

COMMERCIAL REAL ESTATE

Lower Manhattan Will Undergo a Retail Revival

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Square Feet

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In Manhattan, where most of the city's stores are small, street-level boutiques, mammoth shopping malls are rare. But next spring, the endless maze of cranes and construction pits that has enveloped Lower Manhattan for more than a decade will be mostly cleared away, making room for not one, but two, massive retail centers.

At the World Trade Center retail complex, centered on the transportation hub, or Oculus, 150 stores are planned to entice shoppers through sprawling corridors to browse \$900 metallic leather pumps at Tom Ford or stock up on discounted toothpaste at Duane Reade.

Across West Street, hugging the Hudson River, is Brookfield Place, where visitors will find luxury boutiques like Hermès and Burberry, the French dining hall Le District and the foodie favorites Umami Burger and Black Seed bagel.

"There is a retail revolution that is underway in Lower Manhattan," said Jessica Lappin, the president of the Alliance for Downtown New York, which runs the neighborhood business improvement district. "Most people haven't fully wrapped their brains around the scale of the changes that are coming."

To create a pathway to usher the crowds through the two megamalls, a windy stretch of West Street, where cars zip past at high speeds and few pedestrians venture, will be outfitted with traffic lights, crosswalks and plant-filled medians. And to bring some much-needed street life, Brookfield Place is recladding its brick

facade with two-story glass and flipping its entrance to face the street instead of the river.

It is no surprise that retail is finally coming to the area. The one square mile that makes up Lower Manhattan below Chambers Street has changed a great deal since 9/11.

Thousands of new condominium and rental developments have swollen the ranks of residents, now totaling 61,000. There are 310,000 workers in the neighborhood and more than 11.5 million tourists may visit this year, according to the Alliance for Downtown. The area's spending power is \$5.2 billion, larger than the gross domestic product of several small countries.

"It was an easy decision to open a store here," said Wayne Kulkin, the chief executive of Stuart Weitzman, the shoe company, which will have a store at the Oculus. "Every day, hundreds of thousands of people will walk past us. Of all the different locations in the city, no place will have the same amount of energy and life."

To capture the foot traffic, the Westfield Group, which signed a 99-year lease for the retail portion of ground zero just months before 9/11, and Brookfield Office Properties, the landlord of Brookfield Place, have been working feverishly to woo tenants. But like most hard-won battles, the journey to this point has not been without strife. In addition to the steep competition between the landlords for tenants, there have been additional tensions.

One point of contention has been the Westfield Group's friction with the local New York brokerage firms. The company, which is based in Sydney, Australia, and owns 87 malls around the world, has declined to publicize any of its leases at ground zero, in stark contrast to Brookfield Place, which regularly announces new tenants. Westfield's reluctance to discuss its deals has frustrated the retail brokers, who are eager to publicize their deals.

Westfield has further ruffled feathers by leveraging its relationships with retailers to negotiate leases directly with the stores, rather than hire brokers for assistance. Stuart Weitzman, for example, which has locations at other Westfield malls, negotiated its lease directly with the landlord.

Despite the rough spots, after officially introducing its marketing effort last year, ground zero retail is reportedly close to fully leased. And, perhaps in spite of Westfield's reticence, brokers have persisted in disclosing the names of likely

tenants, including Apple, Michael Kors and Victoria's Secret. Other tenants at ground zero will include the fitness chain Track and Field and the cigar purveyor Davidoff.

The Westfield Group declined to comment, as did brokers who didn't want to upset their relationships with the landlord. People with knowledge of Westfield's strategy said its reluctance to speak publicly is partly so as not to appear crass and take attention from the solemnity of the National September 11 Memorial Museum, which is opening to the public on Wednesday.

The centerpiece of the ground zero retail will be the Oculus, designed by the Spanish architect Santiago Calatrava and featuring ribs made of custom steel that meet to form a soaring canopy. It will have 80,000 square feet of stores spread on two levels, and will connect with a larger underground concourse. The mix of shops will include grab-and-go coffee places and convenience stores to serve the thousands of commuters, as well as stores and clothing boutiques. Rents there are about \$550 a square foot.

To find the right tenant mix, Westfield conducted numerous focus groups and, possibly in a bid to erase the stigma that is sometimes associated with the term "mall," is referring in some of its materials to the different retail areas in the complex by New York City street names like Madison Avenue and West Broadway.

While the level of foot traffic could make the World Trade Center shops some of the busiest in the world, there have also been design challenges, mainly from the ribs at Oculus. The ribs, which are spaced 11 and a half feet apart, divide the spaces into what some brokers said were awkward configurations. In addition, the glass storefronts must be recessed behind the ribs, decreasing the stores' visibility to passers-by. The Oculus and much of the retail at ground zero are also below ground, which is less desirable for some retailers.

The few street-level retail options at ground zero mostly face onto Church Street. This is where a handful of superluxury boutiques are expected to lease space, including Tiffany and Tom Ford. Tiffany said it would not comment on negotiations in process, and Tom Ford also declined to comment.

Typically, ultraluxury tenants prefer to be clustered together with fellow luxury brands, but this will not be the case on Church Street. Across from Westfield's high-end tenants is Century 21, the longstanding Lower Manhattan discount retailer. Next door is Brooks Brothers, but its lease expires in a year and a

half, and Brookfield Office Properties, which owns the building, is expected to replace it with Saks Off Fifth.

As for Brookfield Place, formerly the World Financial Center, the landlord is looking to corner the luxury market by leveraging wealthy residents in Battery Park City and the complex's office tenants.

Boutiques like Salvatore Ferragamo and Vince have signed leases, while Equinox is opening a 40,000-square-foot fitness club and Saks Fifth Avenue is signing on as an anchor tenant. The complex is somewhat less expensive, with rents of \$300 to \$500 a square foot. Brookfield Place has more street-level retail, but it cannot offer retailers the same amount of foot traffic. The complex is 90 percent leased and the remaining 10 percent is in final negotiations, the landlord said.

“There are pluses and minuses to both projects,” said Richard B. Hodos, an executive vice president for the brokerage firm CBRE, who has represented tenants at both malls. “If you were to ask a retailers if either is perfect, they would say no. Still, both could be incredibly successful despite their flaws.”

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