asking Rent: \$591 PSF (1.1%)



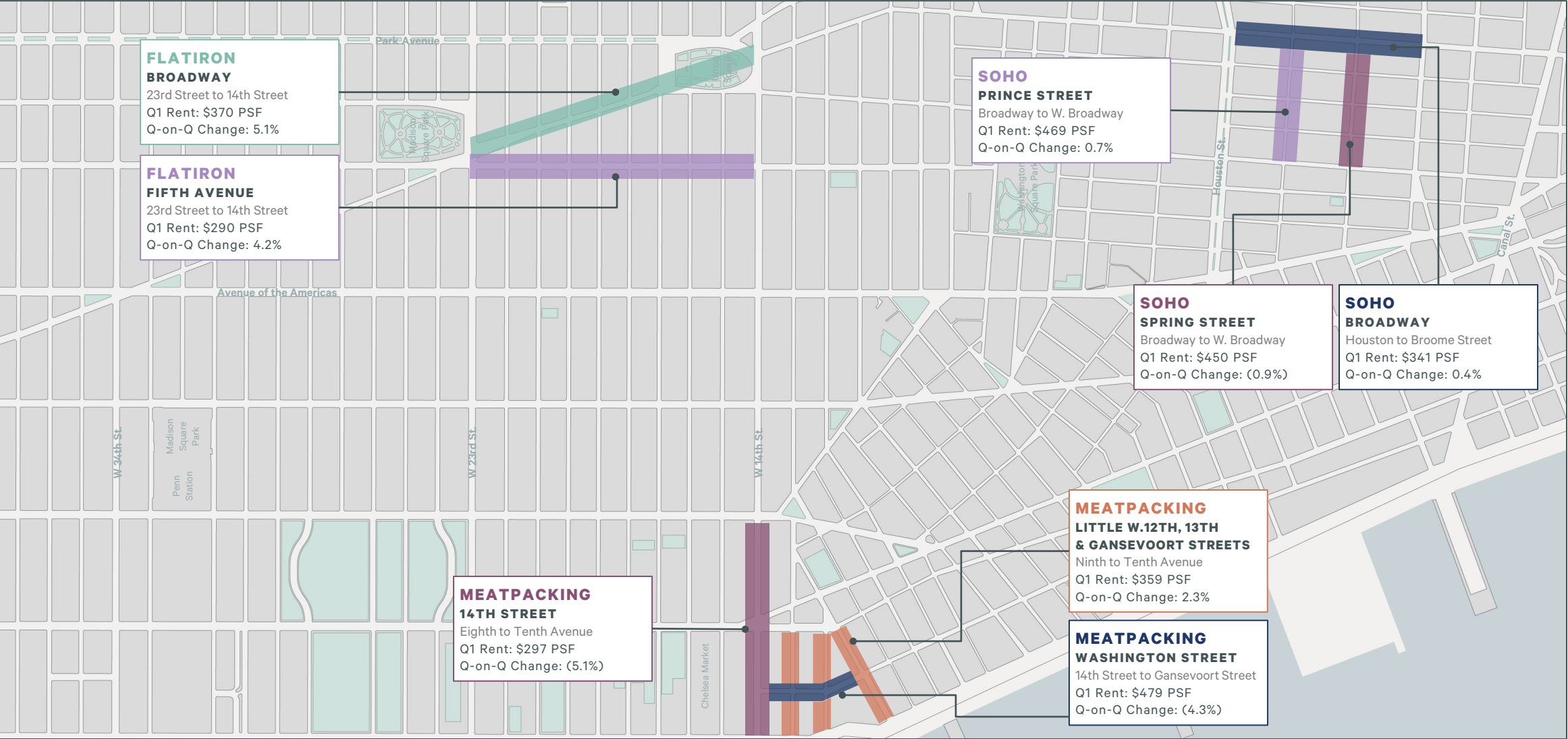
Source: CBRE Research, Q1 2022.

Retail Corridors: Midtown



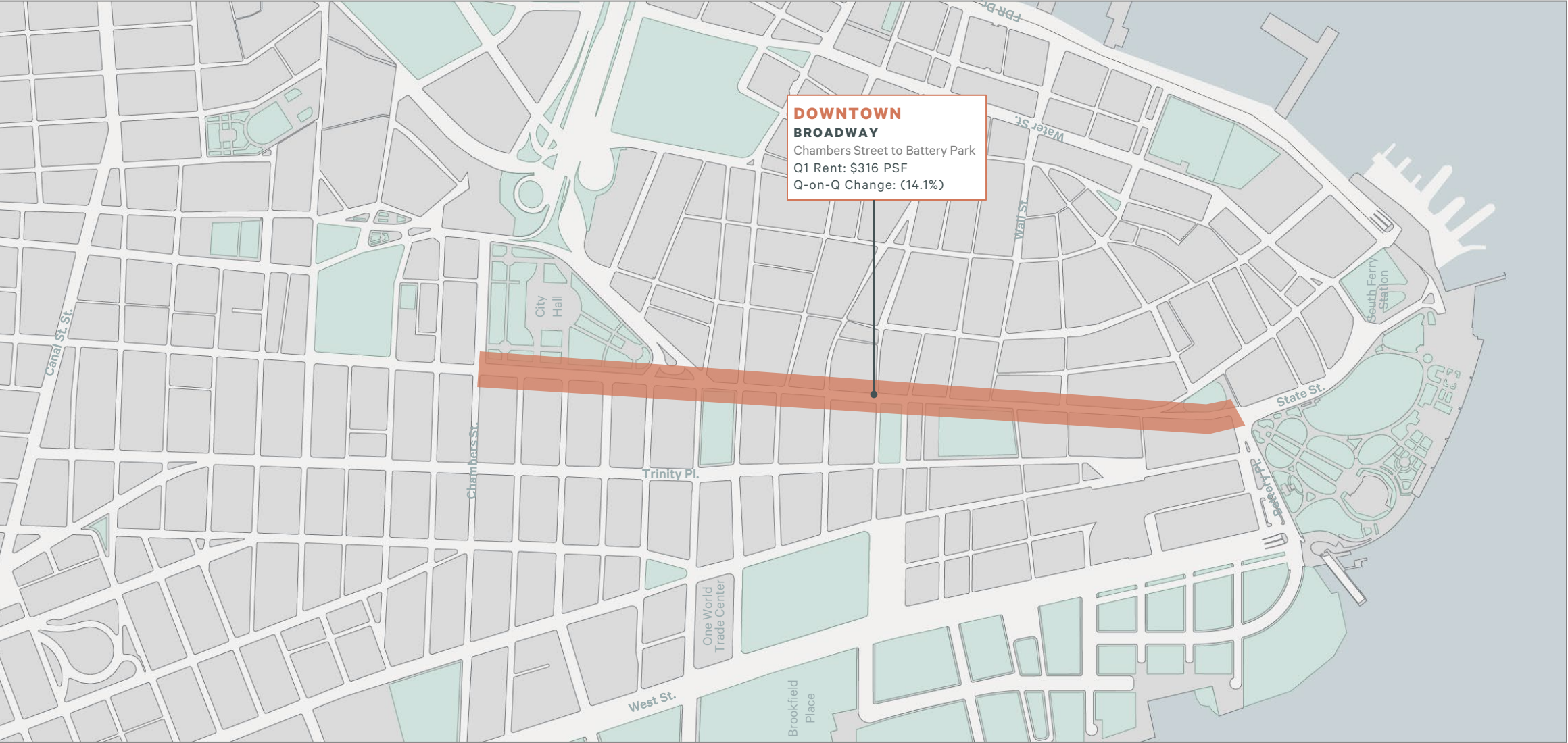
Source: CBRE Research, Q1 2022.

Retail Corridors: Midtown South



Source: CBRE Research, Q1 2022.

Retail Corridors: Downtown



Source: CBRE Research, Q1 2022.

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..

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 2022 includes total leasing velocity over Q4 2021, Q3 2021, Q2 2021 and Q1 2021. 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

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

Sources

- 1. <https://www.governor.ny.gov/news/governor-hochul-announces-office-cannabis-management-seeding-opportunity-initiative>
- 2. CBRE Research, Q1 2022
- 3. <https://www.timessquarenyc.org/do-business/market-research-data/pedestrian-counts>
- 4. The Q4 2021 rolling four-quarter aggregate total leasing velocity was revised since original publication, based on the availability of additional leasing data.

Contact

Nicole LaRusso

Senior Director, Research & Analysis
+1 212 984 7188
Nicole.LaRusso@cbre.com

Michael Slattery

Associate Field Research Director
+1 212 656 0583
Michael.Slattery@cbre.com

Hironori Imaizumi

Senior Field Research Analyst
+1 212 656 0538
Hiro.Imaizumi@cbre.com

