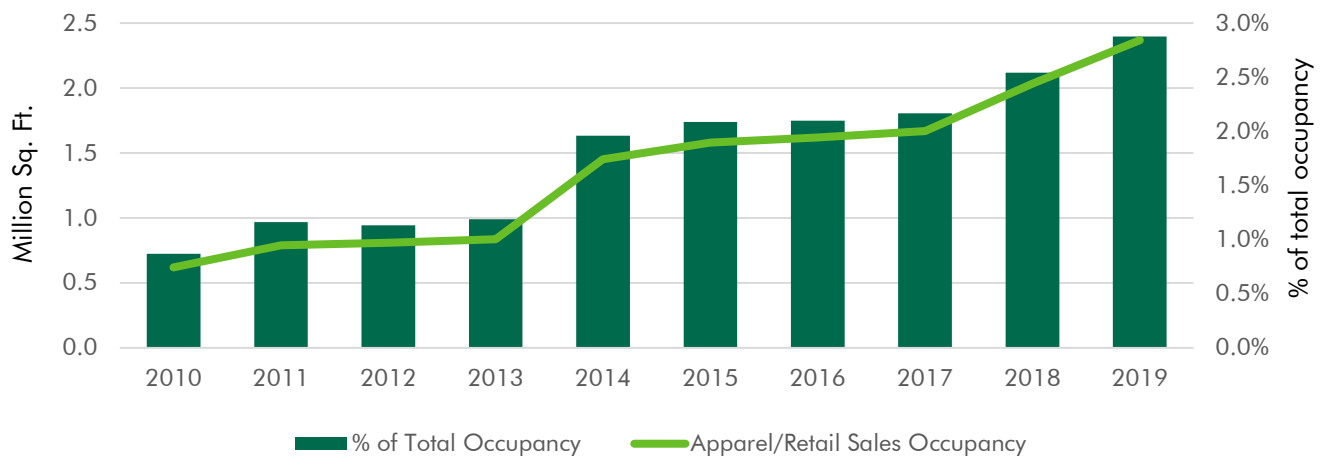


Fashion and beauty tenants flocking Downtown

The Downtown Manhattan office market has become increasingly diverse over the past decade. Formerly dominated by financial services and government tenants, the market's tenant composition has expanded noticeably to show increasing presence of a wide variety of sectors. While relocations by TAMI (tech, advertising, media and entertainment) companies have made a big splash in the Downtown market, the apparel/retail sales sector has been building momentum that has gone largely unnoticed. Over the past ten years, occupancy by apparel/retail sales firms has grown by more than 1.7 million sq. ft. and increased its industry share from 0.9% to 2.9%. Today, Downtown is home to some 70 firms¹ in this sector.

Figure 1: Historical Downtown Office Occupancy | Apparel/Retail Sales



Source: CBRE Research.

Fashion and beauty-related tenants² have been the main driver of the growth Downtown over the past two years within the apparel/retail sales sector. Between 2018-2019 these tenants leased over 891,000 sq. ft.—including major brand-name tenants including Nike, J. Crew and 3.1 Philip Lim. Most recently, L Brands, the fashion retailer recognized for its Victoria's Secret and Bath & Body Works brands, consolidated from 1740 Broadway into 220,000 sq. ft. at 55 Water Street.

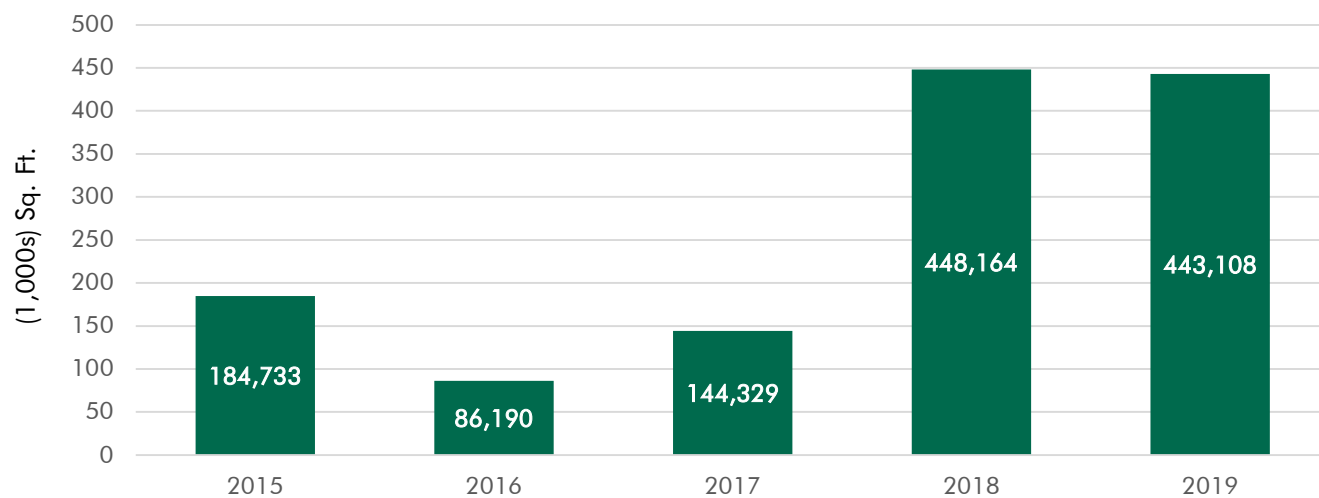
As many retail companies look to lower their overhead costs, they have been attracted to the favorable pricing environment in the Downtown office market, where the year-end 2019 average taking rent was \$58.80 per sq. ft.— 29% below Midtown and 31% below Midtown South.

The recent influx of tenants in the apparel/retail sales sector also reflects their need to attract young professional workers. Downtown has become a haven for young people seeking high-quality residences at a lower price-point. As of Q3 2019 2,837 residential units were under construction in the Downtown Market³. According to the Downtown Alliance, in 2017, young professionals (aged 18-44) accounted for 61% of the overall Downtown population—strides ahead of Manhattan Overall where the same age group only accounts for 47% of the population⁴.

Additionally, Downtown's transit network, which includes 13 MTA subway lines, 30 MTA bus routes and 17 commuter ferry routes running to the outer boroughs and numerous locations in New Jersey⁵ offers tenants unparalleled access to the remainder of New York City and the Tri-State area. Commutes are especially convenient from Brooklyn and the New Jersey waterfront communities

that are home to some of the highest concentrations of the area’s creative and tech workforces – something that is also contributed to the relocation decisions of fashion and other retail companies to Downtown.

Figure 2: Downtown Apparel/Retail Sales Leasing Activity



Source: CBRE Research.

Figure 3: Top Downtown Fashion and Beauty-Related Leases | 2015-2019

Tenant Name	Address	RSF	Year
J. Crew Group, Inc.	225 Liberty Street	324,658	2018
L Brands, Inc.	55 Water Street	219,564	2019
Avon Cosmetics Limited	1 Liberty Plaza	91,116	2017
Gucci America Inc.	195 Broadway	83,964	2015
Moda Operandi	195 Broadway	83,685	2019

Source: CBRE Research.

As 2020 commences, CBRE is tracking an additional 410,000 sq. ft. of active apparel/retail sales requirements (50,000 sq. ft.+) within the Downtown market⁶, suggesting that this trend could continue to be significant factor in the ongoing diversification of the market.

END NOTES

- 1 Apparel/Retail Sales occupancy based on office-using tenants and excludes all retail-using occupancy.
- 2 Fashion and beauty-related sub-industry includes select tenants from the clothing/textile, retail sales, consumer products and cosmetics/perfume/health and beauty aids industries.
- 3 Source: Alliance for Downtown New York
- 4 Alliance for Downtown New York: Lower Manhattan's Expanding Dining Scene Taps the Young Professional Market
- 5 Alliance for Downtown New York
- 6 This figure is inclusive of tenants concurrently touring downtown and other New York City markets.

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