

MARKET REPORT

Retail
New York Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

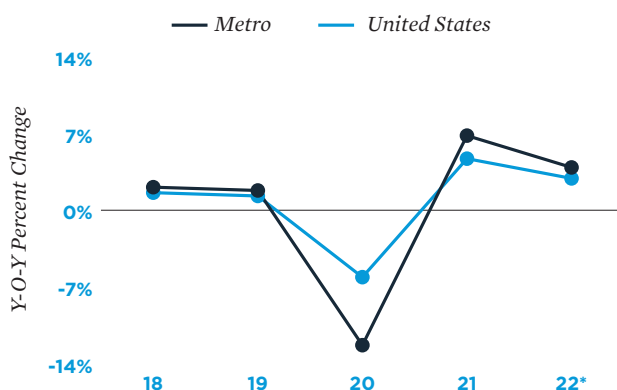
3Q/22

Commuter Foot Traffic Slow to Recover, but Alternative Sources Boost New York's Retail Sector

Tourism bolsters retail recovery as return to office continues. In July, pedestrian traffic in Times Square surpassed 90 percent of the equivalent month in 2019, and domestic tourism to the city is on track to equal pre-pandemic counts before the end of next year. Additionally, according to data from Kastle Systems, office occupancy jumped to nearly 47 percent in the weeks following Labor Day, as many of the city's firms chose the date to call employees back to the office. Nevertheless, eateries in commuter-dependent districts still report significant gaps between current weekday foot traffic and pre-2020 norms, citing office occupancy figures. A full retail recovery in the city's business districts depends on reopening workplaces, a process that will face notable headwinds until more slack appears in the labor market.

Large multi-tenant builds showcased among deliveries. By the end of this year, developers are set to finalize the largest amount of square footage in an annual period since the onset of the health crisis. Many of this year's headline projects are eschewing the norms of a largely single-tenant market, incorporating high-end multi-tenant retail spaces into residential and hospitality properties. Notably, some of these properties are anchored by experiential tenants, as asset owners take advantage of robust fundamentals in this segment amid increasing visitations to the city. These builds, exemplified by TSX Broadway and the Virgin Hotel, are set to come online in tourist-heavy districts where foot traffic is closer to pre-2020 norms.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**170,000
JOBS**
will be created

EMPLOYMENT:

Job gains have been notable so far this year, but expansion is expected to slow, due to mounting economic uncertainty as the year comes to a close. Still, New York's employment base is on track to grow by 3.9 percent.



**1,200,000
SQ. FT.**
will be completed

CONSTRUCTION:

Annual development rises back above the 1 million-square-foot mark in the wake of last year's multi-decade low, when builders finalized just 765,000 feet of space. Developers are most active in Brooklyn and Queens.



**10
BASIS POINT**
increase in vacancy

VACANCY:

A three-year high in completions will result in a slight uptick in vacancy, pushing availability to 4.0 percent by the end of 2022. This rate is approximately 60 basis points above the pre-pandemic level.

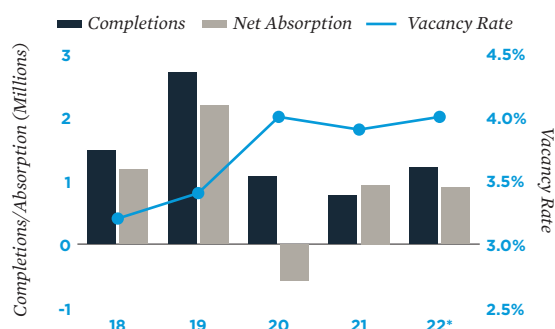


**5.0%
INCREASE**
in asking rent

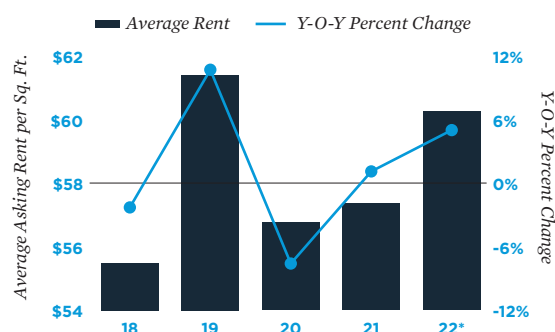
RENT:

Although availability remains above immediate pre-pandemic norms, a number of high-quality spaces come online in 2022, bringing the mean asking rent to \$60.25 per square foot.

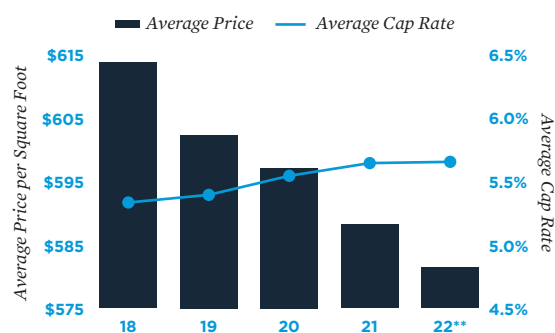
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

784,000 sq. ft. completed

- After material and labor shortages complicated builds in 2021, builders are making up for lost time. Nearly 70 percent of all space finalized during the 12-month period ended in June came online this year.
- Multi-tenant properties have been growing in share of the pipeline, representing more than half of the square footage finished during this period.



VACANCY

20 basis point decrease in vacancy Y-O-Y

- After dipping to 3.9 percent in the fourth quarter of 2021, availability held there throughout the first half of this year.
- Even after a historically high amount of multi-tenant space came online, vacancy in this segment entered July at 3.2 percent, a 30-basis-point decline from the previous year.



RENT

6.7% increase in the average asking rent Y-O-Y

- Sub-4 percent vacancy helped accelerate rent recovery during the first half of 2022, bringing the mean marketed rent to \$60.44 per square foot at the beginning of July, within 2 percent of the year-end 2019 rate.
- Brooklyn and Queens led in rent gains, with the average asking rent in these boroughs advancing 7.8 percent and 18.8 percent, respectively.

Investment Highlights

- As local and state health restrictions were rescinded, buyers came back to the table in force last year. Transaction velocity during the 12-month span ended in June was comparable to some of the most active pre-pandemic years. During the fourth quarter of 2021, investors achieved a record for trades facilitated during a three-month period. However, by midyear 2022, mounting capital costs led to noticeable declines in transactions.
- Although deal flow observed rapid recovery this period, lingering uncertainty is still complicating asset valuations. The average price per square foot among all retail properties was \$581, a 1.9 percent drop from the preceding period. Multi-tenant assets, however, notched a 0.6 percent pricing gain over the previous 12-month span, as investors pursued larger assets in this category. Pricing in this segment averaged at \$545 per square foot.
- With retail activity in the city's residential neighborhoods approaching pre-pandemic norms, buyers intensified their pursuit of properties in the outer boroughs. Brooklyn and Queens accounted for a higher share of assets traded during this span than in previous periods.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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