



Latest Beige Book confirms consumer confidence is up

November 23, 2009 - Shopping Centers

The latest Beige Book in October confirmed consumer confidence was up, albeit moderately. It also pointed out that tourism in New York City remained steady in the third quarter and added "retail sales had improved considerably since the last report."

A week later, on October 29, BBC News declared "Recovery Ends US Recession!" by explaining, "The U.S. economy grew at an annual pace of 3.5% between July and September, its first expansion in more than a year." The next day, the University of Michigan Sentiment Report concurred with, "...consumer spending advanced 3.4% in the third quarter," and The Wall Street Journal cited an increase in purchases of such big ticket items as cars and washing machines, suggesting "consumer demand and business confidence are inching back."

All of this bodes better than expected for retail the upcoming holiday season. Stores are gearing up for a soft return of buyer bases and have been coming up with creative ways to draw people back. That grand dame of department stores, Saks Fifth Avenue, launched its own "private sales event" website to challenge luxury discount sites that have cut into the luxury market, such as Gilt.com, RueLaLa.com and HauteLook.com. Although Saks is looking at short-term discount sales geared to key customers, it is definitely getting into the discount retail ring and fighting back.

These types of innovative strategies are very helpful. They are not only offering value-driven discounts, but the smart retailers are pitching well-focused marketing initiatives to core consumer bases. Obviously people are responding because the economy has seen steady growth for the past six months and consistent increases in consumer spending.

A little over a year ago, dozens of experts told us the country was at the brink of a second depression. As for the retail industry, nearly everyone predicted its downfall, especially in the luxury sector. But I believe in turning lemons into, well, lemon cream pie-and there have been startling indications of recovery all along the way.

In New York City we are prevailing because of a uniquely resilient market and in other parts of the country, there are signs of improvement, as well. Moreover, the year-long recession has had many positive and unexpected effects on the local retail environment. Manufacturers and designers that had previously held off opening their own stores finally had viable options in appropriate locations. Whether it was a downtown fashion emporium like Babel Fair in Nolita, or haute home furnishings center Aufrance, shifting from trade-only to a consumer presence on the Upper East Side, these ventures elected to take advantage of the opportunities.

The availability of two large spaces in Union Square gave way to exciting ventures that may actually improve the retail mix in the neighborhood, i.e., Nordstrom Rack, which replaced Virgin Megastore, and Best Buy in the former Circuit City store. Three major big-box chains opened at Columbus Village, a new development on the Upper West Side, comprising Michael's Arts & Crafts, with its first unit in Manhattan, Whole Foods, with a second West Side store, and TJ Maxx, with its second unit

in the borough.

By year's end, several "cheap chic" mega retailers will open additional stores in the city, including Forever 21, Aeropostale and Esprit. Abercrombe & Fitch is riding in on a new wave for its California surfer image brand, Hollister, by opening a second store at 668 Fifth Ave., boasting 15,000 s/f. It will be down the street from yet another youth-market brand, Tommy Hilfiger, which opened in the former 22,000 s/f Fortunoff space.

And that's just the tip of the iceberg! As retailers take advantage of more manageable rent structures that are available for the first time in many years, shoppers are looking for more value, too. There is synchronicity in these mutual goals and as a result, it looks as if the 2009 holiday season may yield better than expected results.

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