

# Q2 2025 MARKET REPORT

## RETAIL OVERVIEW



# NYC RETAIL BOUNCES BACK: RESILIENT GROWTH AND OPTIMISM AMID ECONOMIC SHIFTS IN Q2 2025

In Q2 2025, New York City’s retail sector showcased resilience amid a complex economic landscape marked by moderate growth, tariff-related uncertainties, and evolving consumer preferences. The retail market, a cornerstone of the city’s economy, contributed to a 6.1% increase in General Fund tax revenues for Fiscal Year (FY) 2025, driven by robust consumer spending and a recovering tourism sector. Despite challenges such as inflation, retail job losses, and store closures, strong leasing activity, rising foot traffic, and innovative retail strategies signal cautious optimism for the second half of 2025.



## UNEMPLOYMENT RATE



4.7%  
JUNE 2025

5.0%  
JUNE 2024

Source: BLS

## INFLATION RATE



2.7%  
JUNE 2025

3.0%  
JUNE 2024

Source: BLS

## SUBWAY RIDERSHIP



4.2M  
AVERAGE DAILY RIDERS  
MAY 2025

Source: MTA



# ECONOMIC REPORT

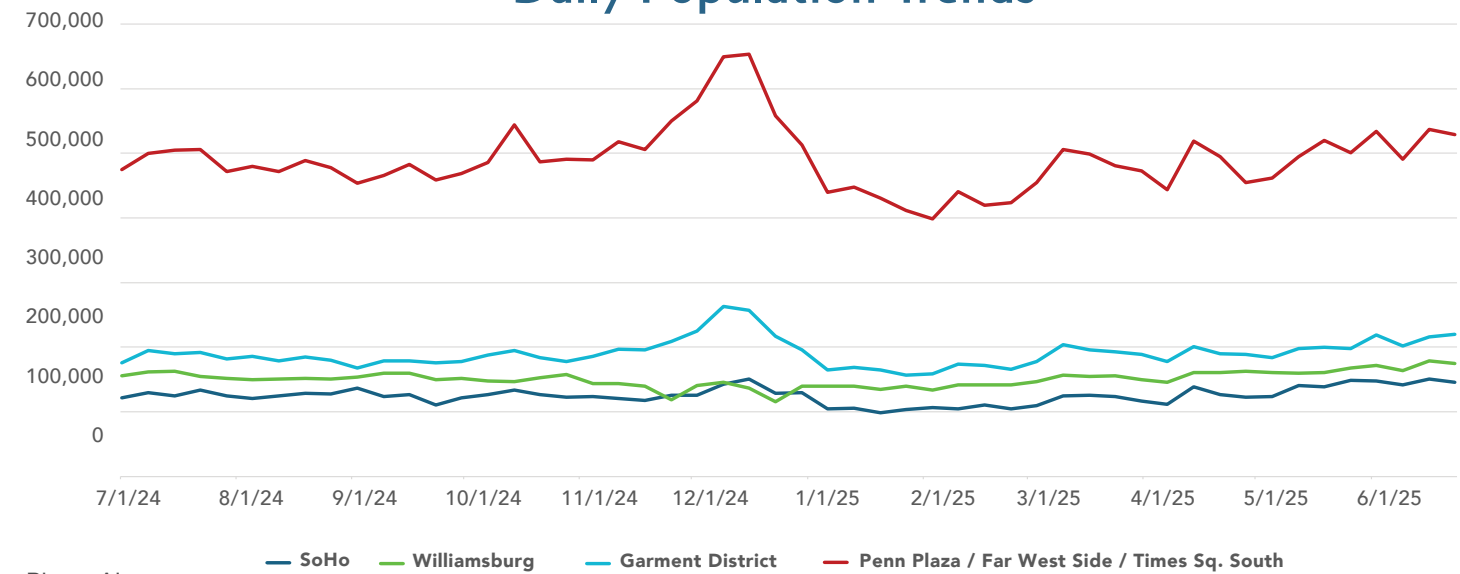
## STEADY GROWTH, SHIFTING CURRENTS: NYC RETAIL NAVIGATES JOB LOSSES, INFLATION, AND TARIFF UNCERTAINTY IN Q2 2025

New York City’s economy grew moderately in Q2 2025, with private sector employment remaining stable but showing a year-to-date decline of 7,000 retail trade jobs. The city’s unemployment rate held steady, supported by a record labor force participation rate, though retail job growth lagged behind national trends. Nationally, retail sales rose 0.6% in June, surpassing expectations of a 0.1% increase, driven by a 1.2% gain in auto and parts sales and a 0.9% rise in clothing and accessories sales. In NYC, consumer spending mirrored these trends, focusing on necessities and selective discretionary purchases amid tariff-related price concerns.

The Consumer Price Index (CPI) rose 0.3% month-over-month and 2.7% year-over-year in June, with core CPI (excluding food and energy) up 2.9% annually. These inflationary pressures, partly driven by anticipated tariffs, prompted early shopping to mitigate expected price hikes. The city’s cash balance reached \$12.2 billion by June 30, 2025, up nearly 20% from the previous year, reflecting robust tax collections, including a 13.9% increase in Personal Income Tax (PIT) and Pass-Through Entity Tax (PTET). However, uncertainties surrounding federal policies, including tariffs and potential cuts to federal aid (e.g., \$80 million in FEMA funds), pose risks to future retail performance.

Visitation across all four submarkets has shown significant year-over-year growth. Penn Plaza records the highest visitor numbers among the four areas, with a 16.03% increase compared to last year. The Garment District experienced the largest year-over-year visitation surge, rising by 32.03%. Tourism continues to drive SoHo’s visitation growing by 22.77% year-over-year, while Williamsburg saw a 12.36% increase in visitors.

Daily Population Trends



source: Placer AI

NYC’S CASH BALANCE HIT  
\$12.2B IN JUNE 30<sup>TH</sup> 2025  
NEARLY 20% YEAR-OVER-YEAR



# SALES AND CONSUMER SPENDING

NYC's retail sector saw steady activity in June 2025, with core retail sales (excluding autos, gas, and restaurants) up 0.5%. Key categories driving growth included:



## CLOTHING AND ACCESSORIES

**UP 0.9%**, fueled by early back-to-school shopping and promotions by retailers like Macy's and Nordstrom in Manhattan's prime corridors



## HEALTH AND PERSONAL CARE

**UP 0.5%**, reflecting demand for essentials at stores like CVS and Duane Reade



## ONLINE RETAIL

**UP 0.4%**, with e-commerce platforms like Amazon reporting a 30.3% year-over-year increase during major retail promotions

Declines were noted in furniture (-0.1%) and electronics (-0.1%) due to tariff-related price increases, impacting retailers like Best Buy and independent furniture stores in Brooklyn and Queens. Tourism spending, a key driver, continued to recover, with 68 million visitors projected for 2025, surpassing the 2019 pre-pandemic record of 66.6 million. Domestic visitor spending reached \$29.6 billion in 2023, with preliminary 2025 data indicating further growth, bolstering retail in areas like Times Square and Fifth Avenue.

## NYC TAX REVENUES

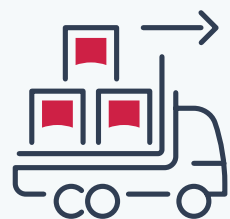
# SURGE 6.1% AMID INFLATION, JOB LOSSES, AND GLOBAL HEADWINDS



# RETAIL LEASING AND VACANCY RATES

Manhattan’s retail leasing market remained robust, with sustained demand and tightening availability. Prime corridors like Fifth Avenue, SoHo, Madison Avenue, and the West Village saw increased leasing, driven by experiential and luxury brands such as Dries Van Noten, Glossier, Hermès, Valentino, and Rolex. Smaller spaces under 5,000 SF, particularly for food and beverage operators like Popeyes, Chipotle, and Starbucks, led leasing activity. Manhattan’s availability rate declined by 50 basis points year-over-year, with asking rents in prime corridors exceeding \$700/SF in some cases. Landlords are pulling back on concessions, shifting negotiating power in their favor.

The metro area’s vacancy rate stood at 4.2%, with suburban areas and outer boroughs like Brooklyn reporting lower vacancy rates (3.9%) compared to Manhattan’s business districts (4.5%). This reflects a shift toward smaller, neighborhood-focused retail spaces. However, the Relocation Assistance Credit per Employee (RACE) program, starting in July 2025, excludes retail stores, potentially limiting sector expansion. Key market statistics include:



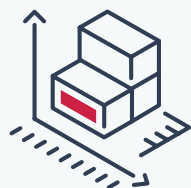
**1.2 MILLION SF**  
12-MONTH  
DELIVERIES



**319,000 SF**  
12-MONTH NET  
ABSORPTION



**+9 MILLION SF**  
LEASING VOLUME  
(2024)



**3.5 MILLION SF**  
LEASING VOLUME  
(Q2 2025)





# KEY RETAIL TRENDS

**93% OF SURVEYED  
RETAILERS IMPLEMENTING AI  
TECHNOLOGIES**

## Experiential Retail

Retailers are prioritizing immersive experiences, with pop-ups and flagship stores like IKEA's Sleepeasy and Aldo's Pillow Walk engaging consumers through interactive displays, aligning with NYC's cultural vibrancy.

## Sustainability Initiatives

Eco-conscious consumers are driving demand for sustainable practices, with brands like Rothy's using recycled materials in Flatiron District stores and circular retail models gaining traction in Brooklyn's secondhand markets.

## AI and Technology Integration

Retailers are scaling AI for personalized recommendations and efficient operations, with examples like Hourglass's Manhattan store using advanced lighting for product testing.

## Omnichannel Strategies

Seamless integration of online and offline channels is critical, with 58% of NYC consumers preferring buy-online, return-in-store options. Retailers like Nordstrom and Barn Owl Garden Center have invested in click-and-collect and real-time inventory systems.

## Suburban and Small-Format Growth

Retailers are expanding into Brooklyn and Queens with smaller, community-focused stores, capitalizing on lower vacancy rates and localized demand.





# TOP MAJOR LEASES

1  
**OLD NAVY**

50 WEST 34TH STREET  
55,548 SF | APR-25

2  
**LIFETIME  
FITNESS**

452 FIFTH AVENUE  
51,961 SF | JUN-25

3  
**icon  
PARKING**

20 EAST 9TH STREET  
40,368 SF | JUN-25

4  
**TRADER  
JOE'S**

675 AVENUE OF THE AMERICAS  
29,700 SF | APR-25

5  
**LOS  
ANGELES  
APPAREL**

40 CROSBY STREET  
24,627 SF | MAY-25

6  
**NYC  
ELITE**

40 WORTH STREET  
20,908 SF | JUN-25

7  
**ユニ  
QLO**

860 BROADWAY  
19,250 SF | MAY-25

8  
**ZARA**

31 WEST 34TH STREET  
18,000 SF | JUN-25

9  
**DOI  
HOSPITALITY**

622 THIRD AVENUE  
17,000 SF | APR-25

10  
**SK  
Hospitality  
Sales & Marketing**

25 BROAD STREET  
15,000 SF | JUN-25





# CHALLENGES & RISKS

BERGDORF  
GOODMAN

## Tariff Impacts

Proposed tariffs are driving price increases, with inflation expected to moderate to 2.1% by 2027 but posing short-term risks to discretionary spending.

## Store Closures

Retailer bankruptcies, notably Rite Aid and Walgreens, have left 380,000 SF of large-format spaces (often over 10,000 SF) vacant, with above-market rents complicating backfilling efforts. Nationally, U.S. store closures doubled in 2024, surpassing openings for the first time since 2021.

## Federal Policy Uncertainty

Potential cuts to federal aid and stricter immigration enforcement could strain city finances and tourism, with NYC Tourism and Conventions revising its 2025 visitation forecast to 64.1 million visitors, including a 17% drop in international travelers to 12 million.

## Employment Weakness

Continued retail job losses and high interest rates are limiting wage growth, impacting consumer purchasing power in moderate-wage sectors.

INFLATION SET TO EASE TO **2.1%**  
BY 2027 – EASING PRESSURE ON  
RETAIL SPENDING POWER



LOCAL EXPERTISE  
NATIONAL REACH  
WORLD CLASS

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