

MARKETBEAT

Manhattan

Retail Q4 2018



ECONOMIC INDICATORS

National

	Q4 17	Q4 18*	12-Month Forecast**
GDP Growth	2.5%	3.3%	▲
CPI Growth	2.1%	2.3%	▲
Consumer Spending Growth	2.7%	2.7%	▲
Retail Sales Growth	5.9%	4.6%	▲

*Q4 estimates **Forecast by Cushman & Wakefield. Values represent year-over-year % change

Regional

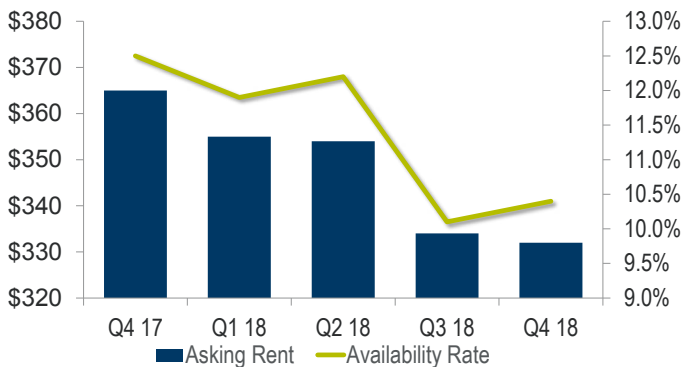
	Q4 17	Q4 18*	12-Month Forecast
Household Income	\$86K	\$88K	▲
Population Growth	0.2%	0.3%	■
Unemployment	3.9%	3.5%	▼

Sources: Moody's Analytics

Upper West Side

Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Flatiron/Union Square West

Asking Rental Rate and Overall Availability

YEAR-OVER-YEAR TREND DIRECT AND SUBLEASE SPACE



Economy

The New York City economy continued to post healthy job growth in the fourth quarter of 2018, increasing since 2017 by nearly 68,000 jobs to 4.5 million jobs in November. Robust tourism, a critical driver of retail activity, remains strong as a record 65.1 million tourists visited NYC in 2018, up 3.7% from 61.8 million tourists in 2017. More international visitors flocked to the Big Apple in 2018 totaling 13.5 million—up 3.1% from last year. Continued record tourism, combined with rising employment and increased year-over-year income, supports increased shopping activity and may curtail store closures. According to Moody's Analytics, Manhattan retail sales increased by 6.3% in 2018, and are projected to grow 4.3% in 2019.

Market Overview

Solid decreases in asking rents were recorded year-over-year in almost all eleven statistical submarkets tracked by Cushman & Wakefield. Notably, Manhattan retail activity recorded healthier deal volume during the third quarter of 2018 despite slowing slightly by year-end, resulting in a 10% increase in total deal velocity year-over-year.

Throughout 2018, asking rents continued to descend in the majority of the high markets. Year-over-year, the Madison Avenue corridor (East 57th-East 72nd Streets) posted the greatest decrease, plummeting \$235 per square foot (psf)—a 16.6% decrease, closing the fourth quarter of 2018 at \$1,178 psf followed by Lower Manhattan, down nearly 14.0% to \$362 psf from \$419 psf in 2017. The next high market to show a significant decrease in its retail asking rent was the Lower Fifth Avenue corridor (42nd to 49th Streets), down 12.5% to \$996 psf from \$1,138 psf at year-end 2017, its lowest rate in six years. Upper Fifth Avenue (49th-60th Streets), however, remained stagnant, with no new leases signed in 2018. Flatiron/Union Square West was the only statistical submarket to exhibit an uptick in its average asking rent, up 5.6% to \$436 psf through its 2018 ascent.

Retail availability rates posted sporadic results for all the major markets at the close of 2018. As it did in the first three quarters of 2018, Herald Square/West 34th Street remained unchanged at a hefty 32.8% due to a lack of activity. Unlike Upper Fifth Avenue, its neighboring southerly submarket, Lower Fifth Avenue supplied all of the Fifth Avenue action during 2018 with five new retail lease commitments including retailers Five Below, Puma, and L'Occitane, resulting in an 11.2 percentage point slide year-over-year when the availability rate registered a high of 34.5%. Upper Fifth Avenue (49th-60th Streets), however, remained stagnant with no new leases signed in 2018.

Outlook

The retail leasing pace slowed slightly during the fourth quarter of 2018. However, relatively healthy velocity during the third quarter drove overall deal volume up nearly 10.0% year-over-year, despite the overall difficulties in the market. As pop-up shop absorption slows at the close of the holiday season, expect additional new leasing activity in this field as fresh, on-line, retailers may opt to potentially extend their commitments with a brick and mortar physical store. In addition to these "pop-up-to-permanent" tenants, food and beverage users continue to drive the bulk of the absorption. Though there continues to be substantial decreases in asking rents plus increases in concessions, there is a sense that in most retail submarkets, economics have hit "bottom." The New York City macroeconomic environment continues to be cautiously optimistic even with healthy consumer spending and densely populated city streets driven by steady income growth coupled with low unemployment. New York City continues to dominate in commerce, culture, and tourism and is no danger of relinquishing its spot as the most important city for retailers in the United States.

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SUBMARKET	ASKING RENTAL RATE*	YEAR-OVER-YEAR COMPARISON	AVAILABILITY RATE	YEAR-OVER-YEAR % PT. CHANGE
Fifth Avenue (42nd-49th Streets)	\$996	-12.5%	23.3%	-11.2%
Fifth Avenue (49th-60th Streets)	\$2,668	-10.5%	27.5%	8.7%
Fifth Avenue (49th-60th Streets—Direct space only)	\$2,682	-8.3%	14.5%	4.4%
Madison Avenue (East 57th-East 72nd Streets)	\$1,178	-16.6%	28.2%	5.3%
SoHo	\$413	-6.1%	24.5%	0.4%
Third Avenue (East 57th-East 79th Streets)	\$240	-12.4%	19.2%	0.9%
Times Square (Bowtie)	\$1,995	-1.2%	22.2%	11.1%
Upper West Side	\$332	-9.0%	10.4%	-2.1%
Flatiron/Union Square West	\$436	5.6%	13.9%	-1.2%
Meatpacking	\$354	-7.6%	24.1%	-2.5%
Herald Square/West 34th Street (Fifth Avenue-Seventh Avenue)	\$616	-10.9%	32.8%	-1.7%
Lower Manhattan (Broadway, Wall & Fulton Streets)	\$362	-13.6%	15.3%	0.0%

*Rental rates reflect gross asking \$PSF/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
150 West 34th Street	76,444	Old Navy (Renewal)	Retail	Penn Plaza/Herald Square
432 Park Avenue	55,000	Phillips Auction House	Residential/Retail	Plaza
1865 Broadway	35,631	Target	Residential/Retail	Upper West Side
100 Broadway	26,767	Duane Reade (Renewal)	Commercial/Retail	Lower Manhattan
670 Broadway	20,000	Zero Bond	Commercial/Retail	NoHo

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
425 Lexington Avenue	700,000	J.P. Morgan Asset Management/ Vanbarton Group	\$700M/\$1,000	Grand Central
1535 Broadway/ Marriott Marquis Hotel*	109,000	Host Hotels & Resorts/ Vornado Realty Trust	\$442M/\$8,815	Times Square
114 West 41st Street	349,274	Blackstone Group/Clarion Partners & Oregon PERS	\$282M/\$807	Penn Plaza/Herald Square
440 Ninth Avenue	411,000	Unizo Holdings Co./TH Real Estate & Taconic Investment Partners	\$269M/\$655	Penn Plaza/Herald Square
775 Washington Street	21,170	Harach Group/Winter Properties	\$89M/\$4,204	Greenwich Village

*46% retail condo interest

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