



Manhattan Retail Market Report

Leasing Activity Surges as New York City Recovery Continues

A strong quarter of leasing activity brought year-to-date velocity up to 1.9 million square feet. Four deals were signed for more than 25,000 square feet this quarter, bringing the total to 12 for the year, surpassing the past two years combined. The largest deal of the quarter was signed by French department store Printemps for 54,365 square feet at 1 Wall Street in the Financial District. The other top deals were from various industries, as Michael's leased 32,000 square feet at 675 Avenue of the Americas; Five Iron Golf at 101 Park Avenue; and The House of Cannabis at 427 Broadway.

Availability Rates Continued to Recover in the Third Quarter

Availability rates decreased or were flat in nine of the 10 core trade areas year over year. In fact, the Financial District, SoHo, the Plaza District, Upper East Side and Upper West Side all recorded lower availability rates compared to pre-pandemic levels. SoHo recorded the strongest improvement, with availability 510 basis points below pre-pandemic levels, closing the third quarter at 13.0%. The lone exception was Fifth Avenue, which had the highest availability rate of all the trade areas at 32.4%.

Six trade areas recorded declining availability from the second quarter. The Flatiron District recorded the greatest decrease, at 200 basis points, due to strong leasing and the addition of just one new space along prime corridors.

The Upper West Side and Upper East Side continued to have the lowest availability rates, declining 190 basis points and 290 basis points, respectively, from last year to 8.1% and 8.3%.

Current Conditions

- Year-to-date leasing activity has been strong, closing the third quarter at 1.9 million square feet, bolstered by big box retailers, entertainment concepts and high-end restaurants signing leases.
- Availability rates continued to recover, with availability down year over year in nine of the 10 trade areas.
- Asking rents improved quarter over quarter, with increases recorded in five trade areas.

Average Asking Rents Significantly Improved

Asking rents improved quarter over quarter, with increases recorded in five trade areas. The largest improvement was in the Financial District, where asking rents jumped 14.6% to \$263.00/SF. The trade areas that recorded decreases quarter over quarter were not as steep as in prior quarters, averaging just 3%.

The one exception was the Flatiron District, which posted a 10.9% rent decrease quarter over quarter that can be attributed to prime spaces being leased in the trade area. Although asking rents have increased, eight of the 10 trade areas were still down more than 10.0% from pre-pandemic levels, with the lone exception being the Upper West Side, where rents were up 0.7%.

While rental rates in most trade areas were down from pre-pandemic levels, these rents were a correction and drove leasing activity.

Taking rents continued their ascent, rebounding to \$233.00/SF, after falling 33.0% from 2019 to 2021, when they reached their lowest levels in more than 15 years.

Mobility Indicators, Led by Public Transportation, Mark Step Forward for the Retail Market

Transit ridership, including buses, subways and the LIRR, each reached pandemic peaks during the third quarter. Although these forms of public transportation have improved, ridership levels remain down 37%, 33% and 18% respectively from before the pandemic. Bridge and tunnel traffic, however, has rebounded strongly, up 2.5%, boosting retail traffic as more people enter Manhattan.

The return to the office for many companies is on the way back, with Kastle data indicating that office occupancy recently reached 43.8% in Manhattan, just below the national average of 47.4%. The biggest jump in the third quarter occurred after Labor Day, and Tuesdays and Wednesdays have seen the highest return rates, on average.

Diverse Set of Industries Drive Quarterly Activity

A diverse set of industries drove activity this quarter, including big box retailers, entertainment concepts and high-end restaurants. In addition to the previously mentioned big box deals, Five Below signed a 20,177-square-foot lease in the Upper West Side. High-end restaurant deals were also finalized at 425 Park Avenue, 200 Park Avenue and 31 Penn Plaza by Jean-Georges Vongerichten, The Hospitality Department and Andrew Giaume Restaurant, respectively. This marked a notable shift from during the pandemic when tenants in these sectors were contracting. In addition, apparel companies also posted a strong rebound, with more than 100 deals signed this year along major corridors.

3Q22 Notable Transactions

Tenant	Address	Trade Area	Square Feet	Deal Type
Printemps	1 Wall Street	Financial District	54,365	New
Michael's	675 Avenue of the Americas	Chelsea	32,000	Renewal
Five Iron Golf	101 Park Avenue	Grand Central District	30,000	New
The House of Cannabis	427 Broadway	SoHo	30,000	New
Five Below	805 Columbus Ave	Upper West Side	20,177	New

Average Asking Rent by Trade Area

Trade Area	Current Quarter	Prior Quarter	Pre-Covid (1Q20)	Prior Year
Fifth Avenue	\$1,422	\$1,344	\$1,976	\$1,399
Financial District	\$263	\$229	\$376	\$281
Flatiron District	\$221	\$248	\$321	\$226
Madison Avenue	\$600	\$603	\$788	\$623
Meatpacking District	\$312	\$313	\$361	\$313
Plaza District	\$367	\$372	\$477	\$429
SoHo	\$273	\$264	\$343	\$251
Times Square	\$747	\$738	\$923	\$777
Upper East Side	\$224	\$220	\$226	\$207
Upper West Side	\$188	\$192	\$187	\$180

Availability Rate by Trade Area

Trade Area	Current Quarter	Prior Quarter	Pre-Pandemic (1Q20)	Prior Year
Fifth Avenue	32.4%	27.9%	23.4%	27.9%
Financial District	16.4%	18.1%	18.6%	21.2%
Flatiron District	13.4%	15.4%	12.6%	17.3%
Madison Avenue	19.3%	20.8%	15.4%	26.3%
Meatpacking District	28.5%	27.8%	24.4%	30.4%
Plaza District	14.7%	16.5%	15.6%	18.3%
SoHo	13.0%	14.1%	18.1%	18.2%
Times Square	23.9%	22.8%	20.6%	23.9%
Upper East Side	8.3%	8.9%	11.4%	11.2%
Upper West Side	8.1%	8.0%	8.6%	10.0%

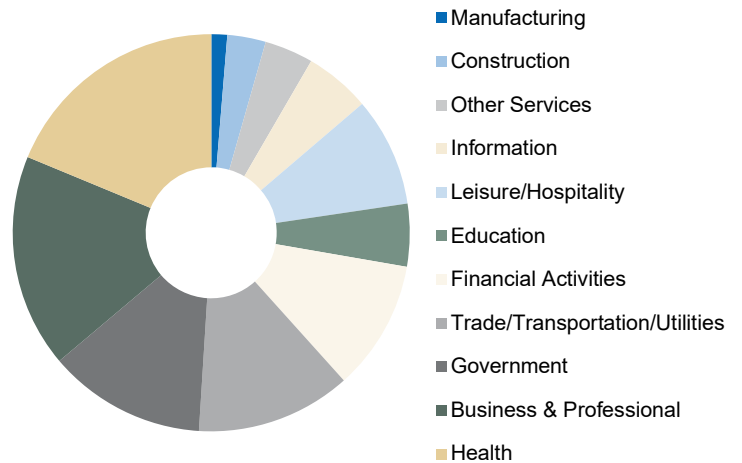
Economic Conditions

The national unemployment rate remained steady, closing August at 3.7%, a month-over-month increase of 20 basis points. While unemployment remains solid, inflation continues to be elevated. The national Consumer Price Index increased by 8.3% year over year, with New York City's CPI closing at a more modest 6.6%. The Fed recently raised interest rates an additional 75 basis points and has signaled it will continue to do so in order to combat inflation.

The New York City unemployment rate posted a significant uptick in August, closing at 6.6%, up 90 basis points from last quarter. Despite this increase, New York City job growth was up 6.8% year over year, driven by the hospitality industry as well as the information and professional and business services sectors.

Employment By Industry

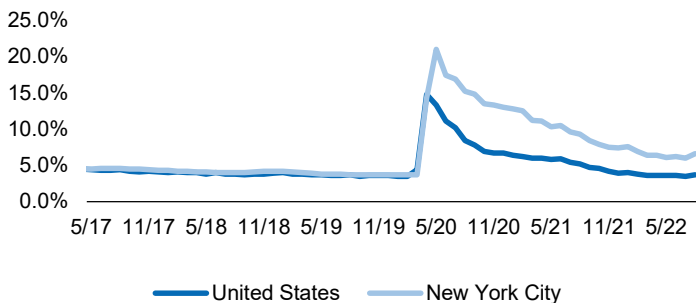
NEW YORK CITY, AUGUST 2022



Source: New York State Department of Labor

Unemployment Rate

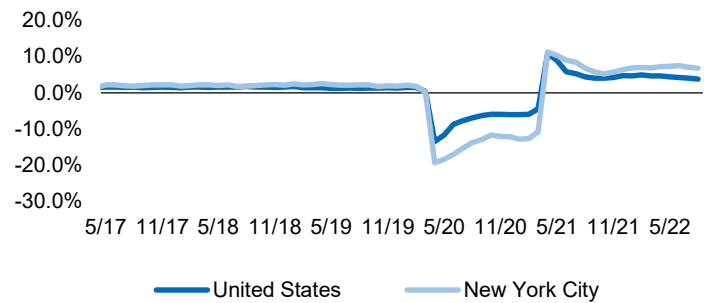
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Payroll Employment

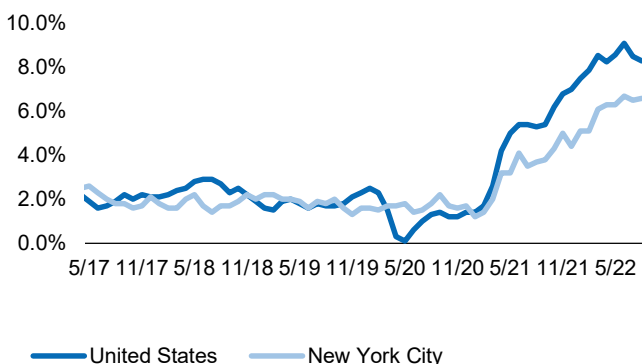
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

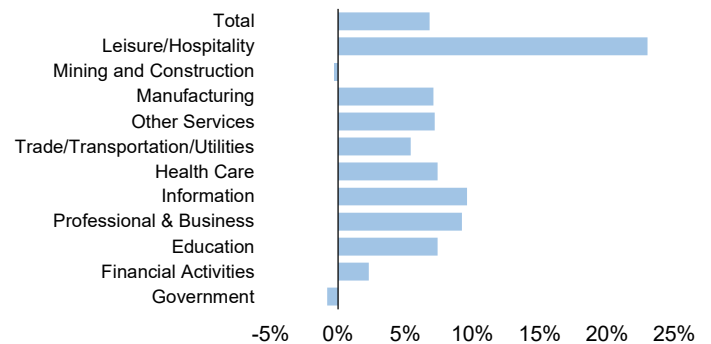
ALL ITEMS, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

Employment Growth By Industry

NYC, AUGUST 2022, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: New York State Department of Labor

RESEARCH 3Q 2022

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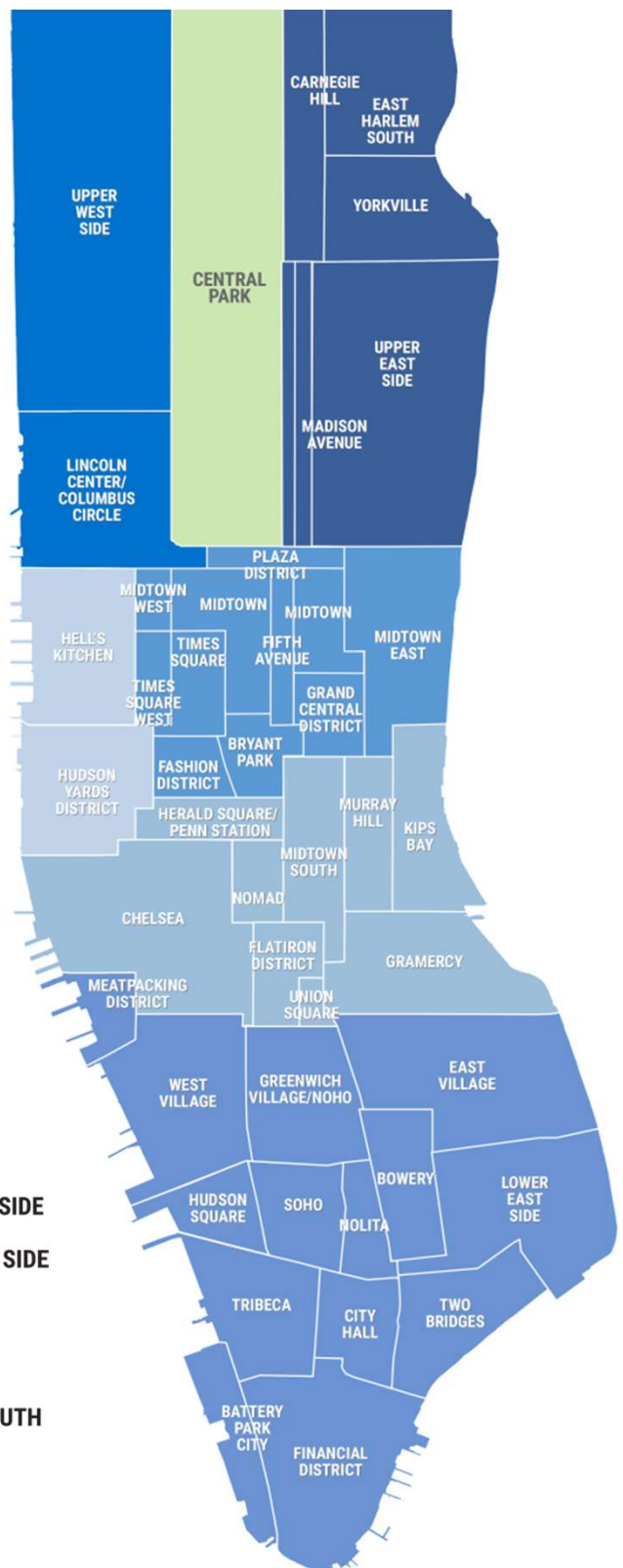
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