

# Retail Snapshot Q3 2015

Manhattan



## ECONOMIC INDICATORS

### National

	Q3 14	Q3 15	12-Month Forecast
GDP Growth	2.4%	2.5%	▲
CPI Growth	1.6%	0.2%	▲
Consumer Spending Growth	2.7%	3.3%	▲
Retail Sales Growth	1.9%	2.1%	▲

### Regional

	Q3 14	Q3 15	12-Month Forecast
Household Income	\$75,457	\$77,525	▲
Population Growth	0.6%	0.6%	▬
Unemployment	6.7%	5.9%	▼

Source: Moody's Analytics

## Economy

The New York City economy slowed slightly in the third quarter along with the rest of the nation. Employment is still up a healthy 66,000 jobs from a year ago. The solid job growth continues to drive income up. At the end of 2014, after-tax income was up 5.1% from a year earlier. Tourism remains an important driver of retail activity. In 2014, a record 56.4 million tourists visited NYC and through May of 2015 local hotels reported a 4.1% increase in rooms sold. This combination of rising employment and incomes along with record tourism has combined to boost retail sales in NYC at strong pace. In 2014 retail sales in NYC increased 5.3% from the previous year, and they are projected to remain healthy in 2015 as a whole.

## Market Overview

Asking retail rents increased during the third quarter of 2015 from one year ago in eight of the eleven Manhattan retail submarkets that are tracked statistically by Cushman & Wakefield.

Year-over-year growth was most dominant in Lower Fifth Avenue, 42<sup>nd</sup>- 49<sup>th</sup> Streets, demonstrating a 14.3% increase in asking rents, closing at \$1,244 per square foot (psf) and registering a 27.6% availability rate. SoHo measured the second highest year-over-year growth in asking rents, a 13.8% increase from last year, closing the third quarter with an asking rent of \$535 psf, and a 20.2% availability rate. However, the Upper Fifth Avenue shopping area, 49<sup>th</sup>-60<sup>th</sup> Streets, continues to command the highest asking retail rental rate closing at \$3,080 psf for direct and sublease space and indeed remains the highest asking retail rent in the world. The largest third quarter deal was announced by Old Navy and The Gap for over 80,000 sf at 1530 Broadway in the Toys-R-U's space at the center of Times Square.

Recent announcements of several large food hall tenants who plan to anchor themselves in large-scale future developments include a 40,000 square foot (sf) food market coming to the South Street Seaport, a 40,000 sf food hall coming to the Hudson Yards, and both retail and restaurants are planned in 155,000 sf at the Pier 57 development at West 15<sup>th</sup> Street.

## Outlook

While we expect asking rents to remain strong throughout Manhattan's most important retail markets, we are keeping our eye on increased availability rates in a few of the major submarkets. Demand has stayed flat or dropped slightly for the most part, and leasing velocity has slowed, a function of the asking rents reaching levels that have many retailers hitting the pause button. Our expectation is that it will take a few quarters before asking rents level off or correct to reflect this decreased demand.

### Upper Fifth Avenue, 49<sup>th</sup>-60<sup>th</sup> Street Year-Over-Year Trend/Direct & Sublease Space

Average Asking Rent PSF and Availability Rate



### SoHo Year-Over-Year Trend/Direct & Sublease Space

Average Asking Rent PSF and Availability Rate



MARKETBEAT

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SUBMARKET	ASKING RENTAL RATE	YEAR-OVER-YEAR COMPARISON	AVAILABILITY RATE	YEAR-OVER-YEAR COMPARISON
Fifth Avenue (42 <sup>nd</sup> -49 <sup>th</sup> Streets)	\$1,244	14.3%	27.6%	4.5%
Fifth Avenue (49 <sup>th</sup> -60 <sup>th</sup> Streets)	\$3,080	8.1%	10.1%	-0.2%
Fifth Avenue ((49 <sup>th</sup> -60 <sup>th</sup> Streets -Direct space)	\$3,350	-2.0%	7.2%	-0.2%
Madison Avenue	\$1,607	4.7%	15.9%	2.3%
Upper Westside	\$380	-3.3%	11.9%	3.4%
Third Avenue	\$308	6.2%	9.2%	-0.4%
Times Square	\$2,570	5.5%	11.1%	-4.5%
Flatiron	\$454	12.4%	11.4%	-2.1%
Meatpacking	\$377	12.2%	18.4%	0.1%
SoHo	\$535	13.8%	20.0%	5.8%
Herald Square/West 34 <sup>th</sup> Street	\$818	-8.5%	19.0%	4.7%
Lower Manhattan	\$399	-5.2%	9.1%	1.1%

## Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
1530 Broadway	50,000	Old Navy	Retail	Times Square
1530 Broadway	31,000	Gap	Retail	Times Square
40 Wall Street	18,500	Undisclosed	Commercial/Retail	Lower Manhattan
14 East 60 <sup>th</sup> Street	17,000	Avra	Commercial/Retail	Upper Eastside
235 Park Avenue South	17,000	Union Square Cafe	Commercial/Retail	Park Avenue South

## Key Sales Transactions Q3 2015

PROPERTY	SF	BUYER	PRICE	SUBMARKET
229 West 43 <sup>rd</sup> Street (comm. condo)	345,701	Columbia Property Trust	\$516,000	Times Square
575 Lexington Avenue	739,000	Angelo, Gordon & Co.	\$510,000	Midtown East
120 West 45 <sup>th</sup> Street/Tower 45	415,000	Kamber Management	\$365,000	Times Square
1619 Broadway	175,000	B&B Capital	\$295,000	Midtown West
31 Penn Plaza/132 West 31 <sup>st</sup> Street	444,000	Vanbarton Group	\$265,000	Penn Plaza/Herald Sq.

## About Cushman &amp; Wakefield

Cushman & Wakefield is a global leader in commercial real estate services, helping clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms in the world with revenues of \$5 billion across core services of agency leasing, asset services, capital markets, facilities services (branded C&W Services), global occupier services, investment management (branded DTZ Investors), tenant representation and valuations & advisory. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @Cushwake on Twitter.

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