NEW YORK POST

STOREFRONT SHOPPERS

By LOIS WEISS

January 15, 2009 --

THE greatest city for shopping is hitting a rough patch as shopping becomes passé. But Times Square's 15-hour store days, the Time Warner Center's cozy enclave, and 34th Street and SoHo's ongoing foot traffic are still bringing in crowds eager to mingle and find bargains.

Bargains are also available to retailers that want to find better locations at better rents. "It's 100 percent a tenants' market," declared Jeffrey Roseman, executive vice president of Newmark Knight Frank. "Except for prime, prime space, the game has changed."

Tenants are asking for concessions and getting them. "The economics are a big driver, with more free rent and better lease terms," said Karen Bellantoni, executive vice president Robert K. Futterman & Associates. "If it's a net deal, people are asking for caps and looking at expenses a little closer."

Robin Abrams, executive vice president The Lansco Corp. said, "We are hearing from owners and their agents, and they are anxious to do deals and will be realistic."

Sure, there will be vacancies as troubled retailers give up shops.

"There's too much stuff and too many stores," declared C. Bradley Mendelson, executive director, Cushman & Wakefield. When megastores go out of business in shopping centers, now there aren't any Big Boxes around to replace them.

That, he said, will have a ripple effect on many strip centers and shopping centers, but won't be as debilitating to New York buildings where owners can easily divide up the larger spaces. "New York City is a phenomenon of its own," Mendelson said.

There are still tenants scouting locations, but they tend to be fast, casual and cheap eats like Café Europa, Chipotle, Prêt a Manger, Dunkin' Donuts, Bruegger's Bagels, and Danku, which opened on 57th Street and sources say is already looking to expand.

Clothing stores like Modell's, Zara and Forever 21 are also taking advantage of the climate to find longterm sites.

"Now tenants have choices and can do deals in areas where before they were priced out," said Abrams. "There is still activity and demand in high profile corridors, but rents have softened."

One location on upper Third Avenue was asking $350 a foot last year. There were multiple offers and was going to lease at $400 a foot. But the world changed and the lease didn't get done. Now the space is back on the market for $350 a foot, and brokers expect the pact will finally be made at $300.

"In primary markets, the asking rents may not be down, but the taking rents may be 20 to 25 percent off," said Bellantoni.

Tenants are also retrading deals they just agreed to last year. "If it hasn't closed, it is retrading," said Mendelson.

But tenants need to be wary because there are a number of properties, including new developments, that are in financial straits.

"When you get down the road [with a deal] and find out the mortgage is troubled, and you won't get a non-disturbance clause [if the building is taken back by the lender or sold], you have to walk away," said Mendelson.

TOP LEASES OF 2008

1.) Viacom, 1515 Broadway

1.35 million square feet

Tenant rep: CBRE

Owner rep: SL Green Realty Corp.

2.) Saatchi & Saatchi, 375 Hudson St.

819,325 square feet

Tenant: CBRE

Owner: Tishman Speyer Properties

3.) AIG, 180 Maiden Lane

803,222 square feet

Tenant rep: CBRE

Owner rep: Newmark Knight Frank

4.) Ogilvy & Mather, 636 Eleventh Ave.

564,363 square feet

Tenant rep: CBRE

Owner rep: Cushman & Wakefield

5.) United Nations, 380 Madison Ave.

541,382 square feet

Tenant rep: Newmark Knight Frank

Owner Rep: CBRE

Home
