

RETAIL

New York store opening says you have arrived

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New York's Fifth Avenue near Rockefeller Center and Saks

By SARAH JONES

NEW YORK Retail real estate in New York is in the midst of a "shopportunity," making now an ideal moment for brands to enter the market, according to the chairman of Douglas Elliman's Retail Group.

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During a guest lecture at New York University's Stern School of Business, the broker laid out trends in commercial real estate, including the less expensive asking rents for spaces on some of New York's famed shopping corridors. Along with attractive prices per square foot, landlords may be more willing to cater to tenants' needs by transforming the space for them or negotiating longer contracts.

"The last time we saw a market like this was post-Lehman in '08 and '09 and we had a lot of vacancies," said Faith Hope Consolo, chairman of **Douglas Elliman's** Retail Group, New York.

"And what we did is the same approach to the market," she said. "We adjusted the rents for the landlords that I represent for the landlords I don't and we make a proposal. I structure the deals differently.

"So say it's \$1,000 a foot and they're hard on it, it's been vacant. I will go to a landlord and will ask for probably a 20 percent discount for the tenant, I will try to keep the rent constant for a few years and then I'll step it up and try to regain it in the back of the lease.

"So there's opportunities...Now is the right time, like any time in the stock market, nobody should buy when it's all up. You buy when it's down and you go for the ride."

Market entry

When brands are looking to enter the United States retail market for the first time, Ms. Consolo says New York is the first place they should look. Between the city's high foot traffic of locals and tourists and its position as a fashion and culture capital, having a store in the city is a key awareness driver.

"I tell retailers if you can only afford a tiny doorway and you put your name on it, it says, 'I've arrived, I'm taking on New York, I'm dealing with the most competitive landscape in the world, the most expensive at this moment in the

world," Ms. Consolo said. "For luxury, there's nothing else."

Even established mall retailers, including Neiman Marcus and Nordstrom, are venturing onto New York's streets for the first time.



Rendering of Neiman Marcus at Hudson Yards

But with its opportunities, New York also comes with its challenges. For retailers coming from overseas, the United States in general requires a different approach than they may be used to, as more demanding American consumers are less apt to let things slide.

Ms. Consolo gave the example of Zara, which she helped open its first U.S. store in the 1980s on Lexington Avenue. Aside from having to rethink their sizing and product assortment, the fast fashion retailer also hit hurdles as it added stores in mall locations that were not the right fit.

When it comes to decide what New York neighborhood is right for them, a retailer's product and target audience should dictate where they go.

Fifth Avenue may have the most consumers treading its sidewalks, but it may not be the right fit. The street is also a pricey investment. Upper Fifth Avenue rental prices have dropped due to advancements in digital shopping, but it still holds its place as the most expensive stretch in retail with its prices more than two times higher than others around the world, according to a report from Cushman & Wakefield ([see story](#)).

One key consideration is that shoppers will not venture to the opposite side of town to buy. In the past few years, department stores such as Saks Fifth Avenue and Barney New York have opened second locations downtown to cater to their audiences there.

A number of luxury brands have been playing musical chairs with leases trying to find their clientele, with budgets that enable them to experiment.



De Beers store on Madison Avenue; the jeweler is one of the luxury retailers that has made a recent move

After deciding where to open, a retailer has to let shoppers know it has arrived. However, marketing a traditional storefront is often most successful if brands deploy digital tactics.

For instance, a Seattle shopping center eschewed media buys in formats such as television or newspapers in favor

of social media, and attracted crowds to its opening.

Experiential additions

While ecommerce has threatened foot traffic and in-store sales, it does not mean the death of the bricks-and-mortar concept. Stepping into a retail environment and being able to try merchandise is still a worthwhile experience that consumers will seek out.

Consumer tastes are changing, and retailers are adapting accordingly. As consumers trade in material goods for experiences, food is a key draw for foot traffic, and retailers are adding in dining components or seeking out spaces that are attached to eateries.

Incorporating this idea of food is Pirch's new showroom in New York, where it sells top-end kitchen, bath and outdoor appliances in a one-of-a-kind environment. The Pirch retail model allows consumers to try before they buy, letting homeowners "test drive" appliances, from sector leaders such as Sub-Zero, Kalamazoo and Wolf, right in its interactive showrooms.

Pirch chefs are always on-hand to conduct live cooking demos at the Evo Mongolian Grill and its test kitchens, Savor and Patio. Complimentary cooking classes are also available to further educate consumers on featured appliances ([see story](#)).

As retail changes, the term luxury itself is also evolving, and Ms. Consolo said she and her coworkers have replaced it with "luxe."

"Luxury is not about a brand. It's about a choice," Ms. Consolo said. "Luxury is being able to be in a position whether you want to go out with your friends for a drink or you want to buy that ridiculously overpriced Nike sneaker. That's what luxury really is.

"Everybody perceives luxury is just about price, but it isn't," she said. "Because it's all available to the masses because we live in credit card U.S.A."

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