

The Retail Pulse

UPDATES AND TRENDS

DECEMBER 2013



New York City's Strong Investor Demand Defies Property Sales Volatility

Manhattan's retail property sales market has set new highs in recent months as more investors seek out these cash rich assets. The retail investment sales market has not seen as many eight or nine-digit sales in 2013 as it had at the end of 2012, but this is by no means an indicator that the market has declined -- quite the contrary. The statistics in this current Retail Pulse report show how the prices paid for retail properties have climbed precipitously. Some neighborhoods have seen prices for retail condominiums double in just three years. Moreover, *the number of trades* has climbed steadily in 2013. It had fallen in the first quarter after soaring in the fourth quarter of 2012. In short, the data shows that investors continue to prefer this asset class due to its steady cash flow and upside potential.

As per Chairman and CEO, Peter Hauspurg, "We have seen a steady increase in retail properties listings, and they sell rapidly given the demand for these assets. Most of the listings are for boutique spaces but a number of owners are recognizing the value of selling off their retail spaces in their mixed-use buildings so we expect these listings to grow."

This issue of Eastern Consolidated's Retail Pulse report will review every statistic pertaining to the retail industry in New York City. The findings are compelling and show why New York City has retained its title of "Retail Capital of the World":

- Retail property sales volume declined in early 2013 following the surge at the end of 2012, but volume has increased every quarter since then and fourth quarter sales are slated to increase as well.
- New York City's retail industry added jobs in the first nine months of 2013 – the third highest job growth of any industry

after health services and social services. In 2012, retail traded added 7,600 jobs in the year.

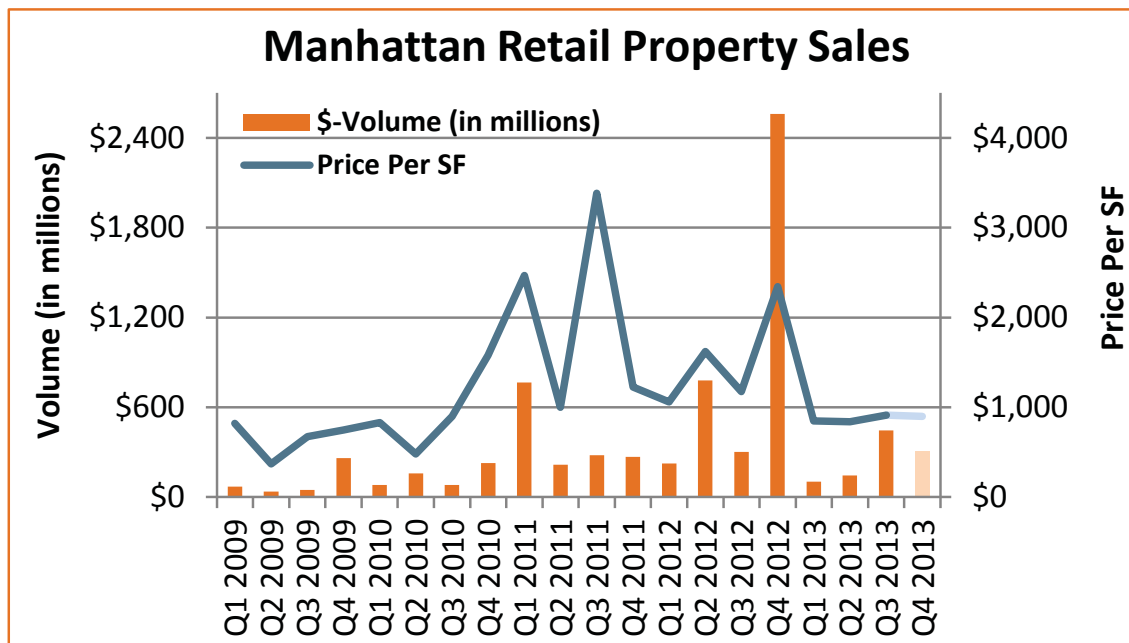
- Restaurants added 6,800 jobs in 2012 and have added another 800 jobs in the first quarter of 2013.
- Adding retail trade to restaurant employment, together these industries have grown by 87,000 jobs since 2009, or 18%. More importantly, their added 87,000 jobs amounts to nearly half of the TOTAL job gains in the City since 2009.
- Retail and restaurant employment gains were spread across all five boroughs.
- Tourism remains strong.
- Retail asking rents are increasing in every neighborhood.

Retail Property Sales

After shattering all records in the fourth quarter as shown in the chart below, the volume of retail properties sales plummeted in the first quarter of 2013 but has climbed steadily since. The decline in early 2013 was expected given that sellers wanted to cash out on their holdings and close their sales before the capital gains tax increase this year.

Volume fell from \$2.5 billion at the end of 2012 to \$102 million in the first quarter of 2013. In the third quarter of this year, volume rose to \$445 million. Based on preliminary data, volume should clear \$300 million in the fourth quarter.

Volume fell from \$2.5 billion at the end of 2012 to \$102 million in the first quarter of 2013. In the third quarter of this year, volume rose to \$445 million. Based on preliminary data, volume should clear \$300 million in the fourth quarter.



**Includes deals still under contract
Source: Eastern Consolidated, CoStar, Property Shark*

As mentioned above, the results for early 2013 were disappointing but expected. The jump in the capital gains tax was a strong impetus to close deals at the end of 2012. This pushed a number of deal closings that would have otherwise closed in the first and second quarters to the previous quarter. One could also argue that the drop in volume was once again due to a lack of supply of available properties. After the surge of sales at the end of 2012, owners may feel reluctant to list their properties due to the challenge they face for redeploying capital in a high-priced market.

Selected Retail Property Sales are listed below.

Recent Sales

Property Name/Tenant	Property Address	Size	Sale Date	Sale Price	Price / SF	Submarket Name
Ferragamo Building	655 Fifth Avenue	57,500	10/4/2013	\$278,000,000	\$5,227	Plaza
Retail Space at	145 Greene Street	1,971	10/15/2013	\$9,750,000	\$4,947	SoHo
Retail Space at	200-214 West End Avenue	25,900	9/23/2013	\$50,000,000	\$1,931	Upper West Side MF
Retail Space at	2400-2408 Broadway	5,349	8/22/2013	\$21,000,000	\$3,926	Upper West Side
Retail Space at	127 Seventh Avenue	2,340	8/14/2013	\$9,000,000	\$3,846	Chelsea
Retail Space at	165-169 Spring Street	2,300	8/8/2013	\$9,750,000	\$4,239	Soho
Nordstrom's (First Installment)	West 57th Street	285,000	7/22/2013	\$102,500,000	\$360	Columbus Circle
Retail Space at	40 Mercer Street	14,039	7/8/2013	\$80,000,000	\$5,698	Soho
Empty Restaurant	74-76 Seventh Ave South	1,981	5/22/2013	\$6,000,000	\$3,029	Hudson Square
Vacating Retail	58-60 Ninth Avenue	10,839	4/8/2013	18,200,000	\$1,679	Meatpacking
Treasure & Bond, (Nordstrom)	350 West Broadway	11,115	2/12/2013	\$25,500,000	\$2,294	Soho
Retail and Garage	350-364 Bleecker Street	14,510	1/15/2013	\$10,900,000	\$751	Hudson Square
International Gem Building	50 W 47th Street	12,000	3/12/2013	\$10,000,000	\$833	Times Square
Retail Space at	1546 Second Avenue	9,288	2/22/2013	\$9,100,000	\$980	Upper East Side
Apthorp Retail Space	2211-2219 Broadway	1,800	1/22/2013	\$6,181,500	\$3,434	Upper West Side

Fourth Quarter Of 2012

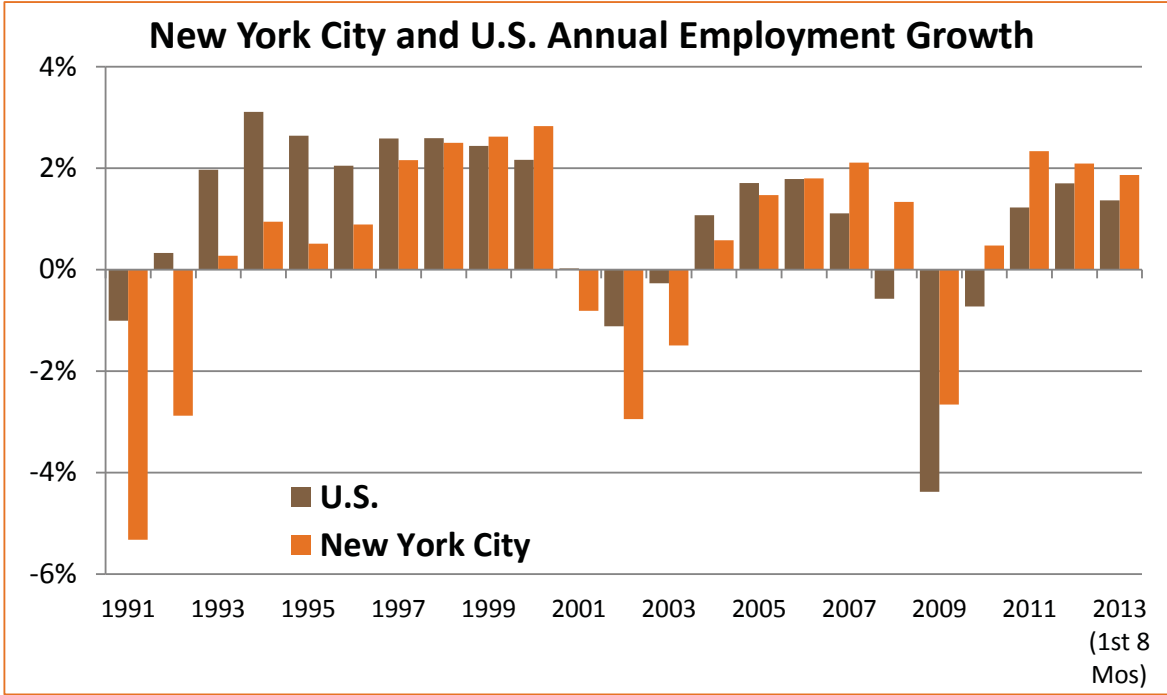
Property Name/Tenant	Property Address	Size	Sale Date	Sale Price	Price / SF	Submarket Name
Retail Space at	666 Fifth Avenue	114,000	12/6/2012	\$707,820,000	\$6,209	Plaza District
St. Regis Hotel Retail Space	2 E 55th Street	24,700	10/11/2012	\$317,730,600	\$12,864	Plaza District
Plaza Hotel Retail	768 Fifth Avenue	141,885	11/26/2012	\$291,926,669	\$2,057	Plaza District
The Carlton House Retail Space	680 Madison Avenue	33,401	12/31/2012	\$277,000,000	\$8,293	Plaza District
Knickerbocker Hotel Retail	1466 Broadway	46,652	12/11/2012	\$196,000,000	\$4,201	Penn Plaza/Garment
New Nike Store	529 Broadway	43,888	12/20/2012	\$147,000,000	\$3,349	Soho
Retail and Bank Space at	702-708 Madison Avenue	19,100	11/29/2012	\$141,510,000	\$7,409	Plaza District
The Grand Madison	225 Fifth Avenue	40,073	12/31/2012	\$78,275,000	\$1,953	Chelsea
Gym and The Gap	1511-1515 Third Avenue	60,000	12/19/2012	\$60,000,000	\$1,000	Upper East Side
Leasehold Interest	1565 Broadway	5,159	12/28/2012	\$47,500,000	\$9,207	Times Square
Temporary Apple Store	72-76 Greene Street	45,000	12/11/2012	\$41,100,000	\$913	SoHo
Retail Space at	69 and 71 Greene Street	32,950	11/15/2012	\$32,600,000	\$989	SoHo
CVS and 7-11 Retail Space	1225-1239 Second Avenue	18,464	10/5/2012	\$27,500,000	\$1,489	Plaza District
Retail Space at	149-153 Wooster Street	15,000	11/6/2012	\$25,000,000	\$1,667	Soho
Retail Space at	120-124 Prince Street	6,416	12/26/2012	\$20,000,000	\$3,117	Soho

Outer Borough Sales

Property Name/Tenant	Property Address	Size	Sale Date	Sale Price	Price / SF	Submarket Name
Kings Plaza Shopping Center	5100 Kings Plaza	759,912	11/28/2012	\$751,000,000	\$988	South Brooklyn
Canarsie Plaza	860 Remsen Avenue	269,913	12/5/2012	\$124,000,000	\$459	South Brooklyn
Retail and Garage	276-300 Livingston Street	272,065	4/10/2013	\$75,000,000	\$276	Downtown Brooklyn
Retail Space at	247 Bedford Avenue	110,000	4/5/2012	\$66,000,000	\$600	North Brooklyn
Clock Tower Plaza	9210 Atlantic Avenue	78,820	9/28/2012	\$56,000,000	\$710	Ozone Park, Queens
Retail Strip Center	1100-1114 Kings Highway	50,700	5/4/2012	\$36,700,000	\$724	South Brooklyn
Multiplex Cinemas	2505 Bruckner Boulevard	62,857	6/12/2012	\$30,000,000	\$477	Bronx
Multi-Property Sale	512 Neptune Avenue	98,652	1/24/2013	\$25,000,000	\$253	South Brooklyn

Retail Employment

New York City has added 84,700 jobs in the first eight months of 2013. The data shows that the breadth of the job gains was widespread. Moreover, New York City's job growth outpaced the U.S. in the first eight months of 2013 with a growth rate of 2.2% vs. 1.1% at the national level. The chart below shows the magnitude of the recent job gains compared to those lost in the previous quarter due to Sandy. The net six-month growth rate of 0.4% for New York City trails the U.S. (0.8%), but the chart clearly shows how New York City has been growing at a faster rate every quarter since the recovery began.



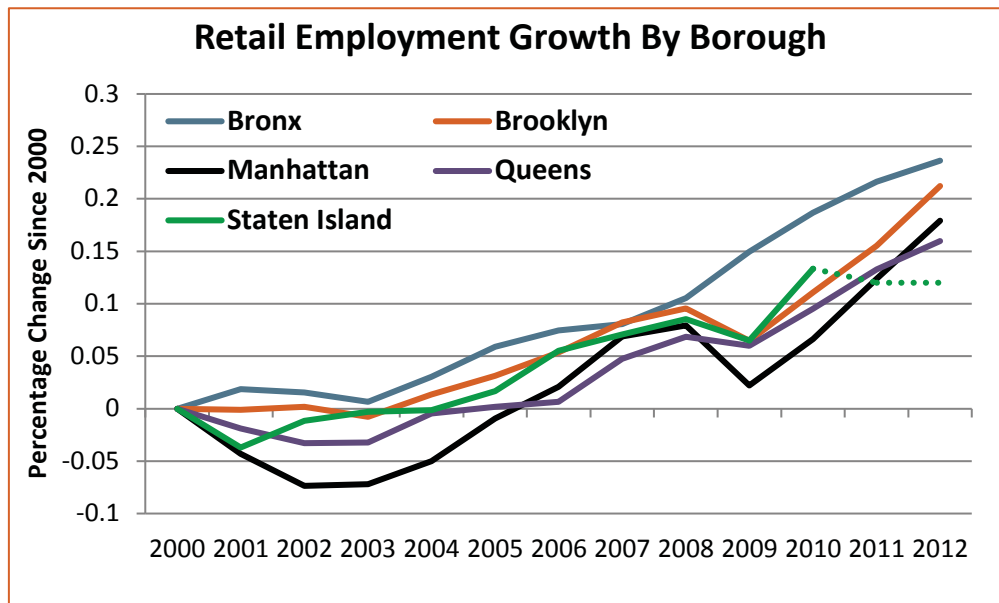
Source: Eastern Consolidated and New York State Department of Labor

The chart below shows how both the retail industry and restaurants and drinking places have led in the recent recovery.



Source: Eastern Consolidated and New York State Department of Labor

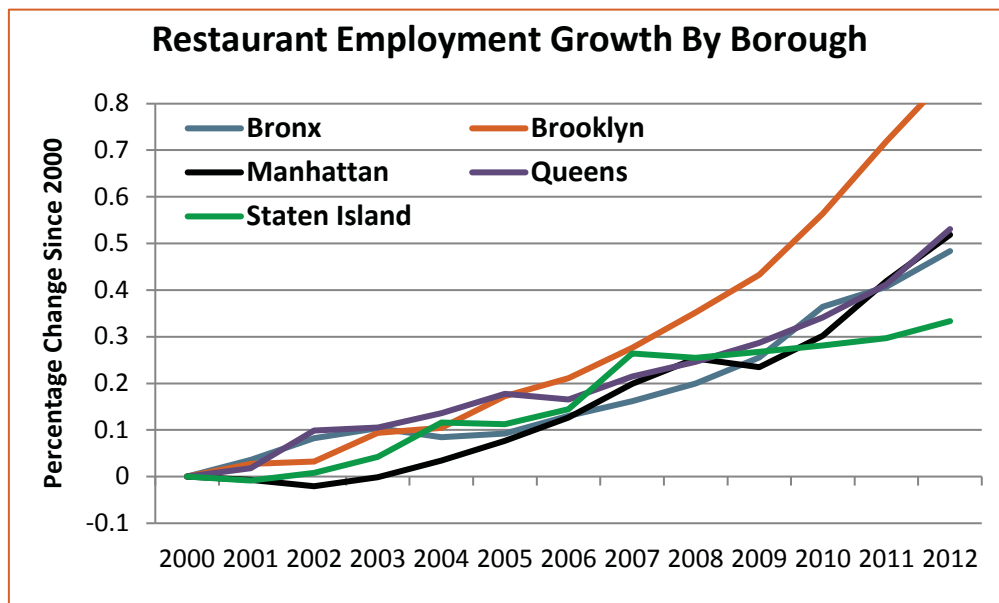
Of the more than 45,000 retail jobs added in New York City since 2009, half of them were in Manhattan. Yet the outer boroughs saw similar rates of growth as Manhattan. In Brooklyn and the Bronx, retail employment has accelerated over the last four years due to the added retail developments in these boroughs. The complete list of developments is listed in the appendix. Note the trend line for Staten Island is affected by a reclassification that changed the numbers somewhat.



*Staten Island retail employment was affected by a "reclassification" that altered the data significantly.

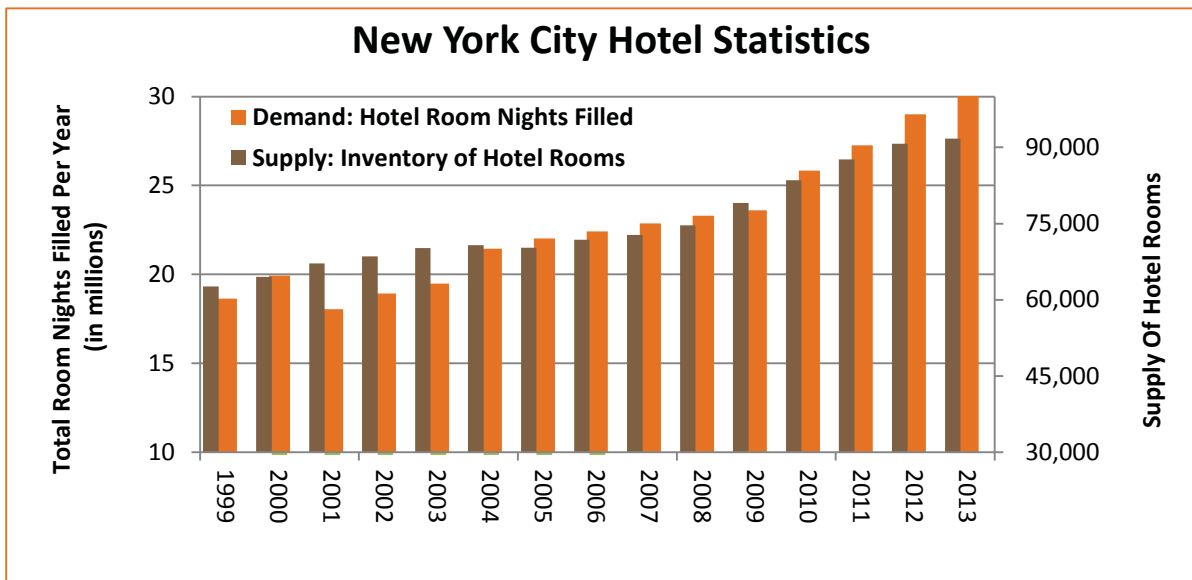
Source: Eastern Consolidated and New York State Department of Labor

In the restaurant industry that includes bars, coffee places, catering and other eateries, the outer boroughs experienced a much sharper rate of growth than Manhattan as shown in the charts below. Brooklyn especially has seen a surge in restaurant employment.



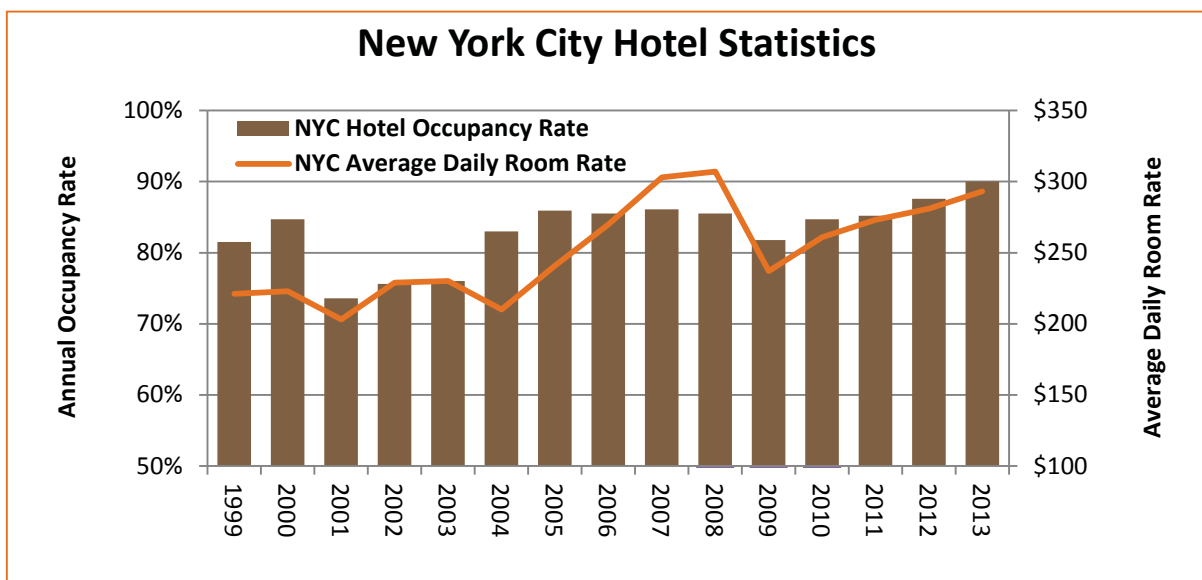
Source: Eastern Consolidated and New York State Department of Labor

The biggest driver for the growth in retail and restaurant employment growth is tourism. New York City has opened three new hotels in 2013 after opening 21 new hotels in 2012 and 15 in 2011. In fact since 2007, the City has added nearly 15,000 new hotel rooms to its inventory including many in Brooklyn and Queens. Moreover, hotel occupancy rates remain high. Through July of this year, the overall occupancy rate averaged 87%, up from 85.5% in 2012 through July and 82.6% in 2011. New York City's hotel industry has posted an increase in total hotel room nights sold of more than 645,000 in 2013 over the same seven-month period in 2012 and almost 2 million more than sold in 2011. In other words, demand growth has exceeded supply growth for hotel rooms over the last few years as the chart below shows.



Source: Eastern Consolidated and NYC & Company

Moreover, because the new supply of hotel rooms includes limited service hotels as well as high-end boutique hotels, the price range for hotel offerings is now broader than in previous cycles. This has kept the overall price of hotel rooms relatively low compared to 2007 and 2008 when demand was high but there were fewer lower-priced hotels.

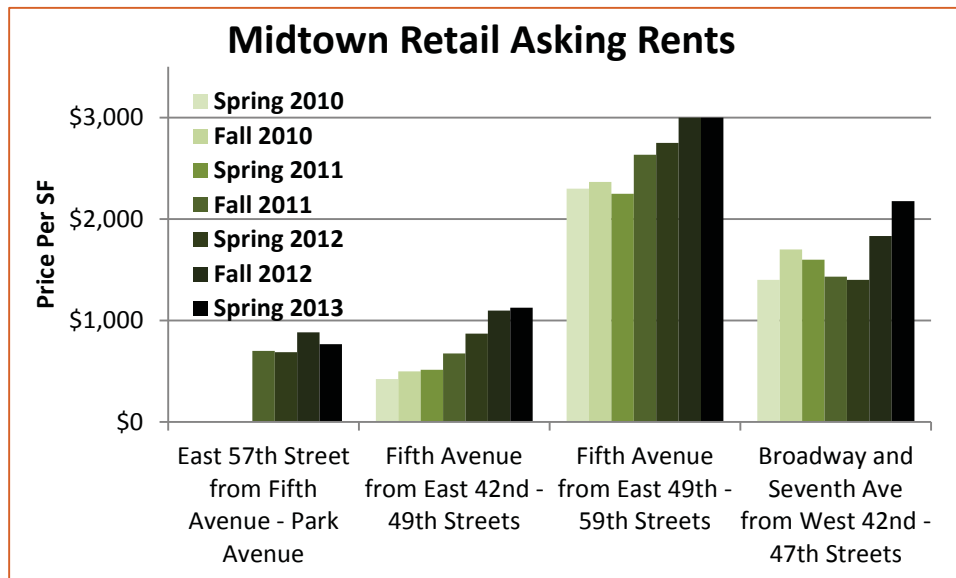


Source: NYC & Company

Retail Asking Rents

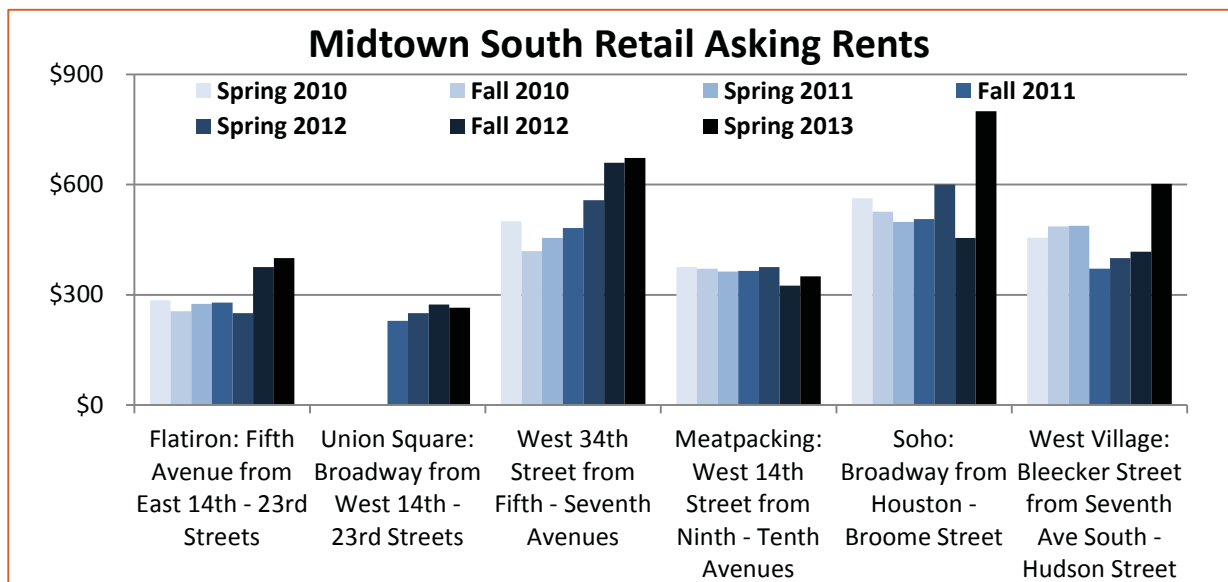
Further proof of strong demand for retail space is asking rents. The charts below show consistent upward growth in asking rents in every Manhattan neighborhood.

In Midtown along Fifth Avenue in the Plaza District – the prime tourism corridor – asking rents have approached \$3,000 per square foot. This looks extreme when compared to Downtown retail rents, yet these rents are comparable to those in high-end areas of London, Tokyo and especially Hong Kong where rents are close to \$4,000 per square foot.



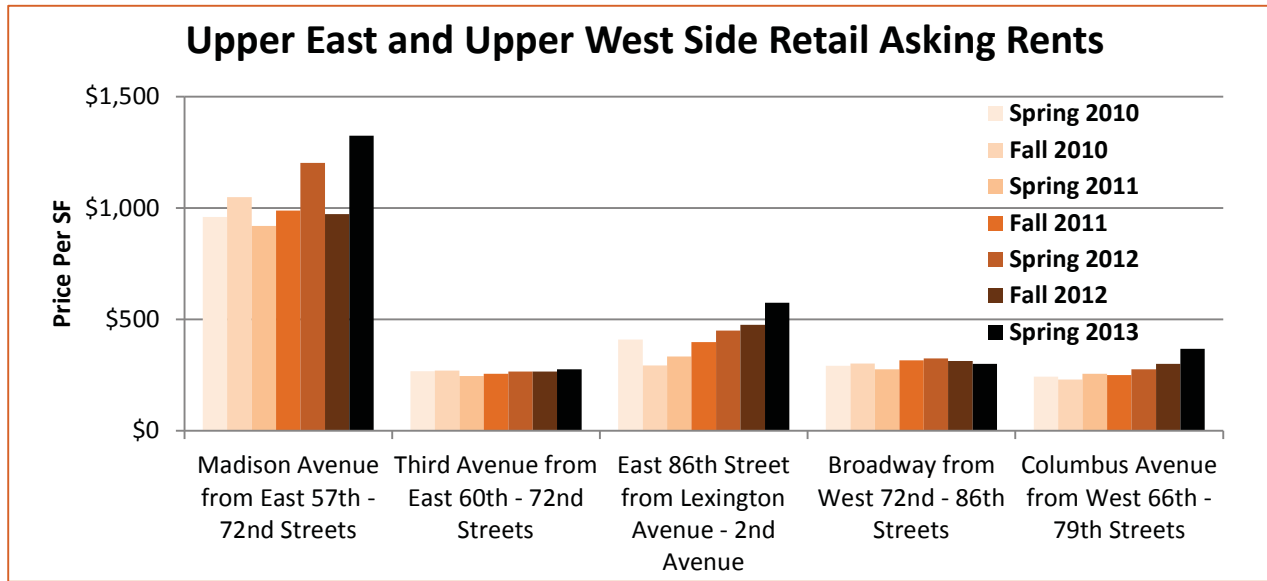
Source: Eastern Consolidated and REBNY

Rents in Midtown South are lower than in Midtown, but as shown, rents are climbing at a faster rate, especially in SoHo and the West Village.



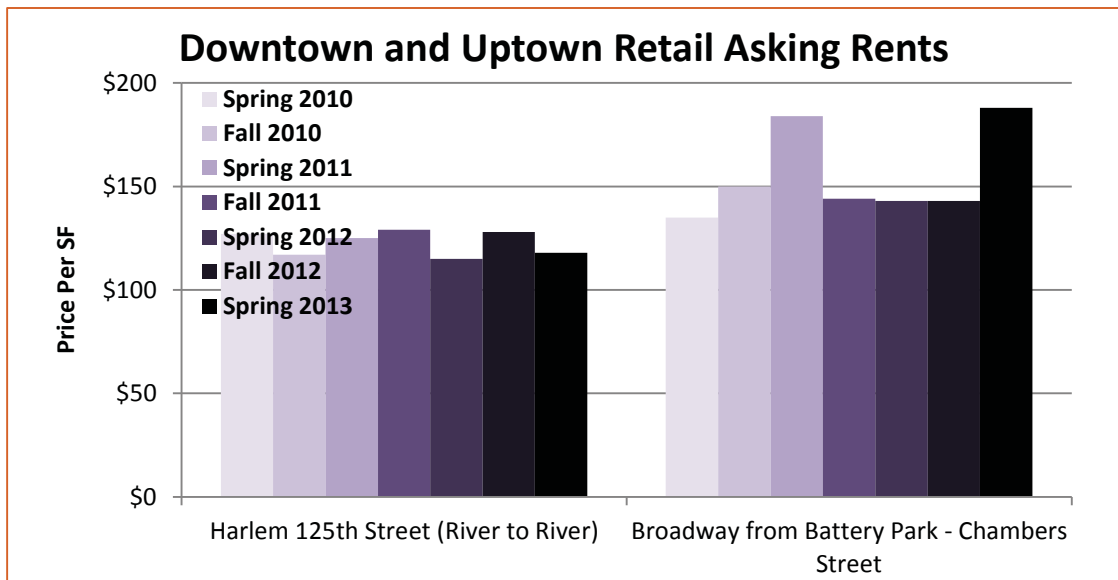
Source: Eastern Consolidated and REBNY

In the Upper East Side and Upper West Side, there are fewer tourists, but rents are driven by the increased demand for housing in these neighborhoods.



Source: Eastern Consolidated and REBNY

Finally, rents in Downtown Manhattan and Uptown have trailed the rest of Manhattan as shown below.



Source: Eastern Consolidated and REBNY

Conclusion

New York City has been enjoying a retail renaissance over the last few years as indicated by the numerous statistics reported above. Every neighborhood has seen new growth and development, but clearly some neighborhoods have seen considerably more than others. Many neighborhoods in Brooklyn: Fort Green, DUMBO, Park Slope and Williamsburg have had tremendous growth and have attracted a number of national retailers to blocks that were previously lined with mom-and-pop retail stores. The evidence of this growth can be seen in the gains in retail and restaurant jobs in Brooklyn as well as other neighborhoods in the outer boroughs, namely Long Island City in Queens and Kingsbridge and Riverdale in the Bronx.

The robust growth in retail and restaurant jobs has helped New York City emerge from the recession far more rapidly than the rest of the U.S. In fact, New York City currently employs 173,000 more people than it did at the previous peak in August 2008 – before Lehman Brothers went under. New York City currently employs more people than it has since the authorities have been tracking employment which started in 1950. The U.S., in contrast, remains 1.7 million jobs below its peak of 2008. Indeed, the retail industry at the national level has grown by 5.9% since 2009, while the City's retail industry has grown by 15%. Restaurant employment has grown by 11% in the U.S. since 2009, yet has grown by 25% in the City.

In sum, while the commercial property sales statistics show that investors were not as active in 2013, this by no means reflects a downturn in investor interest as many see the continued potential of New York City's retail real estate landscape and continue to scout for opportunities. We fully expect the statistics to show continued growth in every facet of New York City's retail market in the upcoming year.

Appendix: Development

The table below illustrates not only why retail sales has grown in the outer boroughs but why the Bronx has seen the highest growth in employment: at least three retail developments have opened in the last few years. These have added more than 1.3 million square feet of retail space in the borough. Likewise, Queens has seen three major retail developments open in recent years that have added 2.1 million square feet of retail space. Brooklyn's two new developments have added close to 1 million square feet of retail space, Staten Island has added 400,000 square feet of retail and Manhattan has added 900,000 square feet of retail space. Added together, the 12 new developments have added 6.2 million square feet of retail space. Some of the retail developments recently opened or under construction include the following:

Bronx	Queens
<p>Recent New Developments</p> <ol style="list-style-type: none"> 1. Gateway Center at the Bronx Terminal Market - 913,000 square feet (completed in 2009) 2. The Hub Retail and Office Center - 170,000 square feet including the Department of Finance's Bronx Business Center (completed in 2007) 3. River Plaza - 230,000 square feet in Marble Hill (completed in 2004) <p>Under Construction</p> <p>The Mall at Bay Plaza - 780,000 square feet in Co-op City Broadway Plaza - 133,000 square feet in Kingsbridge Melrose Commons Town Center - 45,000 square feet</p>	<p>Recent New Developments</p> <ol style="list-style-type: none"> 1. Skyview Center Mall - 800,000 square feet in Flushing (completed in 2010) 2. The Shops at Atlas Park - 360,000 square feet in Glendale (completed in 2006) 3. Rego Park Center - 950,000 square feet in Rego Park (completed in 2010) <p>Under Construction</p> <p>RFP out for Willets Point - 680,000 square feet</p>
Brooklyn	Staten Island
<p>Recent New Developments</p> <ol style="list-style-type: none"> 1. Gateway Center - 640,000 square feet in East New York (completed in 2002) 2. Triangle Junction – 300,000 square feet in Flatbush (completed in 2008) 3. SHOPS at The Loom Arts and Commerce complex – 80,000 square feet in Bushwick (opened in 2010) <p>Under Construction</p> <p>City Point Mall - 250,000-500,000 square feet in Downtown Bushwick Mall – 80,000 square feet</p>	<p>Recent New Developments</p> <ol style="list-style-type: none"> 1. Brickton Center at Charleston – 400,000 square feet (completed in 2007) <p>Under Construction</p> <p>Charleston Municipal Site – developer selected for 130,000 square feet of retail on 10-acre site.</p>
Manhattan	
<p>Recent New Developments</p> <ol style="list-style-type: none"> 1. East River Plaza – 500,000 square feet in East Harlem 2. Columbus Center – 400,000 square feet on Upper West Side <p>Under Construction</p> <p>World Trade Center – 365,000 square feet; Fulton Transit Center – 25,000 square feet; West 125th Street – 100,000 square feet; 701 Seventh Avenue – 130,000 square feet; Broadway Marketplace – 206,000 square feet at the George Washington Bridge Bus Station Renovations of the World Financial Center retail (200,000 square feet) and South Street Seaport</p>	

Selected Current Exclusives: Retail



862 Broadway

\$24,000,000

Mixed-Use
New York, New York
Manhattan
646.658.7327



17 East 47th Street

\$19,500,000

Commercial
New York, New York
Manhattan
646.658.7352



57 Mercer Street aka 453 Broome Street

Submit Offers

Mixed-Use
New York, New York
Manhattan
646.658.7327



71 Mercer Street

Submit Offers

Mixed-Use
New York, New York
Manhattan
646.658.7327

For more information on the SoHo market, please contact:



Daun Paris

President
Eastern Consolidated
355 Lexington Avenue
New York, NY 10017

e. dparis@easternconsolidated.com
t. 212.499.7700



Mark Schnurman

Director of Sales and Training
Eastern Consolidated
355 Lexington Avenue
New York, NY 10017

e. mschnurman@easternconsolidated.com
t. 646.658.7367

ABOUT EASTERN CONSOLIDATED

Founded in 1981, Manhattan-based Eastern Consolidated is one of the country's preeminent full-service real estate investment services firms, offering unrivaled expertise in the greater New York marketplace to an impressive worldwide roster of institutional and private investor clients. The 40-person team of brokers, who, combined, offer fluency in 11 languages, come from a wide diversity of entrepreneurial and professional backgrounds. With annual sales up to \$4 billion, Eastern Consolidated focuses on the acquisition, disposition and finance of all types of properties.

Visit us at www.easternconsolidated.com.