DEVELOPERS CONFIDENT THAT DOWNTOWN CAN ABSORB 2.3M SF RETAIL PIPELINE

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Downtown Manhattan used to be a ghost town after 8pm and on weekends, but over the last few years, it's transformed as developers realized the area's cheap prices and bevy of transit options. But can the good times last? Offices will always be strong as long as Wall Street exists, but can the flood of new retail sustain itself? Three industry players certainly think so.

Courtesy: Skyline Developers

A pioneer in the area since the 1980s, Skyline Developers president Orin Wilf (pictured) says Downtown, and the Financial District in particular, has come a long way, but Rudin Management Co CEO Bill Rudin thinks that's putting it mildly. You can hear both speak at Bisnow's Evolution of Downtown event, which will be held at 1 Battery Park Plaza on Dec. 14.

With connections to all five boroughs and northern New Jersey, Bill says, Lower Manhattan saw a record 14.2 million tourists last year, up from 9.8 million in 2011. Its residential population approached 60,000, up somewhat from the 55,000 in 2011. And its office-using workforce is matching pre-9/11 highs (228,300 in 2015 and growing by about 2.6% per year).

And all of these people, he says, are going to shop, whether it's on vacation or just a lunch break.

Orin's concern about Downtown's retail is not the amount—about 2.3M SF expected between 2015 and 2019—but the form. Indoor malls, he says, haven't fared well in NYC, and having two right next to each other (the World Trade Center Oculus and Brookfield Place) makes him uneasy.

"Only time will tell if they can survive," he said. "But both have developed something unique, with different shops and experiences, so I think they'll be able to complement each other.

Cushman & Wakefield senior director Will Suarez (pictured) thinks there won't be any issues, with the malls or Howard Hughes Corp's South Street Seaport.

"Even if the same consumer hits all three venues on the same day," Will says, "chances are he or she will seek out and find something they're looking for at each stop."

The Oculus and Brookfield Place are connected via underground passageways, which will help them coexist, but Bill says "food is the glue that holds them all together."

Of less concern is the South Street Seaport, which has always been a tourist attraction (it gets 12 million visitors a year), Orin says. Having an iPic theater that serves food with your cinema experience and restaurants run by Jean-George and David Chang certainly helps, however.

“My kids have been begging me to go to the iPic, and I think it’s going to attract people from all over Manhattan, like the 9/11 Memorial or the Sea Glass Carousel,” Orin tells Bisnow. The theater helps fill a vital need for entertainment that was noted by a recent Downtown Alliance report. This is especially important since 77% of Lower Manhattan’s population is less than 45 years old.

But if all three of these retail hubs do well, is anyone going to suffer and lose traffic? Will we hit a critical mass?

Bill (left, with Rudin Development VP Samantha Rudin Earls and Bisnow VP Miles Bloom) doesn’t think so. Not only has the retail boom benefited retailers large and small, but it’s attracted an audience that covers many different incomes, age demographics and industries, meaning there’s plenty of different opportunities for success.

Luxury brands, for example, can certainly profit with average household incomes of $214k and average private sector wage at $141k. A recent report found that more than one-third of the families in Lower Manhattan had household incomes of $200k or more, compared with 7% citywide.

“Hermes' recent re-signing at 15 Broad St shows that there’s a confidence in the area’s success,” Bill says.

Will's also confident, saying the key to success is more about the retailers themselves.

"Any smart retailer that offers a compelling product or service, satisfies a customer need, is available at the right price-to-value ratio, and delivered within an enjoyable and seamless manner will be able to find their way," he says, even as e-commerce grows in popularity and brick-and-mortar shops become “walk-in catalogs.”

Still, Orin says, it would certainly put fears to rest if developers keep up with residential development. By 2019, 5,227 units in 31 new residential buildings are slated to come online, doubling the market's growth since 2011. Orin says the new retail has boosted his own rental properties, so he thinks developers shouldn’t need much convincing.

Bill and Will add that food-driven or entertainment retail can serve as powerful, tenant-attracting amenities, making them potentially more lucrative than a large-format bank or drugstore. The latter may pay higher rents, Bill says, but they "don’t add character or significance to a neighborhood as dense as Lower Manhattan.

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