NEW YORK POST

APRIL 16, 2019 - **CAPRICORN RETAIL ADVISORS** IN THE NEWS - TALK SHOP - Page 38 - By Lois Weiss

Brands weigh brick-and-mortar options in the city

Hudson Yards' mall made a splashy debut in March. Photo M. Harrington

Jason Richter (inset) advised online athleisure brand Outdoor Voices on their 251 Centre St. store (above)

WHILE the high-watt age opening of Hudson Yards' shops and restaurants in March reinvigorated the retail landscape, lease signings for major retail brands along luxury corridors have dropped off to a trickle.

"In a normal market cycle, we'd see 15 or 20 deals [in the Madison and Fifth avenue corridor], and we are seeing only three to five," observes Gene Spiegelman of Ripco Real Estate, who emphasized that retail deals are still getting signed at a regular clip in residential neighborhoods and in the outer boroughs.

While e-commerce continues to redefine brick and mortar, James Downey of Cushman & Wakefield says physical stores are recalibrating. "Finally, people understand what a tolerable rent level is, and a justifiable format size," he says. Some store executives are weighing downsizing, for instance, from 20,000 square feet to 10,000 square feet, recognizing they are still completing sales online. And online customers are able to return items to the physical stores, where they could end up buying more products.

Also, "rent is cheaper than customer acquisition," says Capricorn Retail Advisors' **Jason Richter** of the cost to gain new customers. "The bottom line of it all is that the rents need to be substantiated by the sales." It is also important to make sure the brand matches the location:

His digitally native clients like cosmetics company Winky Lux at 420 Broadway, athleisure apparel retailer Outdoor Voices at 251 Centre St. in eastern Soho and bag makers Timbuk2 at nearby 325 Lafayette St. all put down roots in edgier areas.

So-called experiential retail has become essential. For example, after successful launches in London and China, Lego is looking to add more permanent locations in NYC. Sources say Lego has explored numerous sites, including in Times Square, as well as the 22,000-squarefoot All Saints store at 636 Fifth Ave. - close to Lego's current 3,743-square-foot spot at 620 Fifth.

Lululemon's 20,000-square-foot transaction at 592 Fifth Ave. through CBRE was good news for the market, while the Savills-repped Abercrombie & Fitch may lease a similar-sized former Gap at 580 Fifth. Already, an A&F and an Abercrombie Kids store are located at 720 Fifth, while Hollister is at 668 Fifth. But the 720 lease expires next year, and would add another large vacancy to a strip that already has No. 712 (former Henri Bendel), No. 711 (former Ralph Lauren Polo) and No. 681 (former Tommy Hilfiger) vacant.

Despite closures, big brands are staying in the area. The reopening of the Apple store in June at 767 Fifth Ave. will revitalize that stretch and allow Under Armour to start its own build-out. Celine is already open at 650 Madison, and Balenciaga is readying a grand opening at 620 Madison. Moncler and Warby Parker are also looking to add locations in the area.

While leasing deals are getting inked, retail condo sales are dragging. Sellers "think pricing is what it was three years ago," says Michael Campbell of the Carlton Group.

Other boroughs, too, are being scrutinized for potential. For example, Staten Island is currently under served when it comes to experiential retail and residential projects. "It is more open to development than some of the other areas," says Peter Curry, a partner at law firm Farrell Fritz.

"The market is showing some signs of life as retailers sign leases," adds Peter Ripka of Ripco, who represented Target in its deal at Caesar's Bay shopping center in Bensonhurst. "I feel like people have a bounce in their step and spring is here."