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Fun, fitness, & fresh food are bright spots in a challenging year on the island - by Steve Gillman

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As another year comes and goes, retail disruption continues to impact Long Island harder than most areas in the country, vacancies are up, rents are down. Experiential shopping experiences lag other suburban landscapes, and yet most of us can agree that despite these issues the Island is still a highly desirable place to live, work and play, and that won't change anytime soon. Undeveloped land, on the other hand, continues to be as rare as an uncongested rush-hour journey on 495. The zoning and entitlement process is still unnecessarily cumbersome and time-consuming. Locals can be just as stubborn, no one wants anything new in their backyard, even when the pros far outweigh the cons.

And even though John Tavares, the Islanders best player left, the team does appear to be coming back home to Belmont and that certainly could be a shot in the arm for the area around the racetrack. I do wonder, however, how that will affect the Nassau Coliseum development. There are only so many concerts, wrestling matches, monster truck races and 'Disney on Ice' events to go around the New York Metro area which includes the Barclay Center, Madison Square Garden and Jersey's Prudential Center.

Most new construction on the Island this year wasn't nearly as sexy as Belmont or the Coliseum. The bulk was gobbled up by mini storage (people never seem to have enough places to store stuff they don't need). A handful of mixed-use projects popped up, that combination of retail, residential and office that is very much in vogue around the country, but simply not at the scale one sees in other areas where land is available and development isn't viewed as a detriment to quality of life.

Food & Fun

On the retail side, despite store closings and shrinking retail footprints, we continue to see growth in entertainment concepts and restaurants. This is nothing new. Landlords have leaned heavily on both for years now, recognizing that this is often the key to driving traffic these days.

But is an interesting bifurcated demographic shift driving much of the retail activity at the shopping center. At one end we've got the aging boomers seeking health and wellness options, and this has a spillover into the type of restaurants and entertainment they want (more healthy eats/more entertaining entertainment). On the opposite demographic spectrum, we're seeing up-and-coming adults with money to spend and growing households in search of kid-related offerings, as well as fitness needs for Mom and Dad.

A great example of how both segments are impacting the shopping center is the restaurant. The old stalwarts, the Applebee's, Chili's, TGIF, Ruby Tuesday, and Olive Gardens of the world, those trusty go-to pad options that we all relied upon for years, have clearly lost their luster. Some locations have closed and more will follow if these brands can't adapt faster. The healthy, affordable, and fresh eats offered by such chains as Cava, a leader in the Mediterranean category, or Sweetgreen, a leader in the fresh, salad-based class, have burned bright for several years now and are well beyond just picking off the major markets, they are filling in now and look for more, not less in 2019 and beyond.

One might expect in New York City a swim concept might do well due to the lack of municipal facilities, but demand in the suburbs is just as strong. Brands like Goldfish Swim School made a splash last year when they opened their first location in Garden City, and since, one more opened on the Island, another opens next year. Several competitors have jumped into the pool too and more units will open in 2019 and beyond.

But it's not only the kids interested in activities, gyms continue to be hot. But these gyms are not just for parents seeking a break from child-rearing, singles are just as keen to get to the gym, not always just to work-out, if you get my drift. This category is at the forefront of redevelopment and is clearly a modern-day anchor tenant. Blink, Crunch, LA Fitness, and Planet Fitness, among other large format concepts continue to pop up all over the Island. And yet, the boutique fitness and wellness concepts might even be outpacing these bigger footprints. Orange Theory, Club Pilates, Cross Fit, 9 Rounds, among others continue to open units at a seemingly-endless pace.

Another interesting concept, Top Golf got their first unit approved in Holtsville and is working on a second location in Nassau County.

Is there a doctor in the center?

One would think such healthy living on the Island would reduce the need for doctors, but that would not seem to be the case based on the number of medical use tenants occupying space left vacant by retailers slayed by over-saturation, too much debt, or failure to adapt to the on-line world. Aging boomers are driving this opportunity.

In the dialysis category, chains like DaVita and Fresenius have each opened units across Long Island, and often service the same catchment area. Both opened in the Hicksville Bethpage market in the past years and yet both appear to be doing well. Other chains including Northwell Health, Zwanger Pesiri, CityMD, Dental 365 are aggressively making moves to service the needs of all Long Islanders too.

To be honest, once ObamaCare was repealed, I thought the sector would slow down significantly, but the boomer segment is living longer, and is more apt to embrace new wellness concepts too, brands like Massage Envy, Elements and Hand & Stone are popping up next to drycleaners, convenience stores, even supermarkets. Quite frankly boomers will try anything that claims to improve health and fitness (especially if diet and exercise are not part of the equation!).

This medical service sector reminds me of the old TD Bank model. People love convenience and swinging by a physical therapist or urgent care center that's adjacent to a supermarket is the norm. Expect more such co-tenancy as people opt for doctors, labs, and clinics that are as easy to access as a Starbucks Drive-Thru.

Passing of the old guard

I've commented about the decline of Sears and Kmart for many years, and finally both have tapped out. Now that the end is fast approaching, landlords are scrambling to backfill those spaces. It won't all end up as retail. Some, no doubt, will turn into more ministorage (remember, people simply can't part with anything these days), some will become mixed-use, and the rest, well quite frankly it will sit empty until owners figure out what's what.

Don't expect large format chains like Target to scoop up many locations, they too are downsizing, as they continue to adapt to the changing retail landscape. In fact, they just announced their Commack location will close—143,000 s/f!

And that leads me to my final point: Much has been discussed in terms of what retailers must do to adapt to this wide-scale retail disruption, but landlords and developers on the Island could adjust faster. Embracing new uses, addressing the structural needs of this new retail paradigm as well as accepting the fact that the rents once achieved are not coming back anytime soon are difficult, yet necessary. The IPIC cinema deal signed in Hicksville at the former Sears site, for example, is an anomaly, not the norm.

Brands like Odd Lot, Hobby Lobby or Burlington have historically low-balled landlords, but these days those offers are often right down the middle of the strike zone. That is today's reality. It's far from a doomsday scenario. To be honest, I'm quite optimistic, but for some, discomfort will linger as the commercial real estate sector continues to adapt to the changing needs of its demography.

But have no fear, Long Island will continue to be a desirable place to live, work and play, and that means for those with vision and strong balance sheets, there will continue to be opportunity.

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