

January 14, 2019

The Deals That Defined A Depressing Year For New York's Retail Market

When it comes to retail, there is no denying 2018 was dominated by waves of negative headlines about the state of the market — and where it might be headed.

Fifteen of Manhattan's 17 major retail corridors saw year-over-year declines on the asking rents for ground-floor retail space, according to the Real Estate Board of New York's fall retail report. There haven't been declines that widespread since REBNY started gathering data for the report 18 years ago.



Unsplash/Anna Dziubinska

Against a national backdrop of thousands of store closures around the country, landlords, retailers and developers everywhere are scrambling to capture shifting consumer demands and keep space from sitting empty.

But this isn't an entirely gloomy story. Believers in New York City's retail market point to new entrants, different ways of using space and the innovative approaches of established players.

"A period of disruption is always concerning, because you don't know how long the disruption goes on for," said Colliers International Vice Chairman David Green, who brokered one of the priciest retail deals of last year. "But there are tenants in the market.

"I think it's a very specific story and not a macro story," he continued. "For example, if you have space in NoMad or if you have a space in Times Square, there is constant demand for your space."

Here's a look at some of last year's retail deals and what they say about the market:

The Internet's Great Disrupter Expands Its Brick-And-Mortar Presence

Amazon dominated the news cycle in the final months of the year by announcing it would bring HQ2 to Long Island City.

The company — which has been accused of ushering in the destruction of mom-and-pop retail, a huge chunk of the market — is expanding its physical presence in the city too.

It already has Amazon Books at Columbus Circle, which opened in 2017, and in September it opened the doors of what it is calling "Amazon 4-Star" at 72 Spring St. in SoHo. The store is stocked with its best-selling products, items with ratings of four stars or more, hence the name.

Amazon isn't stopping there. Reports emerged in October it is bringing its cashier-free store Amazon Go to Brookfield Place, and Whole Foods continues to grow its footprint. Time will tell how much of the retail HQ2 is expected to generate in Long Island City will be controlled by Amazon itself.

Peloton Picks Brookfield's Manhattan West For New Flagship

In May, indoor cycling concept Peloton announced it would create its 35K SF "Peloton Studios" at Brookfield's Manhattan West megaproject. The space will feature Peloton's broadcast and production operations and several studios, allowing for classes to be hosted and livestreamed to its various digital platforms.

The lease, which involved challenges like a possible train tunnel and flood gate interference, scored the brokers on the deal REBNY's Most Ingenious Retail Deal of the Year award.



Wikipedia/SounderBruce Amazon Go in Seattle

Major Retailers Started Thinking Small

As many big-box retailers took a hit, others doubled down with new ideas. Target expanded its small concept offerings, inking seven leases in the city. In October, Target announced a 34K SF store at AvalonBay Communities' 1865 Broadway, adding to leases already announced with TF Cornerstone, A&H Acquisitions, Kimco Realty, Blackstone and Bridges Development Group.

Ikea took a similar step, announcing its first Manhattan location at Zucker Organization's 999 Third Ave. Known as Ikea Planning Studio, it is the first urban-concept store the Swedish furniture giant has brought to the U.S. It will be a delivery-only showroom facility, and will come after its Red Hook has long been a destination for New York's budget-conscious furniture shoppers.

Brookfield Attempts To Soothe Vacancy Woes On Bleeker Street

The Canadian equity giant bought four properties comprising seven storefronts on Bleeker Street in April and vowed to revitalize the once-glorious retail strip. The result was an initiative called Love, Bleeker, which includes new stores, art installations and cultural programming.

Unveiled in October, the initiative runs for a year, and features retailers that have never had a brick-and-mortar presence.

McDonald's Inked The Priciest Retail Deal Of The Year In Times Square

A fast-food company known for providing food on the cheaper end of the spectrum locked down what was reportedly the most expensive deal of 2018. McDonald's took 7K SF at Bow Tie Properties' 1530 Broadway, paying \$11.5M a year, The Real Deal reports, with \$2.6M of that going toward signage. The deal means McDonald's will be leaving 1560 Broadway, where it was paying SL Green and Jeff Sutton's Wharton Properties less than \$5M in rent.



Bisnow/Miriam Hall Caitlin DiStefano adjusts dresses at Prabal Gurung, a concept in Brookfield's Bleecker Street retail incubator

Phillips Auction House took 55K SF at 432 Park Ave.

Phillips Auction House announced plans to move its headquarters from 450 Park Ave. down the block to the retail space at 432 Park Ave., the supertall condo tower owned by Macklowe Properties. In total, the auction house is taking 55K SF, with 30K SF of underground space with direct access to Park Avenue and space in the Park Avenue Cube, a planned glass structure at the northwest corner of 56th Street and Park Avenue.

Tiffany & Co. Subleased at 6 East 57th St., Puma Announced A Return To Manhattan

Tiffany & Co. is taking 73K SF at The Trump Organization's 6 East 57th St. in a sublease deal with Nike that will allow it to renovate its flagship at 727 Fifth Ave. The lease is the largest deal of the year by square footage, according to Commercial Observer.

The renovation is slated to last three years, and will see Tiffany & Co. taking all of Nike's space at 6 East 57th. Back in 2016, Nike took 60K SF at 650 Fifth Ave. in that year's priciest deal.

In May, one of Nike's competitors, Puma, inked a 24K SF lease at SL Green's 609 Fifth Ave. in a 24-year deal.



Courtesy of Patrick Randak for FitHouse

Boutique Fitness Leases Continued To Soak Up Space

Fitness concepts cemented their place as desirable tenants for landlords keen to fill up space, with several significant deals signed last year.

Fitness concept FitHouse, which started in the city with its first pop-up location at 276 Bowery, has since opened up at 93 Worth St. and is planning a new location at 20 West 14th St.

Boxing concept Rumble continued its expansion in the city, taking a 7,300 SF lease at a residential development at 117 Livingston Ave. in Downtown Brooklyn.

Alo Yoga took 14K SF at 241 Bedford Ave. and Madison Capital announced it signed The Well — which is described as a “health and wellness venture that combines Western medicine and Eastern healing” — at 71 Fifth Ave.

It looks as if it is a trend here to stay: Life Time is reportedly opening a 74K SF location at Macklowe Properties' One Wall Street, in a deal that became public last week.

Following Major Closures, Retail Spaces Took On New Life

As retail behemoths began to close, landlords started moving toward option B. The Toys R Us closures, for example, had sweeping impacts across the country, and the Tri-State area was hit hard. More than 30 Toys R Us stores in New York, New Jersey and Connecticut are reportedly closing.

In some cases, solutions have already been found. Related, for example, is filling space left empty by Toys R Us at Bronx Terminal Market with a huge grocery store. Food Bazaar Supermarket is taking 80K SF in the complex at 601 Exterior St.

Luxury movie theater brand iPic Entertainment signed on in June to open a 348-seat theater, restaurant and bar at Heritage Village, a proposed mixed-use development in Hicksville, Long Island, located on a 26-acre site that is home to a now-shuttered Sears department store and auto center. New chapters for iconic retail are likely to continue into 2019, with the year starting off with the closure of Lord & Taylor on Fifth Avenue.

The building is now owned by coworking giant WeWork's parent, The We Company, which is being restored under the direction of acclaimed architect Bjarke Ingels.