Flatiron: Where Then Meets Now
Flatiron District Market Snapshot/Q4 2016

MARKET OVERVIEW

Demand for Flatiron District office space remained high in the fourth quarter (Q4) of 2016. The continued influx of tenants from the technology, advertising, media, and information (TAMI) sectors has helped drive down the Flatiron District’s Class A & B commercial vacancy rate to its lowest point in almost a decade.

The Flatiron District continues to have one of the lowest Class A & B vacancy rates in New York City. In Q4 2016, the Class A & B vacancy rate within the boundaries of the Flatiron BID, as reported in CoStar, was 4.1%. This is a steady improvement from the 5.2% vacancy rate in Q3 2016 and the 5.8% vacancy rate one year ago in Q4 2015. The Q4 2016 vacancy rate is also down from the Flatiron District’s 5-year average vacancy rate of 7.1%. The graph to the right illustrates how the Flatiron District compares to Manhattan and other districts.

During Q4 2016, asking rents for Class A & B spaces averaged $70.13/SF, a slight increase from 69.94/SF in Q3 2016. Average asking rents in Q4 2016 were 3.5% higher than the Class A & B Manhattan-wide average of $67.73/SF. Comparative graph is below.

New TAMI Tenants Drive Lower Vacancy Rate

In Q4 2016, a number of TAMI tenants announced their plans to move to the Flatiron District. Notable signings included digital media publisher BDG Media Inc. signing a 10-year, 34,100-square-foot lease at 315 Park Avenue South and digital media technology company Yieldbot signing a 5-year, 17,185-square-foot lease at 902 Broadway. Additionally, digital cable and satellite television network ReelzChannel and market research firm MMR Research Worldwide both signed 5,909-square-foot leases at the Kaufman Organization’s 15 West 27th Street. These signings have helped drive down the Flatiron District’s Class A & B vacancy rate to 4.1% in Q4 2016. This is the lowest figure since Q1 2007, when the Class A & B vacancy rate was 3.5%.

COMMERCIAL BUILDING TRANSACTIONS

- 30 East 23rd Street – Icon Realty Management acquired the 12-story, 32,500-square-foot building from Extell Development for $26.5 million. The building was one of the 14 Ring portfolio buildings that Extell Development acquired in 2013.
- 220 Fifth Avenue – Stellar Management and Imperium Capital acquired the leasehold interest for the 21-story, 105,900-square-foot building from Dino & Sons Realty Corporation for $150 million.
Inventory of available retail spaces in the district, which are tracked and published monthly by the Flatiron/23rd Street Partnership, remained low in Q4 2016. There was a decrease in available retail spaces from Q3 2016 as several listings, including 31 East 28th Street, One Madison, and 10 Madison Square West were leased and taken off the market.

Area Retailers Unveil Innovate Retail Concepts

As brands seek new ways to engage customers, many retailers are moving away from traditional brick-and-mortar storefronts in favor of more unique and experiential concept stores. Nowhere is this trend more visible than in the Flatiron District, where menswear brand Todd Snyder and skin & body care brand L’Occitane unveiled innovative retail spaces in Q4 2016. In addition to the comprehensive menswear collection at Todd Snyder’s new flagship store at 23 East 26th Street, customers can also enjoy an on-premises barbershop, tailor, and bar. At L’Occitane’s recently renovated flagship store at 170 Fifth Avenue, visitors can sample in-store products, while also browsing for products on L’Occitane’s digital platform.

Food & Dining in the Flatiron District

The Flatiron District’s diverse culinary scene continued to flourish in Q4 2016, with the opening of several exciting new restaurants. French-Italian restaurant Italienne, Japanese-inspired fast-casual restaurant wagamama, and “fine-casual” salad restaurant Verde all opened in the neighborhood in Q4 2016. These new openings highlight how the Flatiron District continues to attract a wide variety of businesses, with a diverse mix of national/chain and NYC-owned, independent businesses. The chart to the right shows the breakdown of national/chain and NYC-owned, independent businesses for all ground-floor businesses in the BID boundaries.

The Flatiron/23rd Street Partnership Business Improvement District, formed in 2006, is a nonprofit organization whose mission is to enhance the area’s reputation as one of New York’s most vital and exciting neighborhoods. This is accomplished by maintaining a clean and safe environment for the district’s businesses, residents, and visitors; by spearheading area improvement projects; and by marketing the diverse business and retail options in this vibrant and historic neighborhood.