



Manhattan, one year later - by Joseph Aquino

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One year after COVID-19 hit the world, it's obvious that the virus has affected the real estate sector more than we wish to admit. The buzz about vaccination has created some hope that things will return to normal quickly—but don't place your bets on a roaring 20s rebound. We still have plenty of work to do. The hotel/hospitality sector, which was showing great statistics pre-virus, waited five years to recover from the hit it took from September 11, 2001—and is only praying that it can recover from the current crisis in that amount of time.

Isaac Newton's Law of Inertia states that a body at rest tends to remain at rest unless acted upon by an outside force. That principle will hold good for commercial leasing, too.

Let's look at some of the major Manhattan markets more closely. Commercial buildings on Madison Ave. that were asking rents of \$1,500 to \$1,800 per s/f, 18 months ago, are being offered by some property owners at \$500 to \$600 per s/f. On Lower Broadway, in Soho, properties that once asked \$1,000 per s/f are renting space for \$200 per s/f in some cases.

Now, let's look at where the customer is. David Zaken is a leasing broker in my company JAACRES, and the former owner of 12 shoe and sneaker stores in New York City. He tells me that when he was a retailer, 50% of his customers were tourists. We all know where those tourists are today: Not here. Potential visitors from overseas are mostly home on a lockdown. American tourists are now driving more and flying less, so they may decide to come to Manhattan as opposed to Disney World in Florida or the Grand Old Opry in Nashville, but we haven't seen it yet.

I visited Paragon Sporting Goods store last week to get my New York Tennis permit and the young lady admitted to me that the traffic has only been about 20% to 25% of what it was a year ago. On the streets of Manhattan, we see pedestrian and vehicle traffic, but behind the brick and mortar are empty spaces with hardly any people. My wife, who works at an office that comprises 50,000 s/f, tells me that until recently, she saw an average of three colleagues per day arrive to work.

Once the pandemic is behind us it may take five years or longer to get retail leasing back to pre-COVID levels. I have recently closed leases on office spaces that used to command \$75 per s/f, and are now renting for \$40 per s/f, or spaces that rented for \$45 per s/f at one time and now goes for \$30 per s/f.

One positive development is that the city is now requesting that all of its municipal workers return in May. Let's see how that pans out.

Consumers' buying habits have been evolving for many years, and the lockdowns haven't helped the brick-and-mortar retailer. People aren't buying less food and drink; they still need various home supplies. But retailers who specialize in unnecessary luxury items have been hurt. So have retailers that provide personal services. For example, I have stopped using a cleaning service for my apartment and I am enjoying doing my own laundry. Since I'm home so much, I might as well do

those chores myself.

I am not using my dry cleaners since I am not going to the office as I usually did. I have even discovered that I can cut my own hair better than my barber ever did—and I can do it for free.

I find myself cooking daily—enjoying my fresh food selections and recipes that I select from my local market. My wife and I do not go out to the neighborhood restaurants, or get takeout, as frequently as we used to do. One section of our living room is piled up with brown cardboard shipping boxes from Amazon.com and other web-based retailers.

COVID was not a conspiracy to put local establishments out of business, but unfortunately it has had that effect, in many cases. So now what?

We must get to a point where we all agree that the pandemic is behind us. There may come a point where the people will have to start rebuilding society with or without the permission of the government's "experts."

We will have to rebuild slowly. I foresee that the winners will be the individuals and companies that show kindness, good will, and good service and offer a product at a reasonable price.

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