

MARKETBEAT

Manhattan

Retail Q3 2018



ECONOMIC INDICATORS

National

	Q3 17	Q3 18*	12-Month Forecast**
GDP Growth	2.3%	3.1%	▲
CPI Growth	2.0%	2.8%	▲
Consumer Spending Growth	2.4%	2.7%	▲
Retail Sales Growth	4.5%	6.1%	▲

*Q3 estimates **Forecast by Cushman & Wakefield. Values represent year-over-year % change

Regional

	Q3 17	Q3 18	12-Month Forecast
Household Income	\$80k	\$80k	▲
Population Growth	0.2%	0.4%	▼
Unemployment	4.4%	3.9%	▼

Sources: Moody's Analytics

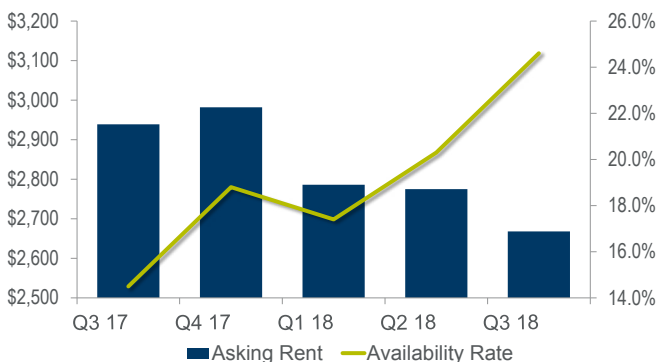
Lower Fifth Avenue (42nd-49th Streets) Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Upper Fifth Avenue (49th-60th Streets) 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 third quarter of 2018. New York City total employment increased by 53,000 jobs over the past year, reaching 4.5 million jobs in August. At 4.1%, August marked the eleventh consecutive month the unemployment rate remained below 4.5%—the longest period on record. 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. 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 3.4% in 2017 and sales are projected to grow 5.5% in 2018.

Market Overview

As availability rates climb to historically high levels across many of Manhattan's highly regarded retail corridors, asking rents continue to fall. From Lower Manhattan to Upper Fifth Avenue, many landlords are now accepting shorter-term deals to fill their spaces. Open for just four months, the Rosé Mansion at 445 Fifth Avenue at East 39th Street, where visitors can interact with curated exhibits while experiencing a taste of the beverage's history, has already attracted thousands of tourists and New Yorkers. Candytopia, an over-the-top six month pop up experience at 401 Seventh Avenue, The Hotel Pennsylvania, allows customers to connect with, and even eat, the colorful social media-friendly displays. In Midtown South's trendy SoHo submarket, the availability rate posted a high of 23.9% during the third quarter. Luxury brands, including high-end coat designer Moncler, are introducing new lines and products in short-term locations, regardless of being previously established in the market.

Continuing the trend from midyear, almost all retail statistical submarkets registered reduced asking rents due to lower-priced stores coming to the market and declining asking rents for existing availabilities. In Midtown, the average asking rental rate on Lower Fifth Avenue (42nd Street–49th Streets) closed the third quarter at \$1,006 per square foot (psf), its lowest rate in six years. In Lower Manhattan's financial district, asking rents dropped 15.0% year-over-year to \$363 psf, as prices dropped on Broadway and Wall Street. Counter to these declines, the Flatiron/Union Square West and Times Square Bowtie markets posted increases in asking rents during the third quarter, registering \$437 psf and \$1,995 psf, respectively.

Availability rates increased in many of the retail statistical submarkets during the third quarter, including Upper Fifth Avenue (42nd Street–49th Streets), Madison Avenue, SoHo, Third Avenue, Times Square Bowtie, Herald Square/West 34th Street, and Lower Manhattan, due to additional storefronts entering the market. In Meatpacking, the availability rate decreased from this time last year partially due a large lease by a Japanese food hall by Gansevoort Market signing for 11,944 square feet (sf) at the world-known elevated High Line Park at 450 West 14th Street.

Outlook

Retail lease velocity has progressed positively during the third quarter of 2018, driven by the continued pop-up shop trend, especially as the holiday season draws near. As online sales grow, the need for accompanying new brick and mortar stores will potentially grow as well. However, the Manhattan retail market continues to be cautiously optimistic—with healthy consumer spending and densely populated city streets, driven by steady income growth, 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)	\$1,006	-9.5%	25.9%	-6.9%
Fifth Avenue (49th-60th Streets)	\$2,668	-9.2%	24.6%	10.1%
Fifth Avenue (49th-60th Streets—Direct space only)	\$2,682	-8.3%	10.2%	3.0%
Madison Avenue (East 57th-East 72nd Streets)	\$1,226	-14.9%	28.4%	5.5%
SoHo	\$417	-11.7%	23.9%	0.6%
Third Avenue (East 57th-East 79th Streets)	\$239	-14.6%	17.9%	1.3%
Times Square (Bowtie)	\$1,995	4.7%	22.2%	8.9%
Upper West Side	\$334	-8.5%	10.1%	-2.7%
Flatiron/Union Square West	\$437	5.3%	13.9%	-1.8%
Meatpacking	\$356	-6.8%	22.8%	-2.5%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$621	-12.9%	32.8%	1.8%
Lower Manhattan (Broadway, Wall & Fulton Streets)	\$363	-15.0%	16.5%	6.3%

*Rental rates reflect gross asking \$PSF/year

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
20 Exchange Place	91,824	Unidentified	Residential/Retail	Lower Manhattan
660 Twelfth Avenue	72,000	The Glasshouses Event space	Industrial/Retail	Midtown West
6 East 57th Street	60,000	Tiffany & Co.	Retail	Plaza
401 Seventh Avenue/Hotel Pennsylvania	25,000	Candytopia	Hotel/Retail	Penn Plaza/Herald Square
2118 Adam Clayton Powell Jr. Blvd.	20,000	Shop Fair Supermarkets	Commercial/Retail	Harlem

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
219 & 235 East 42nd Street	1,123,623	Pfizer/Alexandria R.E. Equities, David Warner R.E., Deutsche Bank AG New York	\$370.0M/NA	Grand Central
540 West 26th Street	164,000	540 West 26th Street Property Advisors/JMCR W 26th Street (NY) LLC	\$257.0M/\$1,567	Chelsea
183 Madison Avenue	274,413	Tishman Speyer Cogswell-Lee/APF Properties	\$222.5M/\$802	Murray Hill

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