

# High Prices For High Volume

**New York area retail executives see high-end properties and discount retailers active in market during climate of bifurcation.**

Moderated by Jerrold France and Chris Thorn. Edited by Randall Shearin.

**S**hopping Center Business recently held its annual New York Roundtable, hosted by law firm Goulston & Storrs. While the retail sector in New York, New Jersey and Connecticut is doing well, some attendees pointed to a bifurcation of the market, with high end retailers and discounters being the most active tenants.

Attendees of this year's roundtable were: Stephen Stephanou, Crown Realty Services; Christopher Conlon, Acadia Realty Trust; Stephen Plourde, The McDewitt Co.; Marshall Felenstein, Felenstein Was & Associates; David Rabinowitz, Goulston & Storrs; Ariel Schuster, Robert K. Futterman & Associates; Deborah Jackson, Weiser Realty Advisors; Patrick Breslin, Studley; Arnold Paster, Peconic Bay Realty; Esther Paster, Peconic Bay Realty; Matthew Harding, Levin Management Corp.; Andrew Schulman, Thor Equities; Samuel Polese, Thor Equities; Richard Brunelli, R.J. Brunelli & Co.; Lauren Holden, Equity One; Nina Kampler, CB Richard Ellis; and Matt Ogle, SRS Real Estate Partners.

**SCB:** Deborah [Jackson], where do you see the retail sector in New York?

**Deborah Jackson:** That's a big question. It's challenging, but we are in exciting times. From a person who loves retail, it's exciting. What I'm finding exciting is the activity in Williamsburg [Brooklyn]. Most people would say that currently we've had three fashion [areas] — Madison Avenue, Soho and The Meatpacking District. But we're seeing a lot of tenant interest in the Williamsburg area. Why? A lot of [tenants] get priced out of other areas and you have the traffic and you have a young crowd. Vintage retailers and other types are in the area. It's like the outskirts of Soho. On streets that weren't exciting before, people are now saying, 'Wow this is promising.' There's a lot of foreign in-



Goulston & Storrs hosted *Shopping Center Business's* New York roundtable. Attendees were active in all boroughs, The Hamptons, New Jersey and Connecticut.

terest and a lot of new retailers. When our economy goes south, people become more creative.

**SCB:** In what specific areas do you see the biggest demand for, in the New York market?

**Ariel Schuster:** Times Square, Fifth Avenue and the 50s. It's clear the rents there are higher than they ever were, even before 2007. One market that's really picked up in the last 12 months is the Flatiron district, which a year ago had six prominent vacancies. It has really filled up. You're seeing a street that seemed to be going the wrong way completely — it was actually the poster child for what was wrong in New York City — it's now one of the hottest markets and you can't find space for the right size. The interior of Soho has also been shockingly strong in the last 6 months, like Greene and Mercer Streets. We are seeing that the area of Soho from the south around Grant Street has really improved. The foot traffic is still not there but rents have doubled in the last 6 to 9 months and that's not even talking about Broadway, which is incredibly

hot, and central Spring [Street]. Those streets that were never really considered \$150 to \$200 streets are now coming up, which to me is really incredible.

**SCB:** What are some of the attributes that help make New York so unique for retailers?

**Stephen Stephanou:** Of the urban areas in the United States, there's nothing that's more exciting and dynamic than New York City because of the finance business, the garment business, the retail business and the entertainment business. Many people look at it as a center of creativity in the United States. That drives a lot of economic factors here internally. Even though the Euro is not nearly as strong as it has been, the exchange rate is stable enough that many international tourists and European tourists look upon New York as an exciting place to visit. It provides a lot of different venues than some of the European capitals do. Although London has certainly become more exciting in the last 10 years.

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**SCB:** As a public company, how does Acadia look at New York and the surrounding areas and boroughs, as far as retail opportunity?

**Christopher Conlon:** Acadia Realty Trust chose to focus on an aggressive program to recycle and invest new capital into the urban markets. New York comes first; it's our backyard. We're just as excited about Chicago, Miami, Washington and Boston. In New York, in our opportunity fund business, we have a rather large urban development platform, the largest project of which is in downtown Brooklyn called City Point, which is currently under construction. We'll be announcing anchors there probably before the end of the year. New York treats us very, very well. The barriers to entry couldn't be higher and population growth in certain selected areas is still occurring.

**SCB:** Andy [Schulman] and Sam [Polese], how do you, as owners, look at retail opportunities today and as you move forward?

**Andrew Schulman:** We love New York and we love the high streets. The high streets really hold their value. Even when things get a little bit tougher, they come back much faster. The climate for high streets is incredible right now for retail, especially because space is very tight.

**Samuel Polese:** At the end of the day, tourism drives a lot of what's going on in Manhattan. This year, I believe there will be more than 50 million tourists coming



(left to right) Andrew Schulman, Stephen Plourde, Christopher Conlon and Marshall Felenstein.

to the United States. I think the bulk of them are coming to New York. While they're here, they happen to buy everything they see because the dollar is weak against their currencies. That is why you see side streets in Soho performing so well and why we see Fifth Avenue now extending down to 42nd Street. We believe that could even continue to 34th Street in the next 5 years.

**SCB:** [Patrick Breslin], What areas do you see that are in great demand by retailers?

**Patrick Breslin:** Fifth Avenue is one of the most sought after. People are always inquiring about prices and sales. People are more interested in hearing about how the sales volumes are equated to the enormous rents they need to pay here. A lot of retailers just knock it out of the park

from day one. Until space runs out, 5th Avenue is going to be on fire.

**Schulman:** In Flatiron, you had all of those vacancies and now all of a sudden there are no vacancies. Everyone wants to be there.

**Nina Kampler:** Because the rent in Flatiron has decreased.

**Polese:** There was a big disparity. We own a building, 929 to 933 [Broadway], and we've watched the rents escalate \$100 a foot in 6 months.

**Stephanou:** It's a great set of buildings that you've renovated too, by the way. The north end of the Flatiron District has really activated, which was also activated by Union Square. So it's just become a win-win situation for that whole area.

**Kampler:** When REI opens next month in the Puck Building, we're going to see a continued southern movement of the retail. There's a lack of availability and congestion elsewhere and seemingly bargain prices, compared to other parts of the city. You have a whole lot of new area opening up, as opposed to Hudson Yards which people are still looking at with binoculars.

**SCB:** With the World Trade Center and World Financial Center, is retail starting to come back to Downtown? Is this going to be great?

**Kampler:** The answer is yes. We're not going to know exactly how this shakes



(left to right) Pat Breslin, Ariel Schuster, Sam Polese, Andrew Schulman and Stephen Plourde.

out until the next 6 to maybe even 18 months go by. But in terms of interest level, it's escalating. Conde Nast is moving its headquarters downtown [Editor's note: Conde Nast has signed a 1 million-square-foot lease to anchor the office component of the new 1 World Trade Center building when it opens in 2014, bringing an estimated 5,000 employees with the company]. I think the latest statistic was 56,000 people are now living in the tip of Manhattan, so you now have a 24/7 market.

**Stephen Plourde:** It really is incredible, a lot of people don't think about it but downtown south of Chambers Street is the fourth largest central business district in the entire country, behind Midtown, Chicago and Washington, D.C. There's 90 million square feet of office space down there and when the World Trade Center comes online, that's another 10 million square feet. The residential is huge. That changes the dynamic into a real 24/7 neighborhood. We've talked about the tourism, that's a huge ingredient between The World Trade Memorial Center opening up. It really will be a special place.

**Stephanou:** The residential population of lower Manhattan has doubled in the last 10 years. In other words, it doubled after 9/11. People didn't flee it, people still were involved in it. What's interesting is that before that it was sort of Tribeca and those areas were more of an adult community versus family-oriented. What has happened now — and part of it has been driven by some good public schools that have been put there — is many young families living there now. So the demand for apartments there is sky high. There has not been the pool of retail properties in an assemblage to drive a lot of new retailers [to the area]. They're still a little bit fearful of it. They see Broadway, sort of below Chambers Street, which is a little down and dirty. But there are huge opportunities and you have basically the three central retail venues that are underway. There is Westfield at the World Trade Center. Besides the World Financial Center, Brookfield's modification and expansion of its retail venue and then a rescripting of South Street Seaport that Howard Hughes now has from GGP. The dust hasn't settled on all of that at this point.

**Jackson:** Also, the activity on Wall



Stephen Stephanou, Nina Kampler and David Rabinowitz.

Street. We look at downtown, we see the activity and we know that it's no longer just a daytime place. But for a lot of retailers, I think there is some reluctance. You show them the numbers and TJ Maxx going down to Wall Street. It's not like everyone is saying, 'I've got to get there right now.' But you're seeing that people are recognizing that there is great demand. You asked the question, 'what makes New York unique?' Well, it's the density, the income levels and the nature of the economic base. When you start to understand downtown, you're like, 'Wow, there are shoppers here. There are people that can spend a lot of money.' It's sort of like getting people to understand Times Square 10 years ago. But it's a domino effect. The more activity we see, the more activity we will see.

**Schuster:** The challenge of downtown is, because it was built early on in New York's growth, the streets are narrow. There is not a continuous retail street. What happens is shoppers like to shop in lines — retailers like to feed off each other and there are very few pockets. Broadway is the only street other than Wall Street where there is continuous retail. A lot of people are waiting to see about these projects and they're holding off on committing to downtown until they know if they're going to have a place in one of these developments.

**Plourde:** The interest level from aspirational retailers and luxury retailers is higher than ever before at the World Financial Center. Once all the construction settles down, the dust goes away and the two

transportation centers come online, you will have a wonderful underground concourse. The connectivity between Westfield and World Financial Center will help create that critical mass of complementary retail between those projects.

**Marshall Felenstein:** If you look at this morning's newspaper, Wall Street jobs are going down right now at a heavy level. Stephen [Stephanou] and I were talking when we first walked in about the luxury part of the world here in New York City. One of the major reasons that New York is so powerful is the fact that you do have all of the luxury that tenants want and need to be here. They're still doing ok. However, it's the middle guys that are suffering. Their costs are high and the sales do not justify, in many areas, the cost of being in New York.

**Kampler:** What Marshall is saying is really the whole trend now: the bifurcation of retail. We've seen it coming and it's a confirmation of that. Someone who is an affluent customer with endless disposable income may have zero off of their balance sheet, but it's still more money than most people can even begin to fathom and more money than they even can spend. They're still going to buy their scarves and belts and Anthony luggage. Then, you have the person who is either part of the 9.1 percent unemployment rate or they are underemployed. Or they are just nervous, such as a 50-year-old who's not quite sure how their money is going to sustain itself. That person may become more of a shopper at Target, Kohl's and TJ Maxx, and the value that started getting Flatiron

going to begin with. You've got that bifurcation and I believe that will continue. If you are a retailer offshore or outside of New York and you need to grow your number of stores or grow your revenue, first you'd go to Hong Kong and second, you would go to New York. If you're going to fail here, you're going to fail anywhere. So why wouldn't you put yourself in New York? You may have a Jack Wills that starts off outside of New York, but for the most part, retailers coming from offshore are using New York as their testing grounds. There are fewer mom-and-pops and fewer retailers down the middle; they can't make it. They're gone.

**Matt Ogle:** It's been interesting to see how investors are looking at the market today. Like Chris mentioned, we're seeing a lot more international investors saying, 'Where do we need to focus in New York?' Across the board, the interest level has been very high in transit-oriented markets. I hear 86th Street all the time and I hear Grand Central. You see a lot of development at the Port Authority. I think you have more margins for error. You have more people passing by your properties. When you look at it, it's a less risky investment. Investors are more willing to pay that low-cap rate to get in.

**SCB:** Are investors still bullish on Manhattan?

**Lauren Holden:** I'm with Equity One and we're fairly new to Manhattan as an investor. We're a public company. We've generally been focused on the Southeast and South Florida. In the last 18 months, we've entered Manhattan, and this comes from meeting with the retailers. Now we have grocery-anchored, necessity-based retailers and we are meeting with the grocery stores, Walmart, TJ Maxx, and Kohl's; they all want to be in Manhattan. We keep hearing this over and over again, so that's really one of our top markets.

**Matthew Harding:** In the suburbs, companies such as Lauren's are really looking at the New York market as a core market also. They're seeing cap rates on grocery-anchored centers right back where they were or better. A lot of capital on the sidelines is eagerly looking for core, grade A properties in core markets and we're seeing that throughout the suburbs surrounding New York City.



(left to right) Stephen Plourde, Christopher Conlon, Marshall Felenstein, Stephen Stephanou, Nina Kampler and David Rabinowitz.

**SCB:** How does the success of New York retail impact New Jersey retail?

**Richard Brunelli:** In northern and central New Jersey, probably 50 percent of the residents commute to New York. New York is strong. Its suburbs are strong. We have seen our vacancy rates in northern and central New Jersey bottom out. The strength of the New York economy is right at the top of my list. But we also did not experience the overbuilding that you have in some markets like Florida, Arizona and parts of California. There are a lot of great things happening in Newark, for example. In suburban areas that were never given much hope, we see vacancy rates coming down and urban retailers are doing pretty well in those areas also. There are no shopping centers being built. You can count on one hand or less the number of new shopping centers being built in northern and central New Jersey, where you probably have a population of 6 million people. That's going to catch up. There's going to be a point in time, and it's coming soon, where retailers will run out of room. After the Borders vacancies are absorbed — the Linens 'N Things are gone — we're watching the absorption of all those mid-size boxes. It's happening quickly and once we're out of that space I think we'll begin to build new shopping centers. I'd say in the next year to 18 months, it will happen.

**Harding:** We have a lot of properties in New Jersey, New York, Pennsylvania and elsewhere. Certainly in New Jersey, I think the vacancy rate has bottomed out

so to speak, but the tenant demand still isn't quite what it was in the past. Therefore, you will still see a flight to quality and still quite a gap between a Class A grocery-anchored shopping centers and the next tier down. You have solid interest in the top tier. The bottom tier, because of a lack of demand and uncertainty, are tough to fill and you see a larger gap in terms of rents.

**David Rabinowitz:** We are working with a suburban developer now who is trying to restructure their portfolio and get money to do more. They are having a difficult time getting the money to build new centers in this day and age. It's hard. We might find ourselves in 18 months with the demand there and the retailers might have to wait. Right now, it's difficult to get the money to develop on a sustainable basis.

**Harding:** You are right on. We are just refinancing properties where we're going to redevelop existing properties with strong grocery anchors. We are trying not to leverage them too highly.

**SCB:** How available is money? You hear that it's out there, but can you get it?

**Harding:** In the suburbs, with the lack of land, regulatory hurdles, financing issues and the ability to pre-lease really makes redevelopment the new development for the coming few years at least.

**Holden:** We're working on a development on Long Island, in Westbury. It's probably one of the first development

projects that's happened in the last few years. The interest that we've received from the tenants has been unbelievable; from new tenants who want to come into the Westbury market and tenants who want relocate within the market.

**Breslin:** Developers have changed their minds about who they will take as tenants. I've battled one landlord for a pad site for a \$52 billion entity and they would lease it to a \$10 million entity for the site we actually wanted. I had to try and explain to the president of this company how the other guy beat me out for that spot.

**Ogle:** In Manhattan, I've seen more and more landlords say, 'We want an amenity art building, we want a nice place to eat lunch and eat dinner.' It's almost like building an icon.

**Kampler:** It's something else also. At the end of the day, you could buy that cell phone online and you can't get a milkshake online. If I were someone with long-term vision, concerned about the viability of my properties and I had just seen the cannibalization of a lot of retailers by consumers voting with their keyboard instead of with their feet, you need to have a

certain amount of milkshake retailers as opposed to the cell phone stores.

**Polese:** Most landlords today, if they have great quality products they aren't afraid of retailers. If my tenants leave a specific location, I'll just replace it with bigger and better rent. I'm less concerned necessarily about having credit, although I'll need a certain amount of it for financing. But at the end of the day, if somebody implodes on me who I gave a great location to and I went with the \$10 million client instead of the \$52 billion client, the \$52 billion client will still be waiting to get there with maybe another \$50 per square foot in rent.

**Holden:** It's all about the appeal of bringing in the customer.

**SCB:** David [Rabinowitz], you represent owners. Are owners being realistic with their asking rents?

**Rabinowitz:** It's whatever the market will bear. It's very hard to answer that. The owners seem to be getting very hefty rents. I'm working with one retailer, a West Coast entertainment company, and they're looking to do their first upscale restaurant in Manhattan. The rent is high.

**SCB:** What does retail look like in the Hamptons?

**Esther Paster:** Retail in the Hamptons is a very unique thing. People get tired and they want to come out to the Hamptons. It's become much more than a seasonal community. People are really spending more than just Memorial Day to Labor Day in the Hamptons. They're coming out in the spring and they're coming out in the fall. The Hamptons Film Festival brings us right through the holidays, Thanksgiving and Christmas. The Hamptons is a much stronger market right now. There are fewer spaces that are available, rents are higher and it has really shifted to a landlord's market. We are essentially a microcosm of what's happening in New York City and our market absolutely follows New York City, both in retail and in office. After 9/11 we saw a lot of people and a lot of companies moving to the Hamptons; a satellite office for protection. They found that could actually do business in the Hamptons and live in the Hamptons; work and play. It's  
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something that works very well for people and our market is definitely stronger. It's less of a mom-and-pop market and way more regional companies. Stronger rents. People want to be there.

**SCB:** What new retailers have you seen?

**E. Paster:** Michael Stars took a space 2 years ago, sort of as an experiment. They ended up staying there and doing very well. MacKenzie-Childs has come and has found that they really like being there. Michael Kors has really established a presence. They've been there now for a couple of years. Peter Millar is there. J. Crew has expanded tremendously. Ralph Lauren is practically an institution out there. People are really finding that they can make their presence known. It's also a great billboard for a company, because our rents are not \$500 per square foot and our spaces are not that large either. You get a lot of bang for the buck and a smaller space. Everyone is there for a period of time. It's a very sexy sort of feeling with a lot of parties and a lot of press. People really enjoy it. It's great for the company.

**Polese:** Is there a lot of buying and selling?

**E. Paster:** No, because it really is a finite market. For property owners, what are they going to do with their money if they sell their building? There's no place to go. It's similar to New Jersey. The zoning restrictions are very tough. There is

no new retail and it's very tough to get health department approval for anything. The market is the market. Essentially, the retail districts in East Hampton and South Hampton are two blocks long.

**SCB:** Let's move back to New York and the boroughs. There is a lot going on in Brooklyn. Could someone expand on that a little bit? What is the activity in Brooklyn?

**Stephanou:** We have a number of clients who are looking hard at Brooklyn, including the smaller retail on Smith and Court Streets and Atlantic. We've also been seeing a lot of attention to the incredible redevelopment of Fulton Street. There are also some private ownerships that have large pieces on Fulton Street in Brooklyn. There was a transformation that was underway right at the time that the recession started, which has certainly cooled a lot of the activity there. But H&M is under construction and there are a number of deals that are very close to being signed. Chris [Conlon] mentioned he has some anchors on his project that are about to be announced. We see a huge opportunity. For some retailers, Fulton Street is still a little bit challenging to get their heads around. But Shake Shack just signed a deal which is sexy and it will bring a lot of traffic to it. I feel very strongly that Fulton Street is going to be what 34th Street may have been 12 years ago.

**Conlon:** If Brooklyn were a city, it would be the fourth largest city in the country behind New York, L.A. and Chicago. In

downtown Brooklyn, where we've made our investment, there's been \$3.6 billion worth of private development and investment since 2006. There's 12,000 new residential units in downtown Brooklyn that have developed since 2007. That area of Brooklyn includes Cobble Hill, Boerum Hill, Fort Green, Red Hook and Brooklyn Heights. You also have 100,000 people that come to work there everyday in MetroTech and other commercial centers. Fulton Street has historically been the retail spine of Brooklyn. For a long time it was the retail spine of New York City — for a couple hundred years. That's not changing, that's just transforming. You have Shake Shack, H&M, TJ Maxx, Gap, Express and certain other tenants that have come in. We're developing 550,000 square feet of retail on four or five levels. We've had interesting tenants coming to us and wanting to put a store there, such as furniture tenants, but we've held off because we think we're going to do much better.

**SCB:** In Manhattan, you had JC Penney, Target and Costco enter. Has that opened the door for retailers who have stayed away and might have been awakened?

**Stephanou:** There's a department of lies and rumors. (Laughs). Penney has been successful in the Vornado project Manhattan Mall. It sort of got forced into a physical plant that wasn't conventional. Notwithstanding the fact that they were up against the 1,000-pound gorilla of Macy's across the street. Our understanding is that they'd love to have other opportunities in Manhattan and you can sort of figure where those will likely be. But the challenge for anything that's 90,000 square feet or larger is finding a location that makes economic sense. When you look at a model of the big deals that were done in the Plaza District, those kinds of rents are not the kind of rents that department stores or large specialty stores are likely to step up to. In Brooklyn, a lot of those buildings at one time were family-owned department stores and they got carved up. Now, they are reassembling them for larger retail. We represent Nordstrom Rack in the city. The challenge is finding a suitable location that's got the kind of column spacing that you want and that has the ceiling heights that you want.

**SCB:** Is Brooklyn the only hot borough?

**Conlon:** The Bronx is pretty hot right now. There are a couple new development projects that are on the boards in the Bronx. Queens has always been solid.

**Breslin:** The Bronx has had a real resurgence in the last 10 years, or in the last 5 years. Fordham Road [in the Bronx] has some of the highest sales per square foot for retailers anywhere in the world.

**SCB:** What about the malls in suburban markets? Is there still a lot of interest in these properties from a retailer's perspective?

**Kampl:** Absolutely. Some of my colleagues are touring with European retailers right now. One of them is exploring Garden State Plaza, Riverside Square, and then going down to Princeton. The other one is up at The Westchester and going that direction. If you're going to open a store here, and you're pretty sure it's going to work, you're second-tier may be that next ring. Then you've got the thresholds and volume of sales that could support the infrastructure you need to start penetrating.

**SCB:** Restaurants are a strong part of Manhattan. Are there a lot of restaurants opening now? Where are they opening?

**Kampl:** A third of all leases — some-one may have different analytics — signed this quarter were restaurant deals. Has anyone else had that conclusion?



(left to right) David Rabinowitz, Deborah Jackson, Matt Ogle and Esther Paster.

**Breslin:** Landlords were the ones saying, 'No food, no food.' Now, they're like, 'Bring me the food.'

**Schulman:** Our issue is that there is so much money involved in fitting them out and then what kind of entities do you get on these? So I think we would like them as an amenity, but we tend to step away from restaurants. They cost too much and they don't have credit.

**Stephanou:** And that's what really is happening. There was a comment — more in mall context — that new concepts are coming in. But how long can does a concept sustain itself? It was a few years ago, there was a 5-year window and then you don't really know. We can all think those retailers were totally hot 7 years ago, particularly in the woman's apparel area.

**Kampl:** But that's life. We feel that way about our food — we don't eat the same meals we ate 10 years ago. We probably feel that way about our spouses. (Laughter). But it's the evolution of life.

**SCB:** Where do you see New York a year from now with regard to retail?

**Kampl:** New York will remain the financial and fashion capital of our country, so it will remain a retail hotbed. It will be a continued drip of vacancies and continuing growth of neighborhoods such as Downtown and what will be coming in Hudson Yards. The population is growing and the vibrancy of the city is on an upswing, in spite of what may be happening with the general economy and in spite of what may what is going on in the rest of



Matthew Harding

the country, unless there's a cataclysmic event here.

**Conlon:** It's going to continue to climb; neighborhoods will continue to mature and expand.

**Schulman:** I think the streets that traditionally haven't been strong — in Soho like Greene, Broome, Wooster and Mercer — will continue to get stronger as retailers can no longer to afford to be on Broadway, Prince or Spring. I think it's going to get stronger.

**SCB:** Are you still looking for buying opportunities?

**Polese:** Absolutely, we are proactive right now. We probably have \$1 billion that we'd like to put out, and we'd like to put the bulk of it out right here. And I agree with what everyone else has said. We preach this to everyone we talk to — we're living in a tale of two cities. There's New York City, and then there's the rest of the country. In a year from now, New York is going to be stronger and rents are going to be higher. There's going to be an expansion of neighborhoods like in the Soho market where you see those side streets starting to expand. You are going to see strength in Brooklyn, when you go to streets like Court and Smith that are going to get better. There's no doubt that Fulton Street is going to get stronger. Montague Street is going to get stronger. I feel very good about being in this market right now.

**Breslin:** New York has always been a dynamic place and a place where people want to come and do business. You have to educate the retailers a little bit that aren't here who say, 'How can I spend \$1,000 per square foot in rent?' You have to explain to them, 'Don't look at it as paying \$1,000 per square foot in rent; back into the number. Come up with your projections and what you can do in sales, and then you can justify the \$1,000.' I've done it many times over with retailers who come into the market new. They say the rents are too high and you say it's all a function of sales. Once they get that, they go from having one store to adding another 15 within 2 years.

**Polese:** In the super high streets, there's the other dichotomy. They look at it not just as a selling vehicle but also as a marketing vehicle.

**Holden:** I hope that we will have additional assets in our portfolio and I think we will a year from now. We recently acquired the 55,000 square foot Loehmann's in Chelsea. We're very bullish on the Chelsea market. A year from now New York is probably going to be in the same place, if not stronger with the retailers. There are going to be a number of new retailers that we've heard about downtown that will be announced. I think there will also be a number of new players coming from overseas that we will be hearing if they have opened locations or are coming to the market.

**SCB:** How about New Jersey?

**Harding:** I think the New York City suburbs, New Jersey, Long Island, Westchester and so forth, will follow the city. We will see declining vacancy rates and increasing rents to a certain degree for top quality properties again. I think



Samuel Polese

we'll continue to see reinvestment in existing properties; redeveloping and really maximizing the value of existing properties. As we discussed before, new construction is difficult at times.

**Brunelli:** I agree with Matt [Harding]. Governor Christie is doing things that will attract new businesses to New Jersey, such as reducing regulations and coming up with incentives that will help new projects get off the ground. Not only in the urban areas, but I think we'll also see some strong suburban development opportunities become viable again. That would be exciting to a lot of significant retailers that would like to be in northern and central New Jersey. You can't find boxes big enough to meet their needs. I think rents have come up from the bottom of a year ago, and they're steadily increasing.

**SCB:** Has there been a rejuvenation of Newark?

**Brunelli:** I just attended a meeting in Newark where 400 people came to party because of the 30 or 40 successes they've had just in the last year. They have attracted companies like Panasonic. There's a new hotel, and there are other significant developments in Newark. Corey Booker is a great mayor and with his leadership, Newark has turned around faster. To think, probably 100 developments have occurred in the midst of this recession. Once we're out of the recession, I think Newark really has a lot of advantages as the largest urban area in New Jersey. I'm a big proponent of Newark and I think it'll

start to attract better retailers over time. With more companies like Panasonic coming, and if we can get those white collar people out on the street shopping, I think some of the better retailers would be shocked at how well they might be able to do there.

**Arnold Paster:** As long as New York keeps going, it's going to spill over to us in the Hamptons. We're all going to see some turnover but we're going to see unique, high-end retailers want to come out and want to be in East Hampton and South Hampton.

**Jackson:** What will be interesting in the next year or so is the overflow outside of New York, because we haven't seen the increases in rents. Our clients are doing short-term deals and lease extensions because they don't want to sit with these rents long term. We've seen a reduction in concessions outside of the city and we've seen an improvement in occupancy at many projects. The luxury sector within the malls that have the luxury sector are doing very well and you can kind of do your deal there. I think we're going to start to see some increase in rents, at first with the better projects. Our clients own top malls in the area and the rents are kind of what they've been except in selected areas. We're beginning to see some improvement. It kind of overflows to the next level of asset.

**Stephanou:** Are rents reflective of the sales of the retailers? There are a number of retailers are letting leases expire, rather than renewing. We've seen that with tenants.

**Rabinowitz:** I think the high end is going to be fine; the trophy property is going to be fine. That's where everyone wants to go; that's where the money's going. I think there's a big question mark, and it's sobering to think about what's going to happen with the economy and the politics in the city. In New York we've had Giuliani and Bloomberg — good mayors, at least in terms of commercial activity and the business end. I don't know what the future holds. In terms of the economy, Wall Street is losing a lot of jobs. If we go into another recession, I think that's really going to impact the retailers' appetite to do more deals, especially at higher rents. **SCB**



Lauren Holden