

Economic Quarterly Report



4th Quarter 2022



OFFICE

KEY INSIGHTS

- » The data presented here are based on a limited sample of leasing activity as reported to ComptStak. Due to the impact of the pandemic, averages are more easily influenced by sample size and outliers than usual.
- » According to Kastle Systems, in January, NYC office occupancy topped at 59.8%, bringing NYC rates above the national average. National office occupancy rates surpassed 50% for the first time since the pandemic began. Austin (76.9%) remains at the top, with San Jose (48.8%) at the bottom.
- » Location, amenities, size, age, and quality of the space and building all impact prices.
- » CBRE reports national office demand turned negative in Q4. Midtown net absorption was negative 2.08m ft², bringing the year-end total to negative 1.68m ft².
- » Anecdotal reports from individual owners indicate that rents may differ significantly from what is included here.

Recent office leases in the Garment District include:

WorkFusion
13,327 SF
1450 Broadway

Fintech Nexus
4,109 SF
1450 Broadway

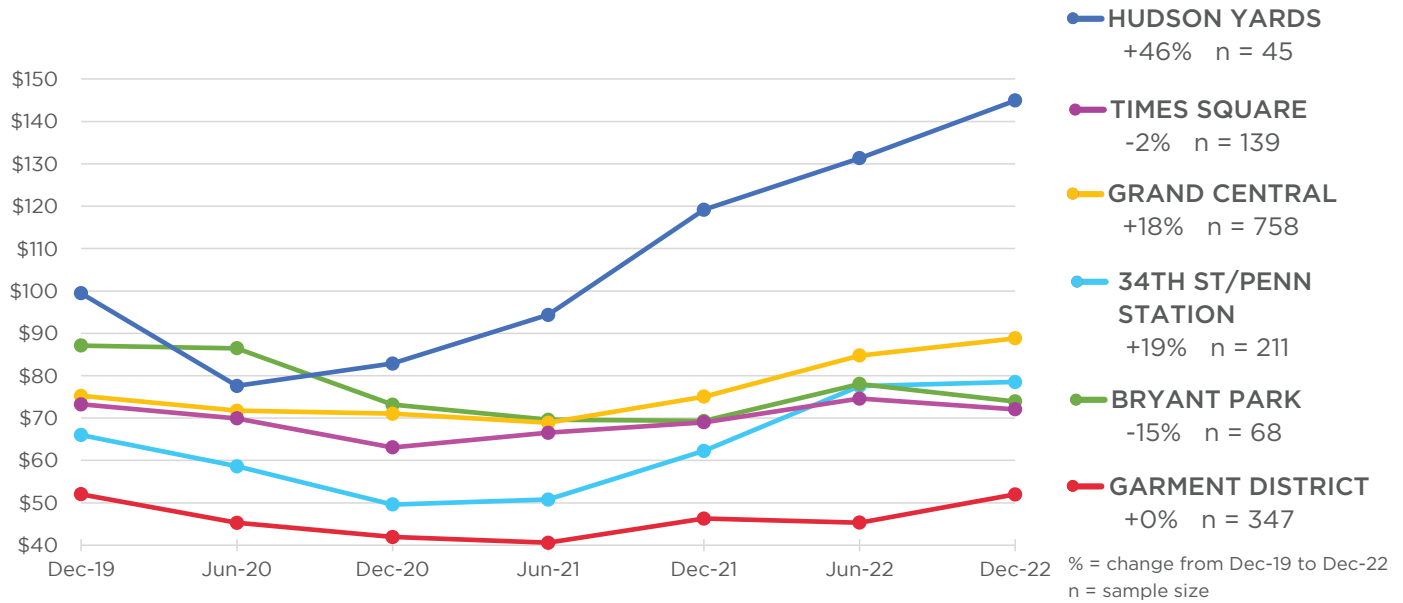
CAST Software
7,981 SF
1450 Broadway

GARMENT DISTRICT AVERAGE STARTING OFFICE RENTS PER SF



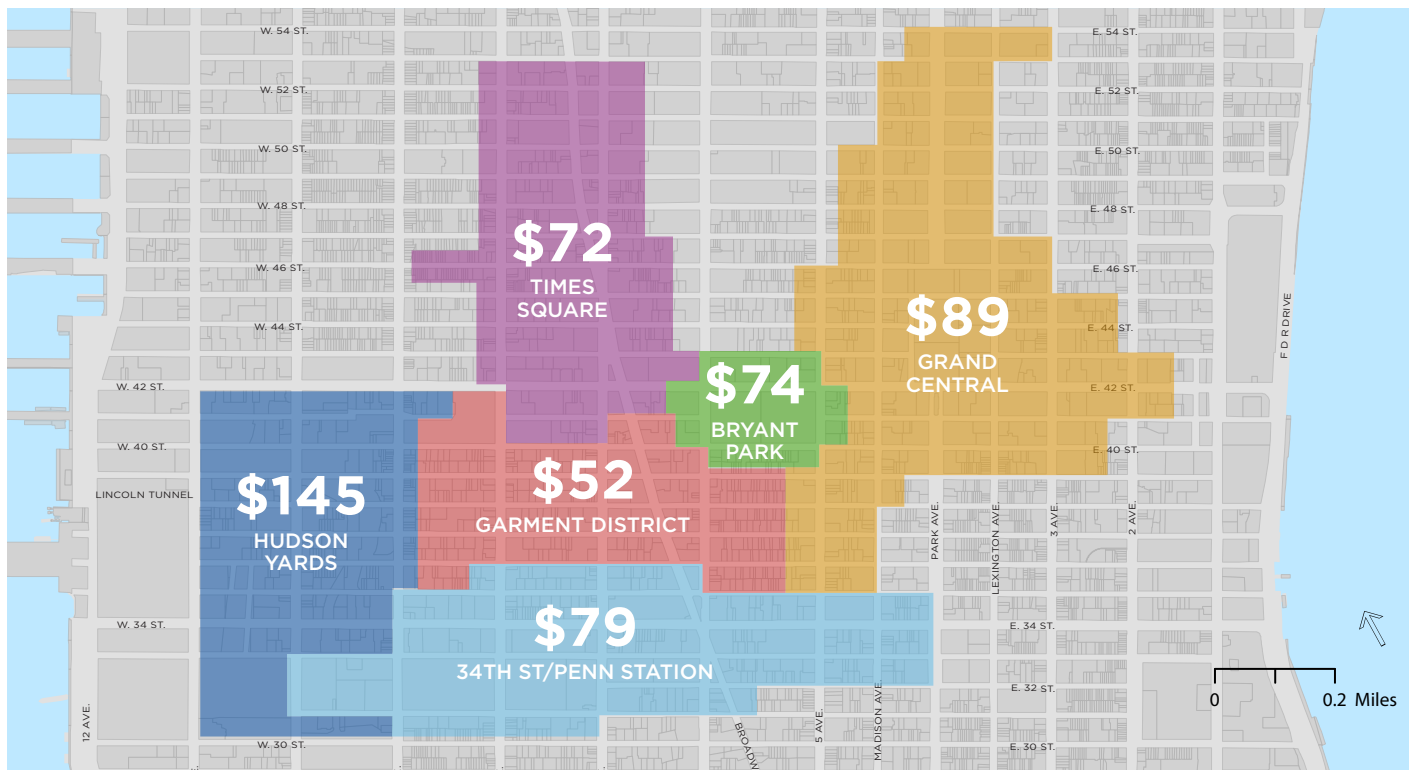
Source: CompStak, Inc., 3-month moving averages

AVERAGE STARTING OFFICE RENTS PER SF



Source: CompStak, Inc., 3-month moving averages

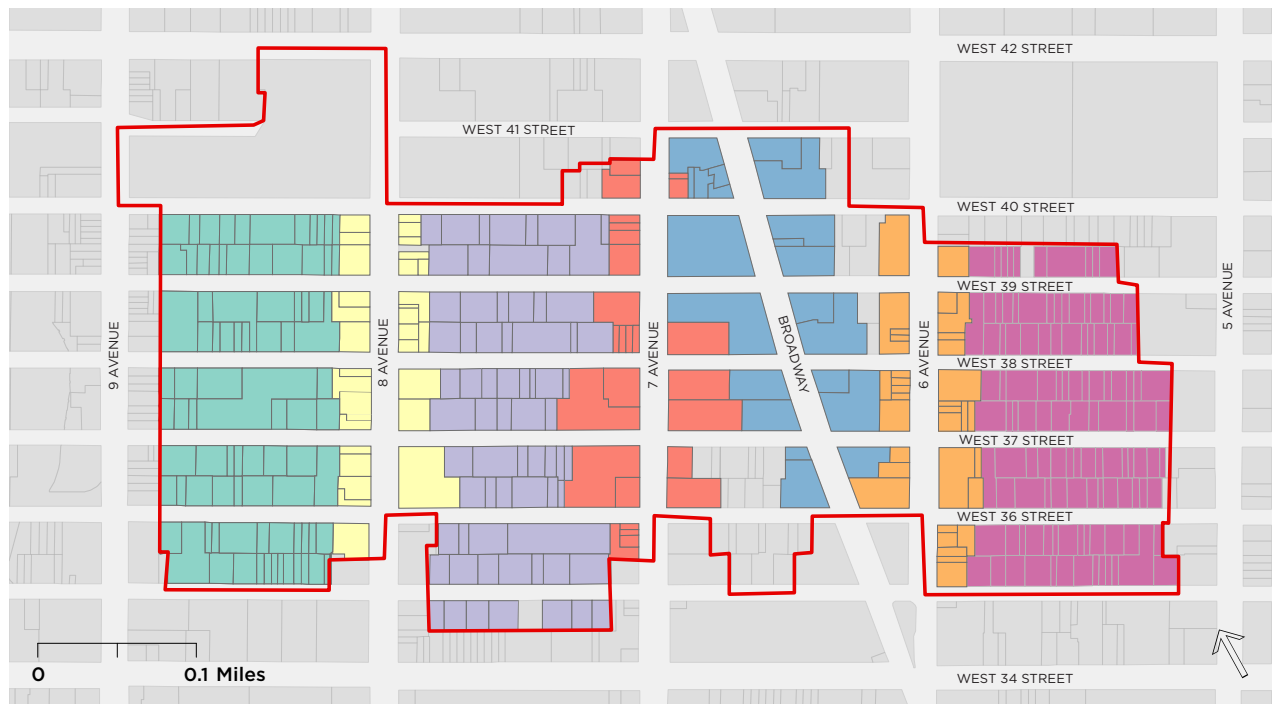
AVERAGE STARTING OFFICE RENTS PER SF, DECEMBER 2022



Actual BID boundaries vary slightly from neighborhood boundaries shown. Source: CompStak, Inc.

GARMENT DISTRICT AVERAGE STARTING OFFICE RENTS BY LOCATION

	Sample Size	December 2020 (\$/SF)	December 2021 (\$/SF)	December 2022 (\$/SF)	2-yr. Change
 8th-9th Ave Side Streets	18	\$34.96	\$33.49	\$30.07	-16.3%
 Eighth Avenue	10	\$39.13	\$36.93	\$34.10	-14.7%
 7th-8th Ave Side Streets	35	\$33.86	\$34.18	\$34.88	+2.9%
 Seventh Avenue	27	\$45.89	\$44.38	\$44.58	-2.9%
 Broadway	66	\$48.95	\$50.95	\$63.56	+23.0%
 Sixth Avenue	17	\$51.68	\$53.29	\$54.03	+4.4%
 5th-6th Ave Side Streets	15	\$42.34	\$39.23	\$40.94	-3.4%
 District Average	188	\$43.56	\$43.74	\$52.00	+10%



Source: CompStak, Inc., 3-month moving averages



1359 Broadway, Suite 1600 New York, NY 10018

RETAIL

KEY INSIGHTS

- » Garment District retail rents remain significantly below 2019 levels. Overall Manhattan rents are down 11% from three years ago, but have increased 42% in the past year.
- » In the outer boroughs, retail rents are up 31% from three years ago and 46% from one year ago as remote working may have strengthened retail in residential neighborhoods.
- » As with offices, retail data can be easily impacted by outliers and sample size. This is noticeable in Times Square, which saw an uptick in retail metrics during Q2 due to high value leases. However, averages declined in the following 2 quarters.
- » For the last 6 months, retail rents in the District have remained stable, but vary depending on location, amenities, size, age, and quality of the space and building.
- » Anecdotal reports from individual owners indicate that rents may differ significantly from what is included here.

Recent retail leases in the Garment District include:

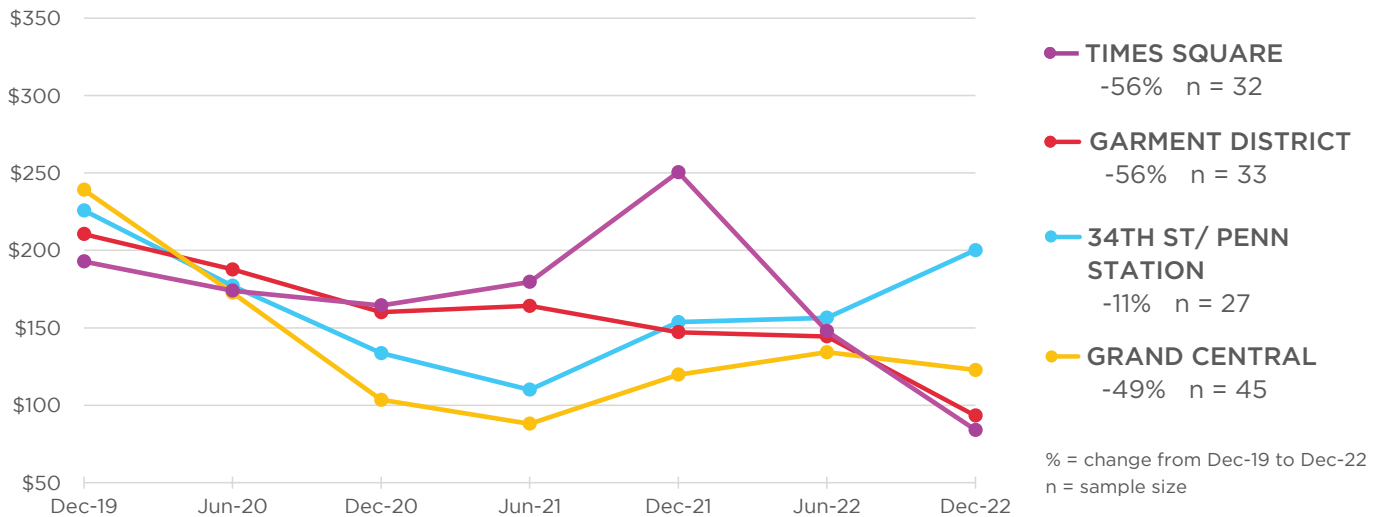
6th Ave Steam Buns 1029b 6th Avenue	Calzedonia 1333 Broadway
Alter Native LLC. 566 7th Avenue	7th Street Burger 485 7th Avenue

GARMENT DISTRICT AVERAGE STARTING RETAIL RENTS PER SF



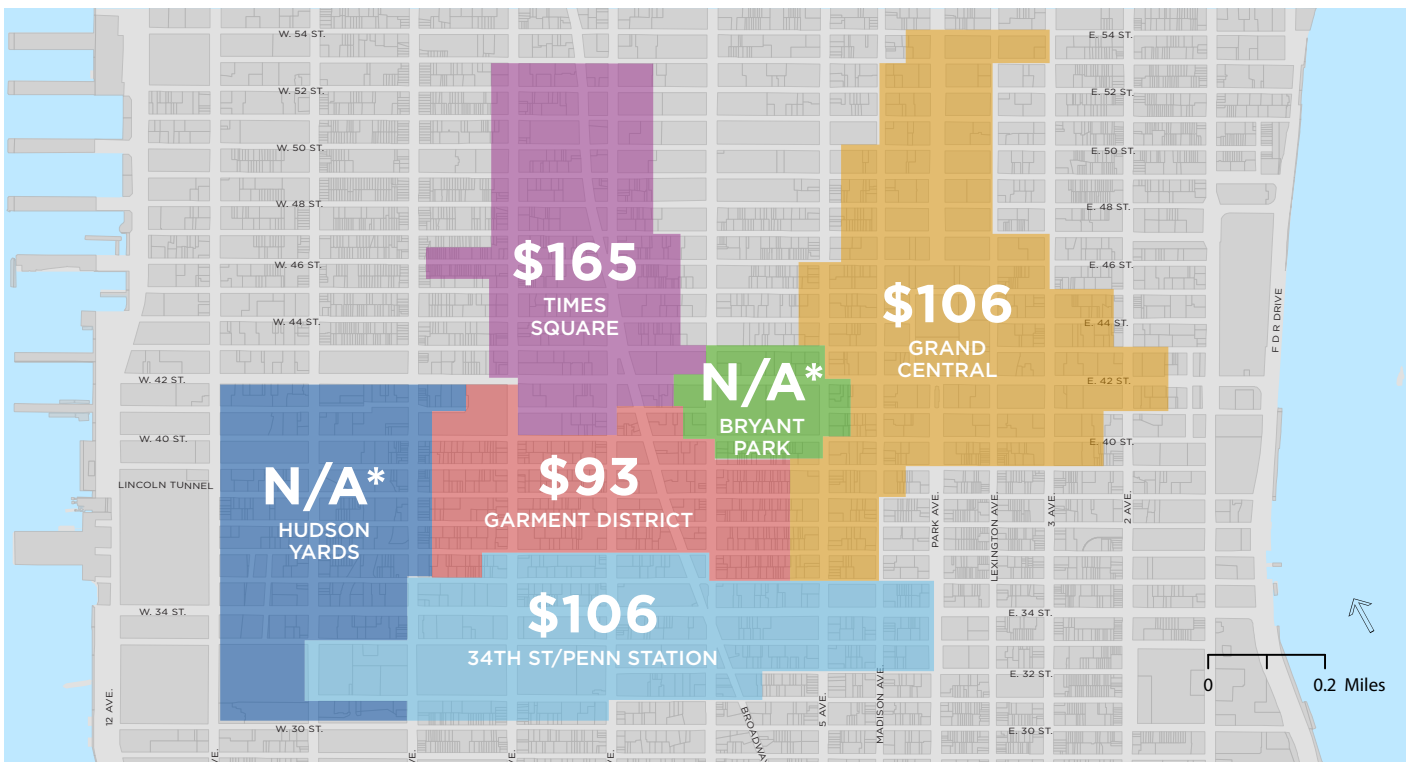
Source: CompStak, Inc., 3-month moving averages

AVERAGE STARTING RETAIL RENTS PER SF



Source: CompStak, Inc., 3-month moving averages

AVERAGE STARTING RETAIL RENTS PER SF, DECEMBER 2022

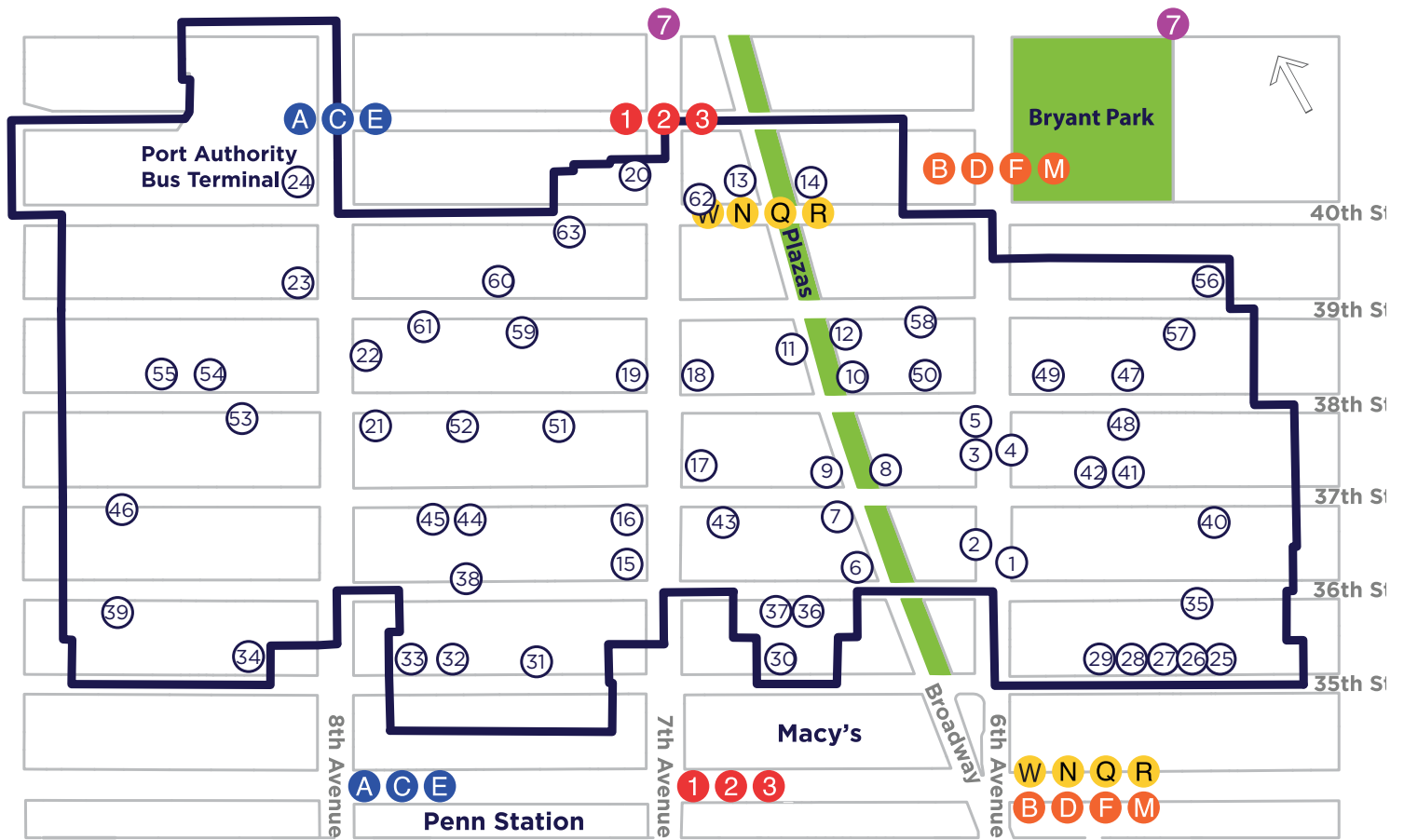


*Sample sizes in Hudson Yards and Bryant Park were too small to be analyzed
Actual BID boundaries vary slightly from neighborhood boundaries shown. Source: CompStak, Inc.

RETAIL VACANCIES

1. 980 - 990 SIXTH AVE 525 - 1,687 SF MASONRE	18. 525 SEVENTH AVE 2,250 - 5,443 SF JLL	35. 20 W 36TH ST 2,744 - 6,894 SF CBRE	52. 252 W 38TH ST 3,690 SF TAMAR EQUITIES CORP./WAY2WIN
2. 989 SIXTH AVE 4,500 SF KASSIN SABBAGH REALTY	19. 526 SEVENTH AVE 2,950 SF MJ PROPERTY GROUP	36. 132-138 W 36TH ST 1,611 SF KAUFMAN ORGANIZATION	53. 306 W 38TH ST 1,300 SF GREENFIELD REAL ESTATE
3. 1001 SIXTH AVE 354 - 4,250 SF ABS PARTNERS REAL ESTATE	20. 566 SEVENTH AVE 916 - 5,000 SF PLATINUM PROPERTIES	37. 142-148 W 36TH ST 2,298 SF CUSHMAN & WAKEFIELD	54. 325 W 38TH ST 4,650 SF FALCON PROPERTIES
4. 1008 SIXTH AVE 1,000 - 1,100 SF JTRE	21. 554-568 EIGHTH AVE 600 - 12,500 SF THE EXPANSION GROUP INC	38. 255 W 36TH ST 3,500 SF TRIANGLE ASSETS	55. 331 W 38TH ST 950 SF MERIDIAN CAPITAL GROUP
5. 1015 SIXTH AVE 900 SF MERIDIAN CAPITAL GROUP	22. 584 EIGHTH AVE 1,000 - 1,700 SF ISA REALTY GROUP	39. 356-360 W 36TH ST 700 SF LEE & ASSOCIATES	56. 15 W 39TH ST 6,200 SF OKADA & COMPANY
6. 1359 BROADWAY 3,187 SF RIPCO REAL ESTATE	23. 601 EIGHTH AVE 383 - 7,512 SF KASSIN SABBAGH REALTY	40. 18 W 37TH ST 500 SF DOUGLAS WAGNER	57. 32 W 39TH ST 7,351 SF RUDDER PROPERTY GROUP
7. 1369 BROADWAY 5,500 SF MILLENNIUM REALTY GROUP	24. 619 EIGHTH AVE (PORT AUTHORITY BUS TERMINAL) 196 - 4,504 SF JRT REALTY GROUP	41. 39-43 W 37TH ST 2,791 - 6,000 SF WALTER & SAMUELS INC	58. 108 W 39TH ST 778 - 2,916 SF JOSEPH P. DAY REALTY CORP.
8. 1372 BROADWAY 500 - 2,182 SF JLL	25. 23 W 35TH ST 6,915 SF PD PROPERTIES	42. 49 W 37TH ST 3,500 - 8,300 SF SAMCO PROPERTIES	59. 230 W 39TH ST 4,500 SF THE ASTON GROUP
9. 1375 BROADWAY 1,050 SF CUSHMAN & WAKEFIELD	26. 25 W 35TH ST 7,966 SF PD PROPERTIES	43. 148 W 37TH ST 2,500 SF ADAMS & COMPANY	60. 231-249 W 39TH ST 1,444 SF ADAMS & COMPANY
10. 1400 BROADWAY 1,591 SF RIPCO REAL ESTATE/EMPIRE STATE REALTY TRUST	27. 29 W 35TH ST 3,900 - 8,200 SF UNITED GROUP	44. 240 W 37TH ST 1,434 SF KASSIN SABBAGH REALTY	61. 260 W 39TH ST 2,800 SF LSL ADVISORS
11. 1407 BROADWAY 1,743 - 10,627 SF JLL	28. 35 W 35TH ST 2,500 - 6,000 SF PD PROPERTIES	45. 252-258 W 37TH ST 600 SF MJ PROPERTY GROUP	62. 147 W 40TH ST 1,975 - 2,100 SF COMPASS
12. 1410 BROADWAY 1,000 - 1,619 SF JLL	29. 41 W 35TH ST 2,000 SF PD PROPERTIES	46. 350 W 37TH ST 800 - 3,000 SF WINICK REALTY GROUP	63. 218-232 W 40TH ST 5,192 - 10,316 SF SAVITT PARTNERS
13. 1435 BROADWAY 1,100 - 3,500 SF SOLIL MANAGEMENT	30. 147 W 35TH ST 1,018 SF FALCON PROPERTIES	47. 39-41 W 38TH ST 2,548 SF MJ PROPERTY GROUP/ELO REALTY CORP	
14. 1440 BROADWAY 1,745 - 16,760 SF CUSHMAN & WAKEFIELD	31. 237 W 35TH ST 2,535 SF FOREST PARK PROPERTIES	48. 42 W 38TH ST 256 SF E REALTY INTERNATIONAL GROUP	
15. 488 SEVENTH AVE 300 - 1,500 SF ABH REALTY CORP.	32. 253 W 35TH ST 800 - 2,700 ADAMS & COMPANY	49. 57 W 38TH ST 1,000 - 4,000 SF JUYI, INC./CORBETT & DULLEA	
16. 498 SEVENTH AVE 2,047 SF GEORGE COMFORT & SONS	33. 261 W 35TH ST 4,000 SF H. JUSTIN REALTY SERVICES	50. 109 W 38TH ST 300 - 3,000 SF RICHARD BAILEY	
17. 501 SEVENTH AVE 1,571 - 1,998 SF RIPCO REAL ESTATE/EMPIRE STATE REALTY TRUST	34. 315 W 35TH ST 6,900 SF KASSIN SABBAGH REALTY	51. 228 W 38TH ST 1,800 - 2,000 SF WINICK REALTY GROUP	

THE GARMENT DISTRICT ALLIANCE



Source: CoStar



Yumiko Dancewear, 214 W 39th St, New York, NY 10018

HOTELS

KEY INSIGHTS

- » There are 54 hotels in the Garment District representing 12,400 rooms. The opening of new hotels and reopening of those that were temporarily closed have brought the District to an all-time high room count.
- » Four additional hotels are currently under construction, and are expected to add 675 rooms to the District.
- » Tourism continued to increase in Q4 2022. Occupancy rates averaged 85.2%, peaking at 88.5% in October. For comparison, the average occupancy rate in Q4 2019 was 92.4%.
- » Though occupancy rates were slightly lower than Q4 2019, given the expanded number of hotels in the District, Q4 2022 saw the most hotel demand of any quarter ever, with 915,906 stays. There were 755,458 stays in Q4 2021, and 289,812 in Q4 2020.
- » Hotel occupancy for the city overall reached 82.8% of pre-pandemic levels by the end of December, maintaining the highest rates of any major market in the country, with room rates higher than any other US market outside of Hawaii and the Florida Keys.



Hotel Hendricks, 25 W 38th St, New York, NY 10018

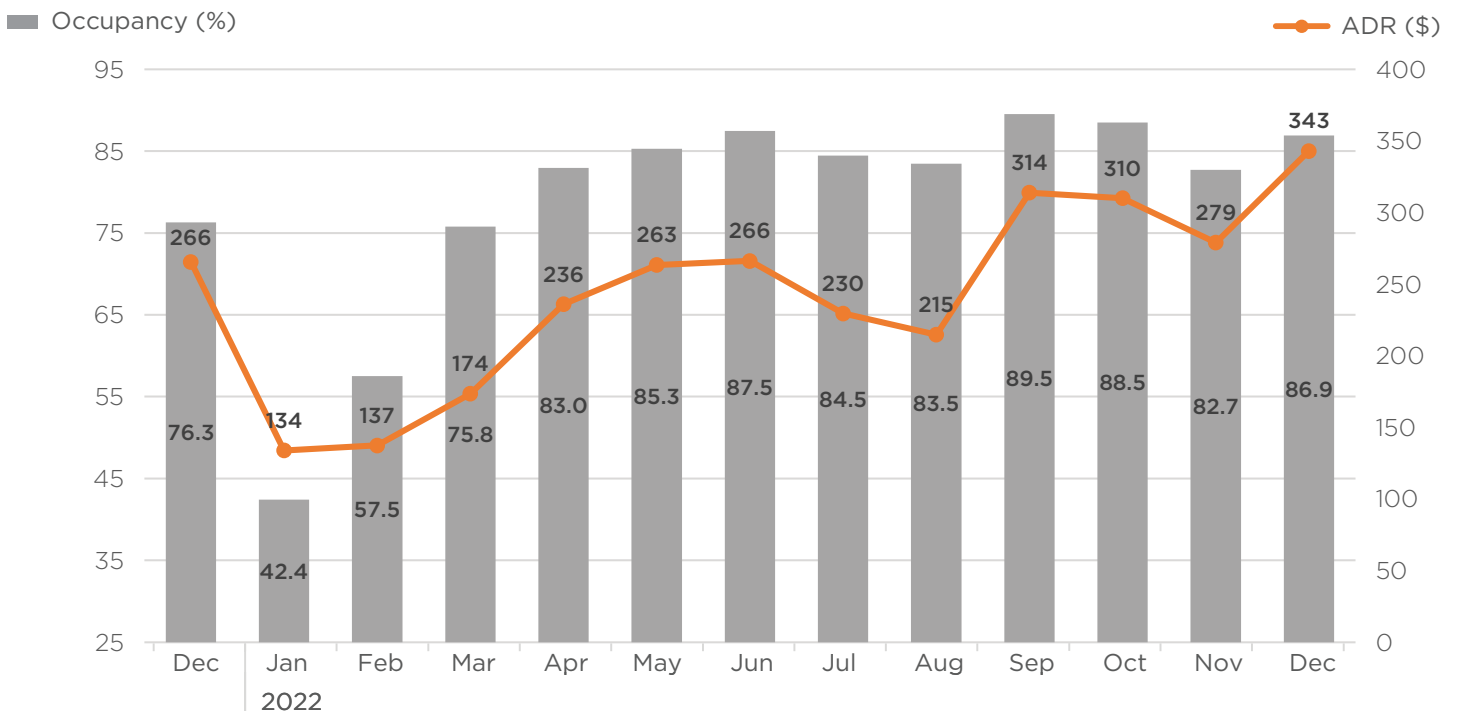
REVPAR, OCCUPANCY, & ADR COMPARISON, DECEMBER 2021 & 2022

	Revenue Per Available Room (RevPAR)			Occupancy		Average Daily Rate (ADR)	
	Dec 2021	Dec 2022	Pct. Change	Dec 2021	Dec 2022	Dec 2021	Dec 2022
Garment District	\$203	\$298	+46.8%	76.3%	86.9%	\$266	\$343
Midtown South*	\$202	\$298	+47.3%	74.4%	84.3%	\$272	\$354
Midtown East	\$249	\$386	+55.2%	69.5%	85.5%	\$358	\$451
Midtown West/Times Square*	\$243	\$367	+50.9%	70.4%	85.8%	\$345	\$427
Financial District	\$207	\$256	+23.4%	75.4%	77.2%	\$275	\$331
Uptown	\$337	\$438	+30%	65.0%	77.6%	\$519	\$565
Village/SoHo/Tribeca	\$254	\$334	+31.4%	71.9%	80.6%	\$354	\$415

*Garment District data is included in this area

Source: STR

OCCUPANCY & AVERAGE DAILY RATE IN GARMENT DISTRICT, 2021-2022



Source: STR

PEDESTRIAN COUNTS

KEY INSIGHTS

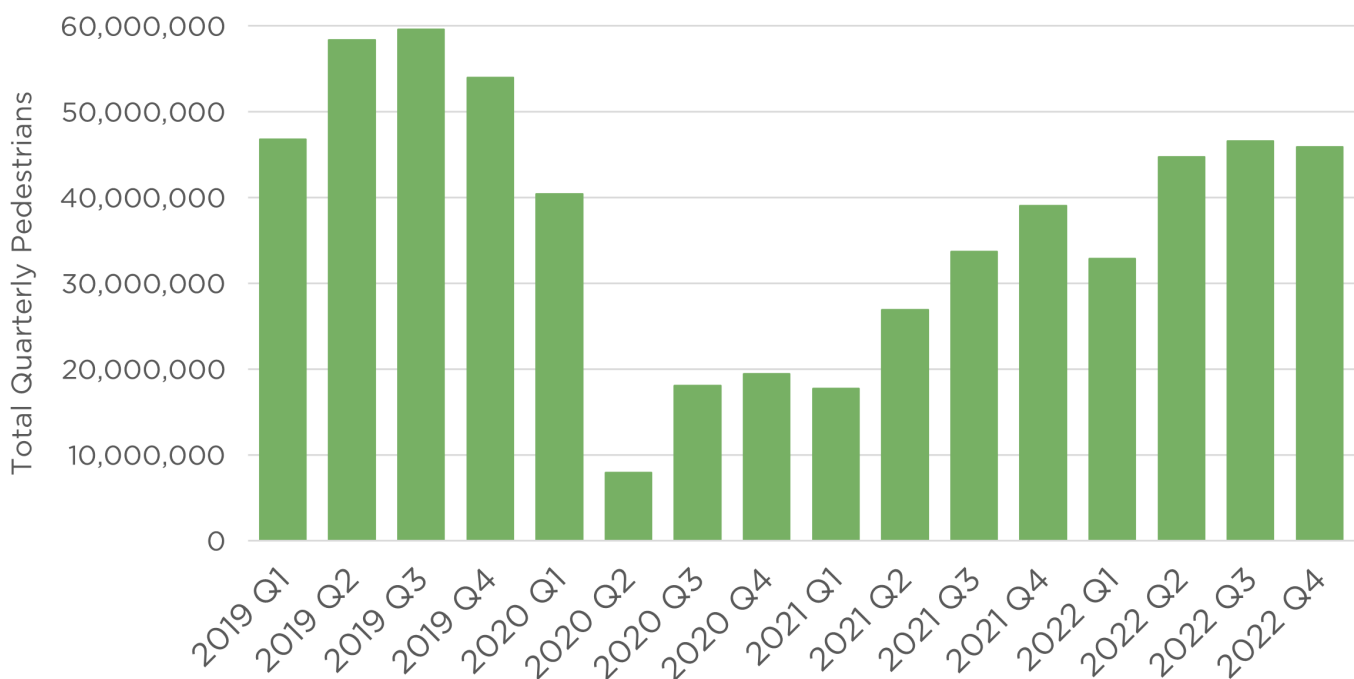
Pedestrian volumes have stabilized into a pattern that resembles the seasonal trend seen prior to COVID-19, with counts averaging roughly 80% of 2019. Notably, December saw pedestrian counts that nearly reached pandemic levels due to holiday foot traffic. The NYC subway and regional railroads are averaging 61.2% of 2019 ridership on weekdays, but significantly higher on weekends, as leisure travel and tourism have rebounded more robustly than office commuting.

MONTHLY PEDESTRIAN VOLUMES SINCE DECEMBER 2021

	Total Count	Change from 2020	Change from 2019
December 2022	18 million	+154%	-6%
October 2022	14.4 million	+129%	-19%
August 2022	15 million	+159%	-22%
June 2022	15 million	+202%	-37%
April 2022	13 million	+767%	-26%
February 2022	10.1 million	-19%	-17%
December 2021	14.9 million	-22%	-63%

Source: Springboard

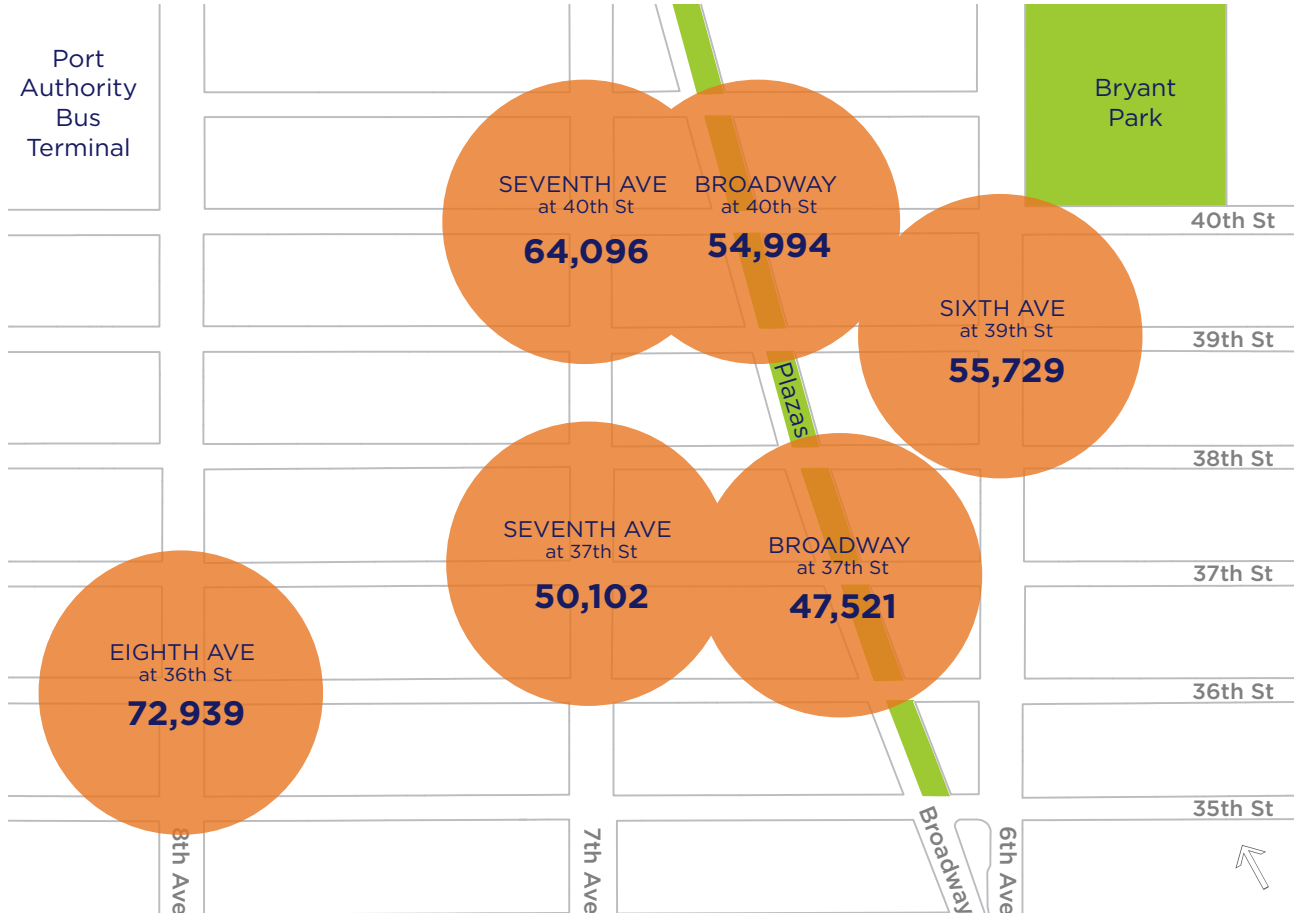
TOTAL QUARTERLY PEDESTRIAN VOLUMES, 2019 - 2022



Source: Springboard



WEIGHTED WEEKDAY AVERAGE PEDESTRIAN COUNTS, OCT - DEC 2022



Source: Springboard. Intersection count values are weighted to account for the difference in number of counters per location.



The Big Button, corner of W 39th Street and 7th Avenue

Future of the District

RESIDENTIAL ANALYSIS

The future of the Garment District is dependent on the city embracing the widely accepted planning principles of mixed use in neighborhoods, including office, live/work, residential and retail. A recent report, conducted for the GDA by BFJ Planning in association with Urbanomics, analyzed post-pandemic trends in the office market and their effects on the District. Data revealed how residential conversions could be the catalyst for recovery. The report also further details the market basis, residential development potential, and zoning and tax recommendations to support the rationale for a zoning change to allow for residential conversions.

Garment District Challenges

- » Historically a single industry district, opportunity for growth is limited, as garment manufacturing now occupies less than 2% of Garment District space.
- » The vacancy rate is 17%, with no discernable market expected to alleviate that trend.
- » Dominated by Class B and C office buildings, the neighborhood cannot compete with the massive amount of new office space surrounding the district, making it difficult to find or retain tenants.
- » Least number of residents per acre in the five boroughs of New York City.
- » Without residential, ground floor retail is not sustainable.
- » Without a robust public realm, crime and quality of life challenges will continue to dominate the neighborhood.
- » Office vacancy, retail decline, and quality of life concerns call for a proactive and holistic approach.

Opportunities

The Garment District is the key to Midtown's pandemic recovery.

The Garment District is the gateway to NYC for millions of tourists and commuters.

- » 1.7 million daily transit riders
- » 220 million pedestrians
- » 3 million hotel visitors a year (20% of Midtown hotel office supply)

The Garment District presents a solution to NYC's severe housing crisis.

Potential Benefits of Residential



Add more than 3000 new residential units over the next 10 years (6500 over 25 years)



Activate unutilized space



Foster an active, safer, 24/7 community



Spur investment in streetscape and public realm



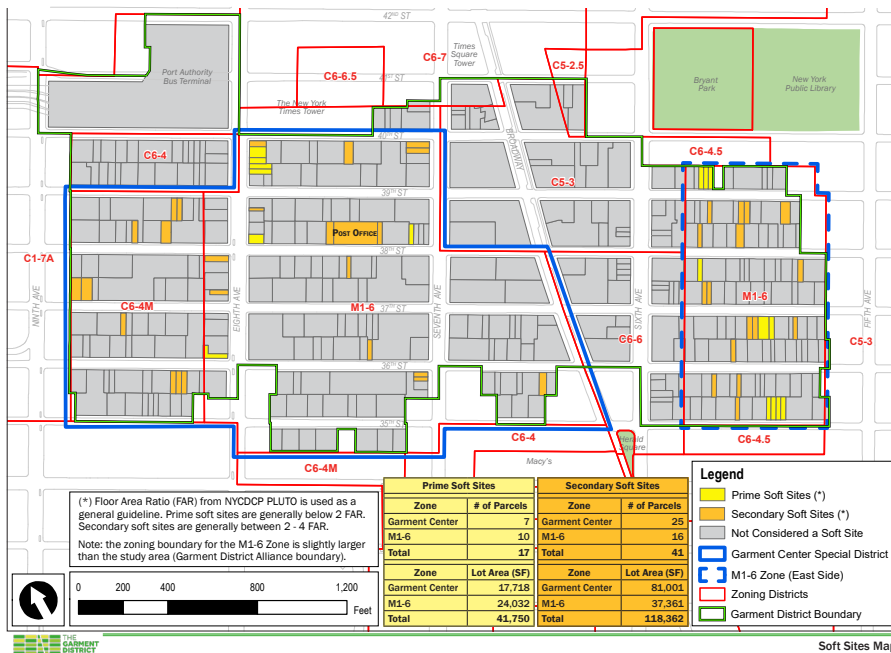
Support retail recovery

GARMENT DISTRICT FAR ANALYSIS



Much of the neighborhood exceeds current allowable FAR, making residential conversions much more likely than demolition and new development.

SOFT SITES FOR POTENTIAL DEVELOPMENT



Scattered soft sites could potentially support new residential development.

NEW YORK INITIATIVES

In December, the governor and mayor released the report of the New New York Committee, *Making New York Work for Everyone*, which identifies a city-state agenda of investments, legislation, development projects, infrastructure, and long-term transformative initiatives to help the city recover from the impact of covid and maintain global leadership. The 159-page report outlines many broad-stroke ideas for reimaging New York's business districts as vibrant, 24/7 destinations.

This announcement was followed by the Mayor's State of the City address, in which he committed to implementing the following recommendations, which align with the GDA vision for the Garment District:

- » Update zoning in commercial neighborhoods to allow more Midtown office building conversions to residential by easing regulations and affording office buildings built before 1990 the same housing conversion flexibility that is currently restricted to pre-1961 buildings.
- » Examine areas of Midtown where residential uses are restricted to see if zoning should be amended to foster the development of 24/7, mixed-use neighborhoods.
- » Decrease the number of long-standing sidewalk sheds and improve the design of new ones.
- » Create a new Director of Public Realm position in city hall to streamline response to concerns.
- » Reimagine the public space in Midtown through public realm improvements, including sidewalks widenings, pedestrian islands and upgraded bicycle networks.



There are many details yet to be released about how and when these initiatives will be funded and implemented. However, the city and state buy-in is a critical start.



We are the Garment District Alliance

We serve New York's storied Garment District, in the heart of Midtown Manhattan. Working in partnership with local building owners and businesses, we improve the quality of life and economic vitality in this authentic New York neighborhood. The Garment District Alliance is a not-for-profit corporation, established in 1993.

For more information on all that's happening in the Garment District, visit [**garmentdistrict.nyc**](https://www.garmentdistrict.nyc)

Cover: The Big Button

Back: The Living Lantern

Photos by Alexandre Ayer/Diversity Pictures unless otherwise noted

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