



**ADMIRAL**  
REAL ESTATE SERVICES

## **State of the Retail Real Estate Market**

**Westchester and Fairfield Counties**

**Prepared by Admiral Real Estate Services Corp.**

**62 Pondfield Road, Bronxville NY 10708**

**914-779-8200**

**[admiralrealestate.com](http://admiralrealestate.com)**

*This general overview of the retail real estate landscape in the Westchester and Fairfield County markets is the first in a series of reports which will explore trends, changes and opportunities in retail and how those trends are affecting real estate use and investment.*

## Buying Power

Westchester's and Fairfield's populations, each just shy of 1 million, include a high percentage of families, and of Baby Boomers. Population growth is modest, but income levels are exceptional. Average 2015 household income in Westchester is estimated at \$131,976; in Fairfield, \$122,336; 77% and 64% higher than that of the entire U.S. and 14% and 5% higher than Manhattan's, respectively (*Source: U.S. Census Bureau, ESRI forecasts*).

## STABILITY & BUYING POWER

Two of the more pervasive strengths of the Westchester and Fairfield County's retail real estate markets remain their populations' impressive buying power and the relative supply and demand balance of their inventory of retail properties. Augmenting those factors are the last four years' gains in employment and consumer confidence.

On the negative side, retailers are under great pressure from the Internet, and leasing deals, while they have certainly gained momentum, remain difficult to bring to the finish line. The opportunities in this market revolve around finding ways to harness changing consumer spending patterns in a market with strict zoning regulations.

## Remarkable Stability

In relation to many other markets in the Northeast, both Westchester and Fairfield Counties remain remarkably stable retail markets. The counties' proximity to New York City, affluent populations, limited land availability and high construction costs help keep inventory and vacancy levels within a narrow range, even during periods of volatility nationwide. Over the last nine years, which includes the entire span from the height of the retail market prior to the Great Recession, to the lows of 2008-2012 and finally to the current quiet rebound, overall vacancy in Westchester and Fairfield Counties has varied only about 1%, according to CoStar, an independent commercial real estate research firm.

As can be seen in the table to the right, however, Fairfield County has had greater variability in rents, tending to shoot higher in up times and lower in down times. This has to do with several markets in Fairfield that have larger concentrations of high-end luxury goods (e.g. Greenwich, New Canaan, Darien, Westport). These retailers tend to bid up rents during up times and go lower during down times. Stamford shows a large fluctuation, as well, but for a different reason. In the past, Stamford has been considered a large, unfocused retail area. Recently, however, Stamford has benefitted from numerous residential developments, as well as significant investment by the city in marketing Stamford as a retail destination.

As a whole, the further from New York City, the more available land is, which typically equates to greater construction activity. While both very low as a percentage of existing inventory, Fairfield County currently has 289,633 square feet of new projects to be delivered over the next twelve months, versus only 73,205 in Westchester (*Source: CoStar Retail Report, Third Quarter 2015, Fairfield and Westchester Countys*). Fairfield County also has the benefit of much lower property taxes, which provides room for higher base rent with no change to total occupancy cost.



Market	# Bldgs	Total GLA	Vacancy Rate			Quoted Rents		
			2012	2015	Chg	2012	2015	% Chg
<b>Westchester County</b>								
East I-287 Corridor	653	5,866,120	3.2%	2.4%	-0.8%	\$33.52	\$35.67	6%
North	359	4,647,310	6.1%	6.6%	0.5%	\$29.21	\$26.87	-8%
Northeast	32	252,458	0.8%	2.1%	1.3%	\$34.00	\$33.06	-3%
Northwest	523	5,270,125	9.5%	7.0%	-2.5%	\$22.11	\$22.38	1%
Southeast	1,410	12,601,192	6.9%	6.5%	-0.4%	\$24.96	\$27.19	9%
Southwest	1,094	11,368,519	5.3%	4.9%	-0.4%	\$28.55	\$28.26	-1%
West I-287 Corridor	597	4,716,205	4.9%	3.5%	-1.4%	\$30.98	\$26.82	-13%
White Plains CBD	212	5,260,062	5.0%	5.3%	-0.3%	\$25.85	\$26.89	4%
<b>TOTAL</b>	<b>4,880</b>	<b>50,008,991</b>	<b>5.9%</b>	<b>5.3%</b>	<b>-0.6%</b>	<b>\$26.52</b>	<b>\$27.20</b>	<b>3%</b>

### Fairfield County

Bethel	87	866,603	5.9%	3.2%	-2.4%	\$17.37	\$12.58	-28%
Bridgeport	534	4,720,383	4.8%	7.1%	2.3%	\$16.76	\$19.15	14%
Brookfield	114	1,659,356	6.2%	8.0%	1.8%	\$16.83	\$19.04	13%
Danbury	375	6,292,142	6.4%	3.8%	-2.6%	\$18.97	\$19.13	1%
Darien	141	1,028,505	3.2%	1.8%	-1.4%	\$32.65	\$44.70	37%
Fairfield	253	3,131,008	7.1%	6.4%	-0.7%	\$30.56	\$27.35	-11%
Greenwich	470	3,609,836	5.4%	3.7%	-1.7%	\$56.82	\$68.88	21%
Monroe	85	886,860	3.3%	5.3%	2.0%	\$15.29	\$13.92	-9%
New Canaan	100	662,675	4.2%	6.2%	2.0%	\$49.82	\$54.96	10%
Newtown	80	896,547	5.7%	7.0%	1.3%	\$19.50	\$20.81	7%
Norwalk	491	6,428,599	5.1%	4.7%	-0.4%	\$23.43	\$26.89	15%
Ridgefield	112	1,110,657	4.7%	4.0%	-0.7%	\$18.92	\$28.44	50%
Shelton	96	1,321,001	1.4%	2.4%	1.0%	\$20.82	\$17.25	-21%
Stamford	683	7,132,978	3.1%	2.9%	-0.2%	\$24.43	\$32.45	33%
Stratford	191	2,304,332	3.9%	5.8%	1.9%	\$16.15	\$17.15	7%
Trumbull	52	2,168,692	0.6%	3.7%	3.1%	\$36.00	\$31.65	-12%
Westport	259	2,335,441	6.6%	6.9%	0.3%	\$44.25	\$50.06	13%
Wilton	79	958,156	9.8%	4.9%	-4.9%	\$25.43	\$29.68	17%
<b>TOTAL</b>	<b>4,202</b>	<b>47,513,771</b>	<b>4.8%</b>	<b>4.7%</b>	<b>-0.1%</b>	<b>\$25.74</b>	<b>\$29.21</b>	<b>16%</b>

Source: CoStar Retail Report, Third Quarter 2012 and Third Quarter 2015, Fairfield County and Westchester County.

It's impossible to designate a specific year for the trough, since each submarket has its own individual forces affecting the retail environment. Differing tenant credit strength and lease expiries caused vacancy rates to peak and rents to trough at varying times in different submarkets. For the purposes of a consistent comparison, however, the table above shows vacancy rates and rents in the various submarkets in 3Q2012 versus 3Q2015.

While the numbers here have generally been trending positive, and Westchester and Fairfield Counties

have fared far better than much of the U.S. over the last ten years, several trends in the retail market bear watching closely.

## INTERNET & TECHNOLOGY

### Improved Operations

On the positive side for retailers and developers/investors, technological advances have enabled many retailers to greatly improve their inventory



control. Some have also benefited from lower product costs attributable to deflationary pressures in the countries manufacturing their products. The lower cost of goods sold brought about by these factors have provided some retailers the ability to support higher rents without decreasing their profit margin. Oil prices being at an all-time low for a record period has also decreased production, transport, and heating costs, as well as boosted consumers' disposable income.

### Internet Pressures

The rise of the Internet is the most disruptive development retail has experienced in generations. The most recent data from the U.S. Department of Commerce shows \$84 billion of Internet sales during 2Q15, representing 7.2% of total retail sales of \$1,172 billion, a steady increase from 2.8% in 2006. Continued Internet sales growth has continued to pressure brick and mortar retailers comprising the Westchester and Fairfield markets. Hard and soft goods retailers have been much harder hit than those sectors not easily sent in the mail, such as food, entertainment, health/fitness, services, and medical. Accordingly, the aforementioned retail categories are expanding the most.

Our recent deals at Admiral are evidence of this trend. Of the 220,000 square feet of transactions our firm has closed to date in 2015, 80% were for food, entertainment, health/fitness, service and medical uses. Leases indicative of this trend include Bedford Playhouse (entertainment), Columbia University / Presbyterian Medical Center (medical), SoulCycle (high-end spinning studio), Hand & Stone (service), and bluemercury (cosmetics retailer with make-up, skincare, and spa services), and numerous other service and health/fitness uses.



### Sales Tax Disadvantage

Avoidance of sales tax has been an unfair advantage for Internet retailers, with the added problem of diminishing the coffers of municipalities who depend on sales tax revenue as a funding source for such services as police, fire protection, and EMS services. To support a level playing field for all retailers, our company participates in initiatives spearheaded by the *International Council of Shopping Center's* Government Relations Committee and the *Real Estate Board of New York*. These initiatives educate and lobby City, State and Federal legislators to enact legislation that restores the right for states to enforce sales tax collection by Internet retailers.

### The Power of Data

As in the larger business environment, decision making by retailers has become less intuitive and more empirical, especially in suburban markets. Retailers and their site selection teams want to be shown hard data to assess the viability of potential sites, and look for an educated understanding of how far out to go in a specific trade area, taking into account travel time, demographic make-up, geographic barriers, etc. Retailers want detailed breakdowns of demographics and psychographics within those primary, secondary and tertiary trade areas, as well as mapping and assessments of co-tenancies and competitive retail supply and demand in the area.

## REBOUND & REDIRECT

### Higher Confidence, Better Bonuses

Consumer confidence has rebounded significantly, and is now at its highest level since the Great Recession. As a bedroom community for those working in New York City, Westchester's overall economic health is intricately tied to the FIRE (Finance, Insurance, and Real Estate) industries. These industries were at the epicenter of the subprime financial crisis, and FIRE employment and salaries suffered accordingly. Subsequent improvements in the stock market and residential real estate markets have fortified employment in these industries, also affording bigger bonuses, and most important to the retail sector, higher discretionary income. The recently announced October 2015 job numbers were well above expectations, and show unemployment at the lowest level since World War II.





## Changing Spending Patterns

The aging and retirement of the Baby Boomers, a large and wealthy demographic, has amplified the transformation in brick and mortar spending triggered by Internet sales. Spending is shifting away from hard and soft goods and to food uses, entertainment, and services. Similarly, medical and health-related uses are also on the rise, which are tied not only to the aging and retirement of the Baby Boomers, but also to the still-evolving effects of The Affordable Care Act. During the past year, Admiral has brokered 20,000 square feet of leases to large medical users with strong credit. These types of tenants have the added benefit of bringing significant pedestrian traffic and consumer dollars to neighboring retailers.

Many Baby Boomers are downsizing and moving into apartments, or into Manhattan. While not a new trend, increasingly high housing costs, uneven public education and intensely competitive—and expensive—private schools continue to push even more families out of New York City into Westchester and Fairfield Counties. These trends,

as well as the decidedly different spending patterns and preferences of Generation X, Generation Y, and the Millennials, represent an adjustment in retail style and opportunity, an issue we'll delve into in further detail in a follow-on report.

## BRIDGING MARKET GAPS

### Adjusted Rents

Over the last two years, the gap between landlords' and prospective tenants' rent expectations has diminished, facilitating the leasing process. Although Westchester and Fairfield Counties' vacancy rates have been quite stable, quoted rents have shown a more significant change. According to CoStar, average quoted Westchester retail rents ranged from a high of \$30.76 per sq. ft. NNN in 2006 to a low of \$25.88 per sq. ft. NNN in 2010, a spread of just under 20% (although that percentage would be lower if comparing total rent costs including NNN reimbursements). Since 2012, quoted NNN rents in Westchester have hovered in the \$27 per sq. ft. range.





interest rate environment looms, these buyers are hoping to capitalize on the window of opportunity afforded by today's artificially low interest rates.

## LOCATION, LOCATION

As is true of most retail, the Westchester and Fairfield County retail markets remain very local. Shopping centers have a very different set of dynamics from Main Street retail, and the relative health of any retail has to do with the forces affecting its specific location and the municipality in which it is located, particularly for the downtown areas.

### Zoning Codes

Most zoning codes favor soft goods retail because it is perceived as having the least impact on parking. However, increased consumer spending on services and food uses have changed the ideal retail mix necessary to maintain vibrant shopping areas. Going forward, retailers and consumers will favor those municipalities which are willing to expand their zoning codes to adapt to the changing retail environment.

While individual Fairfield submarkets have had more variation, Fairfield County as a whole has seen a similar 20% range. Average quoted retail rents in Fairfield County touched lows of \$24-\$25 per sq. ft. in 2006 and 2012, after rising to \$29.66 per sq. ft. in 2008. Quoted rents have increased slowly and steadily over the last three years, reaching the \$29-\$30 per sq. ft. range in 2015, according to CoStar.

### Tougher Deals

Paradoxically, while more leasing deals get past the Letter of Intent stage, they have been more difficult to close. A greater number of negotiations seem to be getting mired in legal nuances and obscure what-if scenarios. Moreover, e-mail and texting from small screens has made business (and personal) communications copious, rushed, and at times less courteous, which can quickly undermine the trust upon which the negotiation process is predicated. Neither e-mail nor texting have the benefit of face-to-face discussion, which is more likely to help foster mutual understanding. Also, as the Westchester/Fairfield retail markets continue to transition from a tenant's market to a more balanced market, a potential stumbling block in negotiations is tenants' and landlords' misaligned expectations about what terms are truly representative of the current market standard.

### Strong Investor Demand

An indication of confidence in the long-term prospects of the Westchester/Fairfield retail market is the pent-up investor demand for New York metro area retail real estate. Our firm, primarily a seller's agent for investment sales, works with a continually-updated database of current owners and active buyers with significant capital ready to invest in retail properties within our market. As the specter of an increased



### Parking

Parking remains a key issue for many downtown areas. Increasing parking inventory near shopping areas is the most obvious, and most difficult, solution. More manageable ways to minimize real and perceived parking friction is by making retail streets one-way, or using less onerous parking rules and enforcement, such as free-parking weekends.





## STABILITY & OPPORTUNITY

In summary, technology-driven changes have created more uncertainty in the retail environment. While increased consumer confidence and spending power have improved overall sales, Internet retail and demographic trends have directed brick and mortar retail growth toward food, service, medical, and entertainment uses.

Tenant and landlord rent expectations are not as far apart as they were two or three years ago, but deals are taking longer to get done. Municipalities best able to formulate zoning codes and approval processes addressing changing retail environments will offer the best opportunities for both tenants and landlords.

It is the nature of retail real estate that each space needs to be assessed on an individual basis. However, at their cores, the Westchester County and Fairfield County retail markets provide a remarkably stable foundation on which creative tenants and investors can take advantage of the depth of buying power in this unique area.

### **Pulling from Manhattan**

Manhattan retail rents have quadrupled in some areas in the last five years. Westchester and Fairfield can be a less expensive way for New York City retailers to reach their customers, reinforcing their brand in areas where many of their patrons live, as well as gaining access to the larger population not working in Manhattan but with similar spending habits.



*Excellence in Commercial Brokerage  
Driven by a Unique Combination of Strengths*

Admiral Real Estate Services Corp. is a commercial real estate brokerage firm focusing on agency leasing, investment sales and tenant representation in the New York Metro area. For the last eighteen years, we've built on the broad real estate backgrounds of our brokers and management team to use outstanding research and analytics, an extensive contact base, and deep local market knowledge to achieve superior results for our clients.



ADMIRAL

REAL ESTATE SERVICES

*Forward Vision. Local Insight.*

62 Pondfield Road, Bronxville NY 10708  
914-779-8200  
[admiralrealestate.com](http://admiralrealestate.com)