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Q3 2025 MARKET REPORT

QUARTERLEE RETAIL OVERVIEW

NYC RETAIL MAINTAINS MOMENTUM: STEADY LEASING AND IMPROVING CONSUMER CONFIDENCE IN Q3 2025

New York City's retail sector demonstrated steady strength in Q3 2025 amid ongoing economic volatility, a federal shutdown, and uneven national job growth. Retail demand in Manhattan's prime corridors remained solid, supported by robust leasing from food & beverage and service tenants, stabilizing rents, and an improving tourism environment.

Citywide, fiscal performance stayed strong: FY 2025 tax revenues rose **8.3% YoY** to $80.3 billion, while **retail sales climbed 16% YoY to $49.8 billion**. Unemployment held at **4.9%**, and consumer confidence reached 94.2.

Despite pressures from inflation and high financing costs, retail activity across New York City continues to be driven by experiential concepts, new-to-market entrants, and resilient consumer spending patterns — signaling cautious optimism for year-end.

UNEMPLOYMENT RATE

4.9%
AUGUST 2025

5.2%
AUGUST 2024

Source: BLS

INFLATION RATE

2.9%
AUGUST 2025

2.5%
AUGUST 2024

Source: BLS

SUBWAY RIDERSHIP

DAILY RIDERS (AVG.)

4.2M
AUGUST 2025

3.2M
AUGUST 2022

5.5M
AUGUST 2019

Source: MTA

RETURN TO OFFICE

78%
SEPTEMBER 2025

72%
SEPTEMBER 2024

Source: Placer.Ai

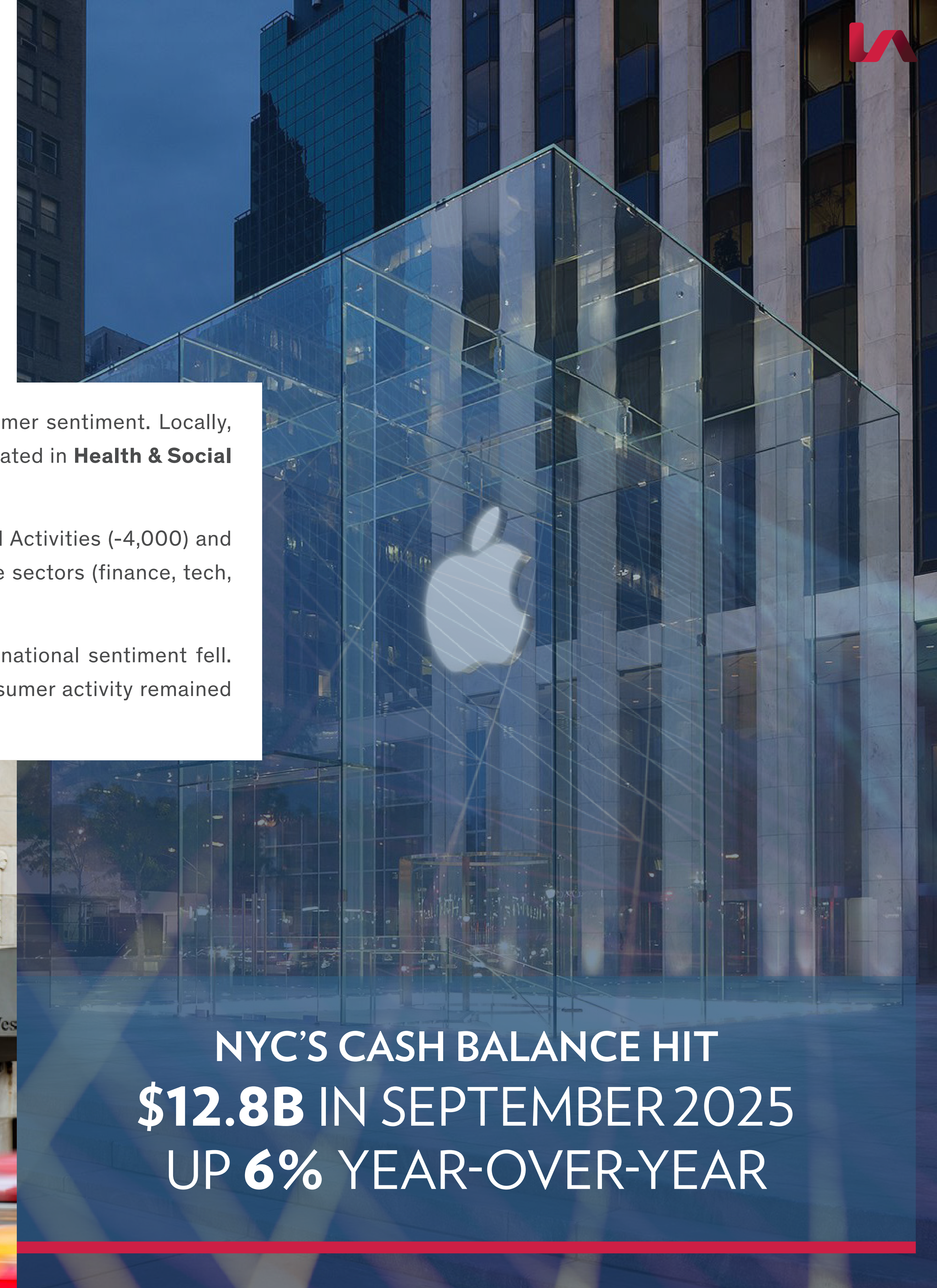
ECONOMIC REPORT

STABLE MOMENTUM, RISING CONFIDENCE: NYC RETAIL STEADIES AMID COOLING INFLATION AND STRONG CONSUMER ACTIVITY IN Q3 2025

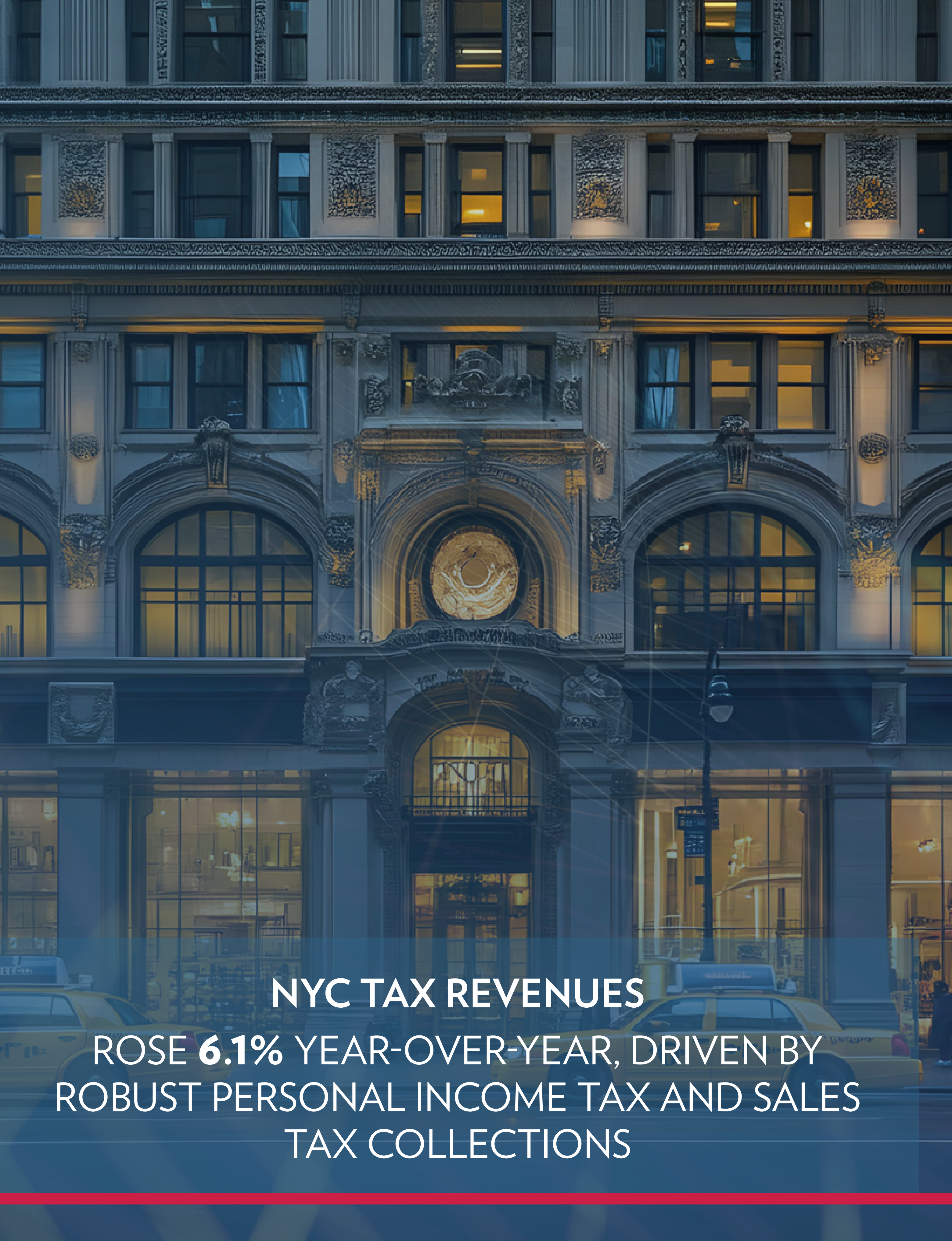
Nationally, GDP expanded **3.8% QoQ**, reflecting a rebound in private-sector output despite weaker consumer sentiment. Locally, New York City employment reached **4.9 million**, up 63,000 from a year earlier, with most job gains concentrated in **Health & Social Assistance (+70,000)** and **Government (+17,000)**.

Retail employment in NYC remained stable at ~296,700 jobs (+1,600 MoM), offsetting softness in Financial Activities (-4,000) and Construction (-2,300). While inflation hovered in the 3% range, wage growth skewed toward higher-income sectors (finance, tech, and professional services), widening the city's income gap.

Consumer confidence, as measured by the Conference Board, improved modestly in September even as national sentiment fell. Equity market volatility and tariff uncertainty weighed on luxury and import-sensitive goods, but broad consumer activity remained steady.



NYC'S CASH BALANCE HIT
$12.8B IN SEPTEMBER 2025
UP **6%** YEAR-OVER-YEAR



NYC TAX REVENUES

ROSE **6.1%** YEAR-OVER-YEAR, DRIVEN BY ROBUST PERSONAL INCOME TAX AND SALES TAX COLLECTIONS

SALES AND CONSUMER SPENDING

NYC RETAIL SALES ROSE 16% YOY TO $49.8 B, SUPPORTED BY STEADY FOOT TRAFFIC AND TOURISM SPENDING

CLOTHING AND ACCESSORIES AND HEALTH & PERSONAL CARE CATEGORIES LED GROWTH; FURNITURE AND ELECTRONICS REMAINED SOFT

VISITOR SPENDING CONTINUED TO STRENGTHEN — HOTEL REVENUES AND BROADWAY BOX OFFICE RECEIPTS EACH POSTED MODERATE YoY GAINS

CLOTHING AND ACCESSORIES

UP 1.1%, supported by seasonal promotions and strong performance among luxury and experiential retailers along Fifth Avenue and SoHo.

HEALTH AND PERSONAL CARE

UP 0.6%, as steady demand for everyday essentials and wellness products offset earlier price-related slowdowns.

ONLINE RETAIL

UP 0.8%, driven by hybrid consumer behavior combining e-commerce purchases with in-store pickup and same-day delivery growth in urban markets.

FISCAL AND TAX ENVIRONMENT

According to the Comptroller's Office, New York City's fiscal position remained healthy through FY 2025:

$80.3B (+8.3% YOY)
TOTAL TAX REVENUE

$10.4B (+4.4% YOY)
SALES TAX

$34.8B (+5.4%)
PROPERTY TAX

$18.4B (+17.6%)
PIT + PTET

$10.3B (+6.1%)
BUSINESS TAXES

Cash balances stood at $8.85 B as of October 7, down slightly YoY but above projections, indicating adequate liquidity to support operations.

KEY RETAIL **TRENDS**

Experience-Driven Retail

Major leases by Chelsea Piers, Neko Health, and BILT underscore the rise of interactive concepts blending wellness, tech, and community.

F&B Dominance

F&B tenants accounted for one-third of leasing activity, with fast-casual and premium concepts expanding in SoHo and Midtown East.

New-to-Market Retailers

Represented 19% of quarterly transactions (>90 K SF) as brands seek flagship visibility in Manhattan prime corridors.

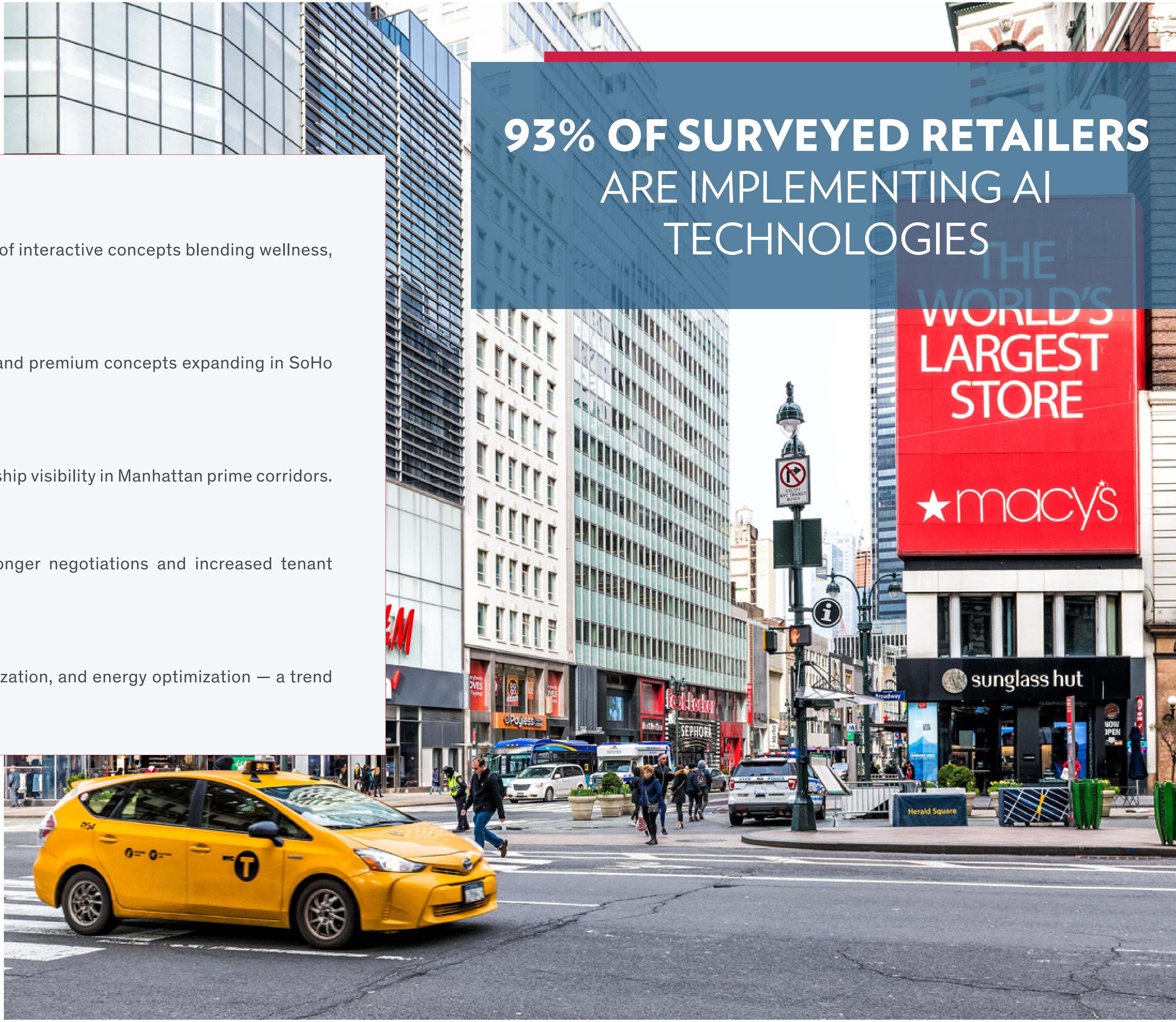
Supply Constraints

Limited turn-key inventory and rising build-out costs are prompting longer negotiations and increased tenant improvement packages.

Tech and AI Integration

Retailers continue adopting AI tools for inventory management, personalization, and energy optimization — a trend accelerating through 2025.

93% OF SURVEYED RETAILERS
ARE IMPLEMENTING AI TECHNOLOGIES



TOP MAJOR LEASES

1. CHELSEA PIERS
200 VARICK STREET
48,833 SF | AUG-25

2. NEKO
1870-1880 BROADWAY
40,162 SF | SEP-25

3. BILT NEIGHBORHOOD cafe
837 WASHINGTON STREET
31,372 SF | SEP-25

4. Tardi's Catering & Hospitality
48 WALL STREET
26,378 SF | SEP-25

5. ALDI
312 WEST 43RD STREET
22,823 SF | AUG-25

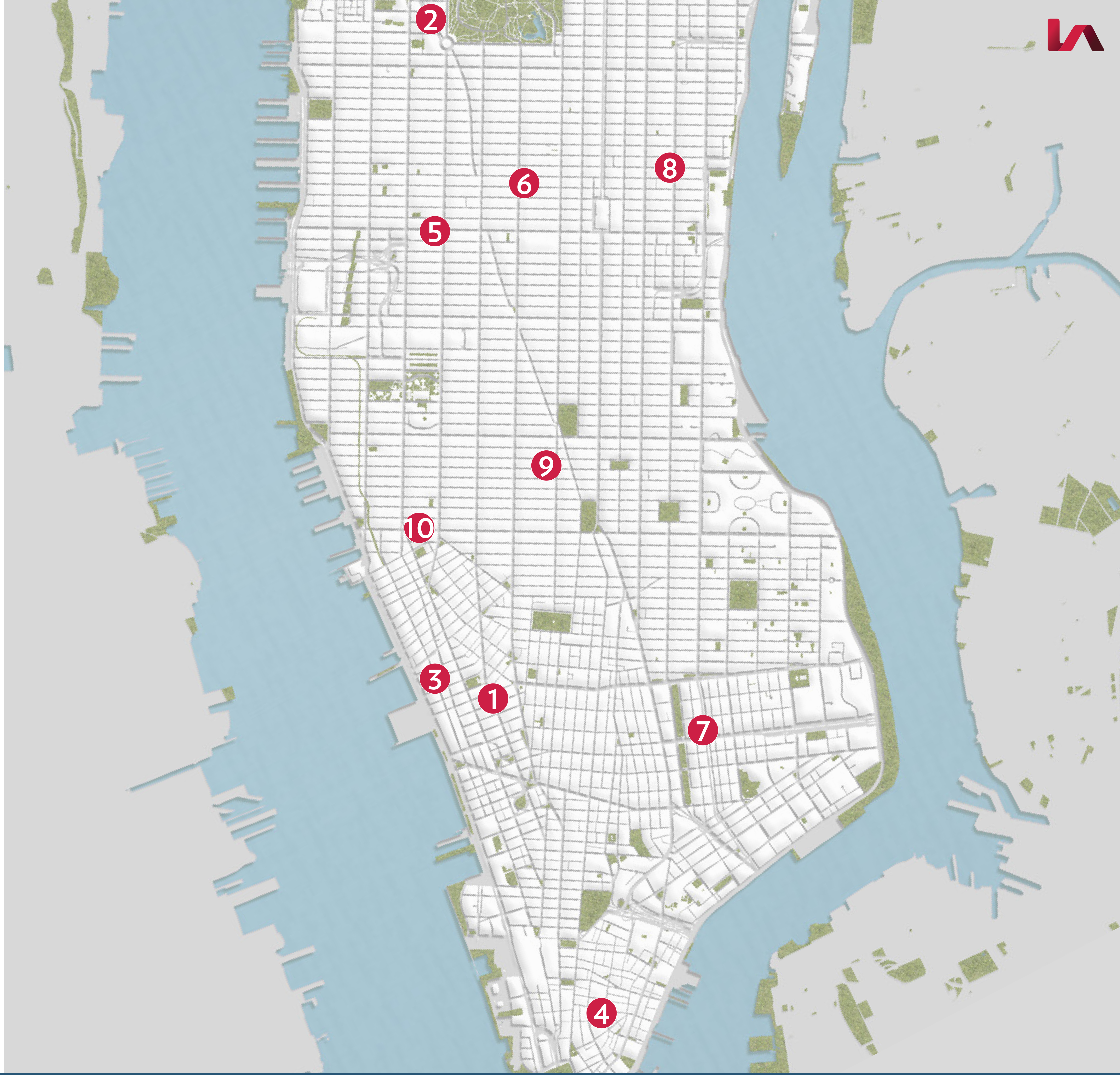
6. charles SCHWAB
51 WEST 52ND STREET
18,332 SF | SEP-25

7. JOCO
36-44 DELANCEY STREET
15,000 SF | JUL-25

8. Bread & Butter
525 LEXINGTON AVENUE
11,804 SF | SEP-25

9. BAM
150 FIFTH AVENUE
11,321 SF | AUG-25

10. advance NYC
50 NINTH AVENUE
10,500 SF | SEP-25



CHALLENGES & RISKS

Macroeconomic Volatility

Tariffs and federal shutdown risks pose threats to consumer confidence.

Space Scarcity

High demand for prime locations is tightening availability and driving competition for corner units.

Construction Costs

Persistent labor and material inflation complicate fit-outs and delivery timelines.

Employment Concentration

Health sector dominance raises concerns over broader labor market diversification.

OUTLOOK FOR Q4 2025

With strong leasing momentum and steady sales growth, New York City's retail market is positioned to end 2025 on a positive note. Corridors like SoHo, Flatiron, and Hudson Square are expected to see continued rent gains, while Times Square and Upper Madison may lag amid tourism and luxury adjustments.

Assuming continued foot traffic recovery and stabilizing inflation, Q4 could mark a transition toward balanced growth in both leasing and consumer activity.

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