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Q2 2026 MARKET REPORT

QUARTER*LEE* RETAIL OVERVIEW

NYC ECONOMIC OUTLOOK: STEADY LABOR, COOLING INFLATION, AND RESILIENT CONSUMERS

New York City's economy held steady through the second quarter, with non-farm employment at 4.85 million, up 49,100 jobs year-over-year, led by Professional & Business Services (+14,000) and Health & Social Assistance (+22,300), while Retail Trade employment held firm at 298,700. The unemployment rate fell to a 10-month low of 5.4% in May, labor force participation of 62.6% remains near a record high, and the employment-population ratio reached a record 59.2%, surpassing the national rate for the first time ever. Meanwhile, inflation cooled meaningfully in June as the 12-month NYC metro change fell from 5.1% to 4.1% on a pullback in energy prices, and consumer confidence in New York State ran roughly 10 points above the national average in Q2 — a rare and favorable divergence for retail demand.

Wall Street profitability remains exceptional: NYSE member firms posted $21.1 billion in Q1 2026 profits (+37.1% YoY), pretax earnings at the five major NYC-headquartered banks reached $42.5 billion (+50.9% YoY), and PIT and PTET collections rose 13.4% to $20.8 billion with June estimated payments up 25% — accumulating capital gains income that historically flows directly into Manhattan luxury and discretionary retail. Broader consumption fundamentals track the same direction, with sales tax collections up 6.4% to $10.9 billion and real estate transaction taxes surging 25.5% to $2.5 billion, the latter signaling renewed transaction velocity that should support investment sales activity in retail assets.

On the demand side, visitor spending power is strengthening even as volume normalizes: June average daily hotel rates reached approximately $378, up 17% year-over-year, with revenue per room up 4.6% YTD, evidence that the market has shifted from volume-driven to value-driven in a way that favors higher-spend retail formats over transactional tourist trade. Residential fundamentals reinforce neighborhood demand, as June rents rose nearly 6% year-over-year to roughly 35% above pre-pandemic levels while developers filed plans for nearly 17,000 units in Q1 2026 on top of 43,800 units added citywide in 2025. Taken together, record employment participation, decelerating inflation, exceptional financial-sector earnings, and rising per-visitor spend support continued retail leasing momentum into the second half of 2026, with federal benefit reductions and elevated shelter costs for middle-income households remaining the key watch points, dynamics that favor both luxury and value formats.

RETAIL SALES

$10.9B

Sales Tax Collections
(FY 2026, through June)

↑ 6.5%

FY 2025
Third-largest revenue source after property tax and PIT/PTET

UNEMPLOYMENT RATE

4.2%	4.1%
Q2 2026	Q2 2025

Source: BLS

INFLATION RATE

3.5%	2.4%
Q2 2026	Q2 2025

Source: BLS

SUBWAY RIDERSHIP
DAILY RIDERS (AVG.)

4.2M	3.2M	5.6M
APRIL 2026	APRIL 2022	APRIL 2019

Source: MTA

FED FUNDS RATE

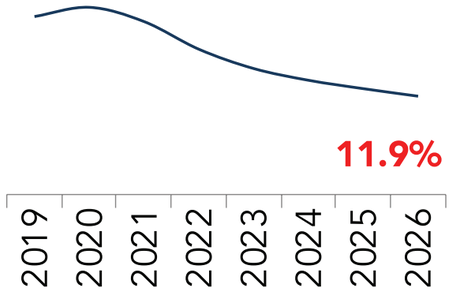
3.50% – 3.75%

Source: BLS

FIVE THINGS TO KNOW

01

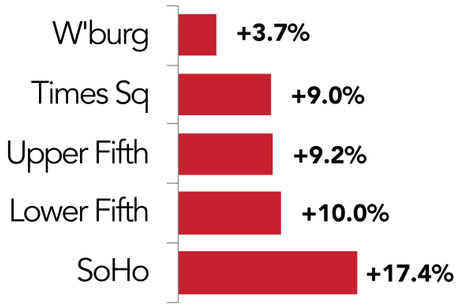
PRIME RETAIL AVAILABILITY SETS A NEW RECORD LOW



- Prime retail availability fell to 11.9% — the lowest quarterly reading since tracking began in 2017.
- Average asking rents across prime corridors climbed to $592/SF, nearing post-pandemic highs.
- SoHo hit its lowest availability rate ever, at 8.0%.

02

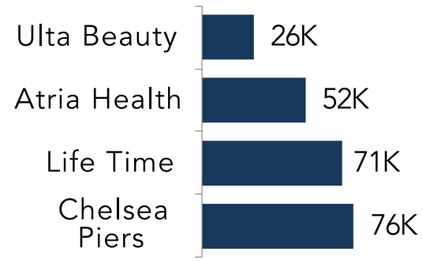
RENTS ARE CLIMBING FASTEST WHERE SPACE IS SCARCEST



- Five of Manhattan's most-watched corridors posted asking-rent gains, led by SoHo at +17.4% QoQ.
- Union Square/Flatiron availability fell from 14.2% to 11.1%, the biggest QoQ drop citywide.
- Demand is increasingly spilling into Brooklyn.

03

WELLNESS AND EXPERIENCE ANCHOR THE QUARTER'S BIGGEST DEALS



- Chelsea Piers Fitness signed 76,000 SF at the Seaport — the quarter's largest deal.
- Life Time took 71,000 SF in Williamsburg, among the biggest Brooklyn retail commitments to date.
- Service-oriented concepts are absorbing large blocks that once went to traditional retailers.

04

JUNE LEASES: ONE BIG BOX, TWO FLAGSHIPS

135K SF

TARGET — REGO PARK SHOPPING CENTER

5× the next-largest June deal

- Target signed 135,000 SF at Rego Park Shopping Center — June's largest lease by a wide margin.
- Ulta Beauty inked a 26,000 SF, 15-year Times Square flagship lease.
- David Yurman leased 23,000 SF on prime Fifth Avenue, taking over Coach's former flagship at 685 Fifth.

05

SOHO CEMENTS ITS LEAD IN U.S. TROPHY RETAIL SALES

43%

OF ALL U.S. TROPHY RETAIL TRADES, Q1 2026

6 of 14 tracked nationally

- SoHo captured 6 of 14 U.S. trophy retail sales tracked in Q1 2026 — 43% of all such trades nationally.
- 120 Spring Street traded at $8,043/SF — the highest price per square foot nationally this year.
- SoHo's Broadway corridor median asking rents hit $750/SF in H2 2025 amid a 400% five-year surge.

TOP MAJOR MANHATTAN LEASES

1 **CHELSEA PIERS fitness**
250 WATER STREET
76,000 SF | MAY-26

2 **ULTA BEAUTY**
1551 BROADWAY
26,000 SF | JUN-26

3 **DAVID YURMAN**
685 FIFTH AVENUE
23,000 SF | JUN-26

4 **Post**
339 NINTH AVENUE
21,000 SF | APR-26

5 **ARITZIA**
10 COLUMBUS CIRCLE
16,000 SF | APR-26

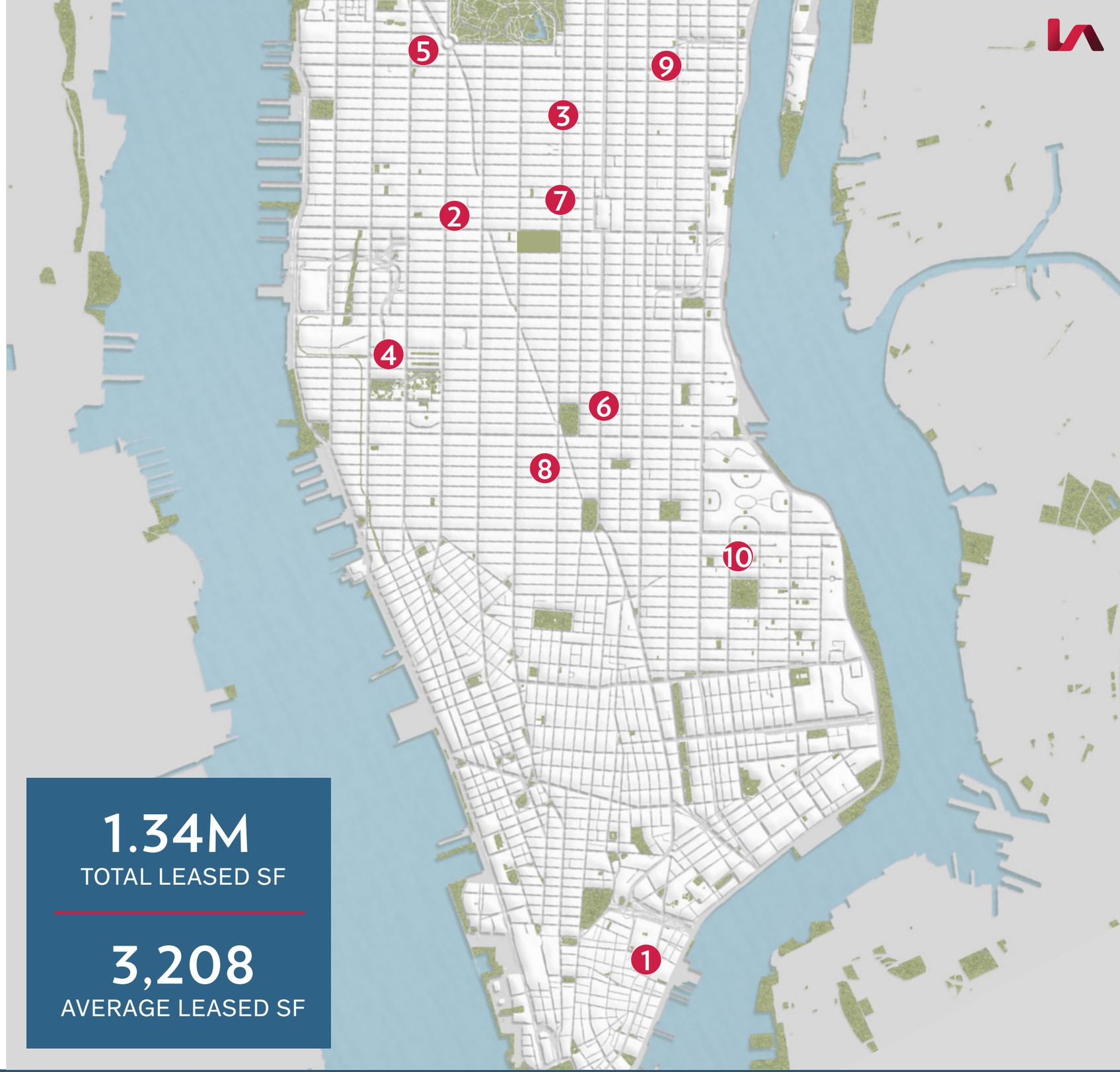
6 **Stout** NEW YORK CITY
373 PARK AVENUE S
13,900 SF | APR-26

7 **editted**
597 FIFTH AVENUE
12,865 SF | APR-26

8 **CB2**
22 WEST 19TH STREET
12,152 SF | JUN-26

9 **AVOCADO**
942 THIRD AVENUE
12,036 SF | APR-26

10 **BARNES&NOBLE**
438 EAST 12TH STREET
11,300 SF | APR-26



1.34M
TOTAL LEASED SF

3,208
AVERAGE LEASED SF

TOP MAJOR BROOKLYN LEASES

1 **BATHHOUSE**

540 ATLANTIC AVENUE

27,000 SF | MAY-26

4 **BREEZE 和煦**

590 FULTON STREET

3,569 SF | MAY-26

2 HOOPS KLUB

237 RUSSEL STREET

22,000 SF | APR-26

5 Union Square Hospitality Group

98 MONTAGUE STREET

3,200 SF | JUN-26

3 **HISUN**

230 LIVINGSTON STREET

4,000 SF | JUN-26

216K
TOTAL LEASED SF

2,663
AVERAGE LEASED SF

*Includes leases in Williamsburg, Greenpoint, Downtown Brooklyn, Bushwick zipcodes 11201, 11206, 11211, 11217, 11221, 11222, 11249

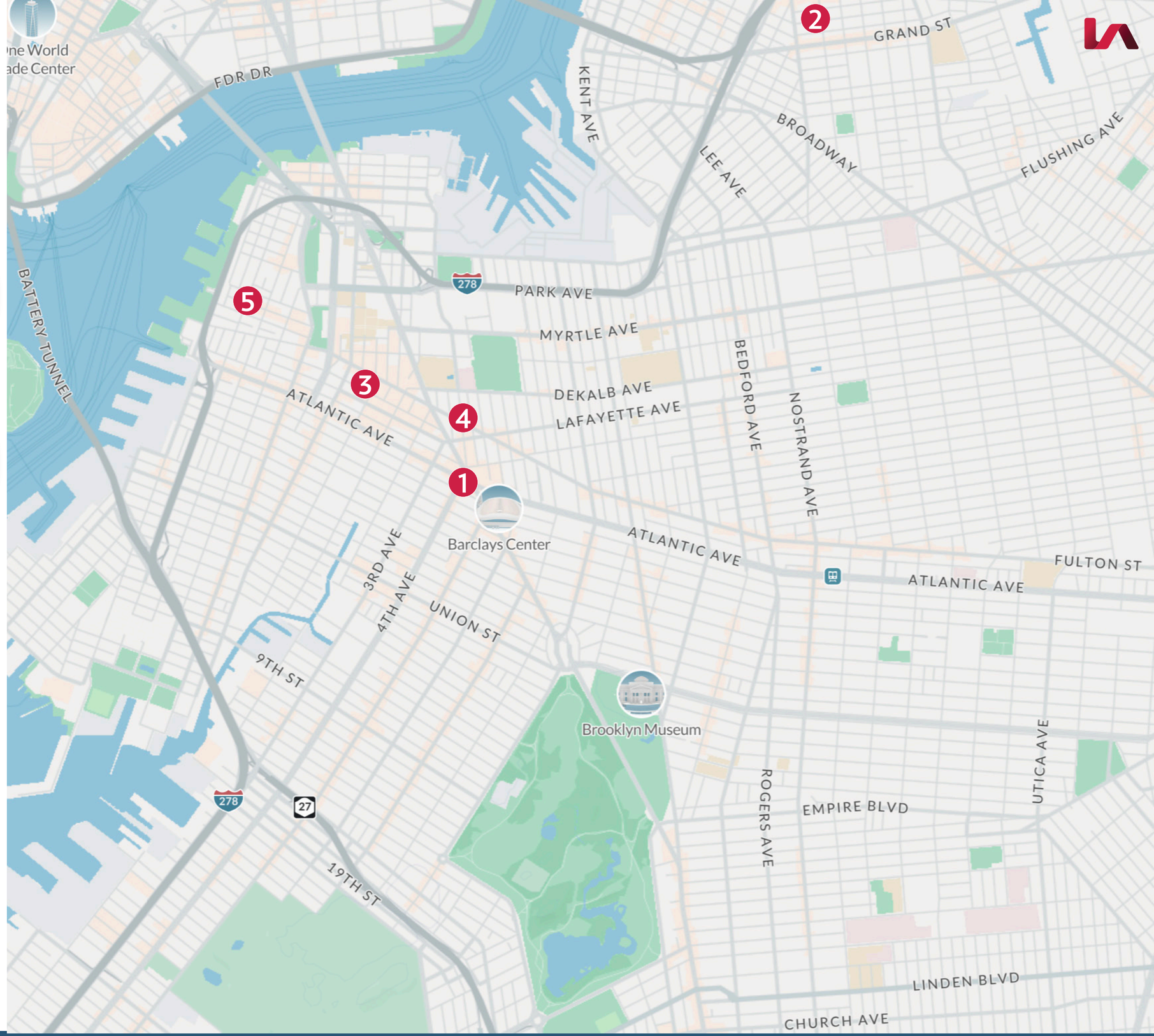


FIGURE 1: MOST ACTIVE MANHATTAN NEIGHBORHOODS BY SQ. FT. LEASED | Q2 2026

Neighborhood	Number of deals	Leased (Sq. Ft.)
Chelsea	35	135,329
Penn Plaza/Garment	21	94,486
Financial District	13	87,270
Seaport	2	76,800
Midtown East	11	71,041
Upper West Side	21	69,492
Gramercy Park	16	68,696
Greenwich Village	20	67,105
Plaza District	18	63,802
Soho	19	45,907

Source: CoStar Group, Q2 2026 lease comps (licensed to Lee & Associates)

FIGURE 2: MOST ACTIVE MANHATTAN TENANT TYPE BY SQ. FT. LEASED | Q2 2026

Tenant Type	Number of deals	Leased (Sq. Ft.)
Food & Beverage	122	294,011
Fitness/Recreation	13	127,702
Apparel	13	66,591
Cosmetics/Beauty Supply	4	33,269
Professional Services	15	27,360
Jewelry	4	27,000
Home Furnishings/Furniture	4	26,182
Personal Care Services	15	22,709
Office Supplies	1	20,443
Entertainment	6	15,360

Source: CoStar Group, Q2 2026 lease comps (licensed to Lee & Associates)

Manhattan spread 420 retail deals and 1.34 million square feet across 55 submarkets, with no single corridor running away with it. Chelsea led on both fronts, 35 leases and 135,329 SF, trailed by Penn Plaza/Garment and the Financial District. The quarter's quirk was Seaport, which cracked the top five on just two deals worth 76,800 SF, while busy stretches like the Upper West Side, Greenwich Village, and Soho piled up volume through many small storefronts. The top ten neighborhoods held roughly 58% of the borough's footage.

Food & Beverage owned Manhattan, 122 leases and 294,011 SF, more than double any other category and proof that restaurants still set the pace for storefront demand. Fitness/Recreation took second on volume alone, 127,702 SF from just 13 big-box gyms and studios, ahead of Apparel and Cosmetics. Everything below that came in under 30,000 SF. One caveat carries real weight: 197 deals and 608,479 SF went unnamed, about 45% of Manhattan's footage, so this ranking speaks only for the identifiable half of the market.

FIGURE 3: MOST ACTIVE BROOKLYN NEIGHBORHOODS BY SQ. FT. LEASED | Q2 2026

Neighborhood	Number of deals	Leased (Sq. Ft.)
North Brooklyn	30	92,072
Boerum Hill	3	30,337
Downtown Brooklyn	15	29,692
Williamsburg	15	26,526
Brooklyn Heights	4	7,550
Greenpoint	3	6,888
Gowanus	2	5,800
DUMBO	1	5,385
Park Slope	3	4,940
Fort Greene	3	4,669

Source: CoStar Group, Q2 2026 lease comps (licensed to Lee & Associates)

FIGURE 4: MOST ACTIVE BROOKLYN TENANT TYPE BY SQ. FT. LEASED | Q2 2026

Tenant Type	Number of deals	Leased (Sq. Ft.)
Personal Care Services	9	40,569
Apparel	3	24,789
Food & Beverage	17	23,491
Professional Services	7	11,421
Fitness/Recreation	2	10,650
Health Care/Medical	3	5,837
Laundry/Dry Cleaning	2	5,500
Grocery/Specialty Food	3	5,350
Home Furnishings/Furniture	2	1,843

Source: CoStar Group, Q2 2026 lease comps (licensed to Lee & Associates)

Brooklyn was a fraction of Manhattan's size, 81 deals and 215,683 SF, and it leaned hard on one submarket. North Brooklyn alone booked 30 leases and 92,072 SF, some 43% of the borough. Boerum Hill sneaked into second on a single large deal, nosing past the higher-traffic Downtown Brooklyn and Williamsburg. After those four, the map goes quiet fast: the remaining eight neighborhoods each cleared under 8,000 SF, several on just one lease apiece.

Brooklyn flipped Manhattan's script. Personal Care Services led at 40,569 SF, powered by outsized bathhouse, sauna, and spa deals, with Apparel second on only three transactions. Food & Beverage placed a distant third by footage at 23,491 SF, yet still signed the most leases of anyone, 17, meaning restaurants came often but took small rooms. A tail of professional services, fitness, health care, and laundry filled out the rest. Same caveat as Manhattan: 33 undisclosed deals worth 86,233 SF sit outside this count.

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