

2023 NYC RETAIL OVERVIEW



SHOP

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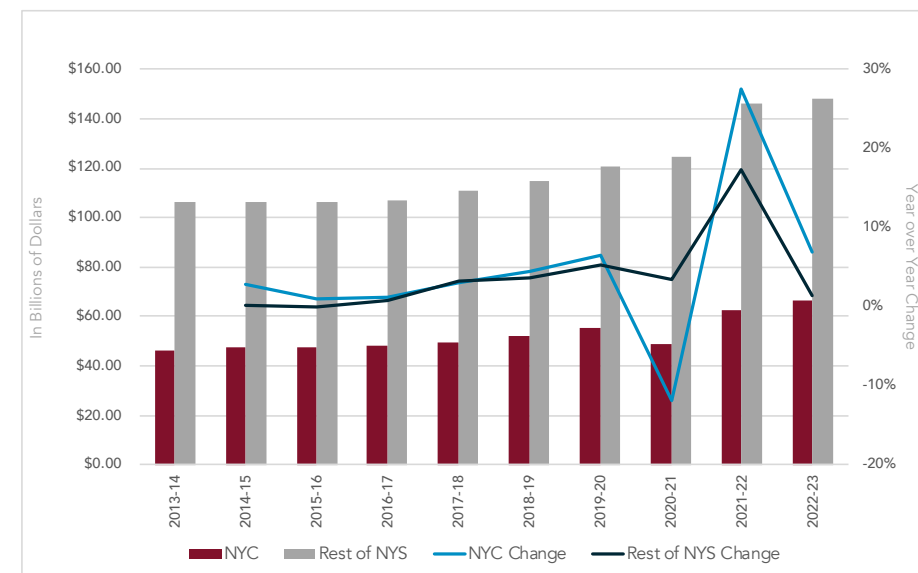
U.S. AND NEW YORK CITY RETAIL SALES REMAIN STRONG DESPITE ECONOMIC TURMOIL

Despite economic headwinds, consumer demand for retail goods remained robust through the first quarter of 2023. National retail sales (including food services) totaled a seasonally adjusted \$2,063 billion in Q1 2023, up 4.9% from the prior year and surpassing Q1 2019's level of \$1,509 billion by 36.7%. Food and beverage sales accounted for 12.8% of total retail spending, on par with pre-pandemic levels. As workers were sent home during the first few months of the pandemic, retail sales exhibited a sharp decline in Q2 2020, while e-commerce sales jumped from 11.9% of sales to 16.4%. Since this inflection point, e-commerce sales have remained stable at elevated levels, representing 14.7% of Q4 2022 retail sales.

For tax year 2022-2023 (March - February), New York City and the rest of the state exhibited a growth slowdown in retail sales from 2021-22, but the city's growth was much stronger.

Taxable retail sales in the city were up 6.9% year-over-year to \$66.6 billion, while taxable retail sales for the rest of the state were up 1.3% to \$148.1 billion. Notably, taxable retail sales in both jurisdictions reached their highest level in the last decade, demonstrating persisting consumer demand for retail.

NEW YORK TAXABLE RETAIL SALES



UNEMPLOYMENT RATE

3.4% IN APRIL (U.S.) | **5.4%** IN MARCH (NYC)



RETAIL EMPLOYMENT

15.5M IN U.S. | **305.6K** IN NYC (MARCH)



RETAIL SALES

\$66.6B IN NYC DURING LATEST TAX YEAR (2022-23)



FEDERAL FUNDS RATE

5.0% - 5.25%



LUXURY RETAIL RESURGENCE ON FIFTH AVENUE

The beginning of the year saw a flurry of luxury retail deals, particularly along Fifth Avenue in Manhattan’s Plaza District. One of the largest deals of the quarter was luxury fashion brand Louis Vuitton’s lease for 36,000 square feet at 6 East 57th Street. Louis Vuitton will occupy the current Tiffany’s space - both of which are owned by the French conglomerate LVMH - which Tiffany’s took over on a sublease from Nike. LVMH plans to construct an entirely new property for the northeast corner of Fifth Avenue and East 57th Street, which will operate as Louis Vuitton’s flagship. Meanwhile, Tiffany’s has moved back to its newly redeveloped flagship location at The Landmark at 727 Fifth Avenue. Burberry signed a short-term lease to take over four floors of the former Valentino space at 693 Fifth Avenue totaling 14,761 square feet. This space will be Burberry’s primary location while renovations are underway at its flagship 9 East 57th Street.

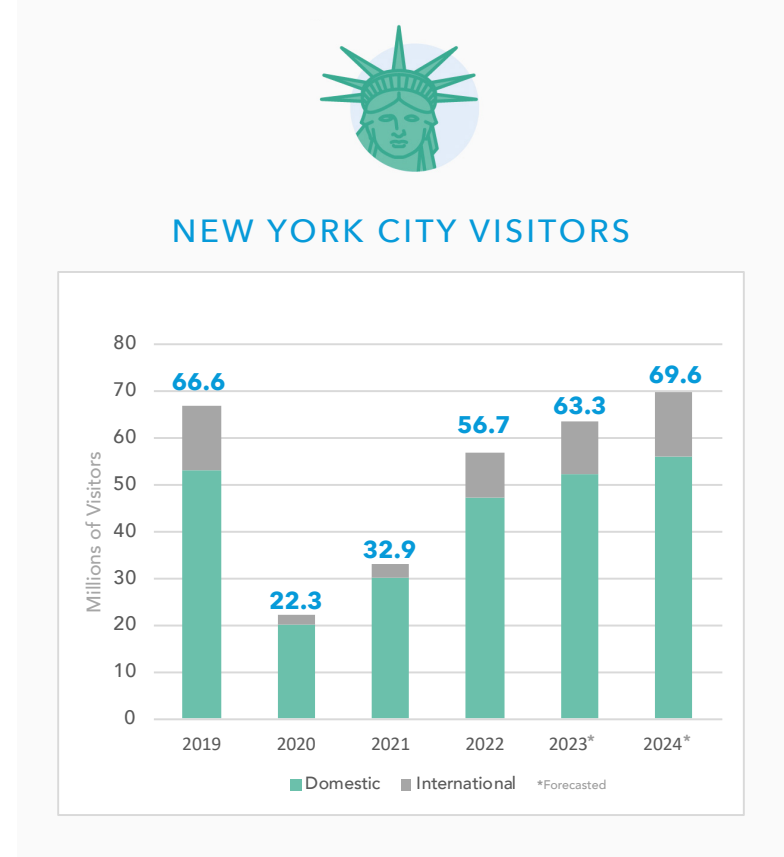
TOURISM BOUNCES BACK

New York City’s tourism has rebounded strongly, attracting 56.7 million visitors in 2022. New York City Tourism & Conventions, the city’s destination marketing organization, projects tourism to surpass 2019 levels by 2024. Not surprisingly, domestic tourism has demonstrated a faster recovery, with the city bringing in 47.3 million U.S. travelers last year, a 10.9% decline from 53.1 million visitors in 2019, while international visitation lagged pre-pandemic levels by 30.4% with 9.4 million travelers. The rebound of international visitation to the city will play a crucial role in the retail market’s recovery, as international travelers spent \$1,709 per person on average in 2019, nearly four times as much as domestic traveler’s average spending of \$458.

The tourism rebound was predominantly driven by an increase in leisure travel, which accounted for 84% of citywide visitation in 2022, with business travel recovering at a slower clip. Additionally, passenger traffic through New York City-area airports reached 32 million passengers in Q1 2023, exceeding the 2019 record by nearly 1 million people.

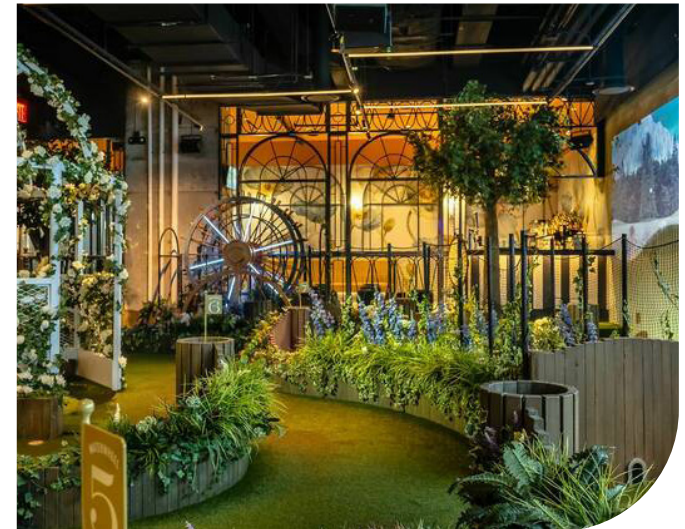
While New York City’s office market remains hindered due to the adoption of remote and hybrid work, the retail market is benefiting from an increase in leisure activity and the rebound of tourist-centric areas. Times Square foot traffic reached 79% of pre-pandemic

levels in the first quarter with 22.3 million visitors, and Flatiron and NoMad foot traffic totaled 13.9 million people, an 80% recovery to pre-pandemic levels. Additionally, subway ridership surpassed 4 billion riders on April 20th, the highest volume since the pandemic’s onset.



ENTERTAINMENT AND ACTIVITY-BASED RETAIL EMERGES

As the city recovers from the pandemic, entertainment and activity-based retail has emerged as a popular attraction across the city. Most recently, Vital Climbing Gym, which has three existing NYC locations, signed a lease for 45,000 square feet at Essex Crossing. The new location is set to open next year and will offer climbing, bouldering, yoga, cycling and weightlifting. Swingers Crazy Golf opened last year at the Virgin Hotel at 1227 Broadway, and will now be accompanied by a new neighbor. Electric Shuffle, a brand that combines shuffleboard with craft cocktails, signed a lease in the first quarter for 10,372 square feet on the ground and second floors of 1227 Broadway for its first New York City location.



CANNABIS

Since the legalization of recreational marijuana in New York State in 2021, the State has issued approximately 215 cannabis dispensary licenses, but only 10 legal dispensaries have opened across the state, 5 of which are located in New York City. However, the slow roll-out of licenses is not due to a lack of demand. Lee & Associates’ Gregory Tannor and Jessica Gerstein have been at the forefront of cannabis retail leasing and have seen an influx of interest from tenants and expect demand to remain strong in the coming years. Due to location constraints on dispensaries, there is high competition for spaces that meet requirements. The limited supply of suitable spaces alongside the perceived risk to landlords have driven up asking rents.



RETAIL AS AN AMENITY

Given the sluggish return-to-office momentum and persistently high availability rates, many landlords are focused on bringing in attractive retail tenants to their buildings as a draw for office tenants. Late last year, SL Green partnered with Daniel Bouloud on a management deal for 22,800 square feet for a French café and steakhouse concept at One Madison Avenue. In 2023, Tishman Speyer announced a partnership with Chef Gabriel Kreuther for two new restaurants at the Spiral. According to Lee & Associates' Executive Managing Director JP Sutro, from a landlord's perspective these deals are less about making money and more about providing office tenants with another reason to come back to the office.

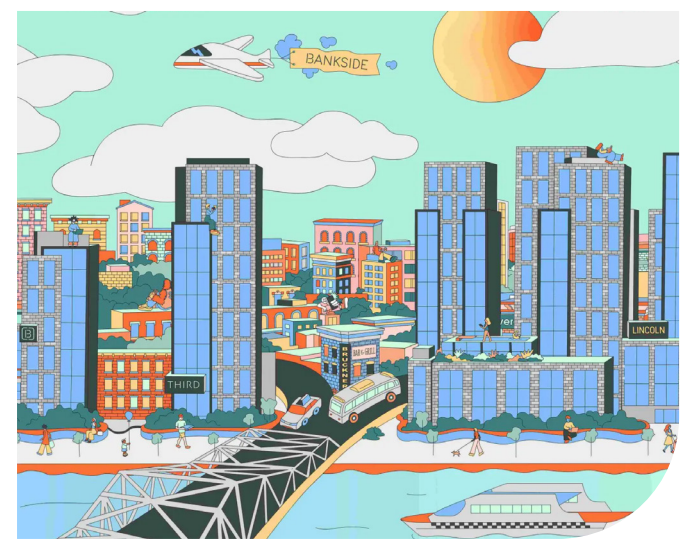


FLATIRON/UNION SQUARE

The Flatiron/Union Square market retained and attracted new tenants during the first few months of the year. J. Crew's renewal of 27,000 square feet at 91 Fifth Avenue was one of the largest deals of the quarter. Notable new food and beverage tenants included Aqua Restaurant's 20-year commitment to 26,554 square feet at 903 Broadway and Botanica Bar's 10-year lease for 4,200 square feet at 10 East 16th Street.

WILLIAMSBURG

Immediately preceding the pandemic, retail activity in Williamsburg began ramping up, but then collapsed as the city faced a global epidemic. In 2021, interest in Williamsburg came roaring back, according to Lee & Associates' Executive Managing Director Garry Steinberg. Activity concentrated along the busy streets of North 3rd Street and North 6th Street, attracting luxury retailers including Hermes and Chanel Beauty. These key areas of Williamsburg have commanded high rents, with North 3rd Street seeing asking prices increase from \$130 per square foot to \$200 per square foot, while North 6th Street has captured rents between \$450 and \$550 per square foot. With most small footprint spaces leased up, Garry Steinberg expects retail demand in the neighborhood to expand outward on Berry Street and Wythe Avenue. In the last two years, Lee & Associates has leased over 100,000 square feet across North and South Williamsburg.



THE BRONX

Retail in the Bronx was resilient throughout the pandemic due to the residential concentration and existence of service-oriented tenants in this area. In the last year, Lee & Associates' Principal Steve Lorenzo has closed approximately 30 retail deals in the Bronx, many of which were supermarkets and drug stores such as Walgreens. The Bronx, particularly the Mott Haven neighborhood, has seen an influx of investment from developers building market rate and affordable multifamily housing. Recent examples of this include RXR's 2413 Third Avenue which will provide roughly 200 residential units and Brookfield's Bankside development which will provide over 1,350 units. Both sites will include base retail, with Lee & Associates' Steve Lorenzo representing Brookfield's Bankside retail.

SOHO SPOTLIGHT



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SoHo has bounced back from the pandemic and continues to be a high-demand area for retailers, particularly apparel tenants, due to its high foot traffic and density. With available space limited on side streets, many tenants - including big-box retailers - are looking to relocate from quieter streets to Broadway, particularly between Broome Street and Houston Street, according to Lee & Associates' Senior Managing Director Paul Popkin.

Some of the neighborhood's most prominent deals were completed by Lee & Associates brokers. Steve Madden recently opened its new storefront at 494 Broadway totaling 2,200 square feet, with Paul Popkin representing the tenant and the Lee & Associates' team of JP Sutro and Morris Dweck representing the landlord. Vintage Twin, an apparel consignment store, signed a lease for 5,000 square feet across the ground and basement floors of 597 Broadway and was represented by Lee & Associates' Paul Popkin and Annie Squier. Schott NYC relocated its flagship from 236 Elizabeth Street to 3,400 square feet at 32 Howard Street, represented by Lee & Associates' Gregory

Tannor and Jessica Gerstein. Lee & Associates' Catherine O'Toole and Stephanie Moore represented ownership in the renewal of Farm Rio's 2,600 square foot space at 133 Prince Street and Golden Goose's expansion to 9,000 square feet at 466 Broome Street. Luxury fashion brand Philipp Plein will be returning to SoHo with a new flagship at 119 Spring Street. Philipp Plein will operate from 3,000 square feet on the ground floor and 2,000 square feet on the lower level. Lee & Associates' Peter Braus, Paul Popkin, and Jessica Gerstein represented the landlord in the deal.

Other notable apparel leases included H&M signing 18,358 square feet at 591 Broadway, the largest deal in SoHo year-to-date, while Abercrombie & Fitch signed 9,063 square feet at 547 Broadway. Additionally, Blundstone, a footwear brand, leased 1,200 square feet at 426 Broome Street. Travis Tadeo leased 3,600 square feet at 79 Grand Street and Rouge leased 3,960 square feet at 476 Broome Street. SoHo continues to be a hotspot across industries, with Eataly signing an 18,000 square foot lease at 200 Lafayette Street at the tail end of 2022.



Sources: Lee & Associates NYC, FRED, U.S. Census Bureau, U.S. Bureau of Labor Statistics, New York State Department of Labor, New York City Tourism & Conventions, The Times Square Alliance, Flatiron-NoMad Partnership, MTA, Bisnon, The NY Post, The Real Deal, New York Business Journal, NYC Department of Tax & Finance, Office of the State Comptroller

TOP RETAIL LEASES

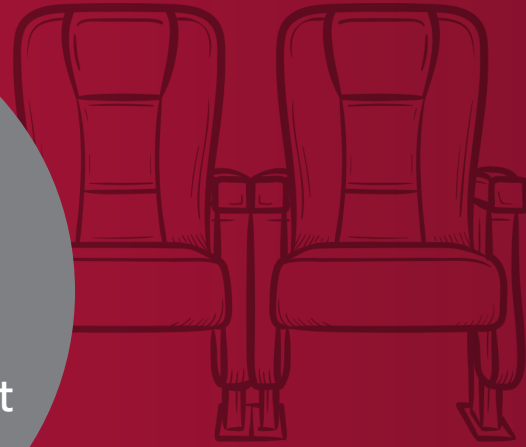
2023 TO DATE

BY SQUARE FOOTAGE



LOOK
DINE-IN CINEMAS

25,000 SF
625 West 57th Street
West Side
NEW



J.CREW

27,000 SF
91 Fifth Avenue
Flatiron/Union Square
RENEWAL

TMPL

27,180 SF
200 Madison Avenue
Madison Square
NEW

H&M

18,358 SF
591 Broadway
SoHo
NEW

aQUA

26,554 SF
903 Broadway
Flatiron/Union Square
NEW



**BARNES
& NOBLE**

34,536 SF
557 Fifth Avenue
Grand Central
RENEWAL



BURBERRY

14,761 SF
693 Fifth Avenue
Plaza District
NEW



16,692 SF
689 Fifth Avenue
Plaza District
RENEWAL



LVMH

36,000 SF
6 East 57th Street
Plaza District
NEW

VITAL
CLIMBING GYM

45,000 SF
180 Broome Street
Lower East Side
NEW



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