

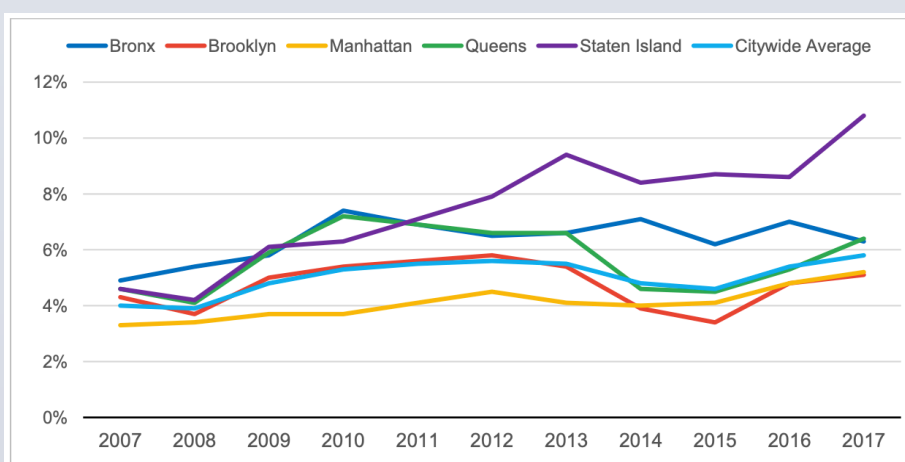
INTRODUCTION

Small businesses are crucial to the economy in the United States of America. They not only drive job growth, the overall economy, and account for a significant percent of the private workforce, but they also play critical roles in their respective communities.

Many small businesses serve as a cultural hub for the neighborhoods they are stationed in, bring innovation to the areas they serve, allow owners to feel a sense of accomplishment, provide a sense of stability to local residents and increase retail diversity. As small businesses close, unemployment rises in their locales and communities often lose a piece of their culture and diverse makeup.

In New York City, the rise in retail vacancies have been especially concerning, prompting the NYC Comptroller Scott Stringer to highlight this in a recent report and the NYC Council to introduce legislation to target this issue.

It is important to note that retail vacancies account for small, mid-size and large businesses but this research focuses on small businesses.



Source: Office of the Comptroller from Department of Finance RPIE filings.

RETAIL VACANCY + SMALL BUSINESS: BY THE NUMBERS

There has been a concerning rise in the number of retail vacancies throughout New York City. Existing research and data shows that the causes of this rise goes beyond rising rents, but also lies in changes to consumer behavior, gentrification of neighborhoods and a knowledge gap among many small business owners for how to combat this change and meet necessary demands.

In New York City, the retail vacancy rise is a rapidly growing phenomenon and according to the New York City Comptroller's Office accounts for as many as \$185M annual sales tax receipts lost.

The Small Business Landscape

- As of 2018, there were **30.2 million small businesses** in the country.
- Small businesses **employ 58.9 million people** and account for **47.5% of workforce**.
- Small businesses have also generated **65% of new net jobs since 2000**.

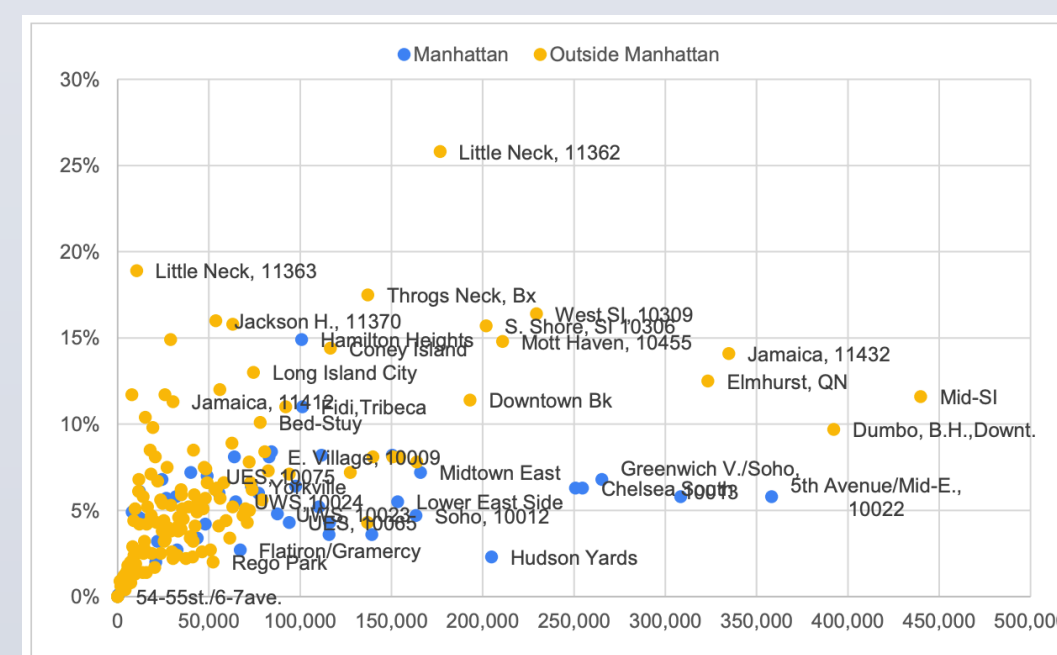
New York City's Retail Vacancy Rise

- New York has seen a vacancy increase of **5.2 million sq. feet** over the decade.
- The vacancy rate rose from **4.0 percent in 2007, to 5.6 percent in 2012**.
- Between 2007 and 2017, retail rents rose throughout the city by a **22% average**.

Sources: U.S. Small Business Administration and NYC Comptroller's office report Retail Vacancy in New York City

WHAT'S THE CAUSE OF RETAIL VACANCIES

- 1. Changes in consumer behavior.** Consumer demand that changes as a result of gentrification and changes in the preference of current residents force businesses to either meet the demand or face a strain on profit.
- 2. Rises in rent.** This is the simplest factor for the rise in vacancies, but is often a result of a change in housing supply resulting in new residents.
- 3. Knowledge gap.** Owners who don't have the knowledge for dealing with the changes in rent increases and consumer preference are often forced to close.
- 4. Decrease in demand.** Beyond neighborhood change, businesses are often forced to close due to a change in the demand for their product.



Source: 2017 RPIE Filings, New York City Department of Finance

CONCLUSIONS

Retail businesses, specifically those that are small businesses deserve policy attention from leaders throughout the country, and lawmakers can take immediate steps to lessen the obstacles that small businesses face.

1. Conduct additional outreach to make all small businesses aware of the resources available to them.
2. Consider passing the Small Business Jobs Survival Act ([SBJSA](#)).
3. Provide tax incentives for small businesses to lighten the operational expenses.
4. Consider commercial tenant rent stabilization.

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