

MARKETBEAT

Retail Snapshot Q1 2016

Manhattan



ECONOMIC INDICATORS

National

	Q1 2015	Q1 2016	12-MONTH FORECAST
GDP Growth	2.9%	2.1%	▲
CPI Growth	-0.1%	1.1%	▲
Consumer Spending Growth	3.3%	2.8%	▲
Retail Sales Growth	2.8%	2.8%	▲

Regional

	Q1 2015	Q1 2016	12-MONTH FORECAST
Household Income	\$79,809	\$83,403	▲
Population Growth	0.6%	0.5%	▬
Unemployment	6.3%	5.4%	▼

Source: Moody's Analytics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Office of the Census

Economy

The New York City economy posted a strong start to 2016, as total employment increased by approximately 24,000 jobs during the first quarter, compared to 23,000 jobs added in first quarter 2015. Overall, New York City added 87,000 jobs in 2015, and is 2.1 percent above the growth rate for both the United States and New York State. Over the last year, this solid job growth continued to drive income up, as the New York City median household income increased 4.5 percent. Tourism continues to rise and remains a critical driver of sales and retail activity. In 2014, a record 56.4 million tourists visited New York City and 2015's number continued to exceed historical highs with 58.3 million visitors. The combination of rising employment, increased income and record tourism has created robust Manhattan retail sales. According to Moody's Analytics, New York City retail sales increased an estimated 4.6 percent in 2015, down from the 5.1 percent gain recorded in 2014.

Market Overview

During the first quarter of 2016, asking retail rents increased from one year ago in four of the 11 Manhattan retail submarkets— Meatpacking, SoHo, Lower Manhattan, and Herald Square/West 34th Street. The Lower Fifth Avenue corridor (42nd-49th Streets) remained mostly flat year-over-year, however, asking rents decreased in the six remaining submarkets.

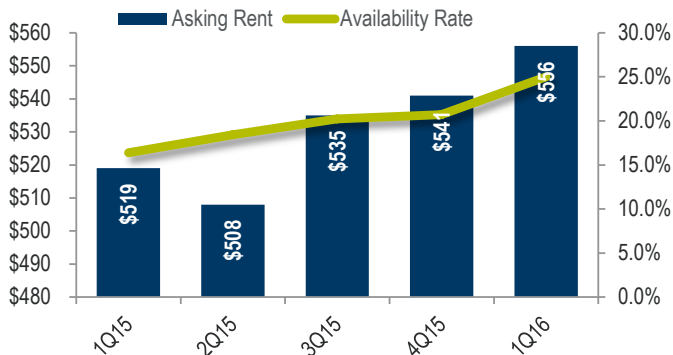
SoHo had the highest year-over-year asking rental increase, closing the quarter at \$556 per square foot, a 7.1 percent increase year-over-year with a substantial 25.0 percent availability rate. Additionally, Lower Fifth Avenue (42nd-49th Streets) also registered a high vacancy rate closing the first quarter at 31.0 percent, with an average asking rent of \$1,234 per square foot. The Upper Fifth Avenue shopping area, 49th-60th Streets, continues to command the highest asking retail rental rate both locally and globally at \$3,035 per square foot for direct and sublease space and \$2,906 per square foot for direct space only. Life Time Athletic completed the largest retail deal this year at Sky, the new residential tower at West 42nd Street and Eleventh Avenue, for nearly 70,000 square feet. Following the health club trend, Equinox committed to almost 45,000 square feet at 315 Park Avenue South, a commercial property at East 24th Street.

Outlook

With rising availability rates in all of the major Manhattan statistical submarkets during the first quarter of 2016, uncertainty continues as more stores are added to the market on a daily basis. There is a cause for concern amongst retailers due to all-time high asking rents, which is likely to create a slowdown in demand and leasing velocity throughout the year. It could take several quarters before asking rents level off or correct to reflect this decreased demand. Despite these obstacles, consumer spending is expected to continue to accelerate this year to its strongest pace in more than a decade, and will hopefully sustain its upward trend.

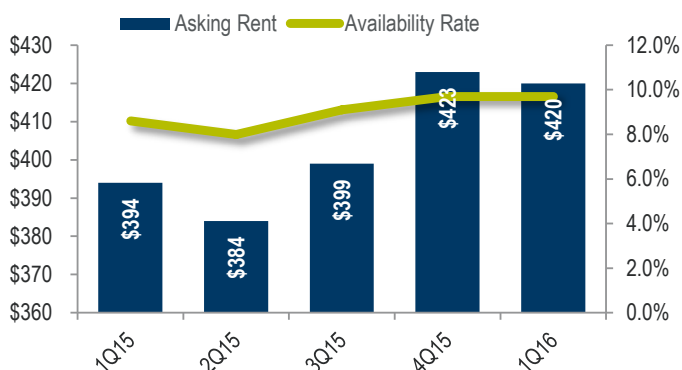
SoHo

Year-Over-Year Trend/Direct and Sublease Space AVERAGE ASKING RENT PSF AND AVAILABILITY RATE



Lower Manhattan

Year-Over-Year Trend/Direct and Sublease Space AVERAGE ASKING RENT PSF AND AVAILABILITY RATE



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SUBMARKET	ASKING RENTAL RATE	YEAR-OVER-YEAR COMPARISON	AVAILABILITY RATE	YEAR-OVER-YEAR COMPARISON
Fifth Avenue (42nd-49th Streets)	\$1,234	-0.3%	31.0%	6.4%
Fifth Avenue (49th-60th Streets)	\$3,035	0.7%	13.0%	4.2%
Fifth Avenue (49th-60th Streets, Direct space)	\$2,906	-13.3%	10.1%	2.7%
Madison Avenue	\$1,487	-6.1%	17.1%	4.1%
Upper West Side	\$385	-0.8%	10.1%	0.4%
Third Avenue	\$288	-12.2%	9.6%	2.1%
Times Square	\$2,294	-8.5%	20.0%	6.7%
Flatiron	\$419	-1.2%	12.0%	-0.4%
Meatpacking	\$389	3.5%	22.2%	3.9%
SoHo	\$556	7.1%	25.0%	8.6%
Herald Square/West 34th Street	\$825	4.3%	22.4%	9.9%
Lower Manhattan	\$420	6.6%	9.7%	1.1%

KEY LEASE TRANSACTIONS Q1 2016

PROPERTY	SIZE (SF)	TENANT	PROPERTY TYPE	SUBMARKET
605 West 42nd Street/Sky	70,000	Life Time Athletic	Residential	Midtown West
315 Park Avenue South	44,458	Equinox	Commercial	Park Avenue South
3 Columbus Circle/1775 Broadway	39,718	Nordstrom Menswear	Commercial	Columbus Circle
1604 Broadway	27,396	Ryman Hospitality	Retail	Times Square
685 Fifth Avenue	24,149	Coach	Commercial	Plaza

KEY SALES TRANSACTIONS Q1 2016

PROPERTY	SIZE (SF)	SELLER/BUYER	PRICE/\$PSF	SUBMARKET
388-390 Greenwich Street	2,405,000	Citigroup, Inc.	\$2,000,000,000/\$832	TriBeCa
787 Seventh Avenue	1,700,000	CalPERS	\$1,932,900,000/\$1,137	Plaza
1700 Broadway	596,559	Lawrence Ruben Companies	\$280,000,000/\$469	Midtown West
225 Rector Street	476,000	Cove Prop. jv Multi-Employer Property Trust jv Bentall Kennedy	\$225,000,000/\$473	Lower Manhattan
1140 Avenue of the Americas	250,000	American Realty Capital NY City REIT	\$180,000,000/\$720	Grand Central

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