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Optimism blooms for retail this spring: All signs point to recovery

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Just in time for spring, optimism has taken to full bloom as N.Y. retail steps ever closer to recovery.Â In early March, The Federal Reserve reported that looking ahead, its contacts from across the nation were already predicting a significant surge in shopping in 2009.Â As usual, N.Y. took the lead.

But let's face it, New Yorkers have always been passionate about shopping. Attesting to this collective enthusiasm is the fact that the retail vacancy rate in Manhattan jumped less than one point in January. That small increase was related to the financial sector, where the loss of staff has been hard on pockets of retailers in the central business districts. We actually continue to experience growth in a variety of areas, such as affordable fashion, staples, pharmacies and one-stop shops like Target.

Purveyors of the $5,000 handbag and $900 shoes, on the other hand, have been rethinking their products and their prices. There is no getting around the fact that with the job losses on Wall St., patrons of these shops are behaving fashionably frugal.

Â Still, N.Y. has no shortage of consumers with the means to shop for the finest "essentials" Fifth and Madison Aves., Soho, Meatpacking, et al., have to offer. Our local economy is highly diverse, and high salaries have remained stable in any number of local industries.

There are plenty of dedicated patrons who will meet their favorite merchants half way, but will want the most for their money. Retailers will need to closely monitor inventories and prepare for a better-educated customer by providing integrated marketing opportunities, bricks and clicks, and the very best service. It won't be long before luxury shoppers return to their sprees, but only to those retailers who rethink which products are in sync with today's market.

Tourist revenues have had a positive impact on our local economy. Many N.Y. stores depend on tourism and for the last few years, the disparity in currency values worked to our benefit. Tens of thousands of international tourists were buying goods in N.Y. because of the favorable exchange rates. But that picture has begun to change over the last two quarters with a shift in economies worldwide.

Hotel vacancies are a good way to gauge how many out-of-towners have come to visit, see the sights and buy all manner of merchandise. So it was less than encouraging news that Manhattan hotels reported only a moderate pickup from December 2008.

Â But according to the Fed, higher vacancies in N.Y. were actually due to new hotels opening and additional rooms becoming available, a trend that will continue well into 2009. These new hotels are great news for the economy, since so many rooms were lost during the conversion craze of the recent residential boom. With limited accommodations in Manhattan in particular, room rates soared and we, ostensibly, lost tourist business. As new hotels open their doors, visitors will have the luxury of choice when it comes to where they will stay.Â This should actually encourage them to visit, as well as leave enough money in their pockets to spend at all manner of stores.

I'll end with a final bit of more good news. A recent tally by Goldman Sachs and the International Council of Shopping Centers (ICSC) showed that sales at stores open at least a year, known as same-store sales, stabilized in February, having slipped a mere 0.1%. Analysts and market watchers had earlier predicted up to a 2% drop. In other words, the sky is not in danger of structural collapse in this town.

The March tally was also a marked improvement from January's one percent drop, extending a steady and statistically significant trend towards stabilization. It appears that we are gearing up for a season of real renewal, with plenty of new hotels and stores opening and people getting ready to spruce up for spring.

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