

The New York Times

This copy is for your personal, noncommercial use only. You can order presentation-ready copies for distribution to your colleagues, clients or customers [here](#) or use the "Reprints" tool that appears next to any article. Visit www.nytreprints.com for samples and additional information. Order a reprint of this article now.

PRINTER-FRIENDLY FORMAT
SPONSORED BY

From Director
Danny Boyle

January 14, 2009

SQUARE FEET

More Manhattan Shop Windows Are Expected to Be Empty This Year

By J. ALEX TARQUINIO

One year into a steep recession and just after the most dismal holiday shopping season in decades, real estate brokers in New York say they expect store closings in the city to rise this year. But, they say, the market for retail space in Manhattan should still fare better than the national market as a whole, especially compared with the suburban shopping malls.

“The national retail scene is a mess, and it is going to impact us,” said Gene P. Spiegelman, an executive director in Cushman & Wakefield’s retail services group. He predicted that demand for space would soften throughout the city’s many shopping districts this year, and in fact, landlords in some of the trendiest areas have already begun lowering asking rents.

Industry experts say they also expect the pace of store closings to pick up in February and March, after retailers have tallied the cost of exchanging unwanted holiday gifts for cash.

A handful of stores have closed in Manhattan in the two weeks since [New Year’s Eve](#). Early Saturday morning, for instance, bargain hunters descended on the Steve & Barry’s store on the second floor of the Manhattan Mall in Herald Square, where T-shirts, swimsuits and shorts were on sale for \$1 each. By noon, the 14,000-square-foot store had been picked bare.

Shoppers who missed this sale could still find deals downstairs, at the KB Toys store on the first floor of the mall. Both of these retail chains declared bankruptcy last year and were in liquidation.

Even chains that are in better financial shape are closing some stores in Manhattan, including [Starbucks](#) Coffee Company, Ann Taylor and the Gap. Cutting back underperforming stores is a normal part of the business — even in happier times — but retailers may wield the pruning shears more aggressively this year.

Suddenly, retail brokers say, this is shaping up to be one of the best tenants' markets in years.

"Tenants definitely believe that the market has flipped in their favor," said Michael J. Hofmann, a senior managing director at Colliers ABR, who represents both tenants and landlords. He said the tenants he was working with were negotiating more aggressively with landlords. Their offers, he said, "are at levels that we never would have proposed six months ago."

Landlords have gradually begun lowering asking rents, even in some of the city's most desirable shopping districts. For example, average asking rents fell by 3 percent last year on Madison Avenue, ending the year at \$1,057 a square foot annually. And asking rents fell by 5 percent in SoHo, to \$263 a square foot, according to Cushman & Wakefield.

But asking rents are amorphous, said Robert K. Futterman, chief executive of Robert K. Futterman & Associates. "When a tenant steps up to the plate, that's when you know what a space is really worth," he said.

Besides lowering asking rents, brokers say, landlords are offering more concessions, like longer periods of free rent at the beginning of a lease.

Even so, leasing activity in Manhattan has fallen sharply. Retailers signed 32 leases in the fourth quarter, including lease renewals for stores. That was a decline of 33 percent from the fourth quarter of 2007, according to Cushman & Wakefield.

Landlords have also begun negotiating short-term lease extensions with favorable terms for some tenants. "Savvy landlords are keeping tenants in place, even if it means accepting a rent that they might feel is under market," said David LaPierre, a senior vice president at CB Richard Ellis.

Mr. LaPierre added that this was easier for landlords to do if they had owned a building for several years and were not carrying a lot of debt on it. "If landlords purchased a building recently, then they have very little margin to play with," he said.

Brokers say that in the worst case, a wave of store closings could put space back on the market when many retailers have little desire to open new stores in Manhattan — no matter how attractive the terms.

Last week, Ann Taylor closed an Ann Taylor Loft store in SoHo. And this month, the Gap will close a Banana Republic store in the West Village. Spokeswomen for both chains said that they currently had no plans for further closings in Manhattan.

Starbucks included five New York stores in a plan that it announced last summer to close hundreds of stores nationwide. Even after the closings, Starbucks will have almost 200 coffee shops on the island.

Circuit City, which filed for Chapter 11 bankruptcy last year and is in reorganization, recently handed the keys to its only store on the Upper East Side back to the landlord. Although the entrance to this 17,000-square-foot space was at the street level, the store itself is on the lower level of the building at 240 East 86th Street, between Second and Third Avenues. "It was a challenging space for us," said Bill Cimino, a Circuit City spokesman. Circuit City plans to keep its four other stores in Manhattan.

Mr. Futterman is marketing the space in combination with 27,000 square feet of retail space directly above it, on the ground floor and second floor of the building. That upper space is occupied by a [Barnes & Noble](#) store, which is planning to move around the corner. Combining both stores would give a retailer about 45,000 square feet.

Last week, one fashion company, KP Fashion, shuttered all three of its New York stores — in SoHo, in Herald Square and on Fifth Avenue. KP was named for Kira Plastinina, a 16-year-old Russian designer whose stores were bankrolled by her father, a Russian multimillionaire. Her clothing line was aimed at teenagers, and the signature color was pink.

Last weekend, eviction notices had been pushed under the glass door of the Herald Square store, visible to passers-by. At the SoHo store, a video loop of the Russian teenager flashed above a chalkboard with the message "Out of Business" scrawled in pink chalk.

Copyright 2009 The New York Times Company

[Privacy Policy](#) | [Search](#) | [Corrections](#) | [RSS](#) | [First Look](#) | [Help](#) | [Contact Us](#) | [Work for Us](#) | [Site Map](#)