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From: Real Estate Board of New York (REBNY)

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REBNY RETAIL REPORT: MANHATTAN ASKING RENTS FOR RETAIL SPACE DOWN 11%

As rents decline in wake of recession, some opportunities for new retailers

NEW YORK, May 7, 2009: As the global recession continues to affect the retail industry, average asking rents for retail space in Manhattan had the first meaningful decline since 9/11, dropping 11 percent since fall 2008 to \$115 per square foot, according to the REBNY Spring Retail Report released today.

While retail rents throughout Manhattan declined in the last six months, REBNY's Retail Advisory Group -- made up of the city's leading retail brokers, says this is a needed correction of the market's rapid upward spiral, that tenants are still signing new leases, and that the decline presents opportunities for a new mix of retailers to enter the market. Rents surged 54 percent from fall 2001 to fall 2008, with average asking rents jumping from \$84 per square foot (psf) to \$129 psf, according to REBNY.

According to the spring 2009 report, retail rents were down in each of the Manhattan geographic areas surveyed with declines ranging from six percent in **Midtown** to 22 percent on the **West Side** compared to fall 2008. The report found that double-digit declines in average asking rents were reported on the **East Side** (12 percent), **Downtown** and **Upper Manhattan** (13 percent), and **Midtown South** (14 percent).

The declines in the average asking rents are from market highs in the fall 2008. In most cases, the average rents for Manhattan and the borough's six geographic areas are comparable to asking rents from a year ago.

"Declines in asking rents have just begun to be reported although the retail market has been feeling the effects of the recession for some time," said REBNY President Steven Spinola. "Our retail advisory group says that asking rents are now showing the impact of the global financial crisis. Further, they report that leasing activity is occurring throughout Manhattan and the declining prices are attracting tenants who previously were priced out of the market."

REBNY's advisory committee attributes the declines to a combination of factors including the unsustainable rise in asking rents in the major retail corridors in Manhattan in the last several years, which was outpacing overall economic growth. In addition,

asking rents do not reflect incentives that some building owners may be offering, such as a longer free rent period or a more generous build out allowance, rather than lowering the asking rent.

Manhattan's primary retail corridors saw declines in asking rents for ground floor space compared to fall 2008. Herald Square average asking rents on **West 34th Street** between 5th and 7th avenues declined 21 percent to \$508 per square foot (psf), and on **East 86th Street** between Lexington and 2nd avenues, rents declined 16 percent to \$400 psf. On **Madison Avenue** between 57th and 72nd streets, asking rents declined 14 percent to \$979 psf, and on **Columbus Avenue** between 66th and 79th streets, rents also declined 14 percent to \$257 psf. The report includes asking rent comparisons from fall 2008 and spring 2008 for the 16 prime retail corridors throughout Manhattan covered in the report.

Other report highlights:

Manhattan Geographic Areas:

- Manhattan asking rents for all space showed a modest increase compared to last year with average rents at \$115 compared to \$111, a four percent increase.
- Midtown average asking rents increased five percent compared to last year to \$152 psf, while East Side asking rents increased two percent to \$168. The advisory group says the increases reflect the inclusion of some data submitted by owners with asking rents established more than a year ago and uncertain of how to revalue space in today's market, and owners who are offering incentives instead of lowering the asking rent.
- Upper Manhattan, however, had the steepest decline in asking rents compared to last year dropping 13 percent to \$52 psf.

Primary Retail Corridors:

- Compared to last year, asking retail rents for ground floor space in the Flatiron District on **5th Avenue** between 14th and 23rd streets declined 29% to \$285 psf.
- Average asking rents for ground floor space on **Broadway** between 72nd and 86th streets dropped 24 percent to \$293 from a high of \$384 last spring.
- Herald Square asking rents on **West 34th Street** between 5th and 7th avenues were down 23% on the year to \$508 from a high last year of \$656.

About the REBNY Retail Report

The REBNY Retail Report is issued twice a year in the spring and fall. Findings are reviewed by an advisory group that distills and analyzes the data. The report provides comprehensive information about available retail space and asking rents in Manhattan from a broad cross section of the city's top real estate firms. The report presents all available data on retail space by geographic area and focuses on the ground floor space on the major retail streets. It provides an objective and reliable source for discerning market trends.

The Real Estate Board of New York is the city's leading real estate trade association with more than 12,000 members. REBNY represents major commercial and residential property owners and builders, brokers and managers, banks, financial service companies, utilities, attorneys, architects, contractors and other individuals and institutions professionally interested in the city's real estate. REBNY is involved in crucial municipal matters including tax policy, city planning and zoning, rental conditions, land use policy, building codes and legislation. In addition, REBNY publishes reports providing indicators of market prices for both the residential and commercial sectors.