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Downtown retail goes down market

Brokers, once doing luxury fashion deals, now focus on discounted clothing stores, nail salons and chicken chains

By Catherine Curan



Winick's Diana Boutross and Darrell Rubens in front of 30 Broad Street.

Darrell Rubens brokered the deals for high-end fashion stores Thomas Pink and Canali in early 2007 during the luxury rush Downtown.

Last fall, however, he inked leases for Korean chicken chain BonChon Chicken at 104 John Street and nail salon Spring Sun Nail at 119 Fulton Street.

"Obviously, it's slowed," said Rubens, senior managing director at Winick Realty Group.

Four years after BMW touched off a luxury boom that brought Tiffany & Co. and Hermès to Lower Manhattan's Wall and Broad Street corridors, the district's upscale aspirations have collided with the hard reality of the Great Recession. By the middle of last month, no new luxury fashion transactions had been completed in 2009 in Lower

Manhattan, according to numerous local brokers and Alliance for Downtown New York research reports.

Instead, the openings touted by the Downtown Alliance in its first-, second- and third-quarter retail market overviews were mainly casual restaurants including Swich, which makes pressed sandwiches, and discount fashion stores such as Bolton's and Strawberry.

Most of the prospective tenants scoping out Downtown sites now are of the same ilk.

Inexpensive food merchants, grocery stores and stores such as Kohl's are on the hunt, rather than luxury stores, numerous sources said.

As 2010 begins, retail leasing in Lower Manhattan is showing some signs of recovery, but upscale retail in Lower Manhattan has stalled because of the abundance of available space Uptown, delays in rebuilding the World Trade Center site and hits the downturn has dealt luxury retailers overall.

The two upscale openings in 2009, watch store Tourbillon and True Religion jeans, were from deals inked in 2008, while upscale chocolatier La Maison du Chocolat debuted in November 2008.

"None of my clients are saying, 'What can you get me in FiDi?'" said Faith Hope Consolo, chairman of the retail sales and leasing division at Prudential Douglas Elliman. "A couple of years ago perfumers, fine accessories, everybody was looking forward [to being there]."

Any tenant who is seeking space in FiDi has a lot of choices -- at cut-rate rents. A recent tour of the area revealed signs advertising large vacancies at 40 Wall (23,500 square feet on the ground floor with an additional 37,000 above), 23 Wall, 35 Wall, 15 Broad (a combined range of 14,789 to 62,000 square feet), 111 Broadway (8,500 square feet), and 30 Broad (32,000 square feet on three levels). Rents have fallen to as little as \$100 per

square foot off the main corridors, and \$200 or so on prime arteries -- from \$400 a square foot or more during the boom.

With cheaper space available, Rubens said he's seeing luxury tenants back to exploring the market, at least tentatively. "I'm finding people starting to look again," he said.

Rubens and landlord Jack Berman of Metro Loft Management are hoping to reignite the luxury fuse this year. Rubens said he and Winick broker Diana Boutross are talking to men's fashion companies for 30 Broad, which has asking rents of \$200 a square foot for the 8,000 square feet of ground-floor space, and \$75 a square foot for the upper levels. Berman is focusing on an upscale restaurant, boutique or spa for the roughly 15,000 square feet on two levels available at 20 Exchange Place. Berman said he's had offers from fast-food tenants that were willing to pay more than the current Broadway corridor average asking rent of \$189 per square foot. But he's holding out for luxury and, to score the right tenant, is willing to do a deal for far less rent.

"I think a deal could be made at \$100 or \$150. ... It depends on what the tenant brings to the table that will attract people to the building," said Berman.

One sign of an uptick is a deal in the works at the former Hickey Freeman store at 111 Broadway. Loren Baron, vice president at CB Richard Ellis, who is marketing the space, said he had lease negotiations underway last month for the entire 8,000-square-foot space.

As brokers and landlords hope to recapture some luxury momentum, they must contend with the slow pace of World Trade Center site rebuilding. Many brokers said the luxury picture on Downtown streets won't come into focus until tenants have a better read on the 500,000 square feet of retail space set there and the tenant mix at Lower Manhattan's other chain retail nexus, the World Financial Center.