

Q3 2026 MARKET REPORT

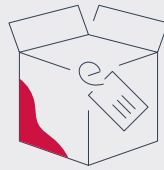
QUARTER **LEE** RETAIL OVERVIEW

NYC ECONOMIC OUTLOOK: FALLING UNEMPLOYMENT, RECORD WALL STREET PROFITS, AND STICKY INFLATION

New York City's economy kept expanding through the third quarter, though momentum grew more uneven. Non-farm employment stood at 4.85 million in August, up 0.9% year-over-year, with private sector jobs up 27,600, led by Private Education & Health Services (+34,200) and Professional & Business Services (+3,300). Retail Trade employment slipped to 297,300, down 0.7% from a year earlier; on an annual basis, retail jobs remain 14.4% below 2019 levels citywide and 21.2% below in Manhattan, even as storefront availability sits at record lows. The unemployment rate fell to 4.8% in August, its sixth consecutive monthly decline and well below 5.7% at the start of the year, while labor force participation eased to 62.1%, just under the record 62.8% reached in the first quarter. Inflation proved stickier: the 12-month NYC metro change was 4.3% in August, down from 4.6% in July but above the national rate of 3.4%. Consumer sentiment in New York State held at 65.6 in Q3, 17.5 points above the national index, a wide and favorable divergence for retail demand.

Wall Street profitability strengthened further: NYSE member firms earned \$45.9 billion in the first half of 2026 (+51.3% YoY), already above the City's forecast for the full year, and the current pace points to more than \$90 billion for 2026 against a record \$65.1 billion in 2025. Compensation spending at those firms rose 18.8% in the first half, pointing to a larger bonus pool that historically flows directly into Manhattan luxury and discretionary retail. City tax collections closed FY 2026 on the same footing, with PIT and PTET up 13.4% to \$20.8 billion, sales tax up 6.4% to \$10.9 billion, and real estate transaction taxes up 25.5% to \$2.5 billion. New York City sales tax collections reached nearly \$5.8 billion in the first half of calendar 2026, up 7.8%. Retail property sales are recovering as well: dollar volume rose 70% year over year in the first half of 2026, and full-year sales could exceed 2019 levels.

On the demand side, the World Cup lifted summer visitor spending. July average daily hotel rates rose 24% year-over-year to roughly \$351, and room rates were up 6.8% and revenue per room up 6.3% year-to-date through August, the strongest of any major U.S. market. International card spending rose 12% in Manhattan and 19% in Brooklyn during the tournament. Activity softened in August as hotel occupancy dipped below last year's level, then rebounded: occupancy reached 91.8% in the second week of September with rates up 7.1%. Residential fundamentals reinforce neighborhood demand, as Manhattan median rent rose 7.7% year-over-year to \$4,900 in September and citywide asking rents sit roughly 36% above pre-pandemic levels. New supply is slowing, however: developers filed plans for 8,064 units in Q2, down 52% from Q1. Taken together, falling unemployment, exceptional financial-sector earnings, and rising per-visitor spend support retail leasing momentum into year-end. Inflation above the national pace, flat hiring outside health care, and elevated shelter costs remain the key watch points. Spending growth is concentrated among higher-income households while smaller retailers report sharp declines, a split that continues to favor both luxury and value formats.



NYC RETAIL SPENDING

\$34.5B
(Trailing Twelve Months)

↑ 7.5%
(Year-Over-Year)

Source: CenterCheck



Source: BLS

UNEMPLOYMENT RATE

4.5% Q3 2026	4.9% Q3 2025
------------------------	------------------------



Source: BLS

INFLATION RATE

+3.4% Q3 2026	+2.9% Q3 2025
-------------------------	-------------------------



Source: MTA

SUBWAY RIDERSHIP DAILY RIDERS (AVG.)

4.2M SEP 2026	3.2M SEP 2022	5.6M SEP 2019
-------------------------	-------------------------	-------------------------



Source: BLS

FED FUNDS RATE

3.75% – 4.00% CURRENT	4.00% – 4.25% LAST YEAR
---------------------------------	-----------------------------------

KEY RETAIL TRENDS

01

UPPER EAST AND WEST SIDES LEAD MANHATTAN LEASING

Manhattan's residential neighborhoods out-leased its prime shopping corridors in Q3, as retailers followed dense, high-income households uptown.

02

FOOD & BEVERAGE KEEPS ITS LEASING CROWN

Food and beverage was again Manhattan's most active category by both volume and deal count, with established restaurant groups and first-to-market concepts both taking larger spaces.

03

GROCERS MOVE INTO MID-SIZE SPACE

Grocers are backfilling mid-size boxes left by theaters and drugstores, with uptown residential neighborhoods from the Upper East Side to Harlem drawing the most activity.

04

FITNESS AND ENTERTAINMENT TAKE THE LARGEST BOXES

Fitness clubs and entertainment concepts signed several of the quarter's largest leases, absorbing big floor plates that few other retailers can fill.

05

BANKS RETURN TO THE STOREFRONT HUNT

Bank branches emerged as a major source of absorption in Q3, adding competition for storefronts even as landlords subdivide older bank and pharmacy boxes.



TOP MAJOR MANHATTAN LEASES

1


FIVE IRON GOLF

32 OLD SLIP

28,000 SF | AUG-26

2


CRUNCH

2192-2196 BROADWAY

22,883 SF | SEP-26

3


HAPPIER GROCERY

210 EAST 86TH STREET

20,500 SF | SEP-26

4


BANK OF AMERICA

19 UNION SQUARE WEST

16,309 SF | JUL-26

5


ALDI

115 WEST 125TH STREET

15,674 SF | SEP-26

6


CENTURY CRICKET CENTRES

25 WEST 39TH STREET

14,234 SF | SEP-26

7


quality branded

360 PARK AVENUE SOUTH

13,000 SF | AUG-26

8


MAD DOG & BEANS MEXICAN CANTINA

292 MADISON AVENUE

10,950 SF | AUG-26

9


BankUnited

452 FIFTH AVENUE

10,068 SF | JUL -26

10


samudhra Premium Restaurant & Lounge

312 WEST 43RD STREET

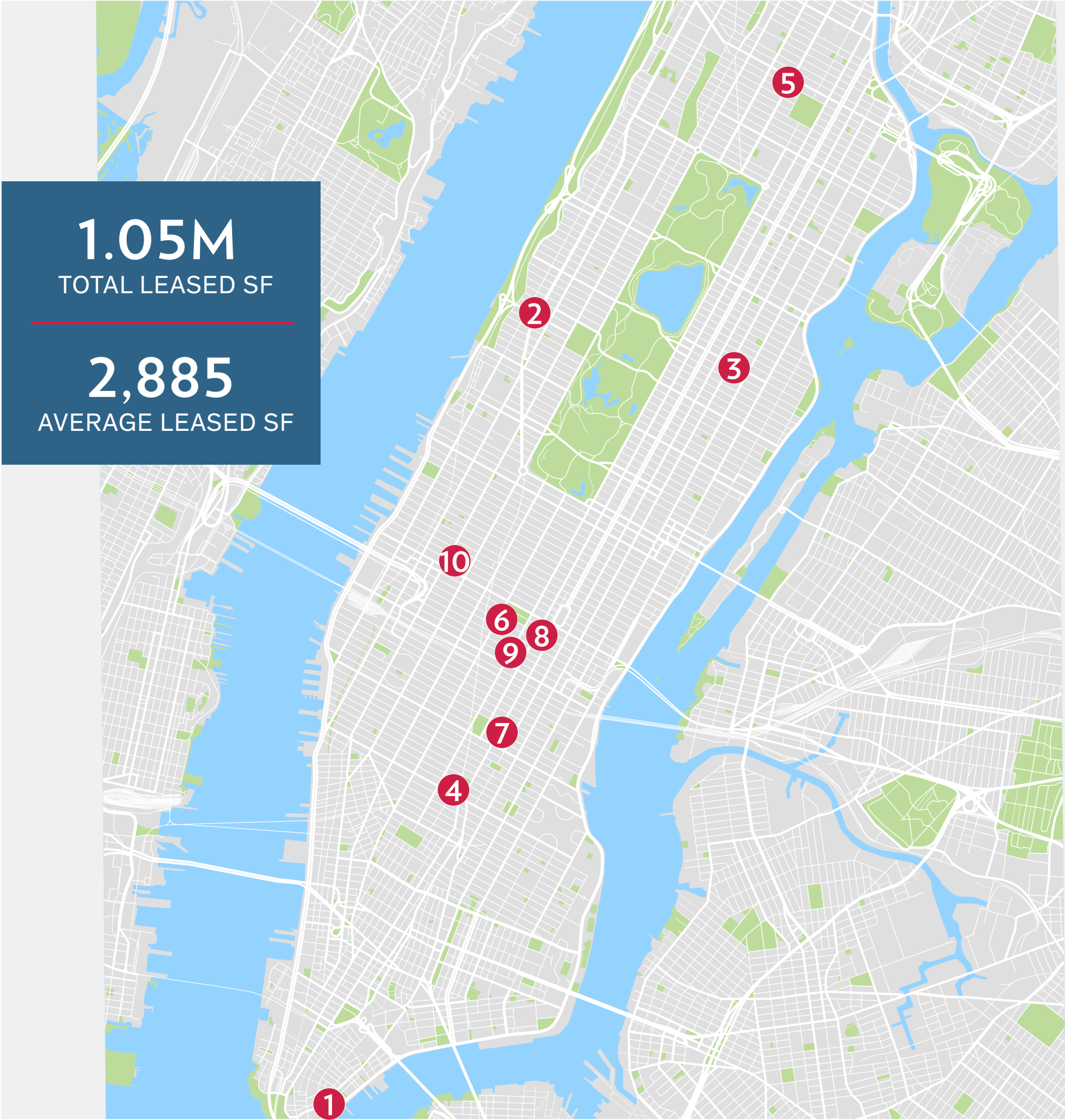
10,000 SF | AUG-26

1.05M

TOTAL LEASED SF

2,885

AVERAGE LEASED SF



*Lee & Associates NYC deal
*Includes leases in Midtown, Midtown South, Downtown, UES, UWS



TOP MAJOR BROOKLYN LEASES

1



25 NAVY STREET

31,717 SF | JUL-26

2



184 BEDFORD AVENUE

21,406 SF | AUG-26

3



105 NORTH 13TH STREET

14,600 SF | AUG-26

4



100 FLATBUSH AVENUE

10,000 SF | AUG-26

5



2 HANSON PLACE

7,785 SF | AUG-26

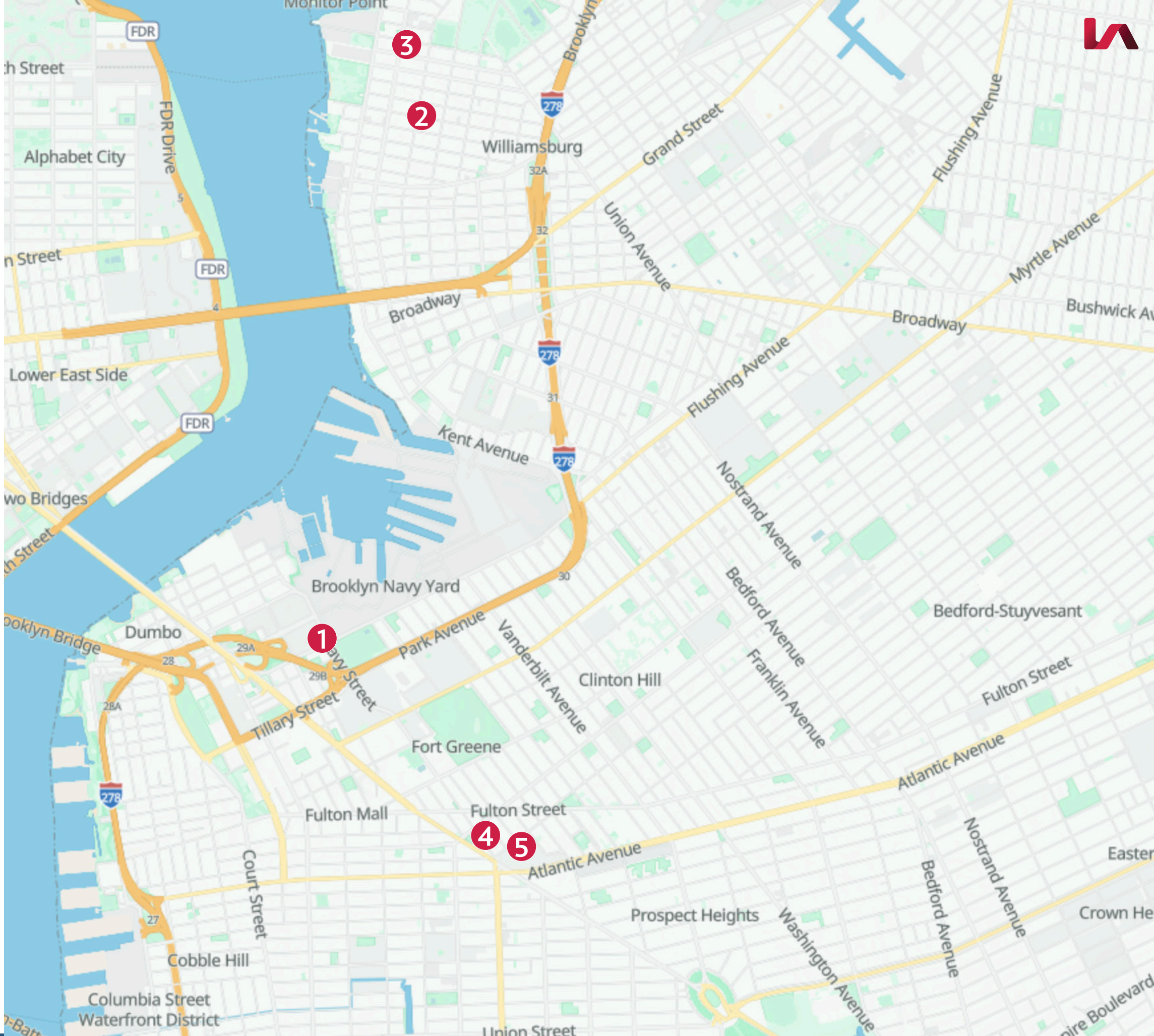
248K

TOTAL LEASED SF

3,310

AVERAGE LEASED SF

*Includes leases in Williamsburg, Greenpoint, Downtown Brooklyn, Bushwick zipcodes 11201, 11205, 11206, 11211, 11217, 11221, 11222, 11249



GROCERY & FITNESS

In the third quarter of 2026, grocery and fitness operators continued to rank among the most active tenants in New York City retail, absorbing mid- and large-format spaces that few other users can fill. With prime corridor availability at a record low and little new retail construction, both categories are increasingly turning to second-generation boxes vacated by theaters, drugstores and older retailers. Across Manhattan, grocers signed four leases totaling roughly 38,000 SF during the quarter, while health clubs added another 39,000 SF across four deals.

Residential density is driving grocery demand. Happier Grocery, an upscale, community-focused grocer, leased 20,500 SF at 210 East 86th Street, converting a former movie theater into its second New York City store following its Canal Street debut, with an opening planned for the second half of 2027. Whole Foods continued to expand its small-format Daily Shop concept, adding 8,121 SF at 1524 Second Avenue on the Upper East Side, which led all Manhattan neighborhoods in Q3 leasing. In the outer boroughs, landlords are backfilling former Rite Aid stores with grocers, including a Whole Foods in Ridgewood and a Foodtown in Bedford-Stuyvesant, as the number of chain pharmacies in the city fell 16% between 2024 and 2025.

On the fitness and entertainment side, operators signed several of the quarter's largest leases. Crunch Fitness took 28,100 SF at 2192 Broadway, the largest deal on the Upper West Side, while 5Iron Golf leased 28,288 SF at 32 Old Slip, the Financial District's largest transaction. In Brooklyn, Harbor Fitness committed to a 25-year, 20,000 SF lease at 3460 Nostrand Avenue in Sheepshead Bay, and Planet Fitness signed a 10-year, 14,500 SF lease at 532 Neptune Avenue in Coney Island. Sports-based concepts are broadening the category: Goodland Pickleball signed two new leases, including a 14,600 SF club in Williamsburg, and Lee & Associates NYC arranged a 15-year, 14,000 SF lease for Century Cricket Centre at 25 West 39th Street, the indoor cricket operator's first U.S. location.

Market conditions favor these users. With construction costs elevated, tenants are prioritizing turnkey and second-generation spaces, which are in short supply, and grocers and fitness operators can take the large floor plates, lower levels and second floors that traditional retailers often pass over. Their long lease commitments, frequently 15 to 25 years, give landlords stable income in spaces that might otherwise sit vacant.

Overall, Q3 2026 confirmed grocery and fitness as anchors of New York City's neighborhood retail. Grocers are filling the gaps left by departing drugstores in dense residential districts, while fitness and sports-entertainment brands are taking the large-format space that keeps storefronts active and draws daily foot traffic.

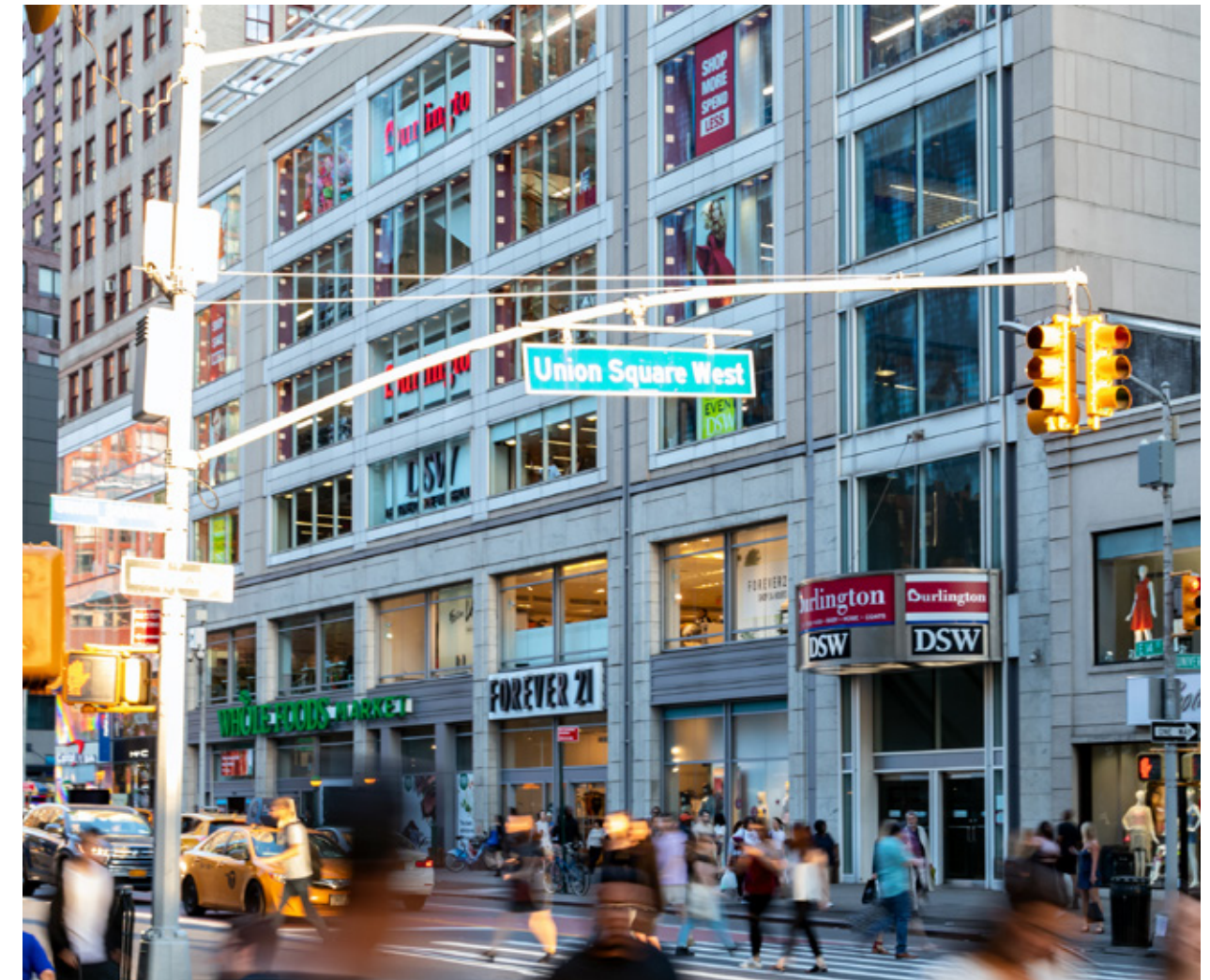


FOOD & BEVERAGE

Food and beverage remained Manhattan's most active retail category in Q3 2026, leading all tenant types by both leasing volume and deal count with 42 transactions totaling roughly 132,000 SF. Restaurants, cafes and specialty food concepts have led leasing activity in every quarter of 2026 and accounted for 39.4% of year-to-date Manhattan leasing volume through midyear.

First-to-market concepts were prominent this quarter, particularly in Midtown West. Northern Chinese comfort-food chain Nong Geng Ji leased 9,900 SF at 365 West 46th Street for its first Manhattan location, and premium Indian restaurant and lounge Samudhra committed to 9,738 SF at 312 West 43rd Street for its first New York City location. Elsewhere, Café Hestia took more than 9,600 SF at 570 Lexington Avenue, the Plaza District's largest F&B deal, Casa Carmen leased 5,400 SF at 437 Madison Avenue, and upscale seafood buffet Crab House signed 6,500 SF at 11 East 13th Street.

Neighborhood corridors were equally active. Columbus Avenue on the Upper West Side added Mimi's Frozen Yogurt (4,200 SF at 221 Columbus Avenue), the Mermaid Inn (2,500 SF at 301 Columbus Avenue) and Edith's Sandwich Counter (2,400 SF at 186 Columbus Avenue). Smaller-format cafes continued to expand across the borough, including Cafe Aroma at 1410 Madison Avenue in Carnegie Hill, Westville's 12th location at 540 Third Avenue in Murray Hill, and a 2,400 SF matcha cafe at 84 Second Avenue in the East Village, where Lee & Associates NYC represented the tenant. In Times Square, Barolo Restaurant Group signed 2,500 SF at 250 West 49th Street.



F&B is also the leading beneficiary of landlords subdividing large former bank and drugstore storefronts. Former 10,000 SF pharmacies are being split into three or four spaces for fast-casual and cafe brands such as Blank Street, Naya and Sweetgreen. At West 97th Street and Columbus Avenue, food-hall chain Wonder took the first bay of a former Rite Aid, and a former Duane Reade at Eighth Avenue and West 42nd Street is now a McDonald's and a sushi restaurant.

A strong summer for visitor spending supported demand. The World Cup lifted foot traffic at the city's sports bars 16% year over year during the tournament, and international card spending rose 12% in Manhattan. Operators still face elevated build-out and labor costs, which is steering them toward second-generation restaurant spaces with existing venting and infrastructure. With supply at record lows, those spaces are drawing competing offers, and food and beverage should remain the market's leading leasing driver into 2027.



LOCAL EXPERTISE
NATIONAL REACH
WORLD CLASS

VALERIA SYANCHUK

Director of Research
212.776.1262
vsyanchuk@lee-associates.com

PETER BRAUS

President
212.776.1203
pbraus@lee-associates.com

TODD KORREN

Director of Leasing | Principal
212.776.1283
tkorren@lee-associates.com

The information and details contained herein have been obtained from third-party sources believed to be reliable, however, Lee & Associates has not independently verified its accuracy. Lee & Associates makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to, the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information. The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice. Third-party data sources: CoStar Group, Inc., Placer.Ai, Bureau of Labor Statistics, Office of the New York City Comptroller and Lee Proprietary Data. © Copyright 2025 Lee & Associates all rights reserved.

