

MARKETBEAT

Manhattan

Retail Q2 2018



ECONOMIC INDICATORS

National	Q2 17	Q2 18*	12-Month Forecast**
GDP Growth	2.2%	3.0%	▲
CPI Growth	1.9%	2.8%	▲
Consumer Spending Growth	2.7%	2.5%	▲
Retail Sales Growth	4.3%	5.3%	▲

*Q2 estimates **Forecast by Cushman & Wakefield. Values represent year-over-year % change

Regional	Q2 17	Q2 18	12-Month Forecast
Household Income	\$80k	\$80k	▲
Population Growth	0.0%	0.4%	▲
Unemployment	4.5%	4.1%	▼

Sources: Moody's Analytics

Herald Square/West 34th Street

Asking Rental Rate and Overall Availability

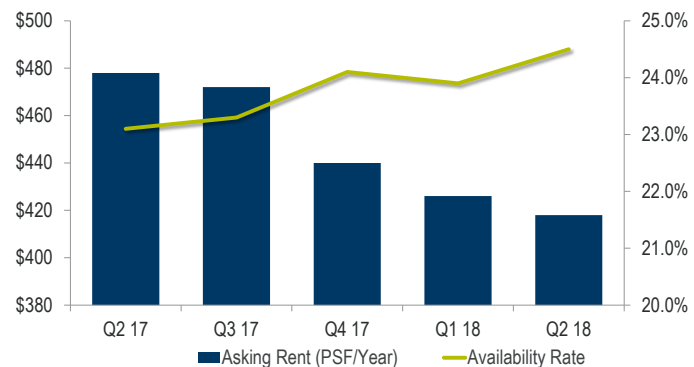
YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



SoHo

Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Economy

The New York City economy continued to grow at a healthy pace in the second quarter. As of May, total employment stood at a record 4,496,400 jobs, up 13,200 from March and 80,000 from one year ago. Steady New York City tourism, a critical driver of retail activity, continued to grow as a record 61.8 million tourists visited the city in 2017, a 2.5% increase over 2016 and another 2.9% increase in tourism is forecasted for this year. More international visitors flocked to the Big Apple in 2017, a 13.6% jump to 13.1 million, up from 12.6 million in 2016. This record tourism, combined with rising employment and increased year-over-year income, should boost shopping activity and alleviate store closures. According to Moody's Analytics, Manhattan retail sales increased by 2.9% in 2017, up from a 1.9% gain recorded in 2016. Retail sales are projected to grow by 3.4% in 2018.

Market Overview

Luxury brand corridors, such as Madison Avenue and Upper Fifth Avenue, are recording limited retail leasing activity. The lavish shopping corridor of Upper Fifth Avenue, 49th-60th Streets, has an equal amount of stores offering retail space for lease on both a direct and a sublease basis. And with asking rents down 10.9% here, it is indicative of landlords eager to fill the potentially vacant and available boutique storefronts on this world-known avenue.

At midyear, almost all retail statistical submarkets, including the high markets of Fifth Avenue, SoHo, Third Avenue, Meatpacking, Madison Avenue, Upper West Side, Flatiron, Herald Square/West 34th Street, and Lower Manhattan registered reduced asking rents due to stores continually coming to market at lower asking rents. In Midtown South, the coveted SoHo submarket continued its asking rent descent, closing the second quarter at \$418 per square foot (psf), a significant 12.6% decrease from the same time period last year and its sixth consecutive quarter posting a decline. The top-tier market, Upper Fifth Avenue (49th Street-60th Streets), continued to command the highest asking retail rent locally for direct and sublease space, closing the first quarter at \$2,775 psf. The Times Square Bowtie (Broadway and Seventh Avenue, West 42nd-West 47th Streets) posted the only year-over-year average asking rent increase—rising 0.8% from \$1,977 psf to \$1,993 psf, although rents remain down 8.2% from five years ago. The Lower Manhattan asking retail rent closed the second quarter with the highest five-year growth rate of 55.8% at \$391 psf.

Availability rates continued to increase in almost all retail high markets during the second quarter. The Herald Square/West 34th Street corridor (Fifth Avenue to Seventh Avenue) recorded the highest availability rate at 32.8%, due mainly to three stores coming to market; American Eagle at 40 West 34th Street and the large Gap and Forever 21 stores at Herald Towers, off of Broadway. On Fifth Avenue (42nd-49th Streets), the availability rate decreased from the first quarter when sports brand Puma signed a long-term 24,000-square-foot (-sf) retail lease at 609 Fifth Avenue and when discount retailer Five Below committed to 11,437 sf at 530 Fifth Avenue. Flatiron/Union Square West also posted a reduction in its availability rate due to healthy leasing in the Broadway corridor. Meanwhile the Upper West Side registered the lowest availability rate at 12.2%.

Outlook

Although overall deal velocity has slowed year-over-year, including quick service restaurants, eateries have taken advantage of landlord concessions during this opportune time. The long-term outlook for the Manhattan retail market continues to be cautiously optimistic however, with healthy consumer spending and bustling city streets driven by steady income growth as New York City continues to dominate in commerce, culture, and tourism.

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SUBMARKET	ASKING RENTAL RATE*	YEAR-OVER-YEAR COMPARISON	AVAILABILITY RATE	YEAR-OVER-YEAR % PT. CHANGE
Fifth Avenue (42nd-49th Streets)	\$1,150	-1.9%	27.6%	-5.2%
Fifth Avenue (49th-60th Streets)	\$2,775	-10.9%	20.3%	5.8%
Fifth Avenue (49th-60th Streets—Direct Space)	\$2,694	-18.2%	10.1%	1.4%
Madison Avenue (East 57th-East 72nd Streets)	\$1,300	-9.2%	27.8%	4.3%
SoHo	\$418	-12.6%	24.5%	1.4%
Third Avenue (East 57th-East 79th Streets)	\$253	-10.6%	19.2%	2.6%
Times Square (Bowtie)	\$1,993	0.8%	15.6%	0.0%
Upper West Side	\$354	-3.5%	12.2%	0.9%
Flatiron/Union Square West	\$421	0.0%	12.7%	-3.0%
Meatpacking	\$360	-3.7%	24.7%	3.2%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$635	-12.3%	32.8%	5.2%
Lower Manhattan	\$391	-5.6%	15.9%	5.1%

*Rental rates reflect gross asking \$PSF/year

Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
2318 Broadway*	42,713	American Multi-Cinema (AMC)	Retail/Residential	Upper West Side
435 Seventh Avenue	42,595	Forever 21	Retail	Penn Plaza/Herald Square
218 West 57th Street	30,941	Trollseum	Retail	Columbus Circle
609 Fifth Avenue	23,917	Puma	Retail/Commercial	Grand Central
520 Second Avenue/Kips Bay Court	23,000	Target	Retail/Residential	Murray Hill

*Sale Leaseback

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
5 Bryant Park	681,575	The Blackstone Group/Savanna	\$640M/\$939	Penn Plaza/Herald Square
222 East 41st Street	389,522	Columbia Property Trust/ Commerz Real AG	\$332.5M/\$854	Grand Central
One Broadway	219,258	Logany, LLC/Midtown Equities Brokerage LLC	\$140M/\$639	Lower Manhattan

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