

FIGURES | MANHATTAN RETAIL | Q2 2023

# Manhattan Retail Rents Rise for Fourth Straight Quarter

▲ 109.7

Consumer Confidence

▼ 5.3%

NYC Unemployment

▶ \$42.4B

NYC Quarterly Retail Sales

▼ 301.8K

NYC Retail Job Count

▲ \$645

PSF Average Asking Rent

Note: Arrows indicate change from previous quarter.

## Market News

- Average asking rent in Manhattan’s retail corridors was \$645 per sq. ft.—up 1.2% from the prior quarter and the fourth consecutive quarterly increase.<sup>1</sup>
- The taking rent index for the prime 16 retail corridors was 78.8%, up 330 bps from the prior quarter and 930 bps from 69.5% in Q2 2022.<sup>2</sup>
- The number of direct ground floor availabilities across Manhattan’s 16 premier shopping corridors decreased for the eighth consecutive quarter to 200 from 206 —a 2.9% decline quarter-over-quarter and down 17.0% year-over-year.<sup>3</sup>
- The rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, was 2.7 million sq. ft., down 11% from the prior quarter and from the same period one year ago.<sup>4</sup>
- The CDC ended its COVID-19 vaccination requirements for international travelers — lifting the final pandemic related travel restriction for noncitizen nonimmigrant air passengers entering the United States.<sup>5</sup>

## Market Overview

Sentiment about Manhattan’s retail market was best described as “subdued optimism” as several metrics improved in the second quarter of 2023. The rebound in international tourism along with strong consumer demand for the luxury and food and beverage sectors have propelled the city’s retail market to a stronger position than last year. In Q2 2023, average asking rent in the prime 16 retail corridors increased for the fourth consecutive quarter to \$645 per sq. ft.—up 1.2% from the prior quarter and 8.7% higher than a year ago. The streak of rent increases brought the average asking rent to 42.0% below the peak levels of 2014. The number of direct ground floor availabilities dropped 2.9% from the prior quarter to 200 spaces and fell 31.0% from the pandemic peak of 290. Retail leasing has been following a “top down” trend, as superior locations have attracted a large share of demand. The diminished number of available prime spaces contributed to a modest slowdown in leasing; the rolling four-quarter aggregate leasing velocity dropped to 2.7 million sq. ft., down 11% from the prior quarter and from the same period last year.

## Economic Overview

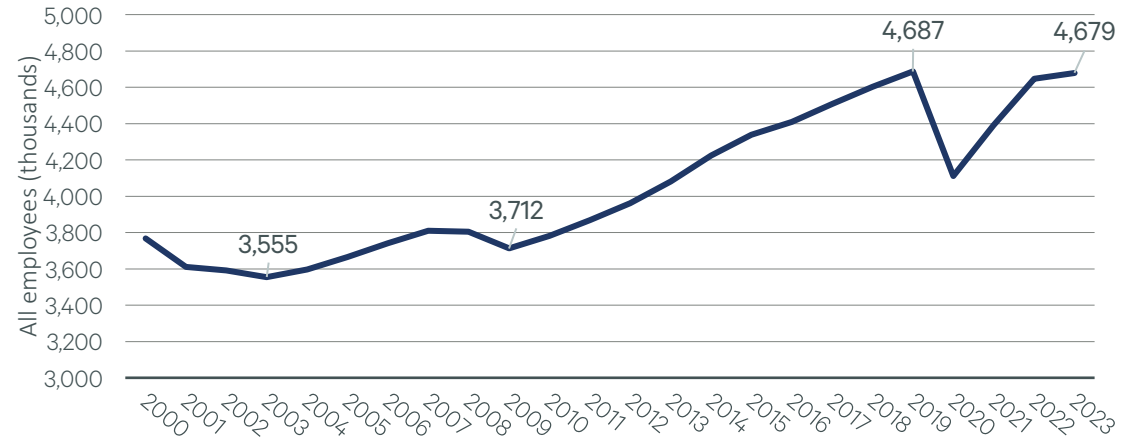
For the past two quarters the consensus amongst economists has been that the second half of 2023 would bring the United States to the brink of recession and possibly push it over the edge. Recently, this narrative has been challenged by a surprisingly resilient consumer and labor market. Indeed, GDP growth in Q2 2023 is poised to hit the mid-2% range per annum amid objectively tight labor conditions. However, beneath this veneer of health lies a fragile economy, which will probably lapse into recession, albeit a little later than previously expected.

The chief concern is credit conditions tightening at a magnitude that typically precedes a recession. The Fed will make one more rate hike due to strong recent data to make sure the job of bringing inflation under control is done. Thus, the long-expected slowdown in the U.S. economy is still on track but will start in earnest at the end of Q3 2023 and last through to the end of Q1 2024, by which time inflation will have slowed up and rates will be falling.

Seasonally adjusted total nonfarm employment for NYC was nearly 4.7 million jobs, remaining mostly unchanged from the prior quarter and 24.4% above the pandemic low of 3.7 million jobs. The retail job count experienced a slight decline from the prior quarter to approximately 301,800 jobs and dropped 1.5% year-over-year. Quarterly retail sales were \$42.4 billion in Q2 2023, remaining mostly unchanged from the previous quarter.

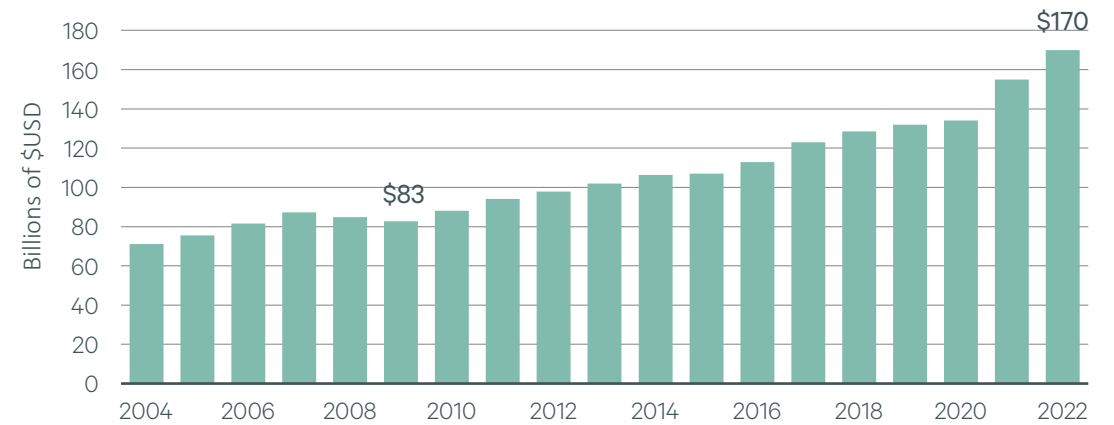
As of May 2023, NYC’s overall unemployment rate stood at 5.3%, up from its pandemic era low point of 4.6% in August 2022. At this level it remains down considerably from its 21.4% pandemic peak, but higher than the 3% range seen just prior to the pandemic. It also remains higher than the February 2023 national unemployment rate of 3.6%.

FIGURE 1: Seasonally Adjusted Total Employment



Source: NYC Department of Labor, May 2023.

FIGURE 2: NYC Total Retail Sales | Annual



Source: US Census Bureau, Oxford Economics, June 2023

## Leasing Activity

Leasing in the market has slowed amid a reduced inventory of prime retail locations in the city. The rolling four-quarter aggregate leasing velocity, which measures total leasing (renewals and new leases) for the four prior quarters, totaled 2.7 million sq. ft.—a 11% quarterly and annual decrease. In Q2 2023, health clubs and F&B tenants were the greatest drivers of activity. While overall demand for prime spaces in the city continues to rise, leasing remained 35.9% below the peak of 4.2 million sq. ft. recorded in Q2 2019.

The Upper West Side recorded the highest leasing velocity of the quarter with more than 63,000 sq. ft. leased across seven transactions. The Broadway corridor was particularly active in Q2 as P.C. Richard & Son signed the second largest deal of the quarter to take over the 31,000-sq.-ft. former DSW space at 2220 Broadway. Additionally, two banks signed leases in the neighborhood: Chase Bank announced plans to renew its 10,000-sq.-ft. outpost at 1880 Broadway and Santander Bank leased a new 6,000-sq.-ft. location at 2228 Broadway.

The Lower East Side registered an unusually high leasing volume in Q2 as Vital Climbing Gym signed the largest deal of the quarter with a new 45,000-sq.-ft. lease at 180 Broome Street in Essex Crossing. While the Lower East Side recorded the second highest leasing velocity in the second quarter, there was only a single transaction in this market.

SoHo, which has been one of the City’s most active retail neighborhoods over the past several years, also recorded one of the highest leasing velocities in the second quarter with over 38,000 sq. ft. across nine transactions. The largest deal was signed by the Brooklyn-based vintage clothing store The Vintage Twin, which took over 6,500 sq. ft. at 597 Broadway. Additionally, the Swiss luxury watch brand Omega secured a new 5,400-sq.-ft. outpost at 90 Prince Street, and the luxury French skincare brand Biologique Recherche announced plans to open its first 4,400-sq.-ft. brick and mortar location at 132 Greene Street.

FIGURE 3: Four-Quarter Aggregate Leasing Velocity<sup>4</sup>



Source: CBRE Research, Q2 2023.

FIGURE 4: Rolling Four-Quarter Aggregate Total Leasing Velocity<sup>4</sup>

Period	12 Month Aggregate (Sq. Ft. )	Period	12 Month Aggregate (Sq. Ft. )
Q1 2018	3,573,665	Q4 2020	2,384,409
Q2 2018	3,513,035	Q1 2021	1,861,523
Q3 2018	3,676,932	Q2 2021	1,786,503
Q4 2018	3,971,679	Q3 2021	1,964,431
Q1 2019	3,999,168	Q4 2021	2,500,028
Q2 2019	4,256,698	Q1 2022	2,631,934
Q3 2019	4,157,947	Q2 2022	3,073,158
Q4 2019	4,133,932	Q3 2022	3,211,010
Q1 2020	4,083,692	Q4 2022	2,930,938
Q2 2020	3,571,484	Q1 2023	3,067,666
Q3 2020	3,106,197	Q2 2023	2,727,306

Source: CBRE Research, Q2 2023

Health clubs leased more square footage than any other segment during the second quarter with over 77,000 sq. ft. across five transactions. The largest transaction of the quarter was the aforementioned Vital Climbing Gym deal at Essex Crossing. Additionally, New York Sports Club renewed its 22,000-sq.-ft. outpost at 3 Park Avenue, and the martial arts academy Renzo Gracie leased a new 5,000-sq.-ft location at 31 West 14th Street.

The food and beverage (F&B) sector completed the most deals in Q2 with 17 transactions totaling nearly 64,000 sq. ft. Lafayette Grand Café & Bakery’s 13,000-sq.-ft. renewal at 380 Lafayette Street was the largest F&B transaction of the second quarter. The largest new deal was signed by The Mermaid Inn for a new 6,400-sq.-ft. seafood restaurant at 335 Columbus Avenue, while the Japanese eatery Retro Japan also announced plans to open its first 5,800-sq.-ft. NYC location at 87 Seventh Avenue South.

FIGURE 5: Top Lease Transactions | Q2 2023

Tenant	Size (Sq. Ft.)	Address	Neighborhood	Tenant Type
Vital Climbing Gym	45,000	180 Broome Street	Lower East Side	Health Club
P.C. Richard & Son	31,500	2220 Broadway	Upper West Side	Electronics
Lidl US	27,779	323 Eighth Avenue	Chelsea	Grocery
New York Sports Club*	22,000	3 Park Avenue	Gramercy	Health Club
Round The Clock Nursery	15,512	620 W 153rd Street	Harlem	Children's Services
Lafayette Grand Café*	13,321	376 Lafayette Street	NoHo	Food & Beverage
Chase Bank*	10,859	15 Central Park West	Upper West Side	Financial Services
Rivian Automotive, LLC	9,988	70 Tenth Avenue	Meatpacking District	Automotive
Madewell	9,000	156 Fifth Avenue	Flatiron/Union Square	Apparel
Schutz	8,000	540 Broadway	NoLIta	Footwear

\*Renewals.

Source: CBRE Research, Q2 2023.

FIGURE 6: Most Active Neighborhoods by Sq. Ft. Leased | Q2 2023

Neighborhood	Number of deals	Leased (Sq. Ft. )
Upper West Side	7	63,088
Lower East Side	1	45,000
SoHo	9	38,728
Chelsea	2	33,309
Grand Central	3	32,857
Meatpacking District	7	27,199
Gramercy	1	22,000
NoHo	3	19,021
Harlem	1	15,512
Flatiron/Union Square	2	11,640

Source: CBRE Research, Q2 2023.

FIGURE 7: Most Active Tenant Type by Sq. Ft. Leased | Q2 2023

Tenant Type	Number of deals	Leased (Sq. Ft. )
Health Club	5	77,704
Food & Beverage	17	63,807
Apparel	11	37,822
Electronics	1	31,500
Fine Arts	1	28,839
Grocery	1	27,779
Jewelry	4	17,848
Financial Services	2	16,859
Children's Services	1	15,512
Cosmetics	2	13,040

Source: CBRE Research, Q2 2023.

## Availability

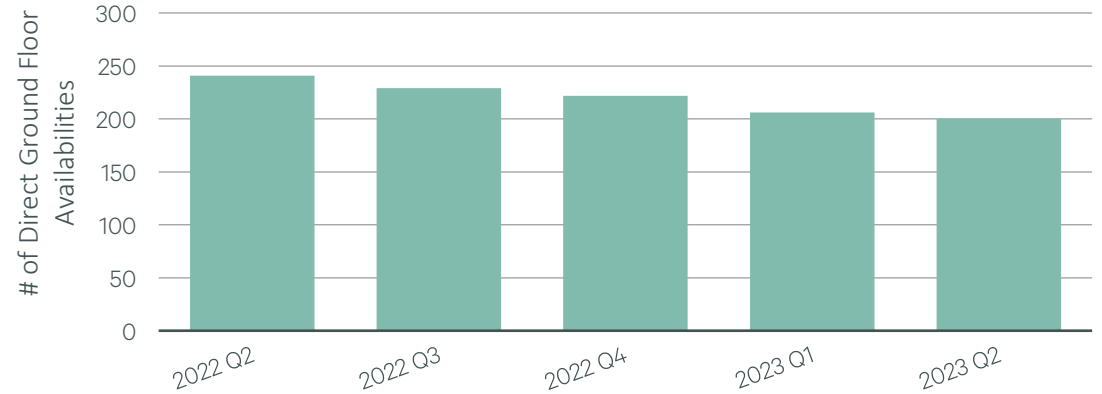
For the eighth consecutive quarter, the number of direct ground floor availabilities tracked across Manhattan’s 16 premier shopping corridors declined. There were 200 availabilities as of Q2 2023, down 2.9% from 206 in the prior quarter and a 17.0% reduction year-over-year. The count of available spaces was 31.0% below the peak of 290 spaces recorded in Q2 2021.

Robust demand within the Upper Madison Avenue corridor contributed to the decline across the major corridors. Madison Avenue saw a 6.3% quarter-over-quarter and 25.0% year-over-year drop to 30 available spaces. Seven spaces were leased in the second quarter of 2023, as various opportunistic brands rushed to secure the few remaining prime locations left on the lower half of the corridor. In Q2, 600 Madison, 609 Madison, 680 Madison, and 781 Madison Avenue all completed transactions .

The SoHo Broadway corridor also recorded a significant decline in availability, dropping 10.0% quarter-over-quarter and 47.1% year-over-year to nine spaces. Demand for the SoHo market remained strong in the second quarter and retailers seeking larger footprints or pop-up locations continue to scour the popular neighborhood. In Q2 2023, two spaces were taken off market as the Brazilian shoe brand Schutz leased 540 Broadway and The Vintage Win signed at 597 Broadway.

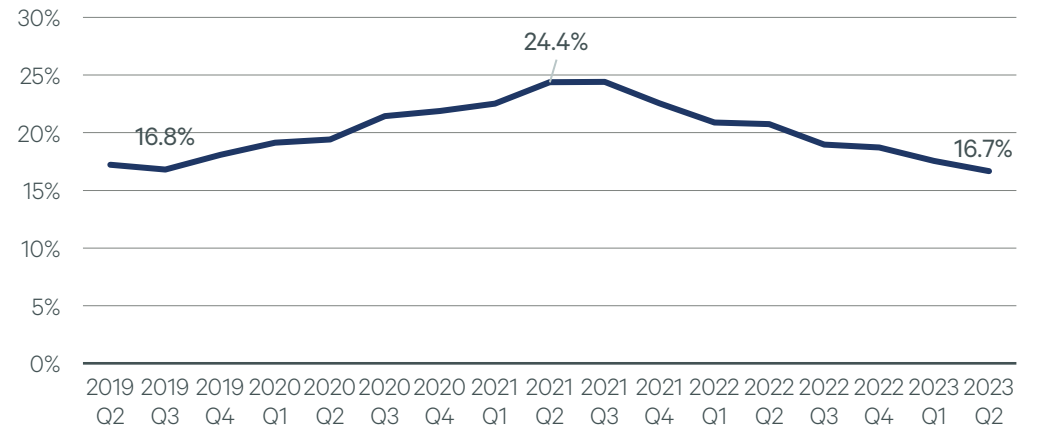
The Broadway corridor in the Upper West Side was one of the few markets to record both an annual and quarterly increase in availability, as the number of spaces grew by 4.5% quarter-over-quarter and year-over-year to 23 listings. In Q2 2023, four new spaces were brought to market. The most significant additions were the retail space recently vacated by Harmon Health & Beauty at 2175 Broadway and the former AT&T outpost at 2191 Broadway.

FIGURE 8: Count of Direct Ground-Floor Availabilities



Source: CBRE Research, Q2 2023.

FIGURE 9: Direct Ground-Floor Retail Frontage Availability Rates



Source: CBRE Research, Q2 2023.

In Q2 2023, the frontage availability rate, which measures the aggregate amount of direct available retail frontage on the city’s main retail corridors, dropped 89 bps from the prior quarter to 16.7%. The frontage availability was 772 bps below the pandemic peak of 24.4% and 141 bps below the 18.1% recorded in Q4 2019. The frontage within the corridors displayed divergent trends. Many corridors like Herald Square and Grand Central located in dense office districts had elevated frontage availability rates around 22 to 29%. Strong leasing activity from tenants seeking to reposition themselves in the Flatiron/Union Square and SoHo corridors drove the available frontage rates between 7 and 12%. The strength in these corridors carried the downward movement across the prime 16 corridors availability rate.

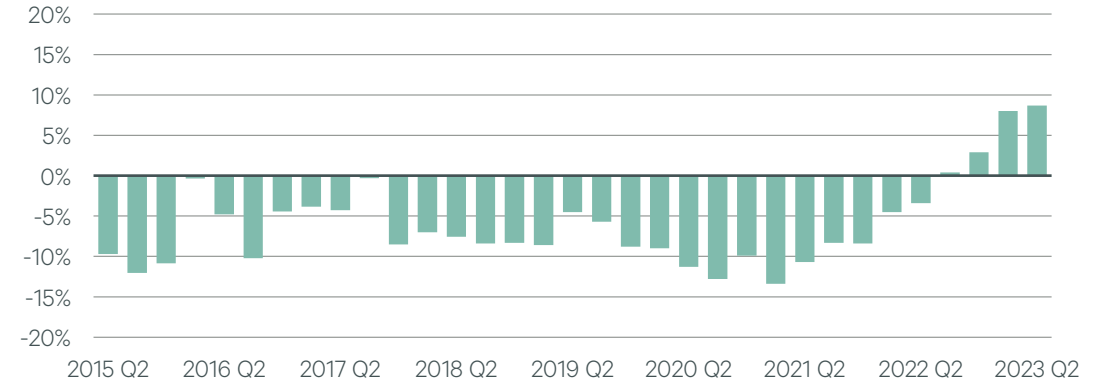
## Average Asking Rent

Average asking rent in Manhattan’s prime 16 retail corridors increased for the fourth consecutive quarter in Q2 2023. Asking rent reached \$645 per sq. ft., up 1.2% quarter-over-quarter and 8.7% year-over-year. Improving demand for prime spaces led to the removal of majority of the discounted spaces and created greater space competition for the remaining locations. Although asking rents improved, overall pricing remains 42.0% below peak levels recorded in 2014 and the market still requires generous concession packages and flexible lease terms to bring deals to completion.

Average pricing on Prince Street in SoHo saw the largest quarterly increase among the 16 corridors to \$831 per sq. ft., up 32.6% quarter-over-quarter and 80.8% year-over-year. Demand from luxury and apparel brands looking to penetrate the popular SoHo submarket remained strong in the early parts of 2023 and depleted most of the discounted spaces on the corridor. As the inventory of availabilities diminished, only the premium priced spaces remained on the corridor.

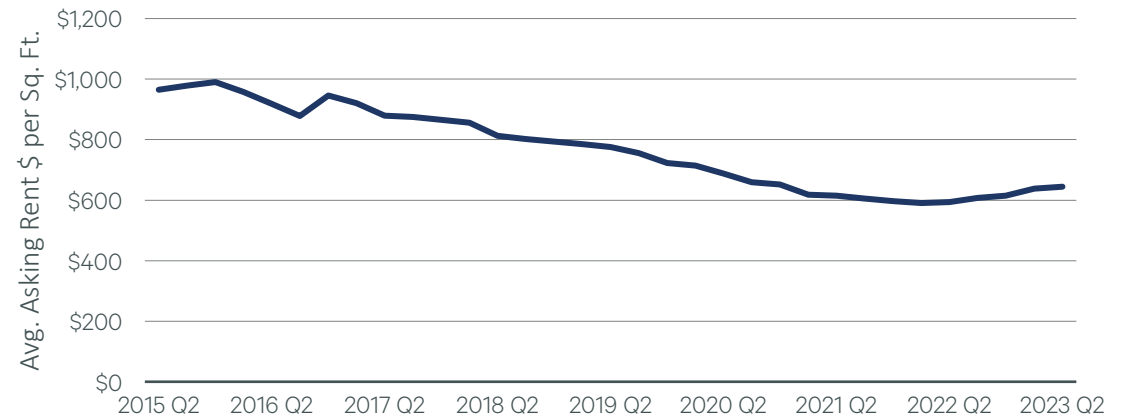
Average asking rents on Spring Street in SoHo rose to \$600 per sq. ft., a 11.0% quarterly and 34.3% annual increase. Like the aforementioned Prince Street corridor, Spring Street has also remained a popular destination for new retailers and has depleted many discounted availabilities along the corridor. Strong demand has allowed new spaces to push pricing upward.

FIGURE 10: Year-over-Year Asking Rent Change



Source: CBRE Research, Q2 2023.

FIGURE 11: Asking Rent – Average of Corridors



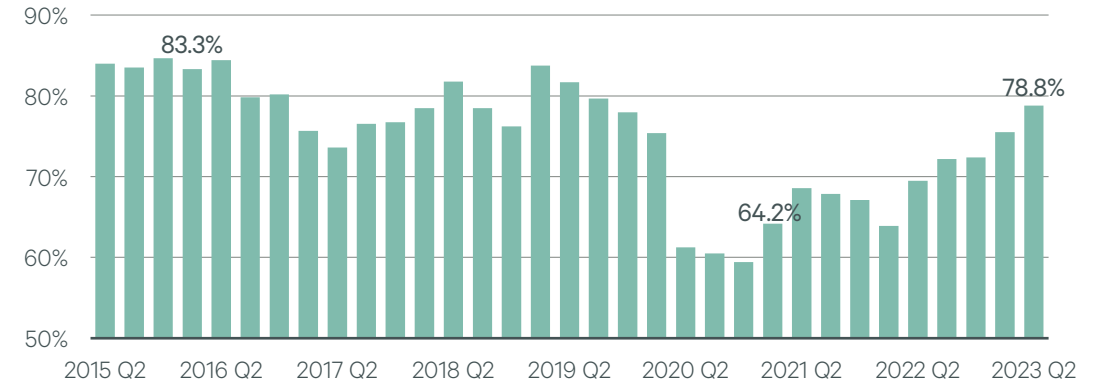
Source: CBRE Research, Q2 2023.

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 11.9% quarter-over-quarter and 19.6% year-over-year to \$385 per sq. ft. While demand for the Meatpacking District as an up-and-coming luxury market grew with the recent completion of Gansevoort Row, several of the larger spaces have seen less activity due to higher capital expenditures and costs to operate larger outposts. Lack of demand for larger units caused owners to reprice their spaces down, causing a modest decline in pricing on the corridor.

## 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 330 bps to 78.8% in Q2 2023. This was a 930 bps increase from the prior year to a level not seen since 2019. Overall demand for prime 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 inventory in the prime markets 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, Q2 2023.

FIGURE 13: Average Asking Rents \* | Q2 2023

Neighborhood	Corridor Parameters	Total direct ground floor availabilities Q2 2023	Q2 2023	Q1 2023	Quarter-over-quarter change	Q2 2022	Year-over-year change
Upper West Side	Broadway   72nd to 86th Streets	23	\$243	\$245	(0.7%)	\$250	(2.7%)
Upper East Side	Third Avenue   60th to 72nd Streets	11	\$242	\$258	(6.2%)	\$223	8.4%
Upper Madison Ave	Madison Avenue   57th to 72nd Streets	30	\$814	\$854	(4.7%)	\$797	2.1%
Plaza District	Fifth Avenue   49th to 59th Streets**	6	\$2,570	\$2,654	(3.2%)	\$2,528	1.6%
Grand Central	Fifth Avenue   42nd to 49th Streets**	13	\$646	\$655	(1.5%)	\$612	5.5%
Times Square	Broadway & Seventh Avenue   42nd to 47th Streets	8	\$1,358	\$1,315	3.3%	\$1,214	11.8%
Herald Square	34th Street   Fifth to Seventh Avenues**	19	\$474	\$523	(9.4%)	\$505	(6.1%)
Flatiron/Union Square	Broadway   14th to 23rd Streets	10	\$430	\$422	1.8%	\$392	9.5%
Flatiron/Union Square	Fifth Avenue   14th to 23rd Streets	7	\$389	\$349	11.6%	\$309	26.0%
SoHo	Broadway   Houston to Broome Streets	9	\$378	\$369	2.4%	\$356	6.3%
SoHo	Prince Street   Broadway to West Broadway	5	\$831	\$627	32.6%	\$460	80.8%
SoHo	Spring Street   Broadway to West Broadway	5	\$600	\$540	11.0%	\$447	34.3%
Meatpacking	14th Street   Eighth to Tenth Avenues	16	\$346	\$343	0.9%	\$315	9.7%
Meatpacking	Gansevoort   Little West 12th Street   13th Street   Ninth to Tenth Avenues	15	\$320	\$314	1.9%	\$339	(5.6%)
Meatpacking	Washington Street   14th to Gansevoort Streets	7	\$385	\$437	(11.9%)	\$479	(19.6%)
Downtown	Broadway   Battery Park to Chambers Street	16	\$299	\$298	0.4%	\$276	8.6%
All	Average of corridors	-	\$645	\$638	1.2%	\$594	8.7%
		<b>Total direct ground floor availabilities Q2 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Quarter-over-quarter change</b>	<b>Q2 2022</b>	<b>Year-over-year change</b>
Aggregate Average Asking Rent**		200	\$545	\$551	(1.2%)	\$516	5.6%

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

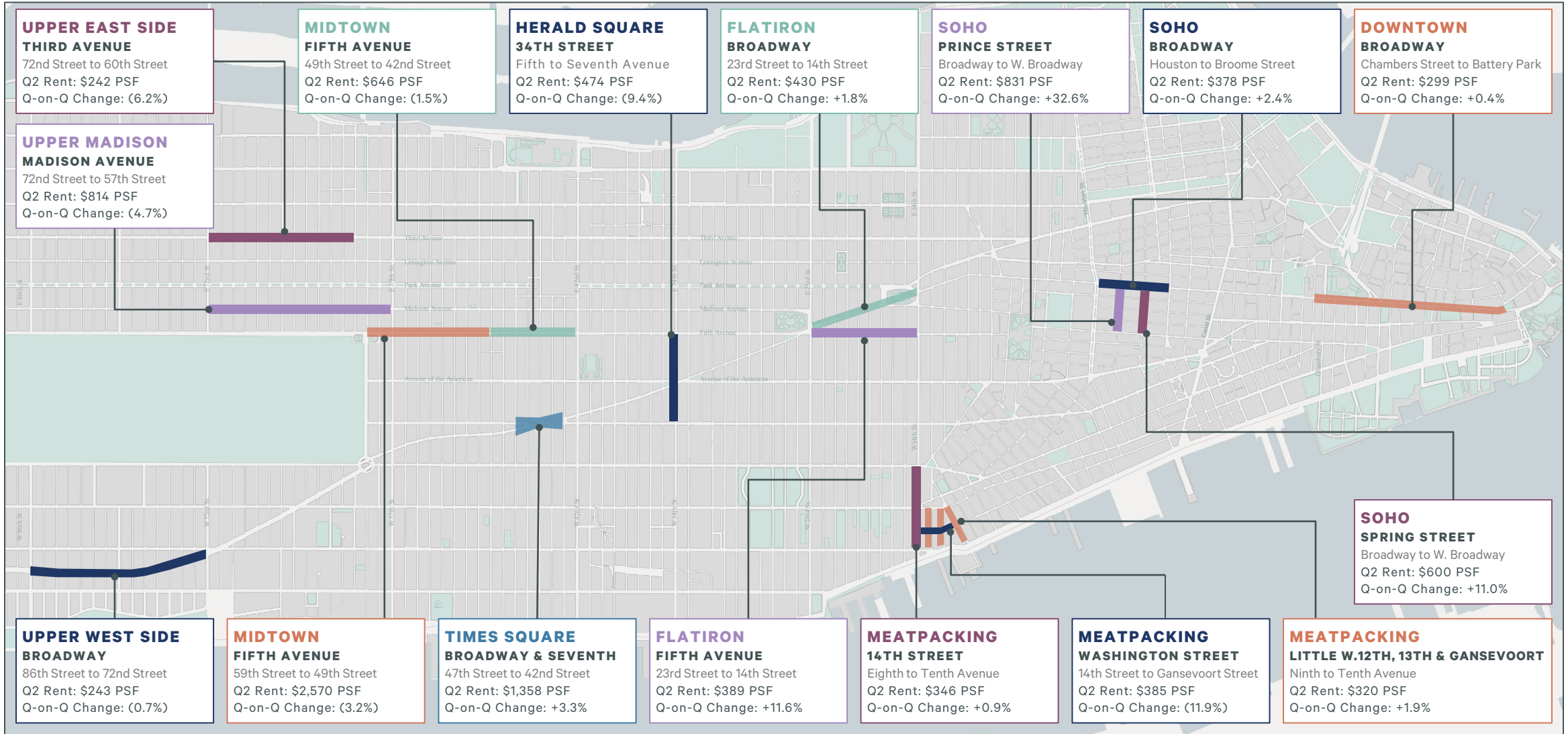
\*\*Historic Average Asking Rent data has been revised since original publication due to updated information

Source: CBRE Research, Q2 2023.



**Retail Corridors**

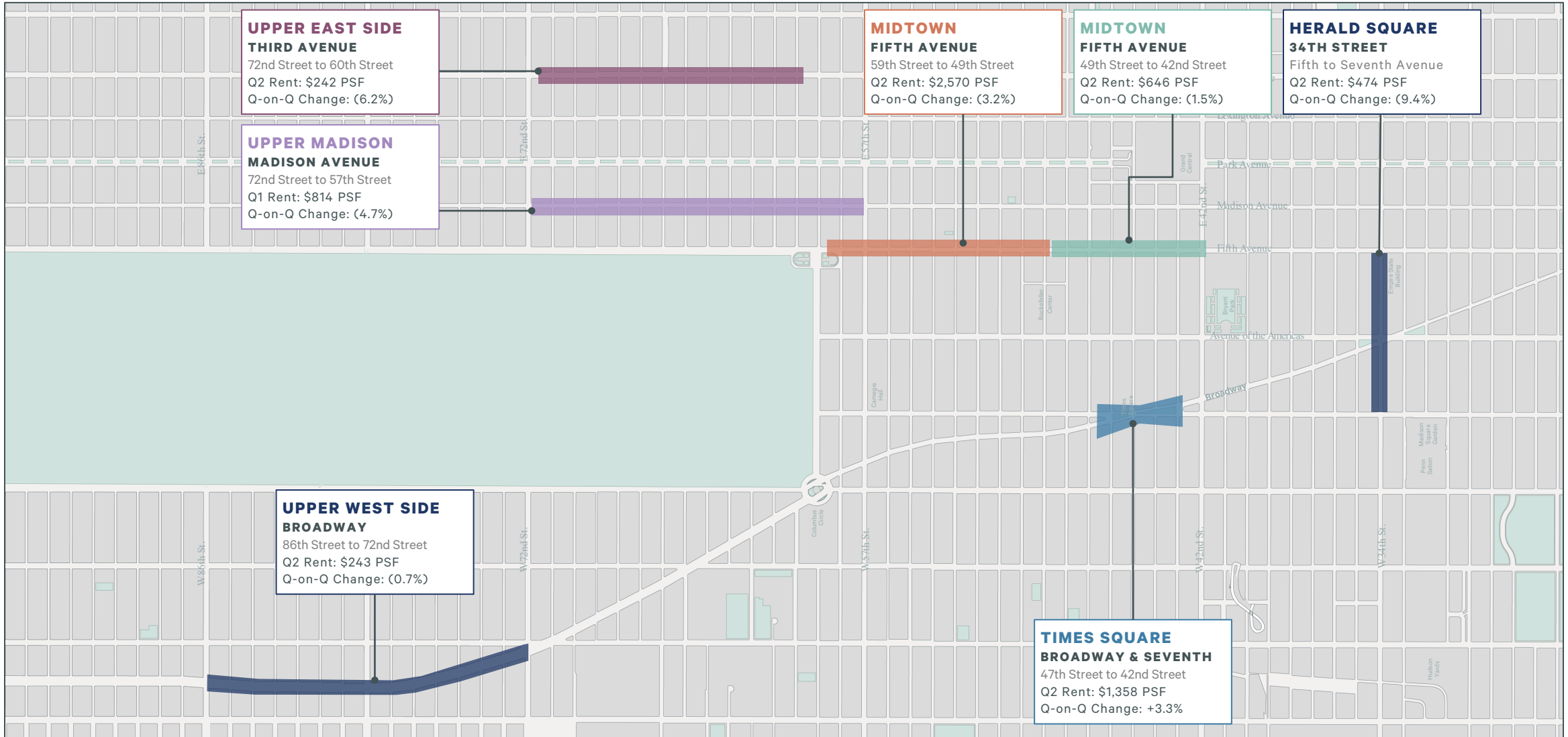
Overall Aggregate Average Asking: \$545 PSF (1.2%) | Overall Average Asking Rent: \$645 PSF +1.2%



Source: CBRE Research, Q2 2023

**Retail Corridors: Midtown**

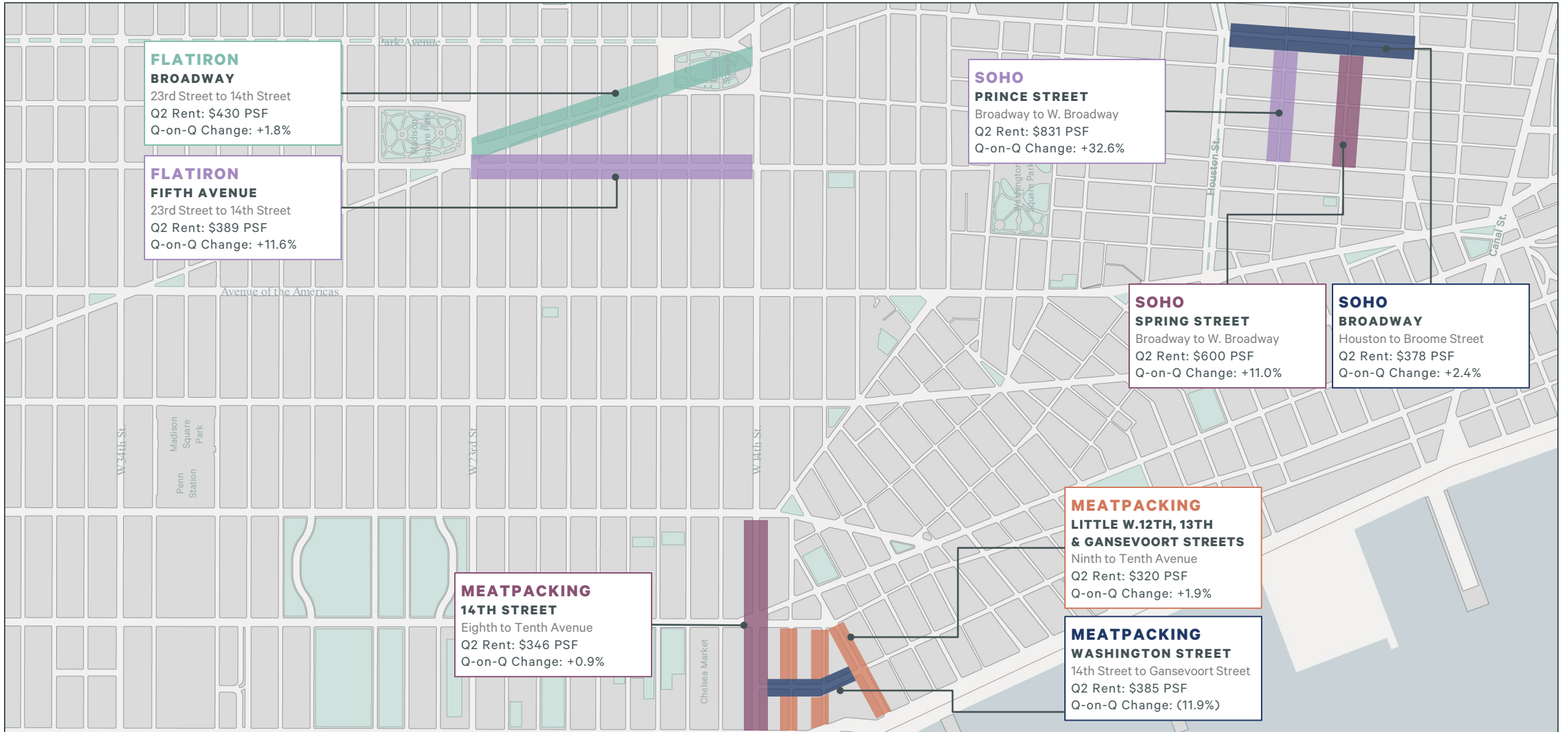
**Overall Average Asking Rent: \$907 PSF (2.4%)**



Source: CBRE Research, Q2 2023.

**Retail Corridors: Midtown South**

**Overall Average Asking Rent: \$460 PSF +8.2%**

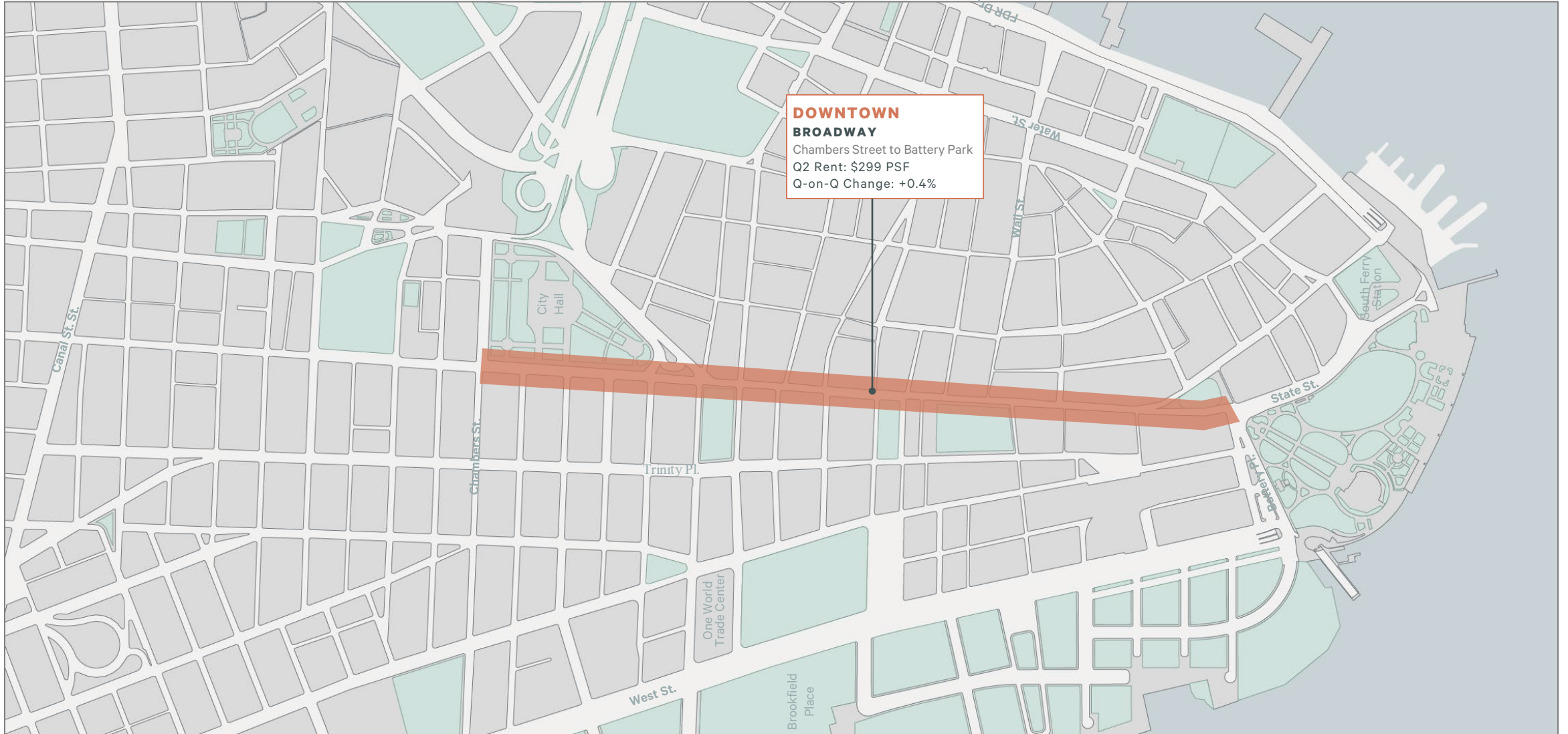


Source: CBRE Research, Q2 2023.



**Retail Corridors: Downtown**

**Overall Average Asking Rent: \$299 PSF +0.4%**



Source: CBRE Research, Q2 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 Q2 2023 includes total leasing velocity over Q1 2023, Q4 2022, Q3 2022 and Q2 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, Q2 2023
2. The 2023 taking rent index was revised since original publication, based on the availability of additional leasing data.
3. CBRE Research, Q2 2023
4. The Q1 2023 rolling four-quarter aggregate total leasing velocity was revised since original publication, based on the availability of additional leasing data.
5. <https://travel.state.gov/content/travel/en/News/visas-news/update-on-change-to-us-travel-policy-requiring-covid-19-vaccination-for-nonimmigrant-travel.html>

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