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Retail Rush Downtown

Four Projects to Add Nearly 1 Million Square Feet of Lower Manhattan Shopping

By LAURA KUSISTO AND TED MANN



Bryan Thomas for The Wall Street Journal

Uday Durg of the MTA, left, during a recent tour of the Fulton Center with Kevin Ortiz and Eve Michel.

Almost a million square feet of new Financial District retail space—essentially the size of a suburban mall—is being developed in what many see as a long-awaited turnaround for Lower Manhattan shopping.

Questions loom over the four projects, however—are there enough shoppers to fill those stores and is there enough demand from retailers for all this space in a market that has been relatively untested for the last decade?

In a sign of just how difficult that task is likely to be, the Metropolitan Transportation Authority will turn over the responsibility of managing 70,000 square feet of new high-end retail space at Fulton Center to a private operator—a first for the agency.

Indeed, the Fulton Center will face stiff competition: the World Trade Center, World Financial Center, Fulton Center and South Street Seaport are all currently competing to fill hundreds of store spaces at roughly the same time.

Developers and brokers said there is plenty of pent-up demand since the destruction of the World Trade Center and its huge underground mall on Sept. 11, 2001. Even with a daytime population of wealthy financial workers, millions of tourists and a growing residential population, Lower Manhattan has lagged well behind other busy parts of the city in terms of shopping options.



Faith Hope Consolo, chairman of Prudential Douglas Elliman's retail group, said it would be "difficult" to fill all of this space. But she added that it will be good for the neighborhood overall. "Downtown will finally come into its own in the next 18 months," she said.

Lower Manhattan's problem isn't demand, say brokers. It is that its retail spaces traditionally haven't been enticing, thanks in part to a warren of confusing

side streets and shadowy storefronts.

All of the new projects will include more glass, large, bright public spaces, more food and a diverse selection of retailers.

The developers want the new shopping centers to be different from the World Trade Center mall, which was geared to financial workers, and more in the vein of Century 21, a department store that is a destination for both tourists and area residents.

They are hoping to appeal to the area's changing worker population, which will include media company Condé Nast in 2014.

"The reality for me is for so long Downtown, the office tenants consisted of investment banks and the Port Authority—really non-sexy types of tenants. Condé Nast will absolutely change that," said Jeffrey Roseman, a broker at Newmark Grubb Knight Frank.

Another question is the leasing of the office space at the World Trade Center, where two of the towers are only partly leased and 3 World Trade Center is stalled because the developer, Larry Silverstein, can't find a tenant.

The Fulton Center is likely to be one of the most enticing spaces because of the high amount of foot traffic, say brokers. The MTA will issue an RFP for the retail space Aug. 2, seeking a master lessee to handle leasing and operations of the nine-level structure and the attached concourse under Dey Street.

The \$1.4 billion project is slated for completion in June 2014.

On a recent morning, Uday Durg, the MTA's program executive for Lower Manhattan projects, gestured through the floor-to-ceiling windows of the Fulton Center's third floor, pointing at the church steeple across Broadway to illustrate a point: This was no place for a modest food court.

"You're sitting here having a drink," Mr. Durg said, conjuring up a future restaurant space, "and you can see St. Paul's!"

Towering above commuters, lighted by the 56-foot wide oculus that is the Fulton Center's

dominant feature, will be a glass-walled cube of new space for stores and cafes that MTA officials think will thrive on the constant stream of pedestrians moving through the building's lower sections.

As the agency seeks bidders on its RFP, it is trying to emphasize the attractiveness of the new building—not just a kiosk in a train station—and appeal to the neighborhood's new vibrancy.

"We don't want the spaces to be dormant," said Eve Michel, the MTA's vice president of development and chief architect, as construction crews maneuvered inside the soaring atrium of the new building. "We want it to be active and dynamic space."

"We're trying to create a certain stickiness," she added, "so they'll stay and spend money."

Along with the Fulton Center, the shopping and dining center at the World Trade Center is expected to have some of the Financial District's most sought-after retail space, brokers said. The Port Authority of New York and New Jersey has leased the space to mall developer Westfield Group, which has more than 350,000 square feet to fill.

"For that part of lower Manhattan, the World Trade Center is the best site—probably one of the best sites in the world," said Peter Lowy, chief executive of Westfield Group. "Others will be going after some of the same upmarket merchants that we're going for, but the WTC is the better site by far."

Westfield said the center will have five shopping levels, with typical stores of about 1,200 to 1,500 square feet and opportunities for one or two larger stores of 20,000 square feet.

Across the busy West Street, at the World Financial Center, Brookfield Office Properties is trying to overcome the difficulty of an older building with a less prime location.

Brookfield is investing \$250 million in gut-renovating the 1980s-era center, including the installation of more glass frontage and a 25,000-square-foot European-style market with outdoor dining.

Executives said they would distinguish their space, in part, by drawing tourists to the water with food and capitalizing on Battery Park City's residents.

"We're creating a waterfront community that we're really looking to serve," said David Cheikin, a vice president of leasing at Brookfield.

Finally, at the South Street Seaport, the Howard Hughes Corp. is trying to remake a waterfront retail complex that has long struggled to draw New Yorkers, who shy away from enclosed malls. The developer is creating a glassy complex with a landscaped roof and said it would compete, in part, because it could accommodate larger stores.

All of these developers are actively engaged in trying to lease their spaces and expect to begin announcing deals as early as this year.

A number of high-profile stores currently found on prime strips like Fifth Avenue and Times Square are now looking in Lower Manhattan, brokers said.

"There's not a single retailer who's going to say, 'I'm not looking down there,'" said Chase Welles,

an executive vice president at Northwest Atlantic Real Estate Services.

Indeed, many brokers and neighborhood officials express confidence that after decades of difficulty, the Financial District may finally be able to lure shoppers away from popular strips such as SoHo and Fifth Avenue.

The handful of retailers that are in Lower Manhattan, including Century 21 and J&R Electronics, are flooded with tourists and locals alike.

Some retail "had a tough time in the last 10 years because of the impact of construction," said Elizabeth Berger, president of the Downtown Alliance. "Many national retailers are waiting to see what happens at these centers. There will be more opportunities and interest."

Corrections & Amplifications:

The fourth and fifth floors of the Metropolitan Transportation Authority's Fulton Center incorrectly won't be leased to a retail operator. A graphic included in an earlier version of this article incorrectly said those floors would be leased for retail.

—Eliot Brown contributed to this article.

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