nyrej

Fifth Avenue's footprint growing south: Exciting times in N.Y.C. - identify/embrace changing trends

February 12, 2013 - Design / Build

There is a subtle shift taking place in New York City that is benefiting building managers, real estate developers, and construction firms. Fifth Ave., long regarded as the most desirable retail shopping address in the world, is actually expanding.

For many decades, retail brands have kept their sights on Fifth Ave. between 49th St. and 57th St., and with good reason. The prestige associated with operating a flagship location on these blocks of preferred real estate far outweighed the reduced profit margins and astronomical cost of rent per s/f.

However, it's no secret that there simply isn't enough space for everyone who wants to set up shop, particularly in this area of Manhattan. Now, as we emerge from the recession, many retailers are looking for new ways to establish their presence while stretching their dollar a little bit further.

To accomplish this, many have made a conscious decision to scout locations away from the traditional Fifth Ave. shopping district, leaving it to established retailers who have long held a presence in that area. Instead, they are now building lower on Fifth Ave.

Building on lower Fifth Ave. has at least three distinct advantages which simply aren't available between 49th St. and 57th St. The first advantage is affordability. Let's face it: there is no such thing as cheap real estate in Manhattan. According to real estate analysts, retailers above 49th St. pay an average of $2,000 per s/f for rent. However, rents below 49th St. typically range from $650 to $1,000 per s/f.

The second advantage is space. As flagships continue to become more elaborate marketing tools, finding the right address with enough square footage is becoming a bigger challenge. Some brands have spent years waiting for the right space to hit the market, and they could be waiting for years to come until it does.

Presently, there is an abundance of space south of 49th St. as many banks continue to downsize their operations. With the banking crisis behind us, many financial institutions are functioning with a leaner operation, creating new real estate opportunities for retail brands to capitalize on in areas that historically have not been home to boutiques.

The final reason is foot traffic. The invisible boundaries which once contained the Fifth Ave. shopping district are quickly becoming ancient history. Consumers are less concerned with the physical address of a store and more concerned about the fantastic wonders they will find inside. There is already plenty of foot traffic south of 49th St., and as more retailers begin to establish themselves, the area will continue to draw larger crowds.

LACOSTE is a great example of a retailer that has embraced the concept of operating lower. Instead of moving to launch a new flagship, it chose to transform an existing store just outside the traditional shopping district. LACOSTE took control of a neighboring space and transformed the two locations into a premier Fifth Ave. flagship. Built by Shawmut Design and Construction, it has already received critical acclaim. Retailers such as Tommy Bahama and Ted Baker have also chosen to launch high profile flagship locations south of 49th St.

Some property developers are already embracing the decision by retailers to occupy spaces lower on Fifth Ave., and even off of Fifth Ave. and onto Sixth Ave. Longtime Shawmut partner Equity Office Properties is in the midst of a 100,000 s/f retail construction project at 126 West 42nd St. It will be ready in early 2013 and will serve as an important link, drawing foot traffic between Fifth Ave. and Times Sq.

Other groups are doing the same. In December, Walton Street Capital made news when it sold a majority stake in the old Knickerbocker Hotel building on Broadway and West 42nd St. in Times Sq. for over $100 million to Invesco. The investment firm will work with Crown Acquisitions and Highgate Holdings, who also own the building, to develop a hotel and new retail space.

The post-recession landscape is quietly changing as not only retailers, but all businesses look for new ways to innovate. Building managers must now rethink who could benefit from their space, and real estate agents should begin to target addresses which may not have been in play a decade ago. These are exciting times in New York City, and those who will be the most successful will likely be among the first to identify and embrace these changing trends.

William Pisani is the vice president of retail at Shawmut Design and Construction, Manhattan, N.Y.