



Death of in-store retail? Not likely, say industry pros

by Aleesia Forni | June 7, 2017

Holding up a copy of a recently printed cover story titled, "Retail is F*cked," John Barrett, president of the Commercial Investment Division of Hudson Gateway Association of Realtors, posed a question to a group of real estate professionals. "Is retail dead?" he asked.

James M. Aries, senior vice president and director of acquisitions at Urstadt Biddle Properties Inc., did not hesitate. "You see that all the time, and there's clearly truth to that," said Aries of articles like the one Barrett referenced. "We believe that we're not immune to the retail problems in the wake of e-commerce and economic cycles, but we believe that our program is built to be safe."

Based in Greenwich, Urstadt Biddle focuses primarily on grocery-anchored shopping centers and service-oriented retail, segments that Aries believes customers still prefer to visit in person. "I think there's been a healthy streamlining in retail," he told the audience at Hudson Gateway headquarters in White Plains. "A lot of the weaker guys are out."

Aries was one of five panelists addressing the state of the retail market in the Hudson Valley at the June breakfast meeting of HGAR's Commercial Investment Division.

Jonathan Gordon, president and CEO of Admiral Real Estate Services in Bronxville, agreed with Aries that headlines predicting doomsday for retail are nothing new.

"Retail has been under attack for the last century," he said. "Forty years ago, you had 300 department stores. Today, you have about 30. Before, the malls were going to kill the downtown. There's always going to be a new evolution, it's just a matter of how does the market, the landlords and the tenants respond to those changes. The ones that are flat-footed are going to go under, and I think the days of a 300,000-square-foot Macy's are limited."

Gordon observed that today's retail environment is in a state of flux. "We're seeing the concept of the omnichannel, where retailers are looking for a seamless internet and brick-and-mortar presence," Gordon said. "We're seeing that the internet-proof type of retailers, such as gyms, food, entertainment, those are the types of uses that are still expanding."

Scott Auster, managing director at Grid Properties, said the popular narrative in retail right now "is that it's screwed. I think the reality is a lot more nuanced and gray," he said.



Boulevard, a \$160 million retail and boutique fitness center that would also include 12 townhome units.

A Harlem-based developer, Grid Properties was recently granted approval by White Plains city officials to redevelop an empty commercial lot on West Post Road, at the southern gateway to the city's downtown business district, as Boulevard, a \$160 million retail and boutique fitness center that would also include 12 townhome units. The company plans a 230,000-square-foot, pedestrian-oriented development at the former Sholz Auto Group site at 77 W. Post Road.

"I think certain retailers are certainly screwed and certain markets are probably screwed," Auster said. "I wouldn't want to own a mall or any type of a power center in most of this country right now, especially Middle America."

But Westchester County, with its proximity to New York City and high household incomes, is in a unique and favorable position, panelists said. "Retailers are going to continue to need stores," Auster said. "I think stores are going to continue to get smaller and there will be less of them going forward, but I would place my bet on those stores being in New York first and closing here last before anywhere else in the country."

Auster believes that brick-and-mortar stores are highly important for retailers aiming to expand their online presence. "Those retailers that are pushing into that e-commerce space need those stores for brand recognition," he said. "If you're Williams Sonoma and you're looking to sell a lot of stuff online, if I don't drive by that shopping center and see that Williams Sonoma store, I am not going to go onto Williams-Sonoma.com to buy that product. I'm going right to Amazon."

Panelists also noted that lease negotiations in the retail sector have seen a change since the Great Recession. “Pre-2007, I think landlords had a list of backup tenants, so there was a little bit more urgency to lease negotiations on both sides,” Gordon said. “Today, we’re seeing slower absorption because of these changes.”

Along with those changes, outlooks on lease terms have also shifted. At The Westchester mall in White Plains, “We’re willing to go to three- or five-year (leases) if it makes sense to get the space filled, to get the lights on, to stop people from perpetuating this narrative of there’s vacant space in the mall, there’s vacant space wherever,” said Steven Sayers, general manager of the Simon Property Group mall.

Property owners are also focused on providing experiential opportunities to attract customers to their shopping centers. “It’s up to us as the landlords, developers and tenants to provide a proper retail environment for millennials that gives people a reason to show up,” said Peter Kempner, owner of The Kempner Corp., a real estate investment firm in White Plains that specializes in acquisition, ownership and operation of shopping centers and retail properties.

To offer customers that proper environment, The Westchester has undergone a multimillion-dollar renovation over the past year. The mall unveiled a children’s play area, technology lounge and a Savor Westchester dining area. Other enhancements include modernized elevators and lobbies, all new facades on major mall entrances and new landscaping and flooring.

“You look at malls 20 or 30 years ago, and they were dark, they were dingy, but you could still get people in in droves,” Sayers said. “People want a localized, individualized experience that no one else has ever had before. A food court just used to be a way to extend the stay; now it’s a driving force.”

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