



Survival of the fittest: What remains is a strong industry

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Despite dire predictions, the city is not shuttered, new stores continue to open and consumers are still shopping. But more significantly, there is a collective optimism on the street for a multitude of reasons.

Starting with Black Friday, which arrived with much trepidation nationwide and left with many stores still in the black, the stage was set for a better than anticipated holiday season. With expectations low shortly following third quarter pronouncements by the Fed, retailers were bracing for the worst and immediately began offering deep discounts to entice shoppers. Smart businesses had already begun compensating for the weakened economy with low seasonal inventories. Department stores like Bloomingdale's, Macy's and Saks Fifth Ave. were able to move forward because much of their existing holiday merchandise was liquidated in anticipation of the upcoming spring season. But new beginnings also start with the new year, which is when gift cards are traditionally redeemed in January and remaining merchandise moves. Consumers can count on super sales in January and maybe even through February.

Overall, retailers with strong brands prevailed this year thanks to clean balance sheets and solid real estate assets. Anything with value is able to expand and that includes luxury. Tiffany and A&F were among many that stood strong this past year and Giorgio Armani is still poised to open its Fifth Ave. megaspace in February. Kate Spade turned one store into a Jack Spade unit and integrated a wider range of products and services into the brand.

The rule of thumb is that innovation and creativity often help businesses get past economic humps and as we move through the new year, we will see more brand flexibility and resourcefulness. The larger companies, have the advantage of being able to vary their existing real estate among different units.

In the upcoming months, service brands will take on a more distinct presence, including banks. Anything a person can't outsource and must do in person will provide new opportunities for innovative retailers.

The tenor is turning, though, and conspicuous consumption will be overshadowed by a preference for more accessible commodities. People will again treasure life's little luxuries, thus we'll see more personal pampering businesses doing well. Make-up giant Sephora is expanding its Times Sq. location and opening a new flagship next year at 5 Times Sq. - at 42nd St. Forever 21 is opening its largest store in the entire country - and where else but Times Sq.! Victoria's Secret, which recently opened a new store at 593 Broadway, also has a new multi-level jewel box at Lexington Ave. and 58th St., adding to the new cachet of the attainable.

For now, cheap chic is even more important for the "elite." Topshop from London poised to take the city by storm in a cool SoHo location on Broadway, joining other established fashion forward value brands, such as H&M, MNG by Mango and Bebe. Another market mover, Zara opened its largest

N.Y. store at Fifth Ave. 42nd St. And speaking of Fifth Ave., the official corridor of luxury is also being graced by affordable fashion retailers, including Juicy Couture which opened at 52nd St.; Diesel, preparing to premiere in the former Gucci space at 54th St.; and Tommy Hilfiger, which has taken over the Fortunoff space next door.

Many retail corridors in the outer boroughs will continue to do well. The resurgence of neighborhoods in Brooklyn and Queens, in particular, has been in full swing for some time, with little abatement. Our first indications were when hip boutiques and restaurants set up shop next to mom-and-pops and other local services on the main thoroughfares. Then came the advent of national chains such as Target, Trader Joe's and Whole Foods, which took advantage of the generous footprints and value rents being offered outside of Manhattan.

Nationwide, densely populated cities will continue to be favored for the simple reason they have more people walking by shop doors every day. This could be a great time for franchises and small shops with distinct brands to enter once untouchable markets. In addition, many analysts are now predicting that Wall St. layoffs will result in a rise in entrepreneurship, which could easily translate into the retail sector.

So as we begin a new year, and a challenging one at that, we may be surprised at who gets passed a desultory beginning-of-the-year economy and prevails...and who doesn't. But survival of the fittest is not a bad thing - what remains, historically, is a stronger and more innovative industry.

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