



## **Retail today—the ultimate entrepreneurial moment to create something new and exciting - by Jedd Nero**

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With major retailers continuing to announce store closings nationwide, these are definitely challenging times for the retail real estate sector. As Amazon continues to expand and other online retailers begin to take off, traditional retail is expected to take an even greater hit than it's already seeing.

Down the line, we'll probably have self-driving cars delivering merchandise to people's homes, and drones on the front lawn to accommodate the need for speed. Retailers today need to be creative and use today's technology to create a real experience to lure the consumer into their stores—the hunter-gatherer method of retailing no longer exists.

There are 1,200 malls in the U.S. today, but there may be as few as 900 down the line, as the number of malls in the U.S. grew more than twice as fast as the population in the U.S. between 1970 and 2015, according to Cowen Research. Mall visits have steadily declined between 2010 and 2013 by at least 50%. Class C and D malls are hit the hardest by store closures that we're seeing today. Mall operators have to be really aggressive and very creative, as the mold has to reconfigure.

By the end of 2017, we may see over 8,500 store closures across the country. Although retail rents are coming down as a result, many tenants are reluctant to make a commitment until they think rents have leveled out.

As the market continues to dip, more opportunities are beginning to emerge for tenants. Some brokers are urging their retail clients to wait it out until rents start to fall. Fewer and fewer tenants are looking for high profile, high rent locations when similar lower profile options on nearby side streets with comparable foot traffic are available.

Many landlords who purchased high-profile properties in SoHo and Fifth Ave. based on rents continuing to escalate are dealing with jittering lenders and considering lowering rents. Some owners will keep prime locations vacant and hold out for higher rent while others will consider selling as the ultimate escape. The new president's proposed tax revamp could present specific challenges for the retail industry, as the proposed border tax could affect the bottom line of retailers and their customers.

On a positive note, the food industry has taken off in every aspect. For many owners, the attitude, "If you can vent it, you can rent it," is taking hold among their retail brokers in New York City. Food

tenants are the most active, taking advantage of the supply of available spaces and lower rents.

I believe there will be great opportunities to purchase retail properties in the next few years. The years ahead of that will set the stage for the next round of rental increases. Retail will be more robust and in demand in cities like New York and other major tourist destinations. The retraction of retail space throughout the country will make our city that much more attractive and valuable.

These are challenging times but very exciting at the same time. When in our lifetime has there been an opportunity like this to have a blank canvas and create something new and exciting? This is the ultimate entrepreneurial moment. New companies will emerge, new talent will be discovered and new ideas will be launched. Technology will help catapult us into the future and set the stage for future generations.

When the dust settles, Manhattan will become a city of exciting showcase experiential stores, from existing retailers to online and other non-traditional retailers, dealing directly with the consumer who already has an understanding of the particular product.

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