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Village Retail Continues to Strengthen Amid Robust Economic Trends

By, Brendan Gotch, Director of Retail Leasing, Massey Knakal Retail Leasing Services

Low vacancy and relative optimism about the economy as well as several major construction projects characterized the first quarter retail market in Greenwich Village, the East Village, the Meatpacking District, and NoHo, according to the most recent quarterly market study by Massey Knakal's Director of Retail Leasing Brendan Gotch. Having developed a consistent and rigorous method to determine these statistics, the report was released last week and is the only study focusing specifically on the neighborhood in such depth.

The study tracked an 11.6% increase in average asking rent over the first quarter of 2012. Given the exuberance in the market that has been present over the last year, this comes as no surprise. Tenants continue to have a huge appetite for these neighborhoods and many of them thrive thanks to the favorable and continuously strengthening demographics throughout the area.

Additionally, several major construction projects have begun driving up retail asking and taking rents in the neighborhood, and they will continue to do so for the foreseeable future. While several of these projects are controversial for their aesthetic effect on the neighborhood, it is undeniable that they lend a tremendous amount of strength and viability to both small retail businesses and the landlords who own the properties that house those businesses. This direct benefit to the local economy comes through the dramatic increases in foot traffic that these initiatives will bring to their immediate vicinity.

The projects that are having such a significant effect on the area include NYU's 2 million square foot expansion south of Washington Square, the New School's nearly complete 350,000 square foot University Center on 14th Street, the redevelopment of St. Vincent's on Seventh Avenue, the Whitney Museum's 200,000 square foot Meatpacking District outpost, and the renovation of Astor Place, which includes the construction of the 400,000 square foot 51 Astor Place office building by Minskoff Equities.

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These projects are driving increased foot traffic to the areas that surround them, and hundreds of businesses and landlords stand to benefit from their construction. As a result, we predict that the vacancy rate will continue to remain low in years to come. The retail market study indicated that the vacancy rate throughout the entire area from Houston Street to 14th Street, west of Avenue A has hovered just below 5% for the last year. Within these submarkets, the tightest supply is in the quickly-changing NoHo area, where vacancy has dipped to just 4% and fashion tenants continue to search for new spaces. Meanwhile, the highest vacancy rate of nearly 9% was the Meatpacking District where a number of factors (including the large size of spaces, the difficulty of obtaining a liquor license, and an evolving retail identity) pose challenges to landlords looking to lease their stores.

Retail leasing activity, unlike sales activity, has remained relatively stable over the last year. While sales activity saw a major spike, given the increase in capital gains tax that became effective at the beginning of 2013, retail leasing activity has remained strong but stable. Many retailers have announced expansion plans, given the perceived strength in the economy, even in spite of concerns that ecommerce and entailing would shrink retailers' appetites for brick-and-mortar space.