

## Retail Quarterly

# Decreased asking rents lead to more deals, while specialty retail makes a splash

- All five of the prime urban corridors tracked by JLL Research showed a marked decrease in asking rents year-over-year, which is likely responsible for the uptick in overall deals seen in the first quarter.
- Midtown East and Midtown West saw the most deals done this quarter, comprising 13.7% and 11.0% of all deals, respectively.
- Retailers falling in the “other” category were the third-highest category in this quarter’s tenancy analysis, after perennial favorites food users and apparel.

### When rents go low, leases go high

After being plagued by long stretches of inactivity, deal frequency throughout the NYC market has slowly started to accelerate once again. The first quarter was marked by a 58.7 percent increase quarter-over-quarter in overall deal volume. To determine why this happened, one need look no further than the initial cause of the stasis: exorbitant asking rents. Retail rents decreased year-over-year in each prime urban corridor tracked by JLL research.

The largest year-over-year rent declines were seen in SoHo and Times Square, where rents have declined by 16.4 percent and 7.3 percent, respectively. The decline in asking rents has directly correlated with more deals being signed in Times Square, where availability is the lowest in the city at 8.8 percent. SoHo accounted for 20.0 percent of all deals done in the fourth quarter last year – the largest share of all the corridors – and this prosperity continued in the first quarter with retailers such as **Aerie** and **Calzedonia** both leasing over 6,000 square feet in the area. Despite all of this, dining remained dominant, as 39.7 percent of deals signed in the first quarter were food users. These deals were primarily concentrated in Midtown East and Midtown West, where 24.7 percent of all deals in the city were done.

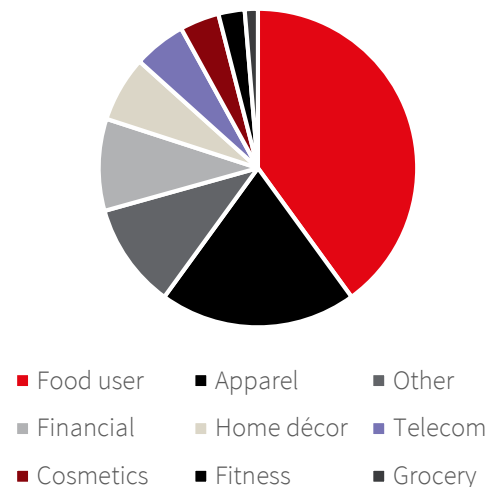
### The rise of the specialized

Food users dominated the lease activity in the first quarter followed unsurprisingly by apparel retailers, which comprised 20.5 percent of all deals. However, the unexpected trend was that retailers that fall within the “other” category made up 11.0 percent of deals. As many national retailers fail to compete in this evolving retail landscape, as evidenced by nationwide store closings, it appears that New York landlords are eager to sign tenants that provide unique experiences for shoppers and that do not fall into traditional industry categories. **LROOM**, a luxury flower boutique, signed a lease for 3,300 square feet at 41 West 14th Street in a 5-year deal and in Midtown West, the spy museum **SpyScape** took 45,639 square feet at 250 West 55th Street.

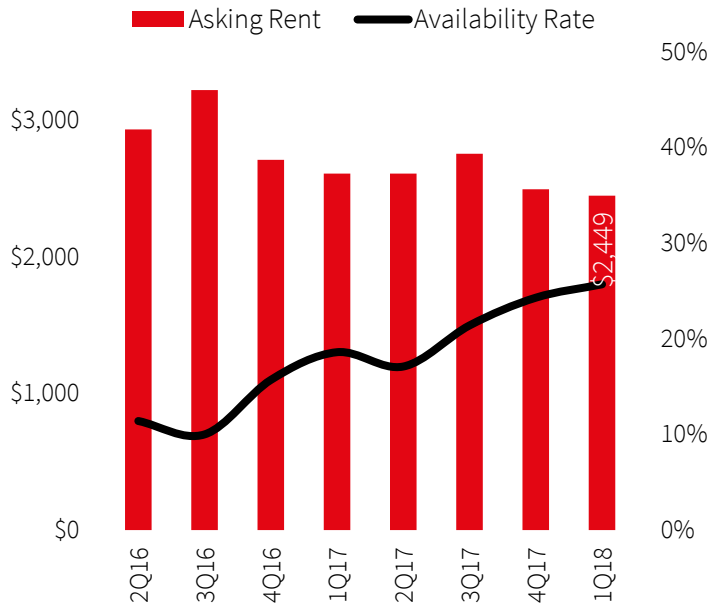


Q1 Lease Breakdown by Category

Tenancy Breakdown

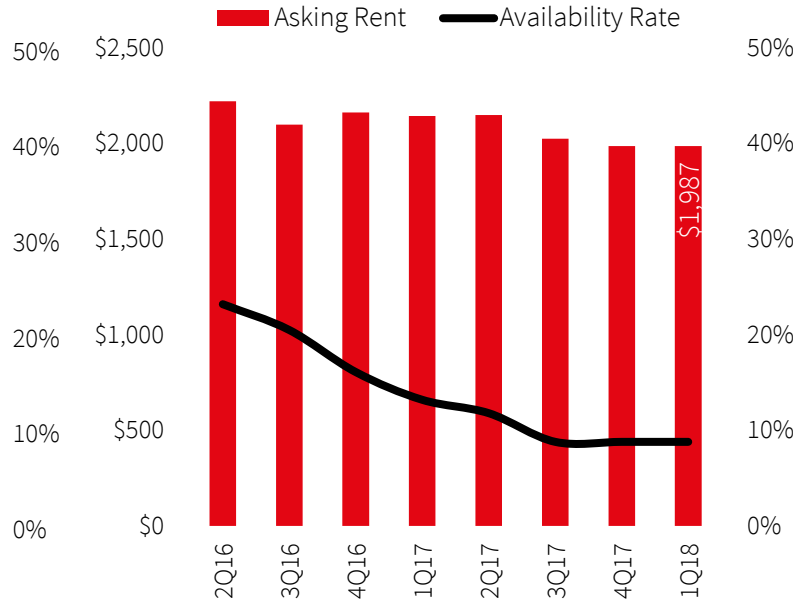


**Upper Fifth Avenue**  
49th Street to 60th Street



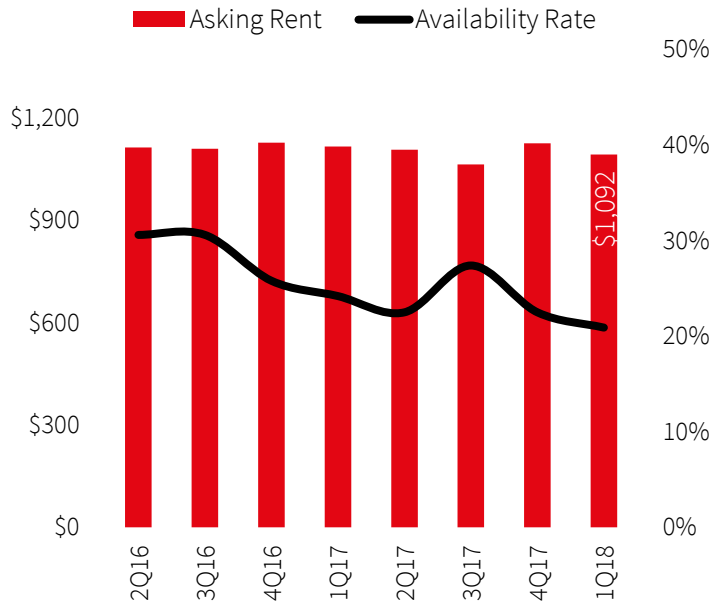
- 25.2% of the storefronts on Upper Fifth Avenue were available at the end of the first quarter, which represents a 7.1 percentage point increase year-over-year.
- The lack of activity likely contributed to the marked depression in asking rents, which have declined for the past two quarters in a row.

**Times Square**  
42nd Street to 48th Street, Broadway & 7th Avenues



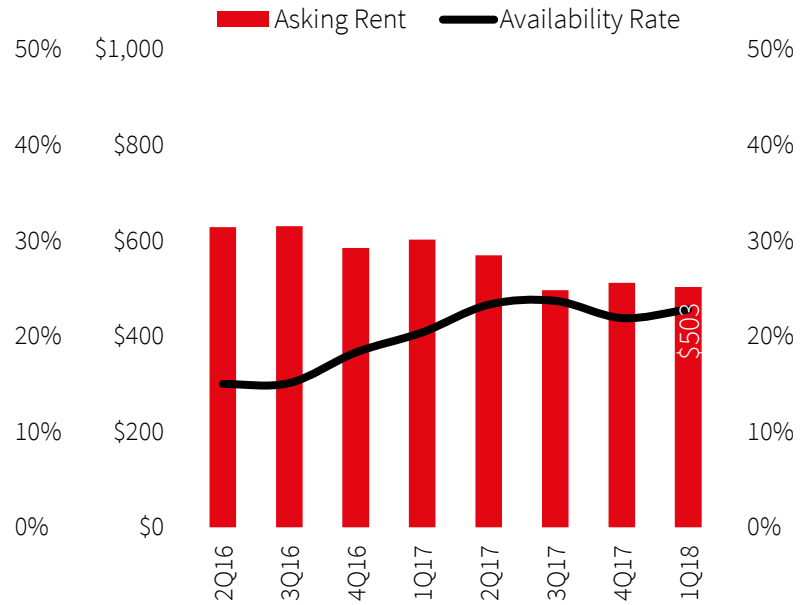
- Availability in Times Square held steady at 8.8 percent in the first quarter, which is still the lowest in Manhattan.
- The most expensive available space is at 1530 Broadway, where one of the available units is asking \$2,500 psf.

**Lower Fifth Avenue**  
42nd Street to 49th Street



- Availability in the Lower Fifth Avenue corridor has decreased for the past two consecutive quarters; the current availability rate of 20.9 percent is a 3.3 percentage point decrease year-over-year.
- L'Occitane leased 3,270 square feet of space at 555 Fifth Avenue between 45th and 46th Streets in a 10 year deal.

**SoHo**  
Broadway to West Broadway, West Houston to Broome Street



- Nearly 10% of all deals done in the first quarter occurred in SoHo, but this was not enough to positively impact the statistics for the corridor, as the overall availability rate held steady at 36.8%.
- Rents along the Broadway corridor have fallen off sharply; the current average of \$603 psf marks a 19% decrease year-over-year.

Note: Availability calculations based on total number of storefronts.

**Q1 2018 | Notable lease transactions**

Company	Address	Submarket	Size (SF)
Spyscape	250 West 55th Street	Midtown West	45,000
Bandier	Zero Bond Street	NoHo	27,500
Target	1201 Third Avenue	Upper East Side	22,000
Casper	627 Broadway	NoHo	19,000
TJ Maxx	250 West 57th Street	Columbus Circle	19,000
Forty Five Ten	20 Hudson Yards	Hudson Yards	16,000
Citibank	79 Fifth Avenue	Union Square	15,000
Morton Williams	1251 Third Avenue	Upper East Side	13,000
Aerie	75 Spring Street	SoHo	6,500
Calzedonia	521 Broadway	SoHo	6,300
Wagamama	605 Third Avenue	Midtown East	5,500
L'Occitane	555 Fifth Avenue	5th Ave	3,270

**Q1 2018 | Notable sale transactions**

Buyer	Address	Submarket	Size (SF)	Price
Unilmmo: Global	412 West 14th Street	Meatpacking District	18,000	\$87,000,000
Tribeca Holdings	102/106 Prince Street; 114-122 Greene Street	SoHo	21,600	\$82,500,000
Status Capital	11 East 86th Street	Upper East Side	11,000	\$82,000,000
HUBB NYC	2021 Broadway	Upper West Side	19,705	\$39,000,000
W Brothers Realty JV Altmark Group JV Blenden Group	766 Madison Avenue	Upper East Side	6,024	\$37,000,000
RFR Realty	1 Jackson Square	Meatpacking District	8,709	\$31,011,000
Churchill Real Estate Holdings JV Square Advisors	5 Mercer Street	SoHo	21,310	\$21,000,000
BLDG Management	900 First Avenue	Midtown East	7,039	\$10,875,000

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