

INVESTMENT FORECAST

Retail
New York CITY

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Retail Recovery Diverges by Borough As Capital Flows Approach Peak Levels

Space absorption poised to improve after a slow year. Brooklyn, Queens, and the Bronx recorded net retail space relinquishment last year, driven largely by bankruptcy-related store closures among big-box tenants. While demand growth in Manhattan remained more resilient, the area of strength is mainly Downtown, as multi-tenant properties in Midtown and Uptown continued to contend with elevated vacancy in late 2025. That said, space demand for urban, small-box retail should continue to outperform, particularly in supply-constrained, high-foot-traffic, and tourism-oriented districts such as SoHo and Union Square. With New York City posting positive net in-migration since 2023 and job creation above most metros, especially in higher-paying sectors, net tenant move-ins should remain, allowing for steady backfilling amid a limited development pipeline as zoning priorities continue to favor multifamily uses.

Transactions grow as yields rise. As one of only four primary U.S. markets to avoid a year-over-year decline in the average price per square foot in any of the past three years, New York City saw the mean retail cap rate expand to 6.3 percent last year. That was the highest level in the metro since 2011. Yield expansion has been accompanied by stronger income growth, with average asking rents rising by 10 percent since 2023, outpacing the national rate. In addition, transaction velocity increased by 50 percent year-over-year in 2025, approaching peak activity levels seen in 2015 and 2022, as private investors continue to drive most trades. Even so, transactions above \$20 million doubled last year, signaling a renewed presence of institutional capital targeting higher yields in a comparatively low-risk market. These dynamics should continue to attract capital to New York City amid nationwide economic uncertainty.

2026 MARKET FORECAST

+0.4%



Employment: Job growth in New York City is expected to slow this year, with payrolls expanding by 19,000 positions – the lowest annual gain since 2010, excluding 2020.

300,000
sq. ft.



Construction: Development will remain highly constrained in 2026, with deliveries adding just 0.1 percent to the total inventory, the second-lowest annual total since at least 2007.

+10 bps



Vacancy: Elevated vacancies among big-box and department store formats could weigh on net absorption, pushing the metro-wide retail vacancy rate up to 4.4 percent by year-end.

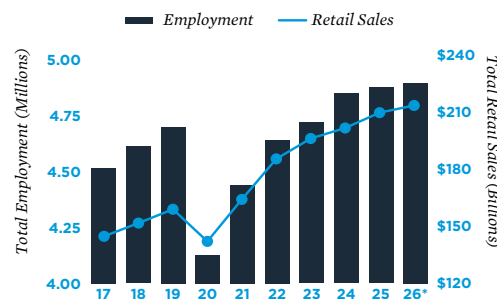
+2.3%



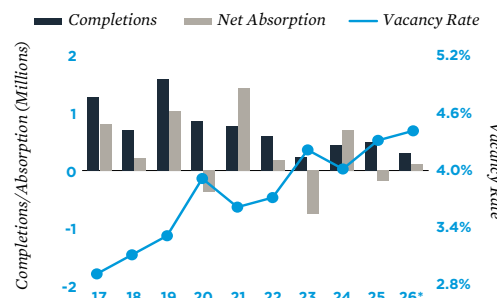
Rent: Limited supply growth amid improving net absorption should continue to support rent growth. At \$60.63 per square foot, the average asking rent remains the highest among all U.S. markets.

INVESTMENT: Investors seeking lower entry points and cash flow tied more directly to daily needs may target Staten Island, where vacancy declined and sales activity increased more than in other boroughs last year.

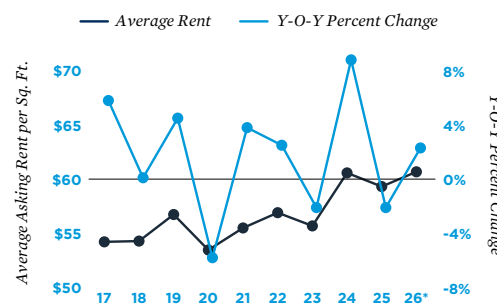
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at \$1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.