



Quarterly Economic Report

Q1 2026

by the Garment District Alliance

Real Estate Overview

OVERVIEW

The Garment District's real estate market has seen an exciting past year following a rezoning, new sky-high developments, world-class restaurant openings, and a modernizing office market.

Eighteen new developments are proposed or underway across the district, set to bring 960 new residential units and 938 new hotel rooms to the district over the next few years. These projects were enabled by 3 key zoning actions — a 2018 zoning text amendment, 2024 City of Yes for Housing Opportunity, and the 2025 Midtown South Mixed-Use Plan — which allowed for new hotel and residential development. These zoning changes, paired with large public infrastructure projects to redevelop Port Authority Bus Terminal, modernize Penn Station, and create a new permanent plaza along Broadway, demonstrate a renewed public commitment to the future of the Garment District and the workers, tourists, and locals who call this place home.

Tenancy within our buildings, new and storied alike, changed drastically, reflecting the modern challenges and opportunities for businesses trying to succeed in 2026. According to 2024 data from the NYS Department of Labor, the fashion sector has continue to shrink, down 18% compared to 2019. Meanwhile, the information sector saw a 37% growth, and the education and health services sector saw a 47% growth over the same time period. These changes are reflected in our conversations with owners and tenants. Beloved fashion destinations like M&J Trimmings are closing, while Middle Eastern, Chinese, Japanese, and Korean restaurants open up. Inside offices, technology and AI companies have invested in physical space to cement their operations. Health- and education-related non-profits have also relocated to the district, filling up vacant office space.

Based on CoStar data, current leasing trends across the district reflect an office market defined by two opposites: institutional anchor tenants, and small businesses. Large firms provide stable, long term, lucrative leases with high square footage. WeWork, in partnership with Amazon, signed a 256,945 SQFT lease expansion at 1440 Broadway for \$53 a square foot, and Burlington renewed its 191,913 SQFT lease at 1400 Broadway for another 15 years. Smaller firms are more price sensitive, with shorter term leases for limited square footage at affordable rates. Fifty six percent of new leases in the district are for 1-3 years, with 67% of these short-term leases being smaller than 2,000 square feet with an average starting rent of \$40.46. This dichotomy reflects the district's mix of class A, B, and C buildings, with large institutional tenants filling up class A buildings along Broadway, while Class B and C side street buildings provide de facto incubator spaces for small companies and non-profits to create a physical foothold for growth.

This special real estate-focused Q1 2026 Economic Report goes into further depth regarding leasing, sales, and development shaping the Garment District into a mixed-use, vibrant neighborhood.

BY THE NUMBERS
Q2 2025 THROUGH Q1 2026

OFFICE

542

Office Leases Signed

RETAIL

52

Retail Leases Signed

FUN FACTS

6%

Increase in Pedestrian Counts*

\$47.72

Average Starting
Office Rent per SQFT

\$61.79

Average Starting
Retail Rent per SQFT

8.6%

Increase in Customers

16

New AI Companies

743

Ground Floor Businesses

931

Apparel/Garment Tenants

2,600,000

SQFT of Offices Leased

161,500

SQFT of Retail Leased

11.6%

Increase in Card Transactions

13%

Increase in Office
Leasing Activity

305

Restaurants

960

Apartments In Development

OFFICE

KEY INSIGHTS

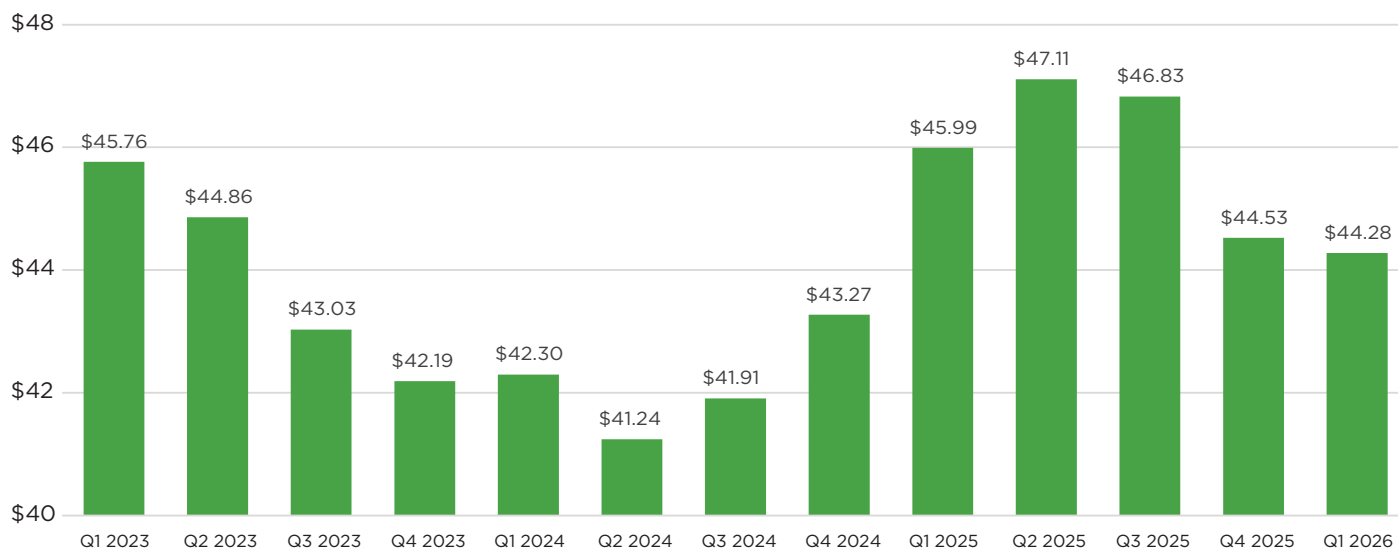
Q1 2026 proved a strong start to the year, with office vacancy down 14% in the Garment District, and down 13% citywide according to CoStar. Availability is similarly down 14% in the district. While this increasingly competitive office market's impact on starting asking rent has yet to be seen, market asking rent is rebounding, growing 2% year over year.

Growing competition is tightening the trophy and class A office market, driving prospective tenants towards class B and C buildings like those in the Garment District. This bifurcation of the market can be seen in the chart to the right, demonstrating how class B and C buildings are outperforming class A within the district, but not across the midtown market as a whole. This is good news for the district's property owners who are struggling with vacancy; as class A space fills up, more people are being pushed towards B and C space with the same geographic convenience.

Unsurprisingly, AI and data companies are leading new leasing in the district, with Bloomberg, CoStar, the NY Post, and other outlets attributing overall office market recovery to the sector. With new leases from companies like Cyera, Allvue, Healthee, Gorgias, Versana, WorkFusion, CB insights, and Arya Health, the information sector has leased 130,000 SQFT of space across the Garment District. As one of the only 3 growing sectors within zip code 10018, the recent explosive growth of AI is only expected to compound as companies create brick-and-mortar footholds in Midtown, turning to the Garment District for start-up friendly rents and access to nearby firms.

Nonprofits were the second leader in new leases, relocating to the district for its affordability and centrality. In the past year, Breaking Ground, the Reform Alliance, American Indian Community House, and the National Association on Drug Abuse Problems (NADAP) leased a collective 40,000 SQFT of space.

GARMENT DISTRICT AVERAGE STARTING OFFICE RENTS PER SF



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

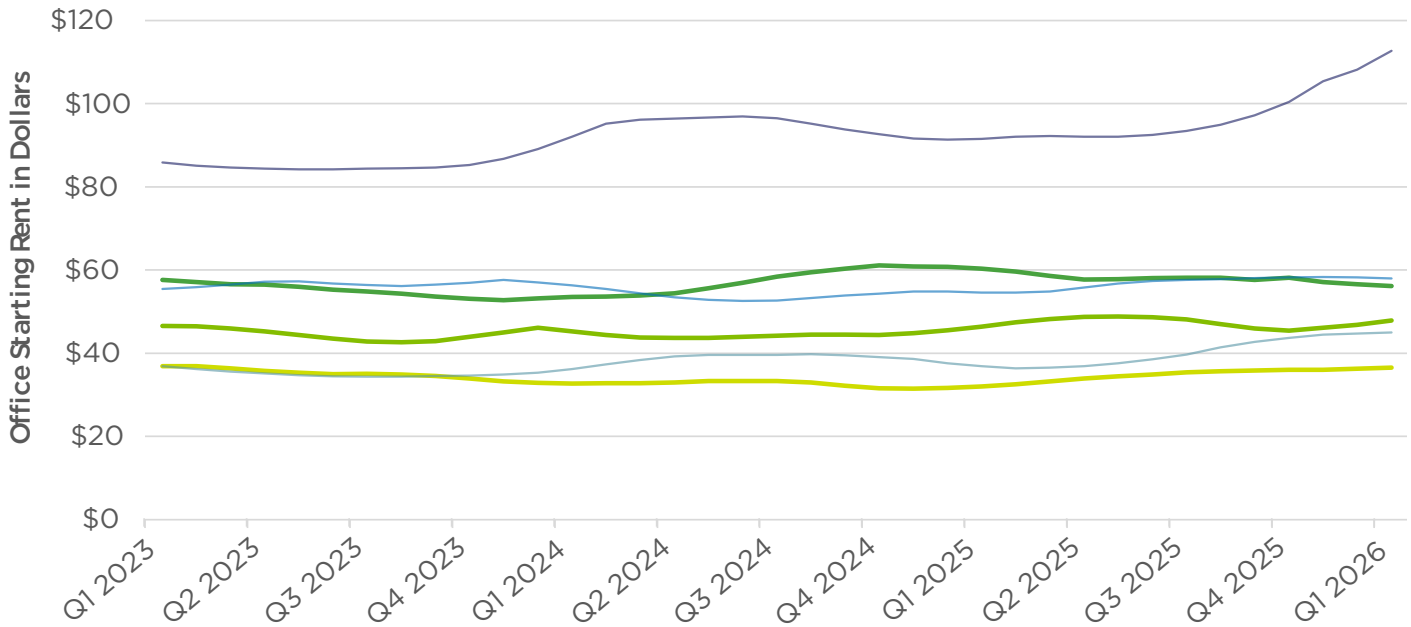
GDA VS MIDTOWN STARTING OFFICE RENTS BY BUILDING CLASS

Q1 2026 Garment District Office Starting Rent as Percentage of Midtown Office Starting Rent

Class A : 50%

Class B : 83%

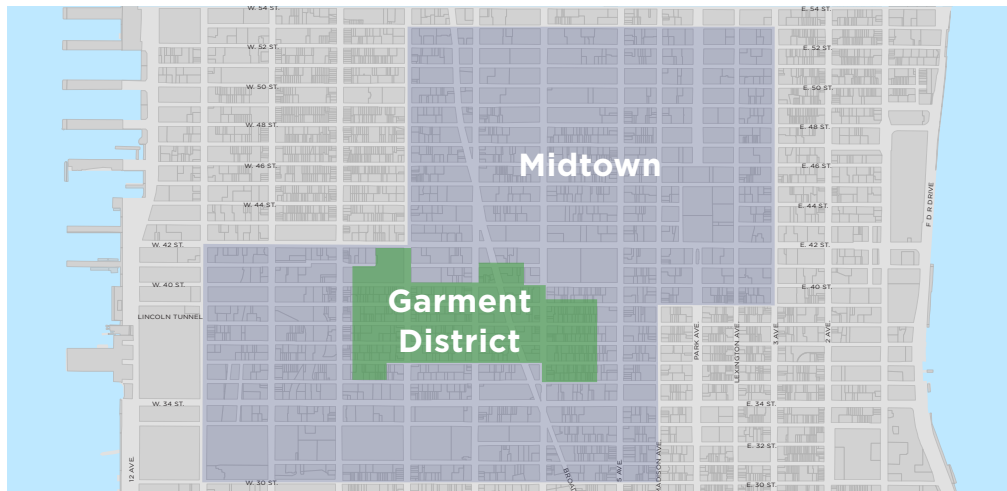
Class C : 81%



Legend

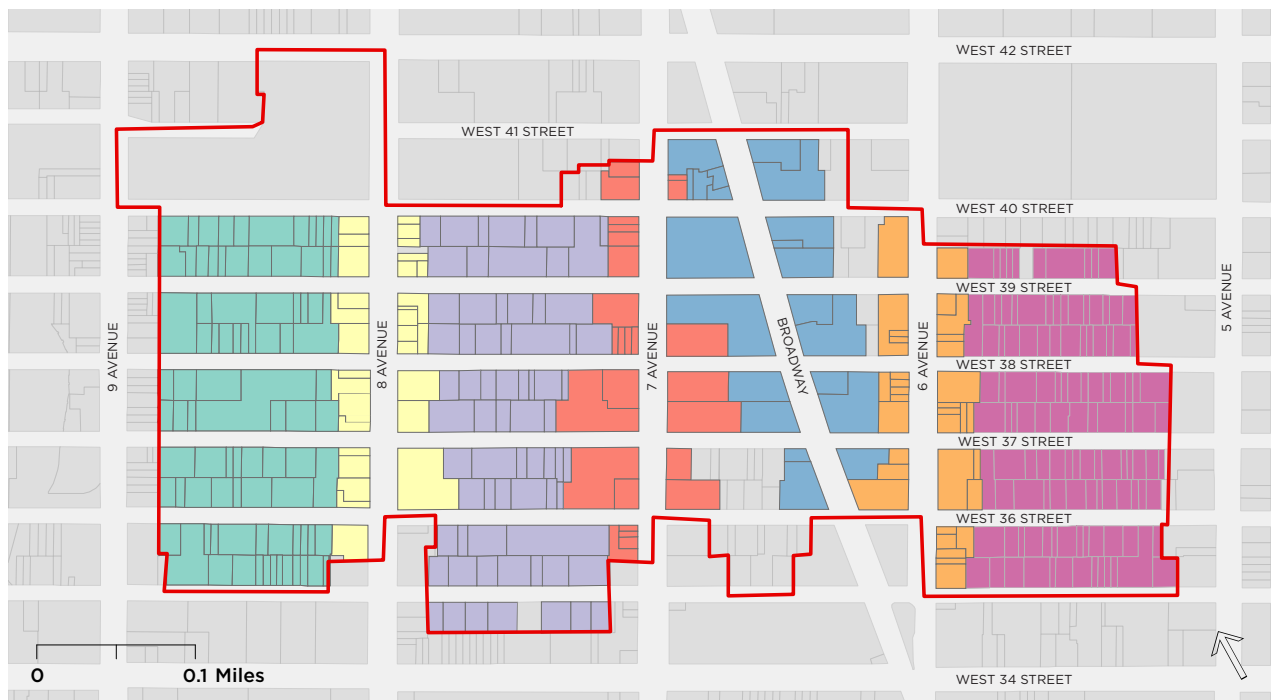
- GDA: Class A
Change: -7%, SS: 497
- GDA: Class B
Change: 3%, SS: 2,500
- GDA: Class C
Change: 14%, SS: 695
- Midtown: Class A
Change: 23%, SS: 9,200
- Midtown: Class B
Change: 6%, SS: 3,800
- Midtown: Class C
Change: 22%, SS: 434

Source: CompStak, Inc., 3-month moving averages
Change is measured as the percent change from Q1 2025 to Q1 2026
SS represents the total lease sample size for each class and geography



GARMENT DISTRICT AVERAGE STARTING OFFICE RENTS BY LOCATION

	Sample Size	Mar 2024 (\$/SF)	Mar 2025 (\$/SF)	Mar 2026 (\$/SF)	2-yr. Change
 8th-9th Ave Side Streets	66	\$34.04	\$36.59	\$36.63	+7.6%
 Eighth Avenue	45	\$35.59	\$34.42	\$41.75	+17.3%
 7th-8th Ave Side Streets	122	\$33.33	\$38.03	\$34.12	+2.4%
 Seventh Avenue	77	\$45.92	\$50.26	\$55.65	+21.2%
 Broadway	207	\$46.13	\$55.74	\$46.45	+0.7%
 Sixth Avenue	62	\$56.46	\$58.23	\$55.79	-1.2%
 5th-6th Ave Side Streets	68	\$38.25	\$32.92	\$38.08	-0.4%
 District Average	732	\$42.30	\$45.99	\$44.28	+4.7%



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



Holiday lighting along the Broadway Plazas

RETAIL

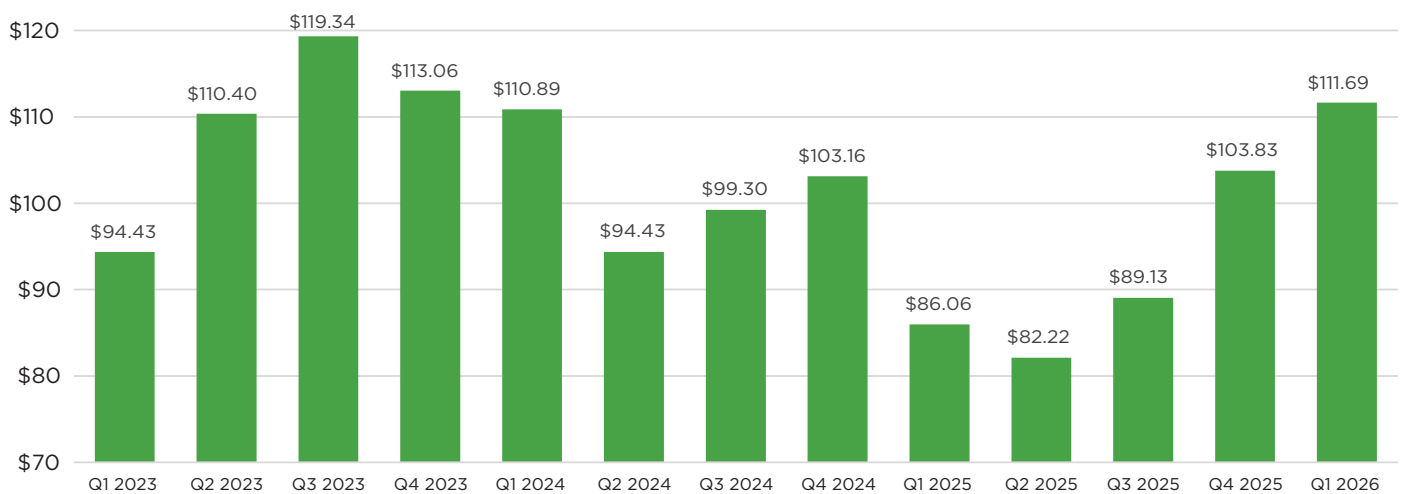
KEY INSIGHTS

Garment District retail continues its churn as more small apparel storefronts close, and restaurants open up in their place. Hotels and return-to-office have increased foot traffic and 24-hour presence, increasing demand for restaurants. Affordable rent and a diverse tourist population are also attracting the attention of national and international brands, who are opening up their first US locations in the Garment District. 10000 Coffee in 2022; HeyTea, German Doner Kebab, and ER Hot Pot in 2023; KPOT, All’Antico Vinaio, YGF Malatang, and Kajiken Ramen in 2024; Chubby Skewers, Lelecha, Go! Go! Curry!, and BarChef in 2025; Cotti Coffee, TeaPulse, Piadi by La Piadineria, and Koshary El Tahrir in 2026. Ground floor retail across the district is reflecting the increasingly diverse people who work, visit, and stay in the Garment District.

Meanwhile, a number of side street fashion stores — mostly small boutiques, fabric shops, or trimmings stores — are closing. Per McKinsey’s 2026 report, “The State of Fashion: When the Rules Change,” globalization, tariffs, value, and e-commerce are spurring industry doubt; 36% of people surveyed considered the future of North American fashion “unpromising” or “very unpromising.” Ground-floor fashion retailers Ebad Fabrics, M&J Trimmings, Joyce Trimming, Bansum Fashion, Fabrics World, Pro Standard, Love To Dress, and JYC Bridal all closed in the past year, feeling these pressures.

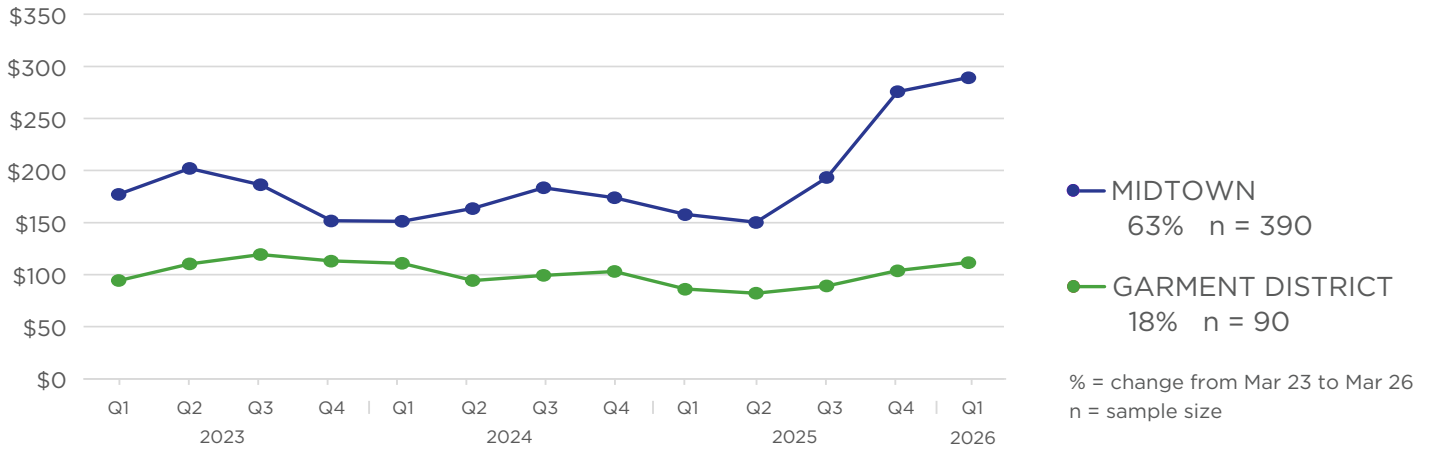
For staple retailers within the district, sales and transactions are both up 26% year over year per CenterCheck. Garment District restaurants saw a 7% decrease in sales over the same period, likely affected by a drop in international tourism and increasing competition across the food and beverage space within the district. With the World Cup and America250 taking place this summer, Q2 is expected to provide a welcome boon to local retail and restaurants.

GARMENT DISTRICT AVERAGE STARTING RETAIL RENTS PER SF



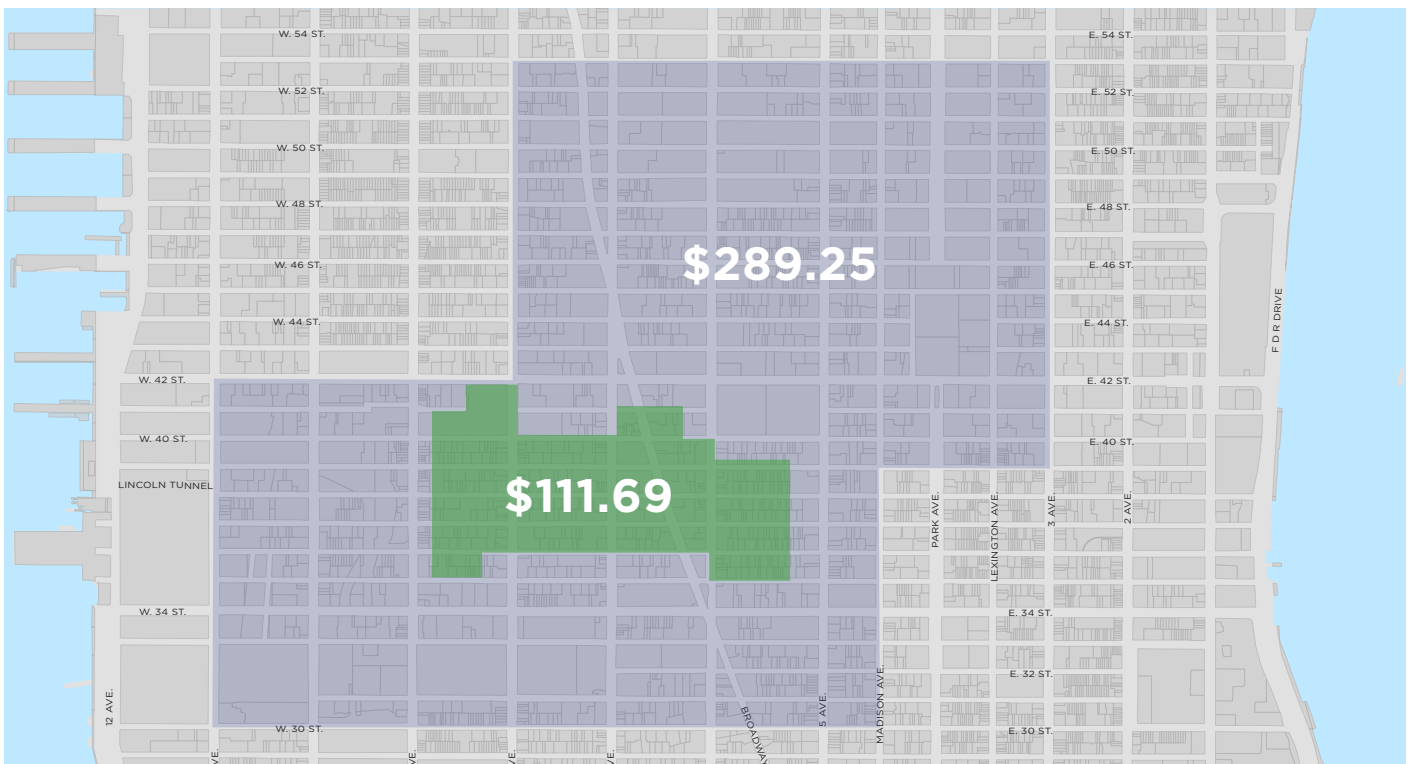
Source: CompStak, Inc., 3-month moving averages

MIDTOWN VS GARMENT DISTRICT AVERAGE STARTING RETAIL RENTS PER SF



Source: CompStak, Inc., 3-month moving averages
 Outlier leases over \$1,000/SQFT were removed for comparison

AVERAGE STARTING RETAIL RENTS PER SF, MARCH 2026



Source: CompStak, Inc.

RETAIL AVAILABILITIES

1. 1372 BROADWAY
1,779 - 6,161 SF
JLL

2. 1375 BROADWAY
3,000 SF
KASSIN SABBAGH REALTY

3. 1385 BROADWAY
1,124 SF
SAVITT PARTNERS

4. 1407 BROADWAY
1,306 - 10,627 SF
JLL

5. 1411 BROADWAY
850 - 1,439 SF
JLL

6. 1435 BROADWAY
1,400 SF
SOLIL MANAGEMENT

7. 601 EIGHTH AVENUE
8,100 SF
TRISTATE CR

8. 625 EIGHTH AVENUE
196 - 27,875 SF
JRT REALTY

9. 485 SEVENTH AVENUE
600 SF
KASSIN SABBAGH REALTY

10. 488 SEVENTH AVENUE
1,600 SF
PROMISE REALTY LLC

11. 501 SEVENTH AVENUE
1,114 - 8,218 SF
RIPCO REAL ESTATE

12. 526 SEVENTH AVENUE
440 SF
KASSIN SABBAGH REALTY

13. 535 SEVENTH AVENUE
4,473 - 6,710 SF
JLL

14. 560 SEVENTH AVENUE
734 - 9,934 SF
JLL

15. 566 SEVENTH AVENUE
1,500 SF
PLATINUM PROPERTIES

16. 23 WEST 35TH STREET
2,000 SF
PD PROPERTIES

17. 25 WEST 35TH STREET
1,500 SF
PD PROPERTIES

18. 254 WEST 35TH STREET
2,000-5,500 SF
MOD COMMERCIAL REALTY

19. 20 WEST 36TH STREET
6,894 SF
CBRE

20. 25 WEST 36TH STREET
902 - 3,400 SF
KASSIN SABBAGH REALTY

21. 241 WEST 36TH STREET
6,646 SF
CORCORAN

22. 348 WEST 36TH STREET
2,300 SF
ELEGAN CAPITAL & ADVISORY

23. 16 WEST 37TH STREET
1,450 SF
JBA REAL ESTATE

24. 25 WEST 37TH STREET
369 SF
AJN REALTY ADVISORS

25. 36 WEST 37TH STREET
4,000 SF
EVAN ROBERTS CO.

26. 237 WEST 37TH STREET
4,000 SF
KASSIN SABBAGH REALTY

27. 321 WEST 37TH STREET
4,080 SF
KASSIN SABBAGH REALTY

28. 323 WEST 37TH STREET
5,000 SF
MOMENTUM REALTY GROUP

29. 326 WEST 37TH STREET
4,000 SF
GEM REALTY GROUP

30. 336 WEST 37TH STREET
3,500 SF
REQCE

31. 13 WEST 38TH STREET
1,850 SF
BESEN PARTNERS

32. 29 WEST 38TH STREET
4,530 SF
ABS PARTNERS

33. 57 WEST 38TH STREET
4,000 - 9,600 SF
LEE & ASSOCIATES

34. 203 WEST 38TH STREET
2,500 - 7,500 SF
REQCE

35. 207 WEST 38TH STREET
UNKNOWN
FOR RENT BY OWNER

36. 228 WEST 38TH STREET
9,800 SF
RTL REAL ESTATE

37. 256 WEST 38TH STREET
2,967 SF
KASSIN SABBAGH REALTY

38. 325 WEST 38TH STREET
3,620 SF
FALCON PROPERTIES

39. 344 WEST 38TH STREET
2,000 SF
CURRENT RE

40. 32 WEST 39TH STREET
1,115 SF
LIBRET REAL ESTATE

41. 43 WEST 39TH STREET
506 - 4,000 SF
EXP COMMERCIAL

42. 214 WEST 39TH STREET
4,935 SF
NEWMARK

43. 250 WEST 39TH STREET
2,422 SF
NEWMARK

44. 314 WEST 39TH STREET
UNKNOWN
FOR RENT BY OWNER

45. 323 WEST 39TH STREET
2,500 - 5,672 SF
ART STATE

46. 207 WEST 40TH STREET
600 - 6,000 SF
KASSIN SABBAGH REALTY

RECENTLY LEASED!

1370 BROADWAY
TO BECOME SORA

520 EIGHTH AVENUE
TO BECOME ONE STOP
FRAMING SHOP AND HUNG
KUEN USA KUNG FU ACADEMY

525 SEVENTH
TO BECOME VIVA LA DOUGH

1013 SIXTH AVENUE
TO BECOME HÄAGEN-DAZS

1025 SIXTH AVENUE
BUILDING SOLD

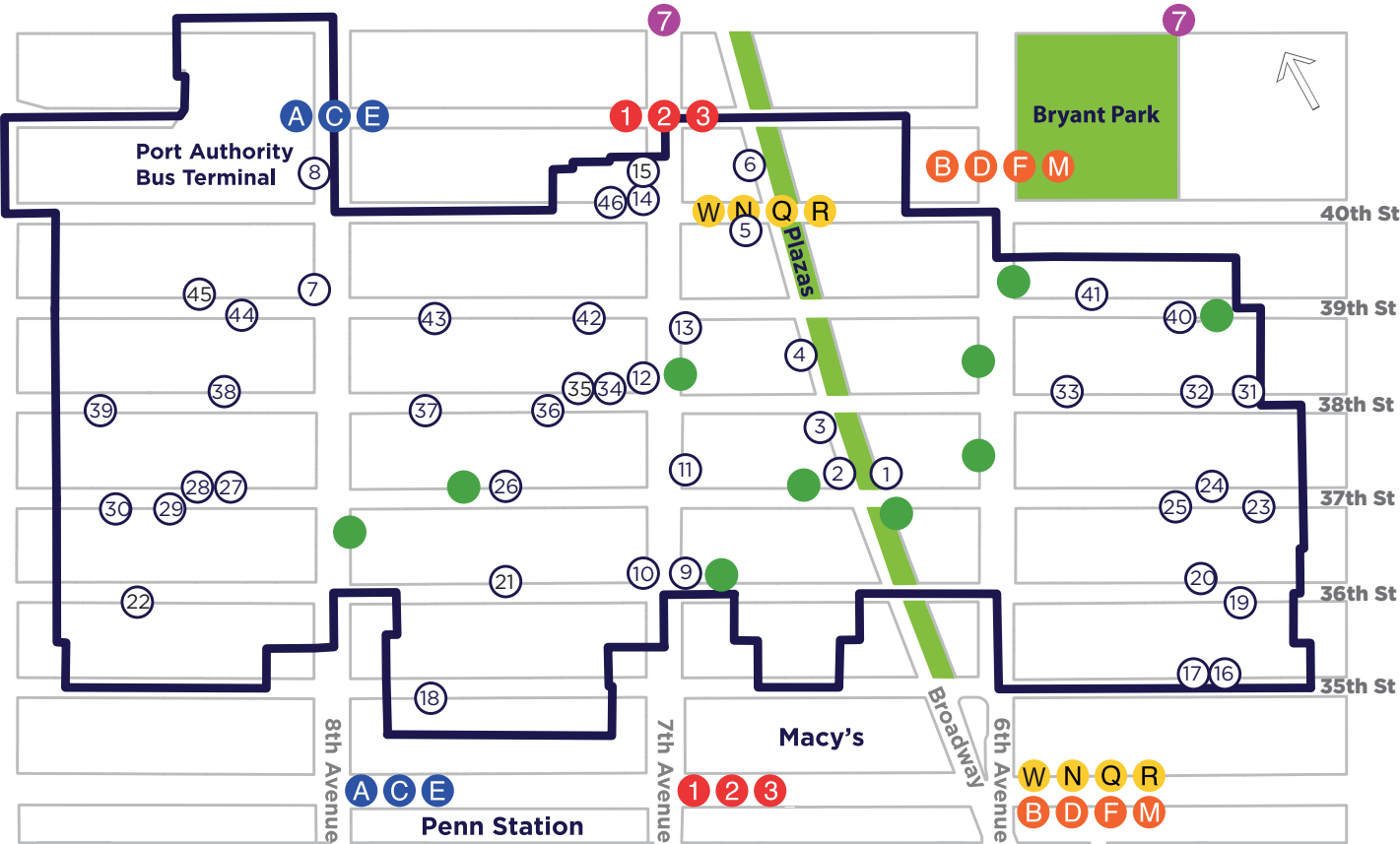
18 WEST 39TH STREET
TO BECOME KAZA JAPANESE
RESTAURANT

131 WEST 37TH
TO BECOME A COFFEE SHOP

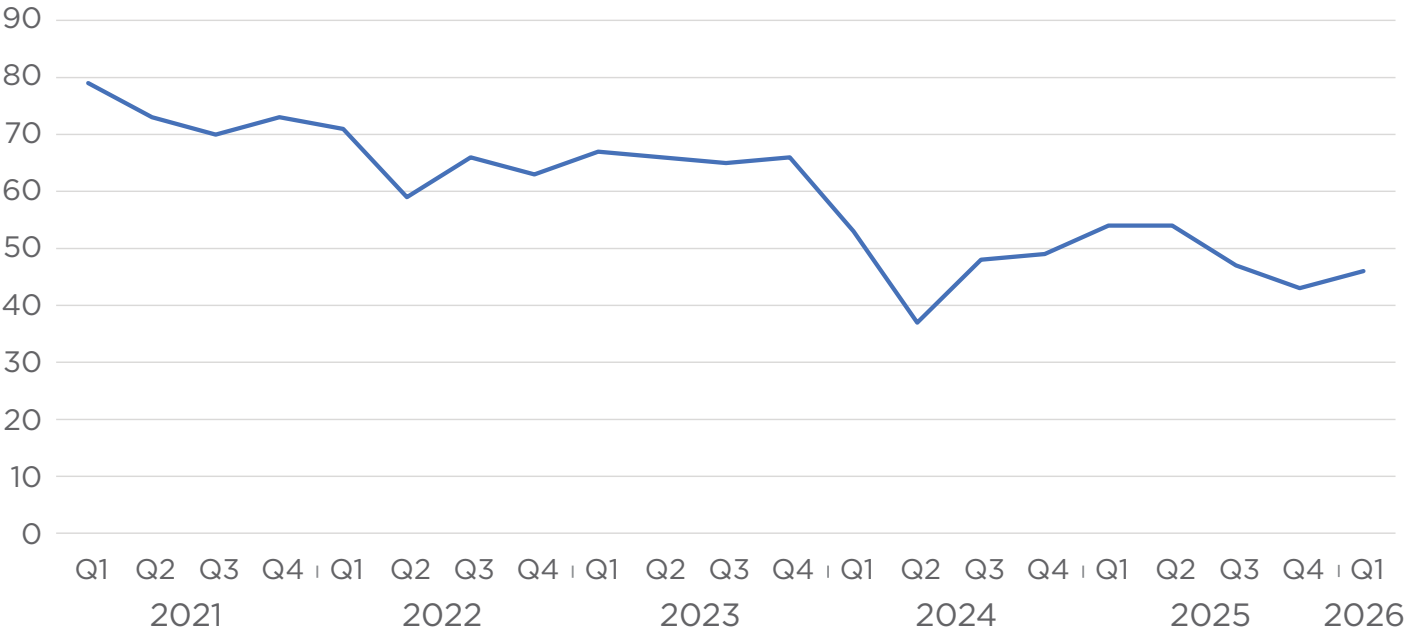
241 WEST 37TH
TO BECOME MIDTOWN DENTAL
GROUP

1040 SIXTH AVENUE
TO BECOME LA PIADINERIA

481 SEVENTH AVENUE
TO BECOME COTTI COFFEE



GDA GROUND FLOOR RETAIL AVAILABILITIES, 2021 - 2026

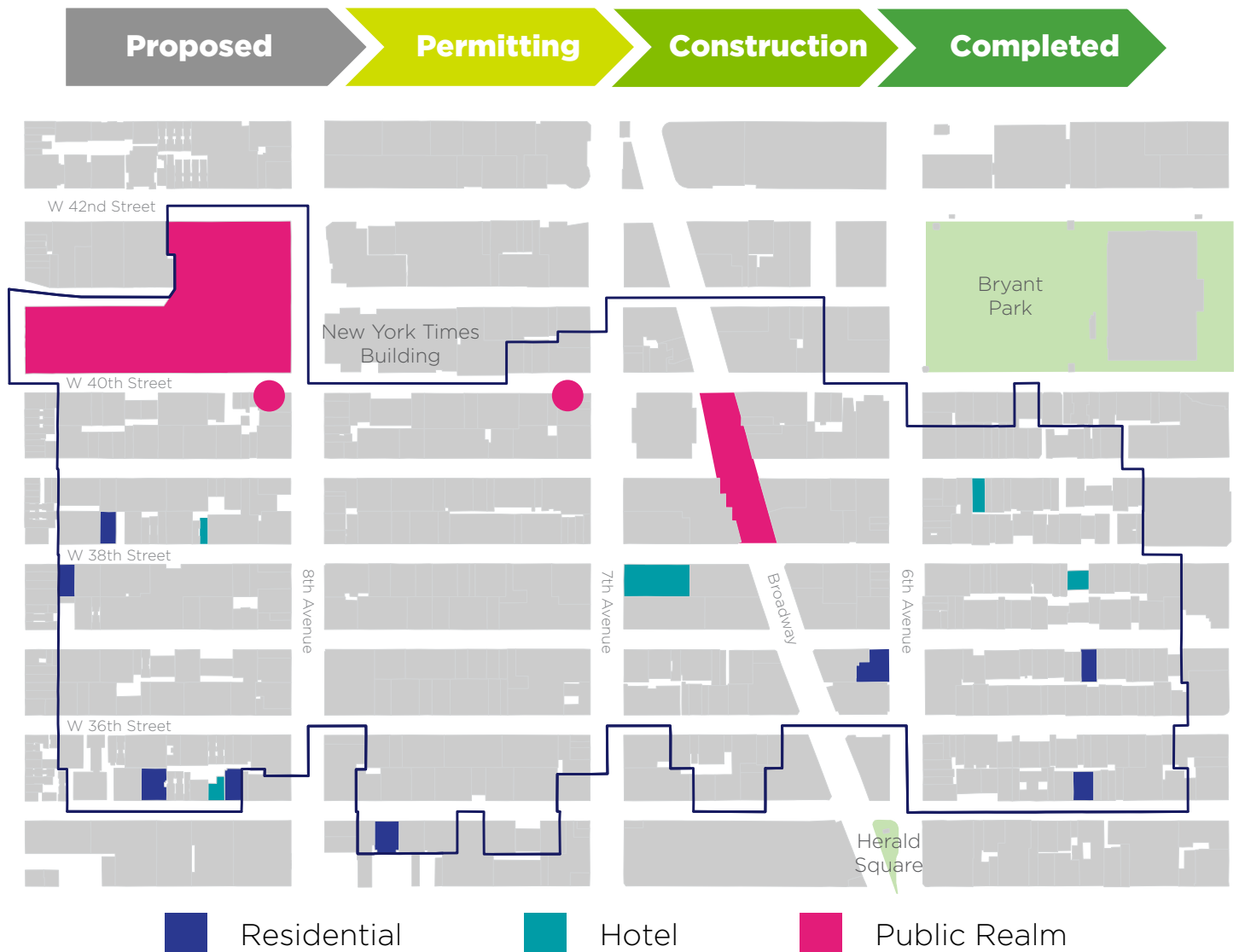


Development

NEW DEVELOPMENT

Following the 2018 zoning text amendments and Midtown South Mixed-Use Rezoning in 2025, hotel and residential development is gaining traction across the district. Currently, 794 residential units and 713 hotel rooms are proposed or in the construction pipeline across the district, with more projects anticipated in the following years. These conversions, developments, and public realm improvements reflect decades of the Alliance's advocacy to attract city funding and attention to the district to improve the public realm and allow new opportunity for industrial buildings.

Vacant office and low-rise buildings have new development incentives to encourage their highest and best use now that use-based restrictions were lifted across the district, except for a select 37 buildings between Seventh and Eighth Avenue.



Development sites across the district

RESIDENTIAL**29 West 35th Street**

Permitting | 107 Units

This office-to-residential conversion, the first following the Midtown South Mixed-Use Plan, will create 107 new luxury residences while maintaining the historic façade of the building. Buttonwood Development, Global Real Estate Partners, and 400 Capital Management LLC are all collaborating to make this vision possible.

989 6th Avenue

Construction | 311 Units

Casoni is a 73 story residential tower set to bring 311 new rental and condo units, with 30% of these designated as affordable housing. The super-tall was designed by C3D Architecture and developed by Sioni Group and AB & Sons. It is expected to be completed in mid-2026.

350 W 38th Street

Proposed | 70 Units

BCN Development purchased 350 West 38th to convert 30,000 square feet of offices into 70 residential units, with 25% designated as affordable housing. The \$33 million dollar investment will add six new stories to the building while maintaining the existing facade.

30 W 37th Street

Permitting | 95 Units

Permits were filed for the demolition of a two-story building at 30 W 37th to make way for a 32-story residential tower -- the first of its kind enabled by the Midtown South Mixed-Use Plan. The 95 unit building is being designed by C3D architecture and developed by Fy & Sons TIC LLC.

315 W 35th Street

Proposed | 28 Units

The Chetrit Group is looking to redevelop several floors of 315 W 35th to create 28 new residences. A work permit was filed and is awaiting approval.

339 W 38th Street

Completed | 117 Units

The office-to-residential conversion of 339 West 38th was completed in 2025, bringing 117 residential units, 20% of which are affordable, to the district.

335 W 35th Street

Construction | 66 Units

This office-to-residential conversion is expected to deliver 66 new units of luxury housing by 2027. After a pause in construction in 2024, efforts have resumed. The building will also house a cultural center on its first two floors.

254 W 35th Street

Permitting | 166 Units

Joyland Management purchased the building in February 2026 for \$26,000,000 to convert the commercial offices into 166 residential units. A major alterations permit was filed in March and construction will begin soon.

Development

HOTEL

319 W 35th Street

Construction | 166 Rooms

319 West 35th was slated to be the Garment District's newest hotel with 166 rooms when construction began in 2022. Now, in 2026 after several stop work orders were issued by the Department of Buildings, development remains in a standstill.

36 W 38th Street

Construction | 199 Rooms

Construction of the 20-story 200 bed Ariya New York Times Square, a Hilton property, began in 2023 and was completed in 2025. The hotel will open in May 2026.

321 W 38th Street

Construction | 175 Rooms

The new Hilton property, Hotel 38 New York City, will open on April 24th with 175 rooms and 2 new restaurants following 2 years of construction.

58 W 39th Street

Construction | 173 Rooms

The Xadia Hotel's daring cantilevered construction began in 2022 and, when finished, will house 173 luxury rooms. An opening date has yet to be announced.

PUBLIC REALM

Broadway 38th to 40th

Permitted

As part of the Broadway Vision to pedestrianize Broadway south of 59th Street, the Department of Transportation is working with HDR and Starr Whitehouse to create permanent plaza space. Broadway between West 39th and 40th will become a pedestrian plaza, while between West 38th and 39th, it will become a shared street block. Construction is set to begin in early 2027.

Subway Easement, 200 W 40th

Permitted

The MTA is working with the property owner to renovate the walls and floors of the subway easement to improve lighting, safety, and cleanliness. Preliminary designs have been submitted and are awaiting a review to begin work some time in 2026.

Subway Easement, 300 W 40th

Permitted

The MTA is working with the property owner and an architect to redesign the subway easement. Permits were filed in January 2026 and construction should begin imminently.

Port Authority Bus Terminal

Construction

The Port Authority began the first phase on the \$10 billion redevelopment of the Port Authority Bus Terminal to increase capacity, replace crumbling infrastructure, and modernize the terminal. Deck-overs and ramps are currently under construction, while the main terminal along Eighth Avenue is expected to begin construction in 2029.

NEW LANDMARKS APPROVED

As part of the Midtown South Mixed-Use Plan, the city landmarked five buildings for their architectural value and relevance to the garment industry. Two of the five are located in the Garment District: Fashion Tower and the Barbey Building. Both built in the early 1900s by regionally renowned architects, the buildings reflect the renaissance revival architecture that was in vogue at the time. Both have retained their exquisite facade stonework and masonry, exemplifying the unique craftsmanship that make the buildings of the Garment District quintessentially “New York.”

“The Garment District is not just a collection of buildings; it’s the story of the people who built New York’s global reputation for creativity, craftsmanship, and innovation. By preserving these remarkable structures while making way for new housing, we’re honoring our city’s rich history and ensuring a vibrant, mixed-use future for Midtown South.”

-Councilmember Erik Bottcher

BARBEY BUILDING, 15 WEST 38TH STREET

This 12-story loft building was built by architecture firm Delano and Aldrich in 1908. The structure was one of the first commercial buildings in what is now the Garment District, once even housing the corporate headquarters for Lord & Taylor. Its ornamented renaissance revival architecture and historical significance led to its preservation.



Source: NYC LPC

FASHION TOWER, 135 WEST 36TH STREET

Designed in 1924 by Emery Roth, Fashion Tower exemplifies art deco and renaissance revival architecture. The sandstone façade is carved with images of peacocks, angels with shears, and women clutching yarn – all nods to the building’s significance in the Garment District.



Source: Walker Zanger

HOTELS

KEY INSIGHTS

Hotel performance in the district continues to outpace all other sub-markets. Occupancy rates fell slightly, but are still well above all other submarkets in Manhattan. Revenue per available room also fell slightly, reflecting fewer guests balanced out by an increased average daily rate. This performance reflects a 3.2% decrease in tourism year over year per NYC Tourism + Convention — a decline directly reflected in occupancy rates.

Future hotel growth is also largely centered in the district. Per CoStar, 936 hotel rooms, or 16% of the 5,700 new rooms expected to be delivered across New York by 2028, will be located in the Garment District.

2026 is expected to push occupancy rates to their limit with the celebration of America 250 and the World Cup, which are expected to bring in 1.2 million new tourists. The district already hosted 3.8 million guests in 2025, 5% of the total tourists across all of New York City in 2025. Together, these guests generated \$1.1 billion in revenue per STR.

According to CenterCheck, approximately half of the Garment District's 53 hotels were the top performing chain location in the state, and in the 90th percentile nationwide based on revenue.



Garment machines seen along a sidewalk in the district

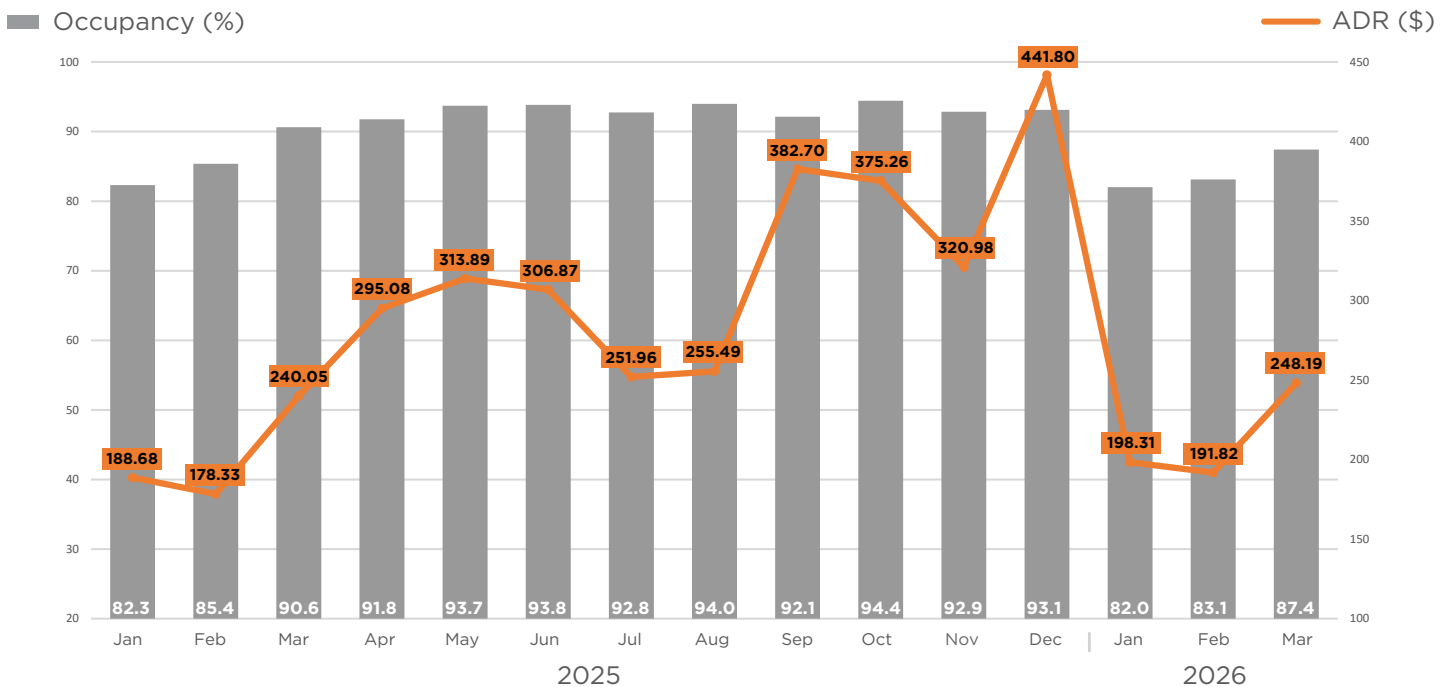
REVPAR, OCCUPANCY, & ADR COMPARISON, MARCH 2025 & 2026

	Revenue Per Available Room (RevPAR)			Occupancy		Average Daily Rate (ADR)	
	Mar 2025	Mar 2026	Pct. Change	Mar 2025	Mar 2026	Mar 2025	Mar 2026
Garment District (Zip 10018)	\$218	\$217	-0.3%	90.6%	87.4%	\$240	\$248
Midtown South*	\$220	\$224	+1.6%	86.5%	84.4%	\$255	\$265
Midtown East	\$263	\$256	-2.7%	79.9%	73.0%	\$329	\$351
Midtown West/Times Square*	\$244	\$245	+0.4%	83.5%	81.5%	\$292	\$300
Financial District	\$216	\$226	+4.7%	82.0%	82.8%	\$263	\$273
Uptown	\$284	\$303	+6.7%	75.7%	75.0%	\$375	\$404
Village/Soho/Tribeca	\$254	\$264	+3.9%	82.9%	79.9%	\$306	\$330

* Neighborhoods include portions of the Garment District

Source: STR

OCCUPANCY & AVERAGE DAILY RATE IN GARMENT DISTRICT, 2025-2026



Source: STR

Pedestrian Counts

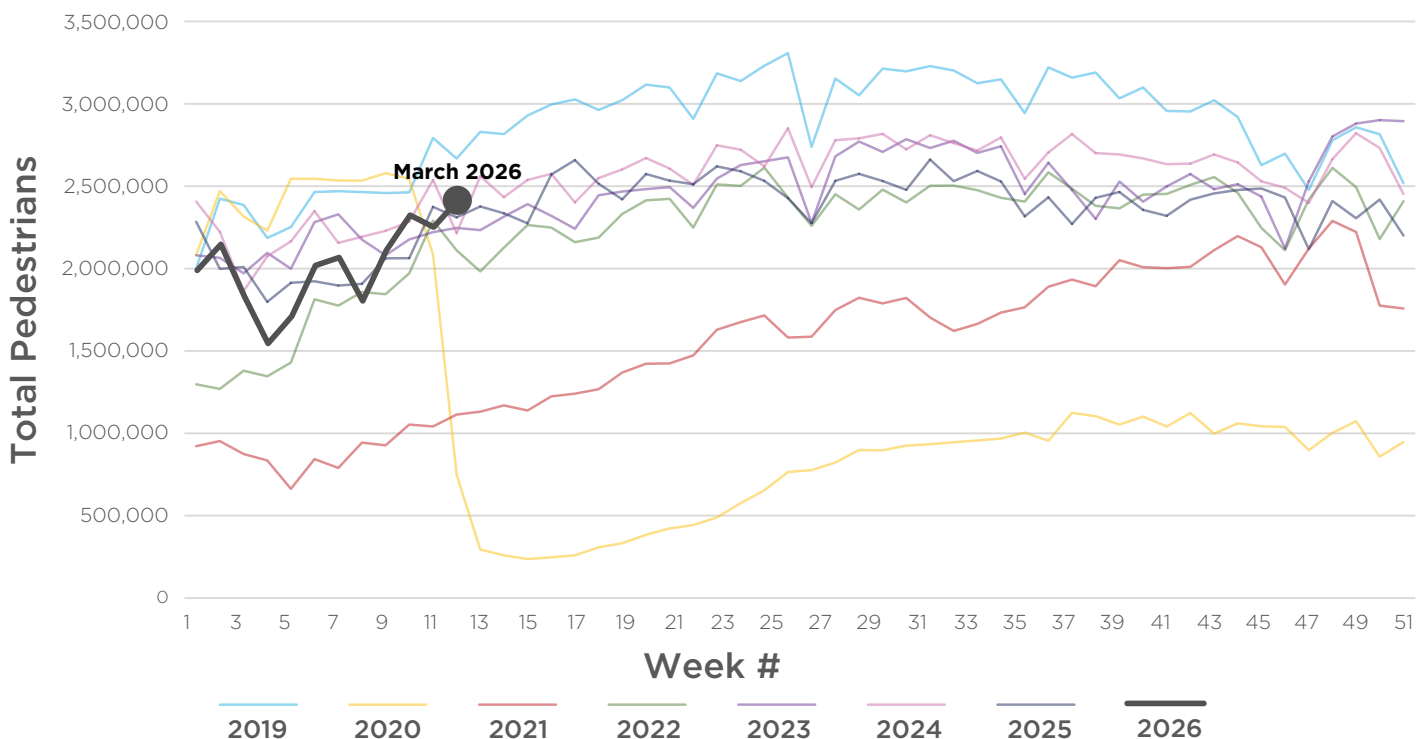
KEY INSIGHTS

Freezing temperatures and intense snowfall led to dramatic swings in pedestrian counts across the district. Weeks with snowstorms saw sharp declines. January 19 - 25 saw a 20% drop in pedestrians compared to 2025, while February 16 - 22 saw a 13% decline in pedestrians compared to 2025. Despite weather-related impacts on foot traffic, warmer weeks still saw counts around 7% above 2025 volumes. As temperatures continue to rise, weekly counts are expected to grow by 8% by the end of Q2.

This increase in non-weather-affected volumes can be attributed to the district's growing office leasing and tourism. The growing tech sector in New York is driving new leases across the district, bringing more workers to the office. Pedestrian counts are also supported by the continued competitiveness of the Garment District's 53 hotels, whose occupancy has now reached 2019 levels despite a 3.2% drop in citywide tourism according to NYC Tourism + Conventions.

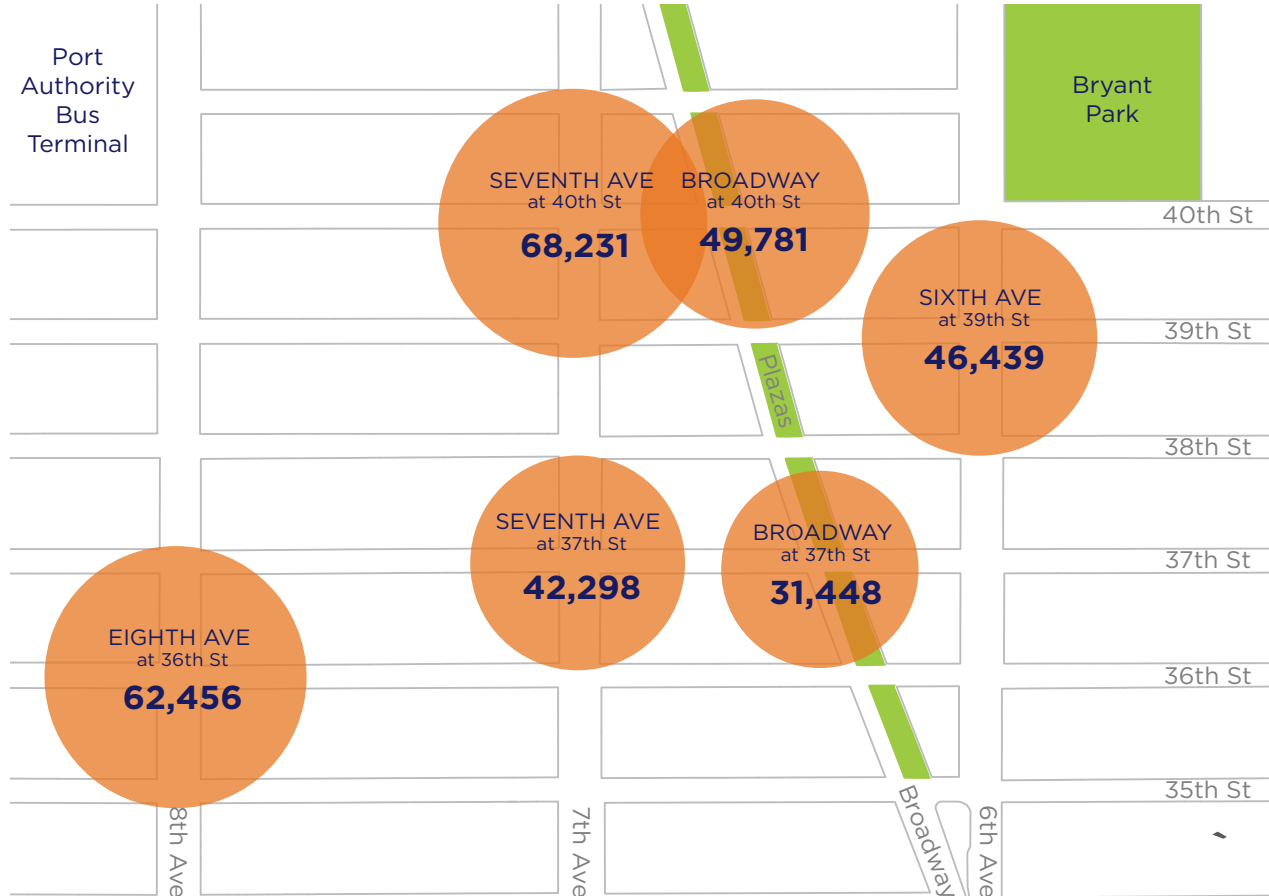
Q1 2026 was also the safest quarter to be a pedestrian in New York City history, with pedestrian traffic fatalities down 20% year over year. This improvement is supported by the district's protected bike lanes, extended sidewalks, and soon-to-be-built permanent plaza on Broadway. It's never been a better time to be a pedestrian in the Garment District!

WEEKLY TOTAL PEDESTRIAN COUNTS, YEAR OVER YEAR



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

WEIGHTED WEEKDAY AVERAGE PEDESTRIAN COUNTS, JAN - MAR 2026



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



S'mores N' More giving away free hot chocolate on the Broadway Plaza



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#GarmentDistrict



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)

Front: Drone shot above Broadway looking west, a still from The Dronalist's "Midtown South Sunrise"
Back: Dog enjoying marshmellow fluff on the Broadway Plaza
Photos by Alexander Ayer unless otherwise noted

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