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RETAIL REAL ESTATE REPORT

MARKET FINDING ITS FOOTING

Robert K. Futterman, chairman and chief executive, Robert K. Futterman & Associates, New York, agreed that the retail market is rebounding, especially New York City. "Our firm is up about 25 percent in volume this year over last year, and I think that is indicative of what is happening in the market. We are seeing tenants absorb space that has been vacant for awhile," he said. "Places like Madison Avenue, the Flatiron District and the Meatpacking District that had seen rents fall since 2008 now have rents that are flattening out and perhaps will begin to climb a bit. We think 2011 will be a slow but steady year for retail."

Futterman noted that all types of tenants are entering the market today. There are new luxury retailers coming in as well as value-oriented retailers. "We see Main Street retailers taking High Street locations — companies like Uniqlo and Forever 21 are popping up on Fifth Avenue next to retailers like Prada and Gucci," he said. "There has been a wave of companies like Filene's Basement, Syms and T.J. Maxx that have taken advantage of some larger blocks of space at more affordable rents."

This mix also includes a selection of both domestic and international retailers, explained Andrew Goldberg, executive vice president, CB Richard Ellis (C.B.R.E.), who noted a mix of domestic and international retailers. If there is a common theme, according to Goldberg, it is that mainstream retailers rather than luxury retailers are moving into the market. A large category is fashion retailers that cater to teens. He also noted that mall-based retailers are interested in entering the New York City market because of the recent decline in rents.

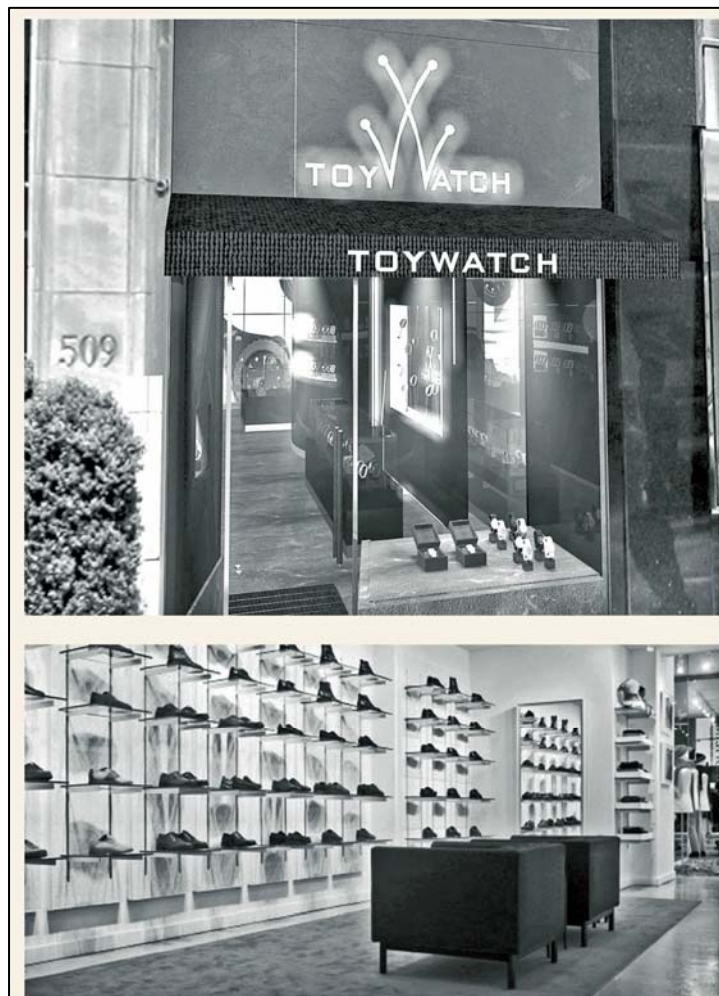
Goldberg also said that people who have been sitting on the fence regarding new leases will probably take the plunge in the next couple of months: "I think you will see that a lot of the deals that are in the pipeline right now will get done. When these deals close, they will take big pieces of space off the market. Prices will firm up in the top markets and landlords will withdraw some of the concessions they were previously willing to make."

Faith Hope Consolo, Chairman, Retail Leasing, Marketing and Sales Division, Prudential Douglas Elliman Real Estate, New York, is pleased with the new activity in the New York market and predicted a strong holiday season this year. "From the PopTarts popup to Forever 21 to

Disney, fun stores are opening in the Times Square area," she said, adding, "Greenwich Village continues to become a designer headquarters. Madison Avenue is well leased for now, but opportunities remain on Fifth Avenue."

This market activity will expand to other areas in 2011, according to Consolo. "We should see a revived interest in the outer boroughs, such as Smith Street in Brooklyn," she said. "Further, the strength of New York will continue to spill over to the rest of the country. What we've learned from our travels for the I.C.S.C. this year is that New York and Los Angeles kick-start recoveries in retail. Chicago, typically, is a little behind the coasts, but not by much. It will take time, but we're looking at a much improved retail picture now that will continue to blossom in the future."

Unfortunately, not everyone in the industry will benefit in this retail revival. Consolo anticipates that small malls and downtowns will continue to lose market share to A+ locations. "Retail will continue to be polarized," she said. "The return of the luxury shopper is gratifying, but the value shopper isn't going anywhere. Smart retailers such as Macy's and Lord & Taylor have found a way to succeed between the two – but they are exceptional. Still, chains are expanding and testing new concepts (Neiman's Last Call Studio, Penney's Big and Tall chain, J Crew's Bridal Concept); others are coming from overseas (Uniqlo, TopShop, Toywatch, MonnaLisa); and leases are being signed."



The ToyWatch store at 509 Madison Avenue (top) and Florsheim by Duckie Brown store at 109 Mercer Street (bottom) were both leased by Prudential Douglas Elliman's Retail Group.