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# REBNY fall retail report shows promise in shopping hot spots

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The Real Estate Board of New York's (REBNY) fall 2009 retail report contained very encouraging results. Manhattan average asking rents for retail space in high traffic, high profile areas such as Fifth Ave., Meatpacking, SoHo and Times Sq. were up compared to last year despite the greatest economic recession the country has seen in years.

In these locations, where the demand is still strong and vacancies are few, average asking rents are still comparable to the height of the market. On Fifth Ave. (between 49th and 59th Sts.) asking rents for ground floor space were $2,050 per s/f, up 46% compared to fall 2008. Meatpacking District asking rents for ground floor space were $375 per s/f, an increase of 23%, SoHo asking rents for ground floor space increased to $483 per s/f, up 12%, and Times Sq. ground floor asking rents on Broadway and Seventh Aves. between 42nd and 47th Sts. were $821per s/f, an increase of 6%.

In reviewing the available listings in other areas of the city with less demand and more vacancies, we noticed that some of these owners had not changed the asking rent for their space since the market downturn. Our retail report advisory group explained that these owners have recognized the change in the economy, but until there is more stability in the market they are unwilling to guess about what the new asking rent should be.

In other listings where asking rents have not declined, owners want to retain a higher base rent but are prepared to provide incentives that would lower the effective rent to a level where a deal is achievable.

However, retailers in the market are likely to find owners willing to offer more free rent and work to induce tenants to make deals now than a year ago.

In addition, the retail report contained results that reflected the economic downturn. Most of the primary retail corridors saw a market correction from all-time high retail rents of a year earlier.

The primary retail corridors with the most sizable asking rent declines included Herald Sq. on West 34th St. between Fifth and Seventh Aves. where asking rents for ground floor space declined to $421 per s/f, or 35%. The Financial District corridor on Broadway between Battery Park and Chambers St. saw asking rents decline to $189 per s/f, or 25%. East 86th St. between Lexington and Second Aves. and Columbus Ave. between 66th and 79th Sts. both saw asking rents decline to $363 per s/f and $229 per s/f respectively, or 24%.

Overall, the average asking rents for all available retail space in Manhattan (ground floor and other) declined 9% to $117 per s/f compared to the fall 2008.

Midtown and Midtown South saw their average asking rent for all space decline by 11% in each geographic area to $144 per s/f and $99 per s/f, respectively. The westside was down 10% to $132 per s/f. The eastside and downtown declined by 6% to $178 per s/f and $103 per s/f, respectively.

The global economy continues to have an impact on asking rents for retail space in most retail areas of the city.

Another encouraging sign, according to our advisory group, is that sales activity in major retail stores in urban locations is better than the activity in their suburban mall locations. There continues to be activity in the marketplace as tenants are looking for initial or additional locations in N.Y.C.

Our retail report advisory group reports solid activity and deal flow in the retail space market despite the economic downturn. Retail tenants that were formerly priced out of the market or choose to sit on the sidelines as rents surged higher, are now returning.

Leases are getting signed. Recent deals include MAC Cosmetics and Swarovski in Times Sq., Espirit on 34th St., J. C. Penney in Herald Sq., and Nordstrom Rack in Union Sq. In addition, restaurants, especially quick service and sandwich shops, are opening all over town.

Another hot topic of discussion in the retail market is pop-up stores. In the past, these stores were more likely to carry items for the upcoming holiday season, such as Christmas, or to be the headquarters for a political campaign during election season. Now these unprecedented economic times have encouraged retailers and building owners to strike creative, short term agreements with the hope that the location is financially successful for the tenant and ultimately the owner. It is likely that a few of these pop-up stores will become successful long term tenants.

As apartment sales in N.Y. increase and with Wall St. bonuses reportedly on the rise, we look forward to a pick up in retail sales activity and the return of a stable, more predictable retail leasing market in 2010.

Steven Spinola is the president of the Real Estate Board of New York, N.Y.