



CBRE's Q3 Manhattan retail report finds rent declines slowing: Union Square/Flatiron District remains strong and stable

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Manhattan retail rents continued to decline in the third quarter, but at a slower rate than during the first half of 2009, according to a report released by CB Richard Ellis.

According to the report, 2 of the 10 most popular Manhattan shopping destinations saw increases in average asking rents from the second to third quarter of this year. Downtown, the Broadway corridor from Battery Park to Chambers St. was up 10.87%, from \$209 per s/f to \$234 per s/f, while Soho saw a slight increase of .41% for Broadway between Houston and Broome St., as average asking rents rose from \$481 to \$483. In Times Square, Broadway/7th Ave. from 42nd St. to 49th St. also saw an increase, but the change was considered an anomaly due to a small sampling skewed by a low asking rent for only one property.

In addition, the report notes that the Upper East Side's Madison Ave. corridor from 57th St. to 72nd St., and Herald Sq.'s 34th St. corridor from Fifth to Seventh Aves. saw an increase in leasing activity over the third quarter. Sensing a market bottom, retailers jumped at the opportunity to take space along these corridors after average asking rent decreases of 41.17% and 25.78%, respectively, since the start of 2009. Some notable transactions included Esprit, Aeropostale and Levi's taking a total of 35,941 s/f on 34th St., along with a number of smaller deals on Upper Madison Ave.

Although recent economic reports indicate that consumers continue to conserve their cash and repay debt, possibly leading to a flat holiday sales season, some local retail tenants and big-box discounters have reentered the Manhattan market to seek space. "We are seeing big-box discounters like TJ Maxx and Kohl's actively seeking space, because they have been drawn back by unusually affordable rents," said Alison Lewis, senior managing director, CBRE Retail. "And landlords are being more flexible in offering short-term deals, so that well-known designers and even big-name retailers like Target and Toys 'R' Us are now considering opening pop-up stores for the holidays."

The CBRE report also points out that despite the market turmoil for retailers this year, the Union Square/Flatiron district has remained relatively strong and stable, due in part to a confluence of trendy restaurants, service retailers and fashion-forward shops that have produced consistently heavy foot traffic seven days a week. Average asking rents in the district range from a high of \$269 per s/f along the Fifth Avenue corridor to \$83 per s/f on the side streets