

FIGURES | MANHATTAN RETAIL | Q3 2023

Manhattan Retail Rents Improve for Fifth Straight Quarter as Leasing Slows

▼ 103.0

Consumer Confidence

▶ 5.3%

NYC Unemployment

▼ \$41.8B

NYC Quarterly Retail Sales

▼ 298.5K

NYC Retail Job Count

▲ \$663

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

Market News

- Average asking rent in Manhattan’s retail corridors was \$663 per sq. ft.—up 2.7% from the prior quarter and the fifth consecutive quarterly increase.¹
- The taking rent index for the prime 16 retail corridors was 80.0%, up 120 basis points (bps) from the prior quarter and 780 bps from 72.2% in Q3 2022.²
- The number of direct ground floor availabilities across Manhattan’s 16 premier shopping corridors increased to 203 from 200 —up 1.5% quarter-over-quarter but 11.4% below a year prior.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., down 2.6% from the prior quarter and 17.0% below the same period one year ago.⁴

Market Overview

Sentiment about Manhattan’s retail market is best described as a “mixed bag” in Q3 2023. While the influx of international tourists and strong consumer demand for luxury products and fine dining have propelled the city’s retail market to a stronger position than last year, several of the city’s economic indicators began to show signs of slowing. In Q3 2023, average asking rent in the prime 16 retail corridors increased for the fifth consecutive quarter to \$663 per sq. ft.—up 2.7% from the prior quarter and 9.2% higher than a year ago. Despite the streak of rent increases the average asking rent remained 40.4% below the peak levels of 2014. The number of direct ground floor availabilities increased for the first time since Q2 2021 to 203 spaces – ending eight consecutive quarters of decline.

Retail leasing has showed a “top down” trend, as superior locations have attracted a significant share of demand. The supply constrained market of top-tier spaces has led to a modest slowdown in leasing. The rolling four-quarter aggregate leasing velocity dropped to 2.8 million sq. ft., down 2.6% from the prior quarter and 17.0% from the same period last year.

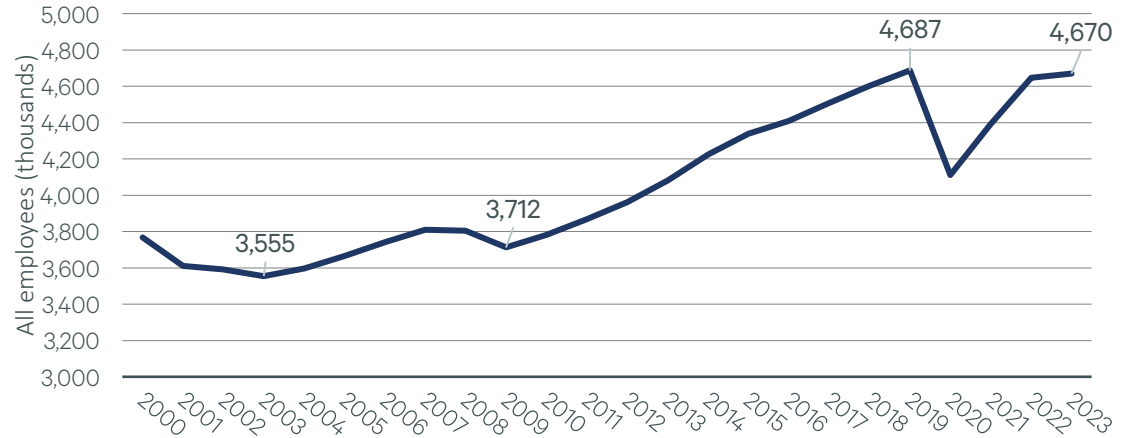
Economic Overview

Thus far the U.S. economy has defied expectations for a slowdown and has even exhibited some signs of acceleration despite sharp tightening of credit conditions. Nevertheless, headwinds are intensifying and will hit home at a time when the squeeze from elevated interest rates is at its maximum. The upshot for real estate is that the Fed is likely finished with its tightening cycle, allowing a clearer path for real estate capital markets to unfold. Although we expect economic growth to deteriorate, it is likely that valuations will stabilize during the first half of 2024.

Seasonally adjusted total nonfarm employment for NYC was nearly 4.7 million, remaining mostly unchanged from the prior quarter and 24.1% above the pandemic low of 3.8 million jobs. The retail job count experienced a slight decline from the prior quarter to approximately 298,500 and dropped 1.9% year-over-year. Quarterly retail sales were \$41.8 billion in Q3 2023, dropping 1.4% from the previous quarter.

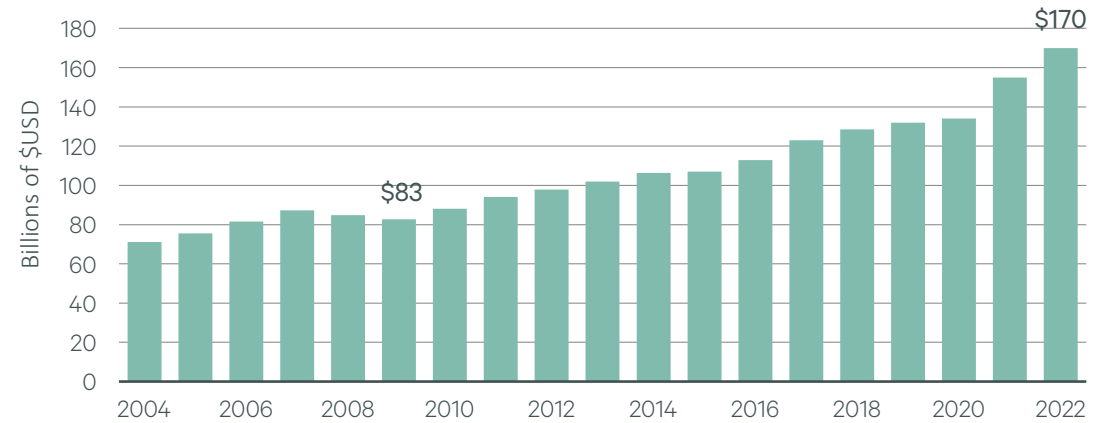
As of August 2023, NYC’s overall unemployment rate stood at 5.3%, up from its pandemic era low point of 4.6% in August 2022. At this level it remains down considerably from its 21.4% pandemic peak, but higher than the 3% range seen just prior to the pandemic. It also remains higher than the August 2023 U.S. unemployment rate of 3.8%.

FIGURE 1: Seasonally Adjusted Total Employment



Source: NYC Department of Labor, August 2023.

FIGURE 2: NYC Total Retail Sales | Annual



Source: US Census Bureau, Oxford Economics, September 2023

Leasing Activity

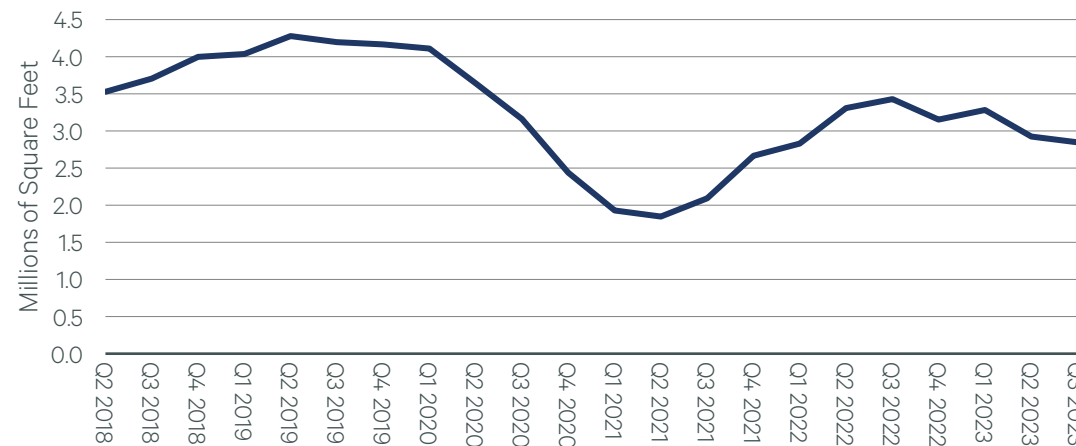
Leasing in Manhattan has slowed amid a reduced inventory of top-tier retail locations. The rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, totaled 2.8 million sq. ft.—a 2.6% quarterly and 17.0% annual decrease. In Q3 2023, apparel and F&B tenants were the greatest drivers of activity. While overall demand for the top-tier retail spaces in the city remains strong, leasing was 33.4% below the peak of 4.2 million sq. ft. recorded in Q2 2019.

SoHo, which has been one of the city’s most active retail neighborhoods over the past several years, recorded the highest leasing velocity in the third quarter with over 107,000 sq. ft. leased across 16 transactions. The SoHo Broadway corridor was particularly active in the third quarter; the largest deal was signed by the clothing and accessories retailer Banana Republic, which signed a temporary 30,000-sq.-ft. lease at Premier Equities’ 515 Broadway while the apparel brand renovates its existing store at 552 Broadway. Additionally, the Italian clothing and fashion accessories brand Brandy Melville renewed its 22,000-sq.-ft. outpost at 519 Broadway, and the apparel store Madewell announced plans to open a new 6,600-sq.-ft. location at 565 Broadway.

Grand Central registered the second-highest leasing volume of any neighborhood in Q3 behind a flurry of deals along the Fifth Avenue corridor. The beach clothing brand Tommy Bahama renewed its 18,000-sq.-ft. lease at the Feil Organization’s 551 Fifth Avenue, the California-based cannabis brand Harborside announced plans to open its first 5,700-sq.-ft. dispensary at 587 Fifth Avenue, and the athletic headwear brand Lids leased a new 5,200-sq.-ft. location at The Moinian Group’s 535 Fifth Avenue.

Upper Madison Avenue recorded the second-highest count of transactions in the third quarter with nine deals totaling more than 33,000 sq. ft. The largest deal was signed by the French skiwear brand Fusalp for an eight-month, 8,900-sq.-ft. pop-up at 713 Madison Avenue. Additionally, the French jewelry brand Boucheron announced plans to take over Alexander McQueen’s 5,900-sq.-ft. lease at 747 Madison Avenue, while the English luxury apparel brand ME and EM signed a new 3,800-sq.-ft. lease at 980 Madison Avenue, and the women’s fashion brand KHAITE leased a 3,000-sq.-ft. outpost at 828 Madison Avenue.

FIGURE 3: Four-Quarter Aggregate Leasing Velocity⁴



Source: CBRE Research, Q3 2023.

FIGURE 4: Rolling Four-Quarter Aggregate Total Leasing Velocity⁴

Period	12 Month Aggregate (Sq. Ft.)	Period	12 Month Aggregate (Sq. Ft.)
Q2 2018	3,528,455	Q1 2021	1,928,703
Q3 2018	3,704,240	Q2 2021	1,849,753
Q4 2018	4,000,514	Q3 2021	2,095,745
Q1 2019	4,037,864	Q4 2021	2,666,515
Q2 2019	4,278,765	Q1 2022	2,831,052
Q3 2019	4,195,062	Q2 2022	3,308,950
Q4 2019	4,167,920	Q3 2022	3,431,261
Q1 2020	4,112,165	Q4 2022	3,155,443
Q2 2020	3,641,837	Q1 2023	3,285,501
Q3 2020	3,162,032	Q2 2023	2,924,760
Q4 2020	2,440,814	Q3 2023	2,848,926

Source: CBRE Research, Q3 2023

The apparel industry was the most active sector in the third quarter, both in terms of leasing volume and deal count, with over 156,000 sq. ft. leased across 19 transactions. The aforementioned Banana Republic deal for temporary space, Brandy Melville’s renewal at 513 Broadway and Tommy Bahama’s renewal at 551 Fifth Avenue were the largest apparel transactions of the quarter. The largest new deal was signed by the French luxury fashion house Yves Saint-Laurent for a new 14,000-sq.-ft. outpost at 70 Gansevoort Street on Gansevoort Row, while ba&sh also announced plans to open its first 4,800-sq.-ft. SoHo location at 121 Prince Street.

FIGURE 5: Top Lease Transactions | Q2 2023

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
Banana Republic**	30,000	515 Broadway	SoHo	Apparel
Brandy Melville*	22,303	519 Broadway	SoHo	Apparel
Tommy Bahama*	18,099	551 Fifth Avenue	Grand Central	Apparel
Amish Market*	15,000	731 Ninth Avenue	Midtown West	Grocery
Yves Saint-Laurent	14,660	70 Gansevoort Street	Meatpacking District	Apparel
Tailor `s Inn*	12,700	505 Eighth Avenue	Midtown West	Food & Beverage
Chase Bank	9,389	120 Broadway	Wall Street/Financial	Financial Services
Carl Hansen & Son	9,063	145 E 57th Street	Midtown East	Home Furnishing
HOKA	9,020	579 Fifth Avenue	Rockefeller Center	Footwear
Fusalp**	8,943	713 Madison Avenue	Upper Madison Avenue	Apparel

*Renewals. **Short Term Deal
Source: CBRE Research, Q2 2023.

FIGURE 6: Most Active Neighborhoods by Sq. Ft. Leased | Q3 2023

Neighborhood	Number of deals	Leased (Sq. Ft.)
SoHo	16	107,962
Grand Central	4	47,034
Upper Madison Avenue	9	33,406
Midtown West	2	27,700
Meatpacking District	3	21,990
Wall Street/ Financial	1	13,945
Midtown East	2	13,163
Park Avenue South	2	9,400
Rockefeller Center	1	9,020
Plaza District	4	7,508

Source: CBRE Research, Q3 2023.

FIGURE 7: Most Active Tenant Type by Sq. Ft. Leased | Q3 2023

Tenant Type	Number of deals	Leased (Sq. Ft.)
Apparel	19	156,349
Food & Beverage	9	35,272
Financial Services	3	20,753
Jewelry	5	18,250
Home Furnishings/ Furniture	2	15,727
Grocery	1	15,000
Accessories	3	9,157
Footwear	1	9,020
Smoke Shop	1	5,761
Consumables	2	5,685

Source: CBRE Research, Q3 2023.

Availability

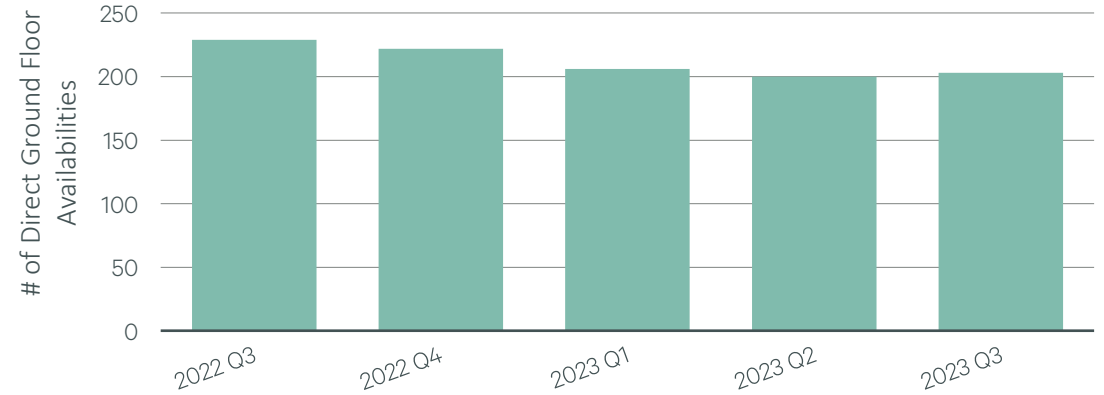
In Q3 2023, the number of direct ground floor availabilities tracked across Manhattan’s 16 premier shopping corridors increased for the time since Q2 2021 – ending eight consecutive quarters of decline. There were 203 availabilities in the third quarter, up 1.5% from 200 in the prior quarter but down 11.4% year-over-year. The count of available spaces was 30.0% below the peak of 290 spaces recorded in Q2 2021.

The supply added to Downtown Broadway was one of the most significant drivers of the uptick in availabilities across the major corridors in the third quarter. The Broadway corridor saw a 37.5% quarter-over-quarter and 22.2% year-over-year hike to 22 available spaces. As office availability remains elevated in the Downtown market, some landlords have opted to redevelop existing building lobbies for retail uses and bring them to market. Seven spaces were added to the market in the third quarter of 2023 – most notably the former office lobby at 250 Broadway and the current The King’s College building lobby at 52 Broadway.

The Plaza Fifth Avenue corridor also recorded an uptick in availability, up 33.3% quarter-over-quarter and year-over-year to eight spaces. In Q3 2023, two spaces were added to the corridor as the former Tag Heuer space at 683 Fifth Avenue and the former Carlton Fine Arts space at 691 Fifth Avenue were brought to market.

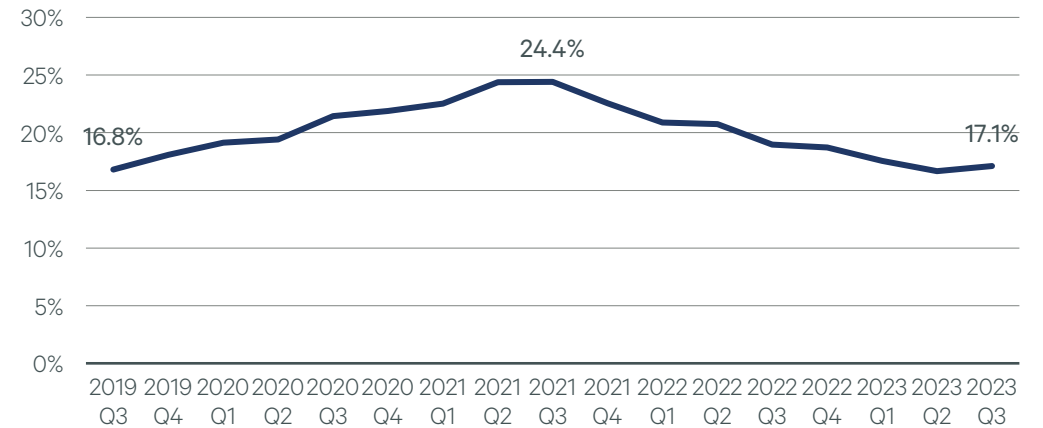
The Fifth Avenue corridor in Grand Central was one of the few markets to record both an annual and quarterly decrease in availability, as the number of spaces fell by 38.5% quarter-over-quarter and 46.7% year-over-year to nine listings. In Q3 2023, six spaces were leased to new tenants or taken off market. The most significant removal was the aforementioned Tommy Bahama renewal at 551 Fifth Avenue, while 587 Fifth Avenue was leased to Harborside Cannabis, HOKA leased 579 Fifth Avenue and Lids took over 535 Fifth Avenue.

FIGURE 8: Count of Direct Ground-Floor Availabilities



Source: CBRE Research, Q3 2023.

FIGURE 9: Direct Ground-Floor Retail Frontage Availability Rates



Source: CBRE Research, Q3 2023.

In Q3 2023, the frontage availability rate, which measures the aggregate amount of direct available retail frontage on the city’s main retail corridors, increased 45 bps from the prior quarter to 17.1%. The frontage availability was 727 bps below the pandemic peak of 24.4% and 96 bps below the 18.1% recorded in Q4 2019. The frontage within the corridors displayed divergent trends. While strong leasing activity in the Flatiron/Union Square and SoHo drove the available frontage rates on the most active corridors to between 5% and 14%, less active areas, like Downtown Broadway and Herald Square, have seen new availabilities added with frontage availability rates at 22% to 32%.

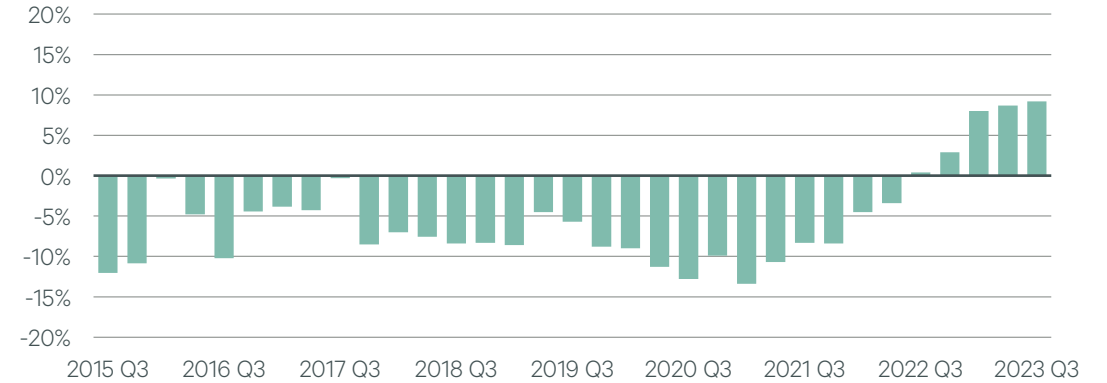
Average Asking Rent

Average asking rent in Manhattan’s prime 16 retail corridors increased for the fifth consecutive quarter in Q3 2023. Asking rent reached \$663 per sq. ft., up 2.7% quarter-over-quarter and 9.2% year-over-year. Strong demand for the top-tier locations has led to a supply constrained market in segments of the city with great competition for the remaining locations. Although asking rents improved, overall pricing remained 40.4% below peak levels recorded in 2014. The market still requires generous concession packages and flexible lease terms to bring deals to completion.

Average pricing on Broadway in SoHo saw the largest quarterly increase among the 16 corridors to \$502 per sq. ft., up 32.7% quarter-over-quarter and 46.8% year-over-year. In Q3, average asking rents on the Broadway corridor increased above \$500 per sq. ft. for the first time since Q2 2019. As the demand for the SoHo submarket remained strong, several owners opted to bring occupied spaces onto the market at premium prices not seen since prior to the pandemic.

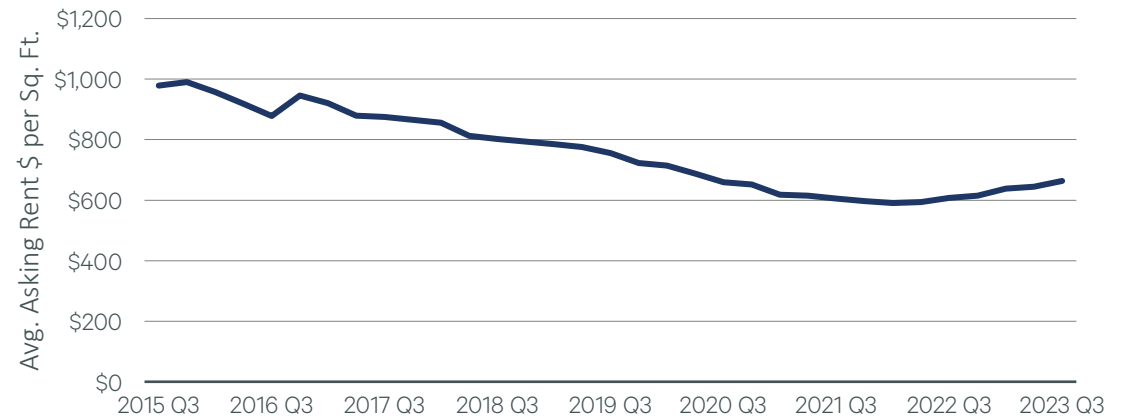
SoHo Prince Street also recorded a significant increase in pricing to \$1,068 per sq. ft., up 28.5% quarter-over-quarter and 80.5% year-over-year. Pricing on Prince Street rose above \$1,000 per sq. ft for the first time since tracking began in 2015. Demand from luxury and apparel brands looking to penetrate the popular submarket has depleted most of the spaces on the corridor. As the inventory of availabilities diminished, only the premium-priced spaces remained.

FIGURE 10: Year-over-Year Asking Rent Change



Source: CBRE Research, Q3 2023.

FIGURE 11: Asking Rent – Average of Corridors



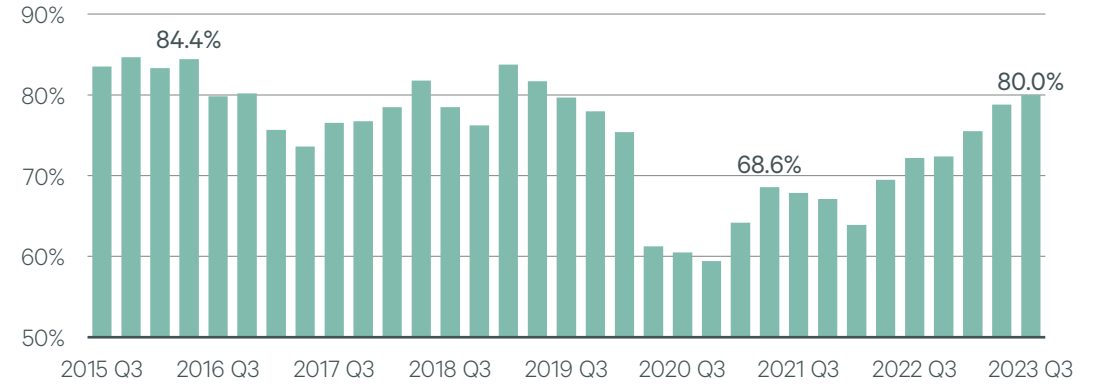
Source: CBRE Research, Q3 2023.

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 4.6% quarter-over-quarter and 21.8% year-over-year to \$367 per sq. ft. While demand for the Meatpacking District as an up-and-coming luxury market continues to improve, the retail inventory on the Washington Street corridor has mostly remained stagnant over the past several years. The lack of recent activity encouraged owners to bring several new spaces to market at prices below the average.

Taking Rent Index

The taking rent index, which measures how close taking rents are to asking rents in the prime 16 retail corridors, increased by 120 bps to 80.0% in Q3 2023. This was a 780 bps increase from the prior year to a level not seen since 2019. Overall demand for top-tier locations in Manhattan remained strong, particularly in the popular SoHo and Flatiron/Union Square trade areas where the supply of prime spaces has almost been fully absorbed. While the market still requires generous concession packages and rental discounts to bring deals to completion, the lack of top-tier inventory in the corridors will likely continue to narrow the gap between asking and taking rents in the 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, Q3 2023.

FIGURE 13: Average Asking Rents * | Q3 2023

Neighborhood	Corridor Parameters	Total direct ground floor availabilities Q3 2023	Q3 2023	Q2 2023	Quarter-over-quarter change	Q3 2022	Year-over-year change
Upper West Side	Broadway 72nd to 86th Streets	21	\$257	\$243	5.7%	\$243	6.0%
Upper East Side	Third Avenue 60th to 72nd Streets	9	\$236	\$242	(2.3%)	\$216	9.3%
Upper Madison Ave	Madison Avenue 57th to 72nd Streets	29	\$817	\$814	0.4%	\$776	5.3%
Plaza District	Fifth Avenue 49th to 59th Streets**	8	\$2,526	\$2,570	(1.7%)	\$2,568	(1.7%)
Grand Central	Fifth Avenue 42nd to 49th Streets**	8	\$665	\$646	3.0%	\$631	5.4%
Times Square	Broadway & Seventh Avenue 42nd to 47th Streets	9	\$1,359	\$1,358	0.0%	\$1,233	10.2%
Herald Square	34th Street Fifth to Seventh Avenues**	19	\$485	\$474	2.4%	\$544	(10.8%)
Flatiron/Union Square	Broadway 14th to 23rd Streets	12	\$420	\$430	(2.3%)	\$408	3.0%
Flatiron/Union Square	Fifth Avenue 14th to 23rd Streets	8	\$365	\$389	(6.1%)	\$290	25.9%
SoHo	Broadway Houston to Broome Streets	11	\$502	\$378	32.7%	\$342	46.8%
SoHo	Prince Street Broadway to West Broadway	4	\$1,068	\$831	28.5%	\$592	80.5%
SoHo	Spring Street Broadway to West Broadway	3	\$578	\$600	(3.7%)	\$458	26.1%
Meatpacking	14th Street Eighth to Tenth Avenues	16	\$353	\$346	2.1%	\$340	3.8%
Meatpacking	Gansevoort Little West 12th Street 13th Street Ninth to Tenth Avenues	16	\$290	\$320	(9.5%)	\$321	(9.8%)
Meatpacking	Washington Street 14th to Gansevoort Streets	8	\$367	\$385	(4.6%)	\$470	(21.8%)
Downtown	Broadway Battery Park to Chambers Street	22	\$319	\$299	6.6%	\$283	12.7%
All	Average of corridors	-	\$663	\$645	2.7%	\$607	9.2%
		Total direct ground floor availabilities Q3 2023	Q3 2023	Q2 2023	Quarter-over-quarter change	Q3 2022	Year-over-year change
Aggregate Average Asking Rent**		203	\$575	\$545	5.6%	\$518	11.1%

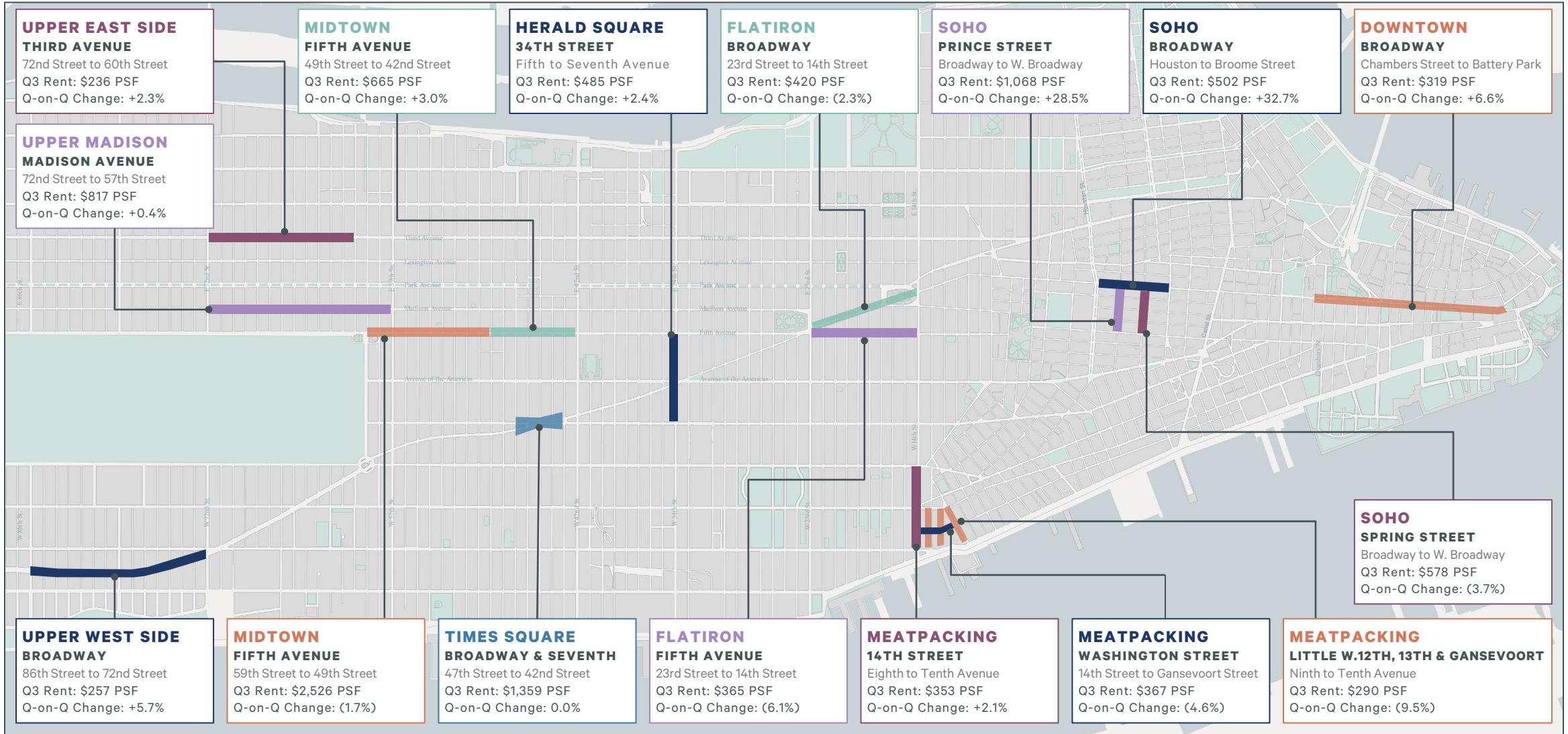
*Based on ground floor only, not inclusive of subleases.

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

Source: CBRE Research, Q3 2023.

Retail Corridors

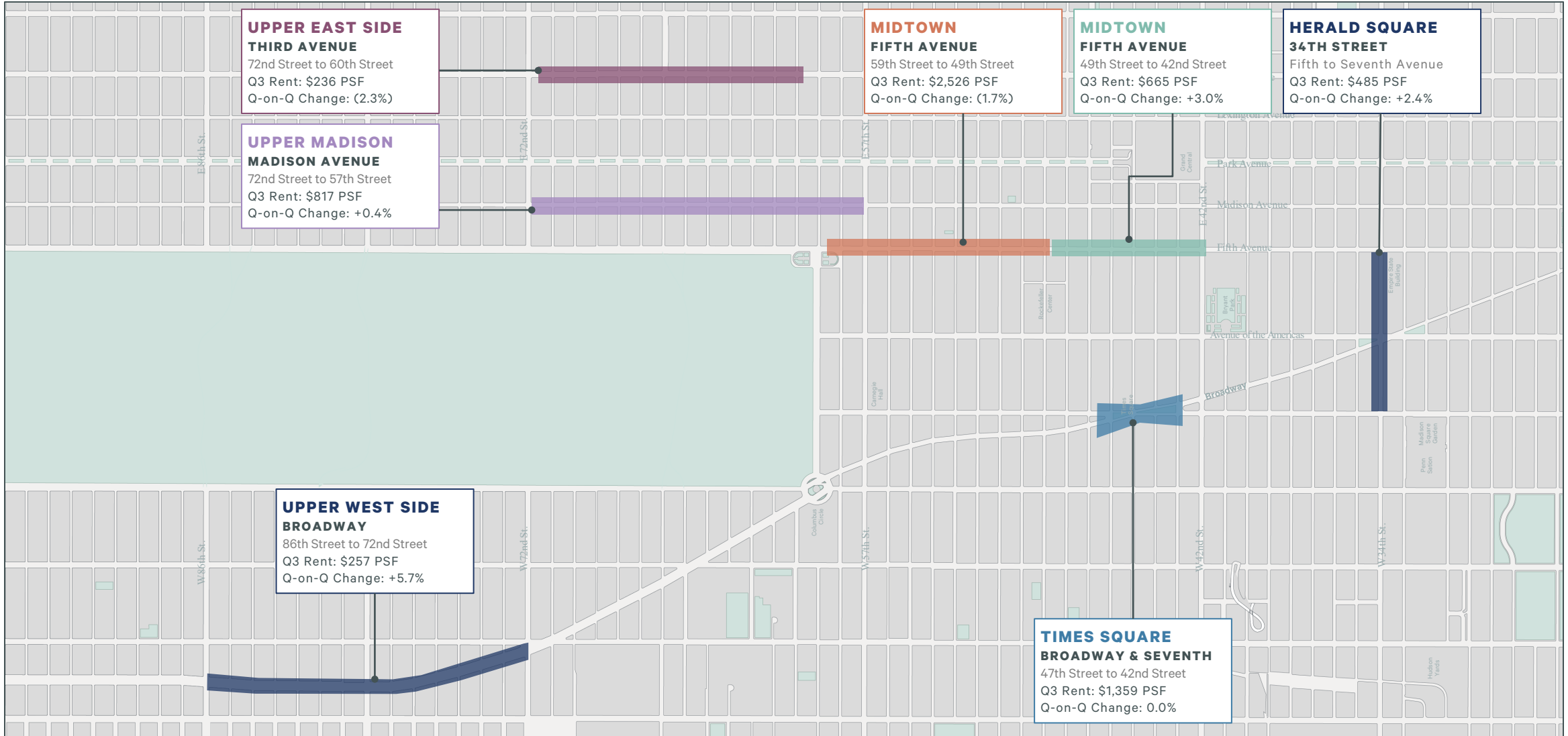
Overall Aggregate Average Asking: \$575 PSF +5.6% | Overall Average Asking Rent: \$663 PSF +2.7%



Source: CBRE Research, Q3 2023

Retail Corridors: Midtown

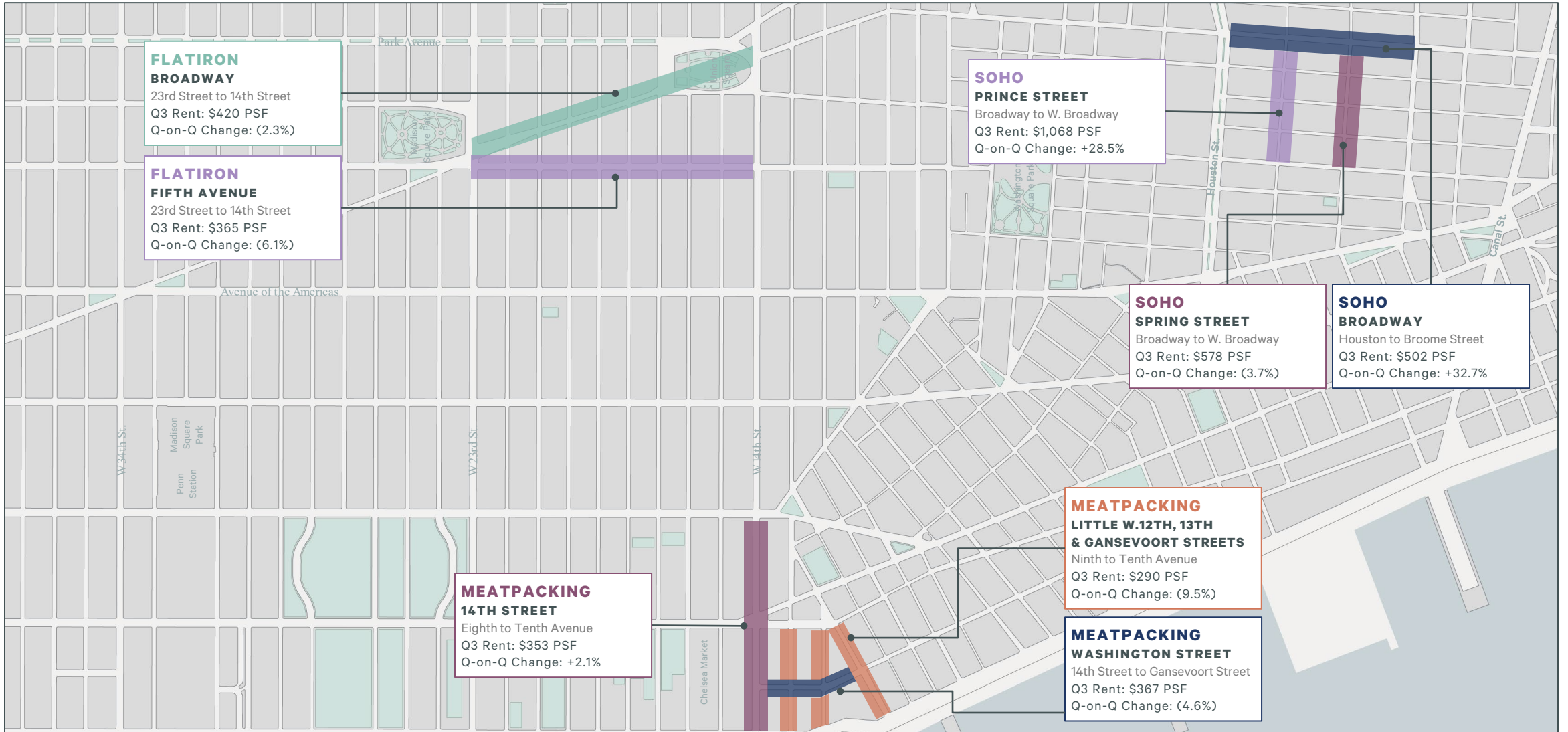
Overall Average Asking Rent: \$906 PSF 0.0%



Source: CBRE Research, Q3 2023.

Retail Corridors: Midtown South

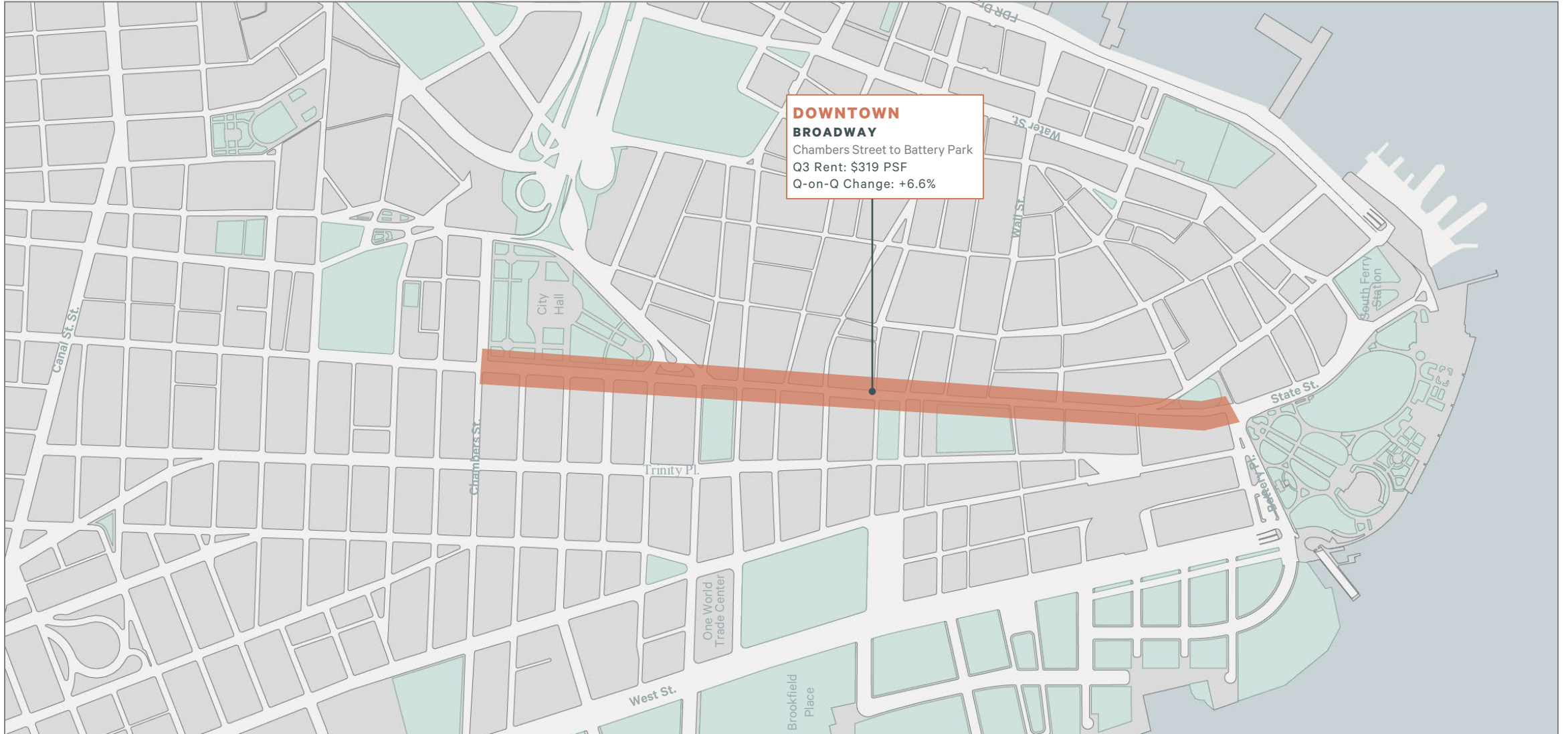
Overall Average Asking Rent: \$493 PSF +7.2%



Source: CBRE Research, Q3 2023.

Retail Corridors: Downtown

Overall Average Asking Rent: \$319 PSF +6.6%



Source: CBRE Research, Q3 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 Q3 2023 includes total leasing velocity over Q2 2023, Q1 2023, Q4 2022 and Q3 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, Q3 2023
2. The 2023 taking rent index was revised since original publication, based on the availability of additional leasing data.
3. CBRE Research, Q3 2023
4. The Q2 2023 rolling four-quarter aggregate total leasing velocity was revised since original publication, based on the availability of additional leasing data.

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