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## Madison Ave. caught in a high-end migraine

By **Cara S. Trager**

**Published:** January 11, 2009 - 5:59 am

At Crisci Tanino, a posh leather-goods store on Madison Avenue and East 67th Street, Patrizia Sicari routinely sold five pairs of shoes at a time—with some costing more than \$1,000.

No more.

“Now, they are buying one pair or nothing at all,” says Ms. Sicari, a salesperson at the store for 15 years. “People are concerned about their jobs and their 401(k)'s, and they're afraid to spend.”

### Plumbing new depths

Nearby at Bardith Limited, an antique porcelain and pottery store that opened on Madison Avenue 44 years ago, the holiday season was the worst ever.

“We had very few customers,” says Edith Wolf, who owns the store with her son.

The retail picture is much the same all over town, but with sales of luxury goods hit particularly hard by the recession, nowhere is the impact being felt more acutely than on the gilded stretch of Madison Avenue running from East 57th Street to East 72nd Street. That strip—the undisputed capital of high-end retailing in the city—has some of its highest rents, and retailers there are feeling the pinch big-time. In a sign of the distress, vacancies last year soared to 12.4%, up from 8.6% at the end of 2007, according to data from Cushman & Wakefield Inc.

The situation is aggravated by rents, which have risen steeply in recent years, pricing out all but the most upscale clothiers and opening the door to a flood of jewelry stores.

“Madison has too much sparkle and not enough of anything else,” says Faith Hope Consolo, chairman of Prudential Douglas Elliman's retail leasing and sales division. “Every block has one or two jewelry stores.”

On Madison, retailers must rely on sales to cover rents of as much as \$1,500 per square foot, the second-highest in the city—and a

multiple of those in most other areas. While rents are actually higher along Fifth Avenue in the 50s, many of those stores are valued as much as billboards for their brands as revenue generators.

Many expect vacancies on Madison to spike upward now that the most disappointing holiday season in years has come to an end. In fact, the vacancy rate would actually be even higher if not for the jewelry stores, which have increased their numbers significantly in recent years. Since 2007, more than a dozen purveyors of mega-baubles and glistening platinum pieces have opened new boutiques along the avenue.

### **24-carat problem**

“Jewelry stores increasingly are the only ones that can pay these rents, because they don't require much space and they generate huge revenues per square foot,” says David LaPierre, a senior vice president at CB Richard Ellis Inc.

Increasingly, as the recession deepens, they are the only takers for space.

“Fashion and international tenants aren't locking in any space or making commitments to lease space just now,” says Robin Abrams, executive vice president at The Lansco Corp., a Manhattan-based retail and commercial real estate firm.

At this point, many retailers are vowing to stay away from Madison Avenue until rents decline substantially—to the point where they can actually make money again. Pressure is building fast on landlords to lower their sights. Gene Spiegelman, executive director of retail services at Cushman & Wakefield, notes that the last time availability rates were this high was in the depths of the last big real estate recession, in the early 1990s. Back then, rents on Madison were in the range of \$200 to \$225 per foot.

The trend to lower rents is already under way. After more than doubling in the past five years alone, rents last year actually declined. By year's end, they stood at \$1,057 per square foot on average—a drop of \$34 per square foot from year-earlier levels, according to Cushman & Wakefield.

They may have to fall far further to rekindle retailers' interest, and even further to lure back the broader range of shops that once made Madison an international shopping destination. On the Upper West Side, for example, years of sharp rises have pushed rents to \$334 per square foot—downright cheap by comparison. In trendy SoHo, meanwhile, retail rents ended the year at an average \$263 per square foot.

### **Downward mobility**

“The velocity of space coming on the market exceeds demand, and that will make prices come down,” says Mr. LaPierre.

So will sinking sales, as more and more retailers press landlords for rent cuts to help them cope with drastic declines in revenues.

Dale Forster, marketing director at Leron, a high-end linen shop started by her husband's grandfather nearly a century ago, says that Christmas sales were down significantly from a year ago, as well-heeled customers curtailed purchases of such goodies as monogrammed, hand-embroidered king-sized bedsheets that retail for as much as \$2,500 each.

Still, Ms. Foster is optimistic about living through the hard times that have suddenly befallen the high-end crowd.

“We survived the Depression, and we'll survive this,” she says. “My father-in-law said that our biggest customers went down with the *Titanic*.”

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