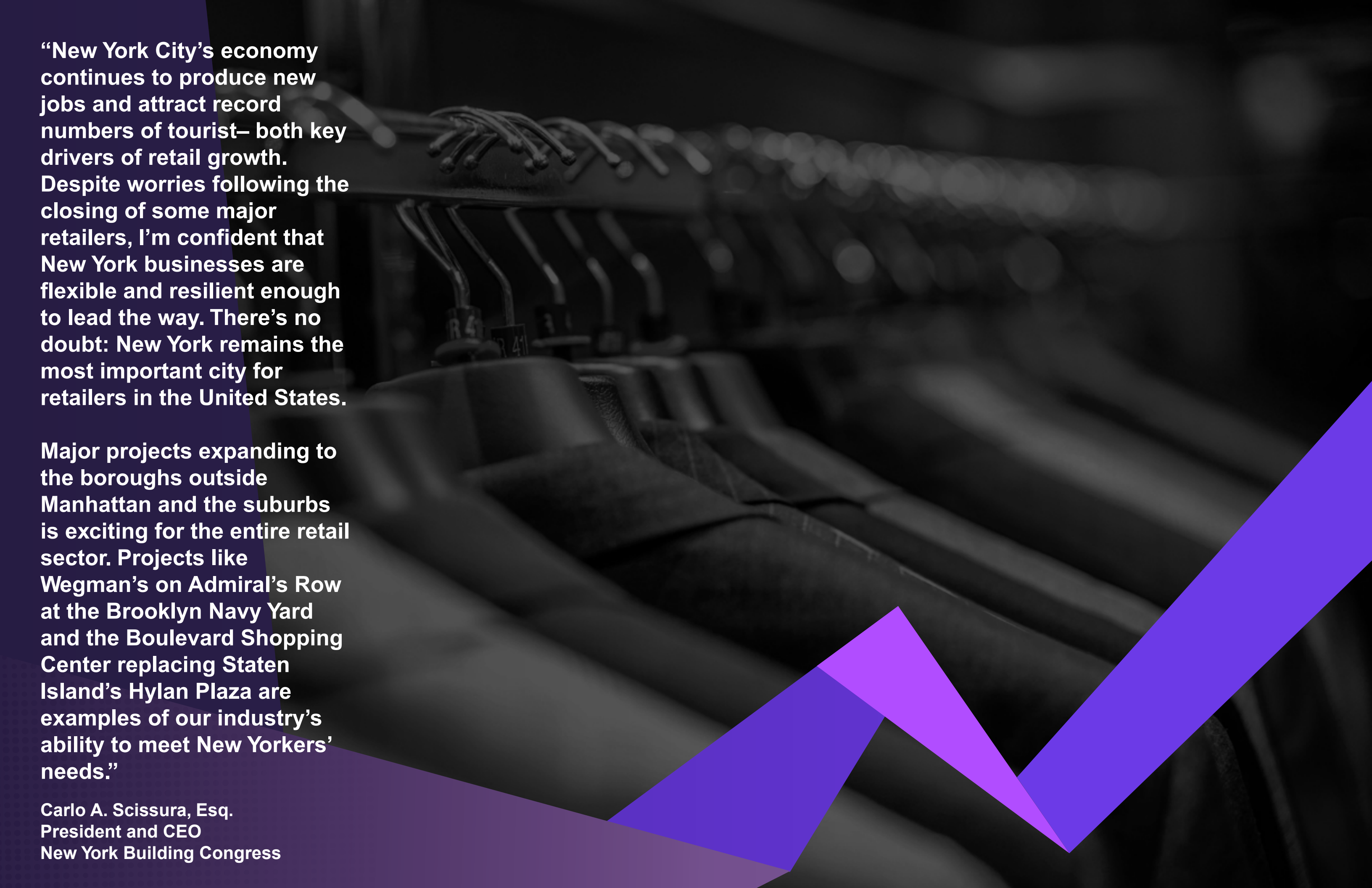




CONSTRUCTION OUTLOOK UPDATE:

RETAIL SNAPSHOT

APRIL 2019



“New York City’s economy continues to produce new jobs and attract record numbers of tourist— both key drivers of retail growth. Despite worries following the closing of some major retailers, I’m confident that New York businesses are flexible and resilient enough to lead the way. There’s no doubt: New York remains the most important city for retailers in the United States.

Major projects expanding to the boroughs outside Manhattan and the suburbs is exciting for the entire retail sector. Projects like Wegman’s on Admiral’s Row at the Brooklyn Navy Yard and the Boulevard Shopping Center replacing Staten Island’s Hylan Plaza are examples of our industry’s ability to meet New Yorkers’ needs.”

**Carlo A. Scissura, Esq.
President and CEO
New York Building Congress**



Construction on Retail Projects Across the United States Declined in Recent Years, Paralleling New York City Trends

Over the past decade, the United States has experienced a substantial building boom across a variety of sectors. In 2018, total construction starts across the U.S. increased by 0.3 percent to \$789 billion. This followed seven percent gains in both 2016 and 2017, as well as gains of 11 percent to 14 percent from 2012 through 2015.

Nationally, retail construction experienced moderate growth in 2012 and 2013, before stalling from 2014 to 2016. Retail construction declined for the past two years, seeing a five percent decline in 2017 and most recently, dropping by 21 percent in 2018, owing in part to a glut of retail space constructed over the previous decade as well as by the greater role played by e-commerce. Currently, there is an estimated 69.5 million square feet of retail in the construction pipeline, according to Dodge Data and Analytics.

NEW YORK CITY OUTLOOK

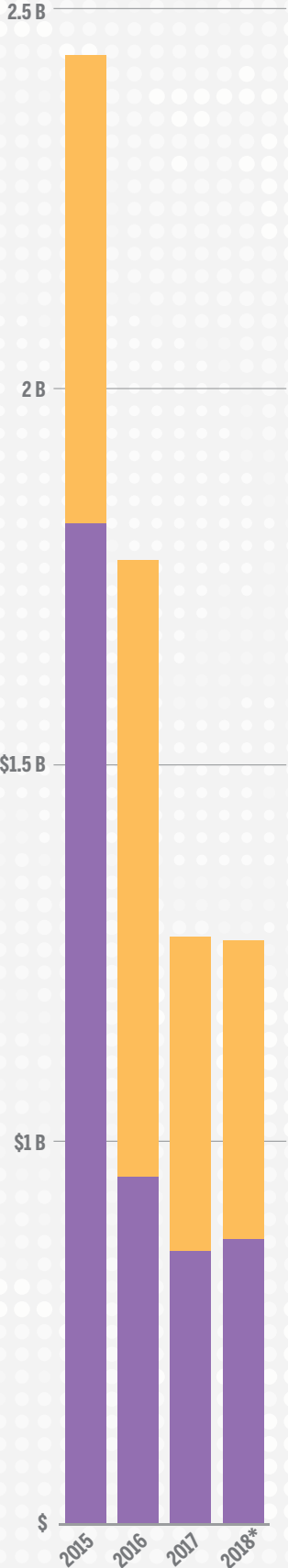
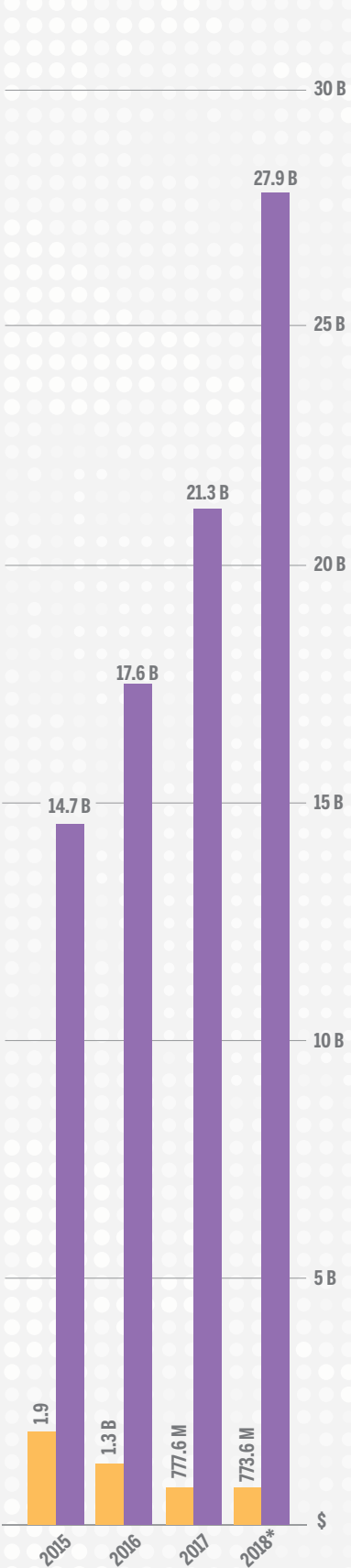
New York City is in the midst of its second and most robust building boom of the 21st

century, experiencing continued growth in residential, non-residential and public sector construction. Between 2015 and 2018, construction starts total \$196 billion throughout the five boroughs. This includes construction work on all public infrastructure, new housing, office buildings, hospitals, schools and more.

Of that total, non-residential construction (which excludes public sector and residential construction) accounted for \$81 billion. Retail construction over that period totaled \$4.7 billion, six percent of all non-residential construction. From 2015 to 2018, non-residential construction increased year-over-year, with \$14.6 billion in 2015, \$17.6 billion in 2016, \$21.2 billion in 2017 and \$27.8 billion in 2018. During that same time, total retail construction decreased year-over-year, with \$1.9 billion in 2015, \$1.2 billion in 2016, \$777 million in 2017 and \$773 million in 2018.

RETAIL VS ALL NON-RESIDENTIAL CONSTRUCTION

ALL NON-RESIDENTIAL CONSTRUCTION
RETAIL CONSTRUCTION



NEW YORK CITY RETAIL CONSTRUCTION STARTS

NEW
ALTERATION & RENOVATION

In terms of footprint, New York City added almost 7.5 million square feet of retail from 2015 to 2018.

New retail construction totaled \$2.5 billion over that same period, resulting in an average of \$337 per square foot in terms of construction cost.

Alterations and renovations, which do not add any new square footage, totaled \$2.5 billion over the four years.



Top 10 Retail
Construction Starts
in New York City by
Value, 2015-2018

	PROJECT	ADDRESS	BOROUGH	VALUE*	YR.
1	The Shops and Restaurants at Hudson Yards	500 W 33rd Street	Manhattan	\$600,000,000	2015
2	South Street Seaport Pier 17	89 South Street	Manhattan	\$200,000,000	2015
3	Staten Island Mall	2655 Richmond Avenue	Staten Island	\$150,000,000	2016
4	The Boulevard	2600 Hylan Boulevard	Staten Island	\$70,000,000	2018
5	Neptune/Sixth	532 Neptune Avenue	Brooklyn	\$63,145,000	2015
6	Manhattan West	401 9th Avenue	Manhattan	\$60,000,000	2015
7	The XI	76 11th Avenue	Manhattan	\$54,960,000	2016
8	The Market Line at Essex Crossing	115 Delancy Street	Manhattan	\$54,500,000	2015
9	Moynihan Train Hall	421 8th Avenue	Manhattan	\$50,000,000	2017
10	Kings Plaza Shopping Center	5100 Kings Plaza	Brooklyn	\$49,000,000	2016



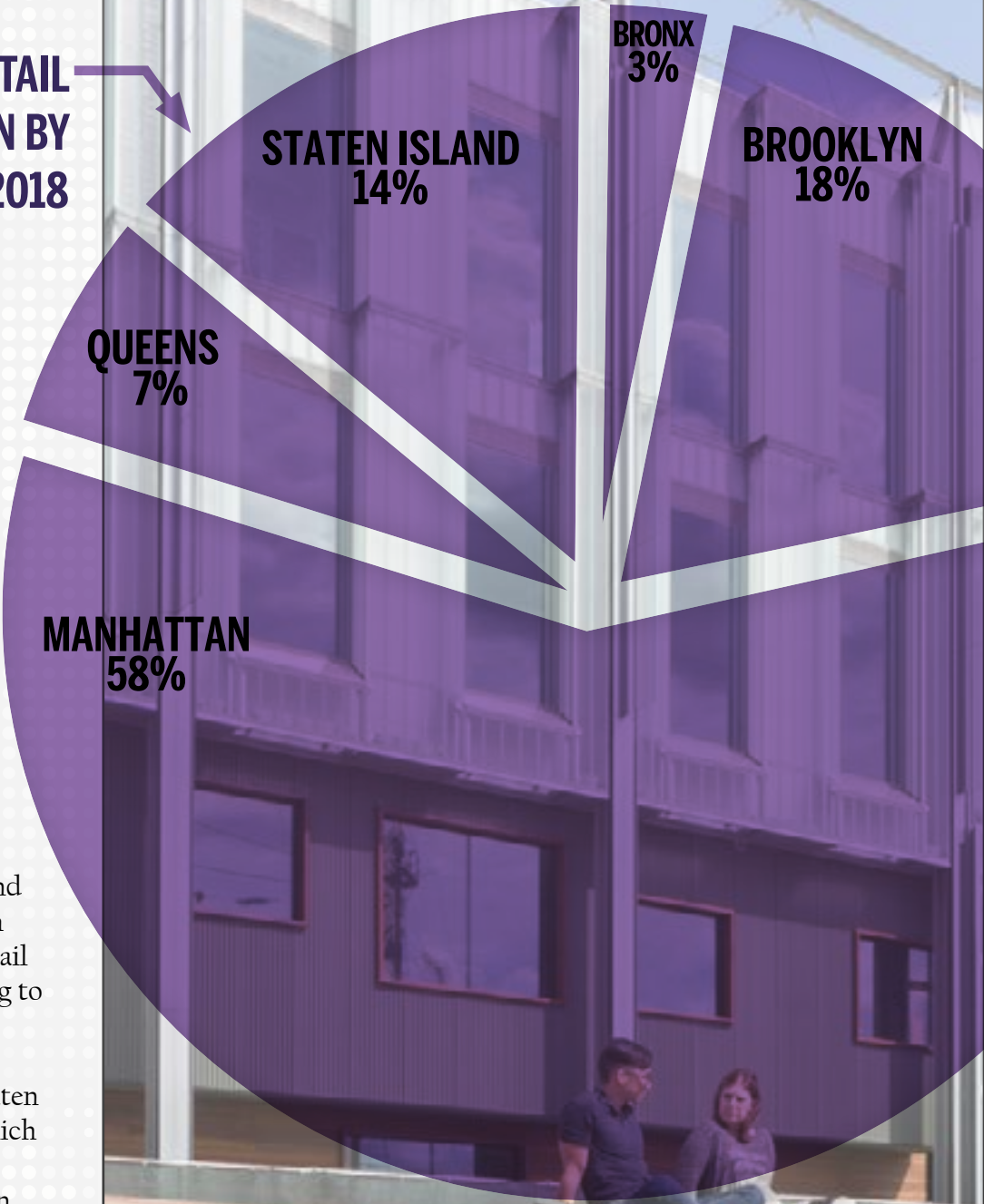
*includes only the retail portion of total development

TOTAL RETAIL
CONSTRUCTION BY
BOROUGH 2015-2018

Borough
Analysis

Between 2015 and 2018, Manhattan retail construction topped a combination of all other boroughs, accounting for 58 percent of all of New York City’s retail construction. Brooklyn accounted for 18 percent, followed by Staten Island (14 percent), Queens (seven percent) and the Bronx (three percent). Manhattan did account for an even larger share (64 percent) of retail alterations and renovations, representative of both the turnover rate of Manhattan retail and the value developers are adding to modernize retail spaces.

During the previous four years, Staten Island was the only borough in which retail construction increased year-over-year, starting with \$56 million in 2015 and increasing to \$275 million by 2018. Staten Island accounts for two of the top four largest retail construction projects in the city - the expansion of the Staten Island Mall and the redevelopment of the new ‘Boulevard’ shopping center, which are both expected to come fully online this year. All other boroughs, including Manhattan, reported year-over-year decreases in retail construction.





Suburban Retail Boom

Despite declining retail construction within the five boroughs, New York's suburbs are booming. Northern New Jersey and Long Island have a combined 7.9 million square feet of retail space under construction and rank second and third, respectively, as the top retail markets under construction in the United States.

Top U.S Retail Markets Under Construction, 2018 (by ft²)

- Houston – 4.1 million ft²
- Northern N.J. – 4.0 million ft²
- Long Island – 3.9 million ft²
- Dallas/Fort Worth – 3.3 million ft²
- Miami-Dade County – 3.2 million ft²

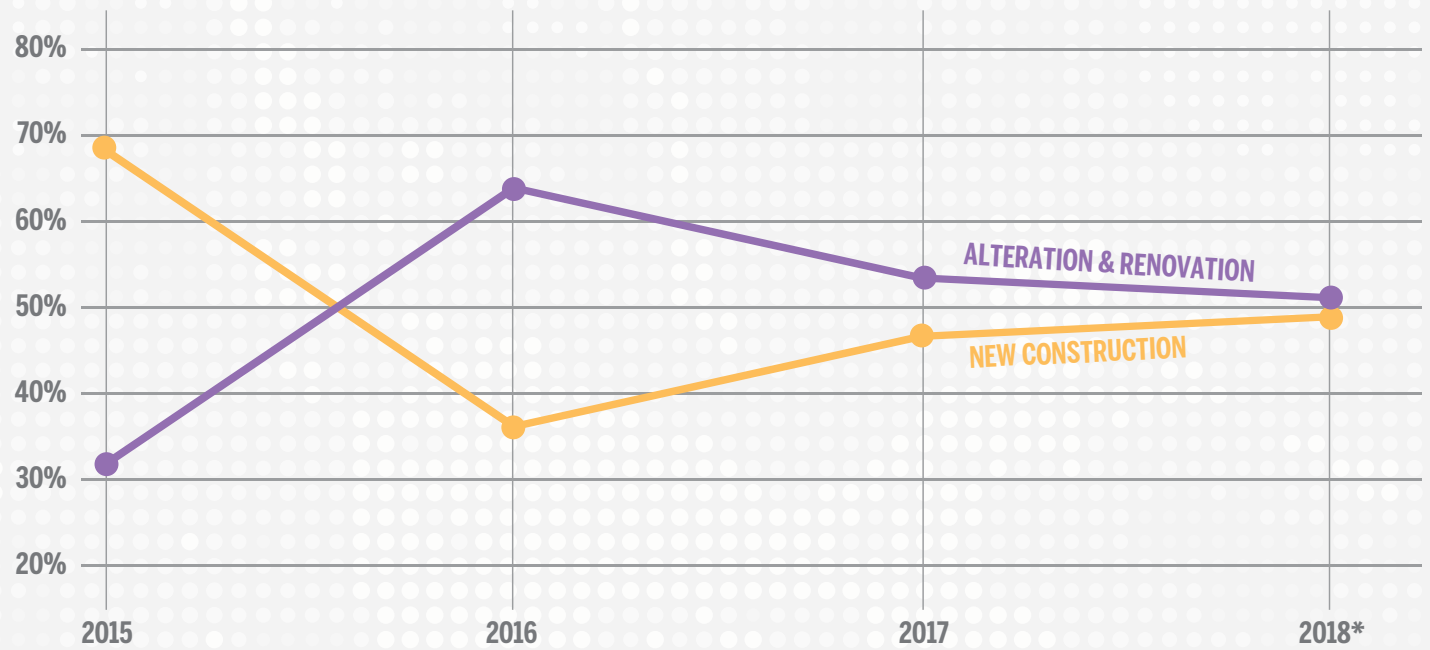
Combined, New York City and its suburbs are the largest metro region for retail construction in the country and recorded a four percent increase between 2017 and 2018 from \$1.2 billion to \$1.3 billion. Seven of the top 10 metro regions across the country registered retail construction declines between 2017 and 2018, including Miami (-16 percent), Dallas-Ft. Worth (-17 percent), Houston (-33 percent), Chicago (-13 percent) and Los Angeles (-38 percent).

RETAIL TRENDS

Trends experienced in New York City and across the country:

- **Large, mixed-use projects supporting retail construction** - As underperforming anchors close and traditional malls struggle, developers are building vibrant, live-work-play communities. Though mix-use developments are nothing new for New York City, large retail centers like those at Hudson Yards, Manhattan West and Essex Crossing are combining a bevy of uses to give residents, commuters and tourists a suite of options. Seven of the top 10 largest retail projects in New York City from 2015 to 2018 are part of larger, mixed-use projects. Developers are going where the people are.
- **Closure of several large retailers** - Across the country, big-box retailers like Office Depot/ Office Max, Family Dollar, Staples, Barnes & Noble, Sports Authority, Macy's and J.C. Penney have closed hundreds of stores. In New York City, the total number of national-brand stores declined for the first time in a decade - from 7,876 stores in 2017 to 7,849 stores in 2018. A record 124 retailers reduced their footprint over the past year, according to the Center for an Urban Future's State of Chains report.
- **Renovations outpacing new construction** - Starting in 2013, the construction value of retail renovations and alterations began outpacing new construction nationally. In New York City, that flip took place in 2016, when 64 percent of all retail construction was started on alterations and renovations. In 2018, alterations and renovations were valued just above new construction, accounting for 51 percent of all retail construction.
- **Focus on "experience"** - Developers are building new retail spaces that are visually attractive, high-tech and immersive with an emphasis on customer experience. Retail brands are transitioning from running many different locations to a focus on fewer, more impactful ones, often translating into investment in larger premium projects. Nike's new 69,000-square-foot 'House of Innovation,' at 650 Fifth Avenue offers a prime example. Nike's Manhattan flagship offers six floors of "athlete-driven product" that "offers consumers a seamless digital experience and a brick-and-mortar setting." Features include a Nike Expert Studio, Nike Arena and SNKRS Lounge, with exclusive membership products and digital services throughout.

SHARE OF NEW CONSTRUCTION VS. ALTERATIONS AND RENOVATIONS, NEW YORK CITY



SOURCES

Dodge Data & Analytics, New York City Construction Starts 2014-2018

Real Estate Board of New York, 2018 Manhattan Retail Report

Cushman & Wakefield, Marketbeat: Manhattan Retail Q4 2018

Jones Lang LaSalle, Construction Outlook, 2019

Center for an Urban Future, State of Chains, 2018

*Construction stats for 2018 were based
on figures through the second quarter and
extrapolated over the remainder of the year.



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