ABS PARTNERS REAL ESTATE, LLC

Manhattan Retail Market

MID-2ND QUARTER 2020 REPORT

Pictured: 280 Third Avenue

Looking Ahead

NYS Details Phase 1 Guidelines for Retail Industry

The phased-in reopening plan developed by New York State "prioritizes businesses considered to have a greater economic impact and inherently low risks of infection for the workers and customers, followed by other businesses considered to have less economic impact, and those that present a higher risk of infection spread" according to the **NY Forward** guidelines released by Albany on May 11th. As of May 15th, the Governor's "**New York on Pause**" order ended for (5) of the state's (10) regions, which were permitted to move ahead with the Phase 1 reopening — the Finger Lakes, Southern Tier, Central New York, Mohawk Valley and North Country.

Along with construction, manufacturing, wholesale, agriculture, forestry, and fishing, **select retail for curbside pickup only** will be allowed to reopen as part of Phase 1. Although New York City has yet to meet the (7) requirements before moving ahead with the first reopening phase per Albany's NY Forward mandates, once achieved, retail industry employers and employees will be required to follow several mandated guidelines that have been broken down into (5) categories — physical distancing, protective equipment, hygiene and cleaning, communication and screening. As part of the reopening, businesses will need to consider three main factors:

- First Factor is protections for employees and customers. These include possible adjustments to workplace hours and shift design as necessary to reduce density in the workplace; enacting social distancing protocols, and restricting non-essential travel for employees.
- Second Factor is changes to the physical workspace, including requiring all employees and customers to wear masks if in frequent close contact with others and implementing strict cleaning and sanitation standards.
- Third Factor to consider is implementing processes that meet our changing public health obligations, like screening individuals when they enter the workplace, or reporting confirmed positives to customers. While these processes will vary from business to business, almost everyone will have to adapt, in some way or another, to our new normal.

Looking ahead,

- Phase 2 will bring the reopening of professional services, finance and insurance, retail, administrative support and real estate, rental and leasing;
- Phase 3 will bring the reopening of restaurants and food services; and
- Phase 4 the reopening of arts, entertainment and recreations, as well as education.

Sources: https://www.governor.ny.gov/news/amid-ongoing-covid-19-pandemic-governor-cuomo-announces-fifth-region-hits-benchmark-begin
https://www.governor.ny.gov/sites/governor.ny.gov/files/atoms/files/CurbsideIn-StorePickupRetailShortGuidelines.pdf
https://forward.ny.gov/industries-reopening-phase

Looking Ahead (cont'd)

Significant Challenges Lie Ahead for City's Businesses Despite a Nearing Restricted Reopening

As plans by the state and city are announced of preparations getting underway for the reopening of both the New York State and New York City economies, some reported commercial real estate industry people offer their views on the anticipated challenges that various major sectors in the city will likely face in the months ahead as they navigate the post-pandemic world.

- **Hospitality Industry** – Recovery of the sector is expected to take several years after the loss in tourism prompted many larger hotel operators to close several hotels. Revenue per available room (RevPar), which is a measure of occupancy and pricing, reportedly lowered to 90% in April. A report on May 11th indicated that approximately 25% of Marriott International's 7,300 hotels are closed; however its limited-service hotels in North America saw a stabilized 20% occupancy during the first 2-weeks of May, having benefited from people driving to vacation destinations.

- **Restaurants** – Dependent upon consistent levels of consumption, the industry that runs on a very low-profit margin will not only be expected to initially operate on a limited capacity to maintain social distancing requirements, but may also be further challenged by a lower number of people coming in until a level of confidence returns that it is safe. The kitchen area also gives rise to the logistical challenge of maintaining a safe distance for line cooks and preps that typically work shoulder-to-shoulder, which will likely require a reduction in kitchen staff, thereby impacting how many people can be served.

Significant Challenges Lie Ahead (cont'd)

- **Retail** – Dependent upon a consistent level of foot traffic, the brick-and-mortar retail industry was severely impacted by the wide-ranging shutdowns as non-essential workers were mandated to stay at home by the state. At a time when the city had already been experiencing an increase in storefront vacancies, it is anticipated that unless landlords and retailers are able to renegotiate leases, vacancy numbers will rise. Although not commonly used in the city, a rent structure whereby the landlord is paid a percentage of revenue the retailer earns potentially offers a strategy that more landlords might consider to help struggling retailers reopen; however it has been pointed out that it may not be a "sustainable model because of the expenses that landlords have." Some industry people believe that the boost to online purchasing by consumers as a result of the health crisis will further advance the already increasing trend away from brick-and-mortar shopping.

  In contrast, those that remain optimistic about the future health of the brick-and-mortar market suggest that to the contrary, it has substantiated retailer's need for physical locations, since increased online sales volume was unable to offset the loss of brick-and-mortar activity for many, in part due to the lesser likelihood of a shopper browsing the retailer's offerings beyond the specific item sought, thereby limiting further buying potential. It has been determined that buying potential increases when a consumer enters the store, which has been substantiated by the growing number of e-tailers entering the brick-and-mortar market as they grasp its benefits, such as reportedly offering customers instant gratification and the chance to see the product prior to purchasing, in addition to creating the potential of increased buying with fewer returns, which boosts profits. The move into the physical realm also serves as an acknowledgment that 90-cents of every retail dollar in the U.S. is still spent at a physical location, and industry watchers don't expect it to fall below 75-cents until the middle of next decade" according to an October 2018 industry report. Initially serving as "exercises in branding and publicity," brick-and-mortar outposts are now reportedly "core to long-term growth," with some retail startups "starting to include a store opening plan in pitches to venture firms."

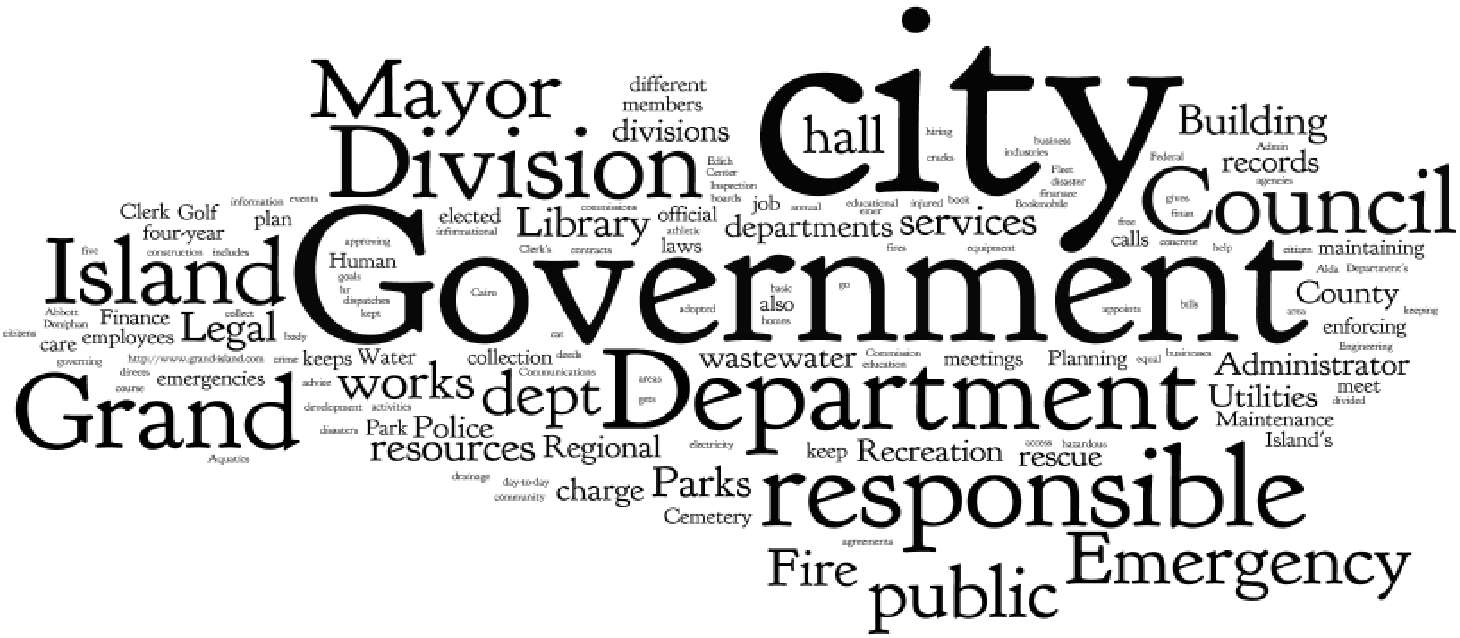
- **Live Events** – The sector that includes Broadway theatres, museums, art galleries and professional sports typically draws large groups of people; and will likely be the last to experience any type of re-opening.

  – **Broadway Theatres** – According to the May 12th press release by Broadway.org , the ongoing suspension of performances has prompted decisions by the industry to offer ticketholders refund and exchange options for performances through September 6, 2020, which is causing significant financial losses; and it is anticipated that even after allowed to reopen under restricted guidelines, the loss of tourism will further impact theatre finances.

  – **Cultural Institutions** – Museums and art galleries, which are typically not built for social distancing, rely heavily on tourism and school field trips. However, despite the city's cultural nonprofits seeing a significant loss in revenue normally generated by ticket sales, events and grants, many reportedly plan to maintain endowment draws at the same level as last year; while others are doing everything they can to avoid tapping into their endowment at all in part due to legal restrictions and longevity concerns. Reports indicate that nonprofits generally operate on a tight budget; and although endowment funds are typically invested in relatively conservative mutual funds to generate some annual returns, the institutions are limited by law from "dipping into their principal to cover operating expenses," which has reportedly prompted considerations by the Staten Island Museum to take out a margin loan[1] against reserves following planned budget cuts, to help with cash flow and operating expenses.

  – **Professional Sports** – The return of professional sports is reportedly being discussed by Governor Cuomo and team owners with the intention of determining what sports can work economically without the sale of stadium or arena seats. Reports indicate that an estimated 40% of Major League Baseball (MLB) revenue is generated from ticket sales; however the National Football League (NBL) is in better shape since it has a reportedly "ironclad" TV contract; and the National Basketball Association (NBA) had already played 75% of its season. In addition to negatively impacting sports league finances, local municipalities will also be impacted by the loss of revenue generated from parking receipts and stadium concession sales

[1] Margin loan – Allows borrowing against the value of securities already owned.



Looking Ahead (cont'd)

City Council Passes COVID-19 Relief Package for Restaurants and Small Businesses

The city council's press release on May 13th provided an overview of (5) bills that have been passed to provide additional protections to help the city's "small businesses survive the fiscal impacts of the loss of business and limited food service due to efforts to stop the spread of the virus."

- Third-party food delivery platforms will have the following added restrictions:
  - Fees that can be charged to restaurants are capped at 15% per order; and
  - Charges for telephone orders in which a transaction did not take place are prohibited.

- Sidewalk café fees citywide are suspended during the COVID-19 pandemic.
  - Revocable consent fees for unenclosed sidewalk cafés due between March 1,2020 and February 28, 2021 will be waived and/or refunded; and
  - Consent fees for enclosed sidewalk cafés will be waived for the period covering March 1, 2020 until the date that section two of emergency executive order number 105, as issued by the mayor on April 4, 2020, and as extended thereafter, expires.

- The threatening of a commercial tenant based on their status as a COVID-19 impacted business or person would be a form of harassment punishable by a civil penalty of $10,000 to $50,000; however, the bill does not impact a tenant's obligation to pay rent or a landlord's ability to enforce the terms of the lease, including lawful termination.

- Suspension of personal liability provisions for certain businesses, which are common in small business leases. However, to avoid the seizure of an owner's personal assets or property if they are unable to pay rent, they must turn in the keys to the property, effectively ending the lease. Businesses covered under the suspension include those that were required to:
  - (1) Stop serving food or beverages on-premises (restaurants and bars);
  - (2) Cease operations altogether (gyms, fitness centers, movie theaters);
  - (3) Close and/or subject to in-person restrictions; (retail)
  - (4) Close to the public (barbershops, hair salons, tattoo or piercing parlors and related personal care service).

Sources: https://council.nyc.gov/press/2020/05/13/1954/

Looking Ahead (cont'd)

City's Phased-in Reopening Plan for Restaurants and Bars Falls Short

Despite providing an opportunity for the owners of several of the city's top independent restaurants to express concerns, Mayor de Blasio's proposed plan to reopen the coronavirus-shuttered sector was reportedly not met with enthusiasm. While final decisions of the 3-phase plan have yet to be made, it is expected to culminate with a full reopening of the city's restaurants and bars after Labor Day — a decision that could be made in conjunction with the potential reopening of the city's public schools according to reports. Specific dates or an outline of what each phase might entail have yet to be announced by the de Blasio administration; but a moving forward of the plan will reportedly be "entirely contingent on health data and a sustained decline in the spread of COVID-19 cases in the city."

Response among some of the restaurateurs reportedly included:

- A preference to wait longer to reopen if it meant opening with more seats, noting that opening at reduced capacities to ensure social-distancing, which could potentially be 25%, is not sustainable since a "partial reopening would come with all the expenses of a full return to business, but with just a fraction of the income to offset them." Some indicating that "75% would be the lowest financially tenable capacity." Some restaurants plan to convert areas dedicated for private events for regular dining, in order to provide additional seating once the restricted re-opening is allowed in an effort to bridge the gap of lost area to meet 6-foot social distancing requirement.

- The concern of opening too early and facing another wave of confirmed COVID-19 cases, triggering another mandated shutdown.

- Allowing restaurants to add seats on closed city streets — a consideration that is being discussed with the Mayor. In addition, the city council passed a bill on May 13th eliminating and/or refunding sidewalk café consent fees due between March 1, 2020 and February 28, 2021, which reports indicate "typically cost restaurants thousands of dollars each year."

- The less inviting dining atmosphere that will be created by the wearing of gloves and facemasks by patrons and staff, which is likely to become the new norm; as well as the challenge of serving food and maintaining a 6-foot distance.

With no clear end of the health crisis in sight, some of the restaurateurs that at the time of the March shutdowns opted to pass on providing take-out offerings, have begun to reconsider, recognizing the much needed new revenue stream with some now planning to continue to build up their take-out delivery service even after reopening. As concerns intensify about their business' survival, some are beginning to take the first steps back into business by opening a few locations with plans to offer a limited menu for curbside pick-up, as well as some meal kits, with orders being taken for many through delivery apps such as GrubHub, Cavier and Seamless; but others seeking to avoid the extra fees and further re-connect with patrons, are having their own waiter staff make the deliveries.

Although there is a general consensus that the restaurant re-openings will proceed very carefully, planned time frames to reopen vary with some restaurateurs intending to wait until a vaccine is available; while there are others that may be dependent on the re-opening of nearby live entertainment venues from which they draw most of their patron base.

Sources: https://ny.eater.com/2020/5/13/21255784/nyc-restaurant-reopening-three-phases-coronavirus

Looking Ahead (cont'd)

Hiring by Some Companies Continues Amid COVID-19 Pandemic

Despite mandatory shutdowns as a result of the coronavirus health crisis as storefronts nationwide went dark, "dealing a serious blow" to the overall retail industry, robust hiring continues among a mix of e-commerce and brick-and-mortar brands. According to reports on April 14th job opening data compiled by networking platform LinkedIn revealed that although a few e-commerce companies led the way, "a long list of more traditional retailers with brick-and-mortar stores" are actively "seeking additional staff not only for the stores themselves, but for logistics and other roles." Findings also indicated that "all the retailers that are hiring offer services that are more indispensable, such as groceries, medicine and hardware;" as well as a few from other industries. Below is the list of the 10 companies seeking the highest number of hires:

Company	# of Workers Sought	Sector
Instacart	300,000	E-commerce (grocery delivery service)
Amazon	75,000	E-commerce (retail)
Recently completed a pledge to hire 100,000 full-and part-time hires for sites across the U.S.; and on April 13th announced the opening of the additional 75,000 jobs		
CVS Health	50,000	Brick-and-Mortar (Pharmaceutical)
Dollar General	50,000	Brick-and-Mortar (retail)
Walmart	50,000	Brick-and-Mortar (grocery)
Ace Hardware	30,000	Brick-and-Mortar (hardware)
Pizza Hut	30,000	Brick-and-Mortar (Food & Beverage)
Lowe's	30,000	Brick-and-Mortar (homeware)
Dollar Tree	25,000	Brick-and-Mortar (retail)
Walgreens	25,000	Brick-and-Mortar (pharmaceutical)

Sources: https://blog.aboutamazon.com/company-news/amazon-hiring-for-additional-75-000-jobs

Looking Ahead (cont'd)

Department Stores Sustain Yet Another Financial Blow as COVID-19 Leads to Mass Store Closures

At onetime viewed as the go-to hub for shopping, department stores have faced heightened challenges over the last several years in part due to many fashion brands opening their own dedicated stores, an increasing preference among millennials of discount store options, and the growing e-commerce industry. While some department stores have had certain success adjusting to omni-channel retailing, the latest mass shutdowns of their brick-and-mortar stores, spurred by efforts to contain the spread of the coronavirus, has significantly impacted the already weakened financial situation of many; and while announcements of gradual store re-openings have begun to surface, protocols being put into place to maintain social distancing will temporarily eliminate several in-store services and restrict customer in-store volume.

Among New York City's department stores:

Macy's, Inc. initially planned to temporarily close its approximately 725 Macy's, Bloomingdales, Bluemercury, Macy's Backstage, Bloomingdale's Outlets, and the newly launched concept Market by Macy's stores for the two weeks of March 17 through March 31st, during which time benefits and compensation was provided to impacted employees. News of the shutdown came about 6-weeks following announcements of the company's plans to shutter 125 of its weakest locations over the next 3-years, representing about one-fifth of its portfolio, as well as a closure on some offices and the elimination of about 2,000 corporate jobs, equating to about 10% of its corporate and support staff according to early February reports. When it became apparent that the stores would not be able to reopen by the end of March, decisions were reportedly made to furlough most of the department store's workforce of about 125,000 people after measures taken to "shore up its finances" helped but were "not enough," reports indicating that Macy's would be covering the entire premium costs at least through May of furloughed employees getting health benefits so that their health coverage continues. Like many of Macy's competitors, the company worked to maintain financial flexibility through measures including suspending the dividend, drawing down its credit line, freezing both hiring and spending, stopping capital spend, reducing receipts, cancelling some orders and extending payment terms according the retailer's March 30th press release.

Despite keeping its digital business open, the store closures led to the loss of the majority of the retailer's sales per reported Macy's statements, prompting decisions by the 162-year-old department store chain to pause its 3-year **Polaris** strategy plan intended to "stabilize profitability and position the company for growth." Reports on April 11th indicated that Macy's has roughly $7 billion in store lease obligations and $3.6 billion in long-term debt, of which ratings agency Fitch reportedly noted that $530 million is due in January 2021 and another $450 million at the start of 2022 — which Macy's likely has enough cash to cover those payments.

Department Store Financial Blow (cont'd)

While "bankruptcy is not currently a focus for the department store retailer, efforts to strengthen its capital structure have reportedly led to Macy's retaining an investment bank that "specializes in finding ways to recapitalize financially troubled companies and rework debts," as well as debt restructuring lawyers to reportedly help Macy's manage its liability and explore further options that includes the consideration of raising $5 billion worth of debt, by "bringing in $3 billion with inventory as collateral, as well as $1 billion to $2 billion with real estate" according to an April 22nd report. While the company's credit rating was reportedly downgraded to junk by two ratings firms, making it more expensive to borrow, the situation may turn around as Macy's junk-rated bonds reportedly rallied in early April following the announcement by the Federal Reserve that it "would expand its bond buying program to bonds of companies that had been investment-grade but then were downgraded to junk status."

Over the next six to eight weeks, Macy's reportedly plans to begin a phased reopening of its stores state-by-state, but with "new rules and restrictions that employees and customers will be required to follow" as ongoing precautionary measures. Although unverified, its seems likely that the New York City stores, which according to respective websites include (8) Macy's stores plus (2) Macy's Furniture Galleries, 2 Bloomingdale's stores, (1) Bloomingdale's Outlet, (7) Bluemercury stores, and (2) Macy's Backstage, will be the furthest along on Macy's tentative reopening timeline.

Nordstrom had announced on March 17th the temporary 2-week closure of all its 380 U.S and Canada stores, which operate under its full-line Nordstrom, Nordstrom Rack, Trunk Club and Jeffrey store brands. During the effective period through March 31st, the Seattle-based department store retailer provided pay and benefits for its employees. On May 4th, Nordstrom announced preparations for a phased opening of stores based on state and local government guidelines. Nordstrom's re-opening plans include the permanent closure of (16) stores, in addition to a restructuring of its "regional organization, support roles and corporate organization to better position its business for changes in online and in-person shopping habits," which are expected to save Nordstrom $150 million according to reports. In addition, as part of the retailer's marketing strategy, stores will be used as fulfillment centers, offering curbside pick-up and returns. To further mitigate the financial impact of COVID-19, Nordstrom reportedly announced a suspension of all full-price merchandise orders for June/July.

In the wake of the health crisis new guidelines being put into place, some which may become permanent, include a limitation of customer volume and reduced store hours to provide additional time for cleaning; and while its in-store Ebar coffee shops will open, the opening of store restaurants will be on a case-by-case basis. In addition, efforts to provide contact-less transactions will eliminate the acceptance of cash. A newcomer to the New York City brick-and-mortar market, the 118-year-old retailer led off its debut with the initial opening of its first-ever standalone men's store in mid-2018 at 235 West 57th Street (aka 3 Columbus Circle), followed with much fan-fare the October 24th opening of its 320,000-square-foot New York City flagship at 225 West 57th Street. In addition, there are (5) Nordstrom Rack stores, (2) Trunk Club stores, and (1) Nordstrom Local concept store currently in operation in the city.

Department Store Financial Blow (cont'd)

Saks Fifth Avenue similarly closed all of its stores in the U.S. and Canada for a planned two week period effective March 18th, a press release by parent company Hudson's Bay (HBC) indicating that store associates would be paid for their scheduled hours during that time. The luxury department store currently operates (3) stores in New York City — the 665,169-square-foot full-line flagship at 611-623 Fifth Avenue, as well as (2) Saks Off 5th discount stores. At the end of April, reports announced decisions by HBC to temporarily layoff 507 New York City workers effective April 21st through May 4th amid the "unforeseeable business circumstances prompted by COVID-19;" and during the furlough period HBC will cover health benefit premiums so that store associates continue to receive coverage. The temporary store closures came less than one month following approvals by HBC shareholders to take the over 300-year-old Canadian firm private, in a move that will allow the financially struggling company to "try to mount a turnaround without the scrutiny of public markets" according to reports at the end of February. As of the HBC's quarter that ended November 2, 2019 there were (42) Saks Fifth Avenue stores, (115) Saks Off 5th stores, as well as 89 of its namesake stores in operation throughout the U.S. and Canada.

Plans are underway for a post-coronavirus re-opening that will see store hours reduced by 20% on average, with members of the company's loyalty programs being able to book an appointment to shop an hour before or after official store hours. Other newly instated plans reportedly include "using Zoom and other video-conferencing apps" to enable personal stylists to walk clients through the Gucci, Chanel and Dior shops at Manhattan's 5th Avenue flagship, which completed an approximately $250 million renovation last year intended to prompt customers to linger. In addition, a reportedly planned "valet" return system will allow customers to "text a store associate to meet them at the entrance, or even outside the store to handle the transaction.

Sources: https://www.reuters.com/article/us-neimanmarcus-bankruptcy-exclusive/exclusive-neiman-marcus-to-file-for-bankruptcy-as-soon-as-this-week-sources-idUSKBN2210CW
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Department Store Financial Blow (cont'd)

Neiman Marcus Group currently manages (2) Manhattan Bergdorf Goodman stores, as well as (43) namesake stores and (22) Neiman Marcus Last Call stores nationwide, all of which have been closed since March 17th. Neiman Marcus also has a MyTheresa in Germany—a brick-and-mortar version of Neiman's fast-growing luxury MyTheresa e-commerce site acquired in 2014. The 113-year-old Dallas, TX-based retailer has been struggling with a high debt burden since the $6 billion leveraged buyout by Ares Management and the Canada Pension Plan Investment Board in 2013; and back in 2017 plans for an initial public offering (IPO) were reportedly abandoned as slower mall traffic and a broader consumer shift away from department stores significantly impacted the Neiman Marcus' sales volume.

Any progress made to turn its financial situation around has reportedly been diminished by the unprecedented disruption caused by COVID-19 adding significant pressure on Neiman Marcus' business, ultimately leading to decisions on May 7th to file for Chapter 11 bankruptcy protection, with the hope of reportedly restructuring its $4.8 billion debt burden. Continued operations during the bankruptcy proceedings will reportedly be funded by $675 million in financing secured from creditors, in addition to an agreed "$750 million package to create more liquidity, with a goal to emerge from bankruptcy by fall." As part of Neiman Marcus' aim to eliminate about $4 billion of debt, the creditors will become the majority owners of the company. The MyTheresa site is not part of Neiman' bankruptcy, reports indicating that as a result of controversial transfer of the Neiman Marcus Group Ltd. subsidiary to parent holding company The Neiman Marcus Group Inc., the e-tailer is "not subject to the same rules under the credit agreement as the other units of the company," and therefore beyond the reach of creditors.

Neiman Marcus made its New York City debut last March with the opening of its 3-story, 190,000-square-foot store as anchor tenant of the 7-story **Shops & Restaurants at Hudson Yards** mall. However, news of the bankruptcy filing could cast some uncertainty over the mall pending its outcome. Reports indicate that as part of the 2014 commitment, most of the cost of the store's interior buildout was covered by the developers, along with an agreed "arrangement that involved Neiman Marcus paying a portion of sales in exchange for rent" for the first 5-years, followed by the" entering of a traditional rent arrangement starting in the 6th year of the lease." However, since the "brand was considered such a significant selling point," several other stores in the mall "reached [co-tenancy] agreements in their leases that allowed for rent discounts or lease exits if Neiman were to go and an equal replacement was not found" according to reports.

U.S. Census Bureau Report

Advance Monthly Sales for Retail and Food Services, April 2020

The report released by the federal agency provided advance estimates of April's nationwide sales revenue for the retail and food services industries, as many businesses continue to operate on a limited capacity or have cease operations completely as a result of COVID-19. Adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, total sales revenue for the month was $403.9 billion, representing a decline in dollar volume of roughly 16.4% and 21.6% month-over-month and year-over-year respectively; and during the 3-month period of February 2020 through April 2020, sales volume fell about 7.7% year-over-year. Sales volume for some of the categories are provided below..

Kind of Business	2020 Sales Volume – Adjusted (in Millions) April (a)	March (p)	Month-over-Month Change	Year-over-Year Change
Retail Trade	$371,585	$437,561	-15.1%	-17.8%
Furniture & home furnishing stores	$3,301	$7,994	-58.7%	-66.5%
Electronics & appliance stores	$2,827	$7,168	-60.6%	-64.8%
Clothing & clothing accessories stores	$2,371	$11,209	-78.8%	-89.3%
Department stores	$6,085	$8,563	-28.9%	-47.0%
Food services & drinking places	$32,361	$45,915	-29.5%	-48.7%
Nonstore retailers	$78,383	$72,315	8.4%	21.6%
Grocery stores	$63,958	$73,718	-13.2%	13.2%
(a) advance estimate (p) preliminary estimate				

Sources: https://www.census.gov/retail/marts/www/marts_current.pdf

In the News

New JV to Launch Combined Food Hall, Ghost Kitchen and Mobile Delivery Concept

A newly launched joint venture by mall operator Simon Property Group, international hotelier Accor and hospitality firm SBE Entertainment Group reportedly plans to open "so-called ghost kitchens at 200 locations, including vacant space at shopping malls, by the end of 2021." A broad term, ghost kitchens can "encompass professional kitchen space for businesses delivery-only "virtual restaurants" that don't have brick-and-mortar restaurant locations, or operate food trucks; as well as providing commissary space that brick-and-mortar restaurants and national chains can use to help fill their delivery orders. Operating under the name **Creating Culinary Communities**, or C3, the concept has been described by an SBE spokesperson as a new "way to approach food halls, ghost kitchens and mobile delivery," by providing "single operator, multi-branded solutions" to tie-in the three related business lines. Kicking off the new concept, C3 has already begun construction of its first major restaurant, **Citizens**, at Brookfield Property Partners' 5 Manhattan West. The 40,000-square-foot space will host (2) full-service restaurants, multiple bars, a fast-casual market hall, and a 5,000-square-foot ghost kitchen that will serve customers both at the food hall as well as through delivery. C3 hopes to grow by providing another option for mall operators to fill vacant space left behind by national retail chains that have downsized or shuttered completely; as well as "revolutionizing the in-room dining experience" offered by hotel operators. Plans are reportedly already in the works to open C3 ghost kitchens at the King of Prussia Mall in Pennsylvania, Lenox Square in Atlanta, GA, and at the Sanderson London hotel.

Amazon's Brick-and-Mortar Strategy Continues to Evolve

Continuing to increase market-share in retail brick-and-mortar, which enables Amazon to reportedly "learn about how consumers browse in person, a valuable category of data not available online," the e-commerce giant reportedly announced in early February that is planning to double the number of its **4-Star** concept stores nationwide this year. Currently there are (9) of the stores in operation that feature the company's products which have received a minimum of a 4-star consumer rating; or are new and trending on Amazon.com. The planned opening of the (11) new stores will be divided among the states of New Jersey, California, Arizona, Connecticut, Florida, Georgia, Michigan, Minnesota and Texas according to reports.

In September 2018, the new concept made its New York City debut in a 5,200-square-foot space in Manhattan's SoHo neighborhood at **72 Spring Street**, which sells a mix of merchandise from Amazon's most popular categories — devices, consumer electronics, kitchen, home, toys, books, and games. Some of the items have been grouped into categories such as "Most-Wished-For," "Trending Around NYC," "Frequently Bought Together," and "Amazon Features" based upon New York City consumer Amazon.com buying trends. As with Amazon Books, members of Amazon's Prime program enjoy the savings of the website's online pricing, while non-Prime members will pay the higher list price.

News of the 4-Star expansion comes just over one year after reports surfaced of decisions by Amazon to close its 90 **Pop-Up** store locations in the United States" as the company's retail strategy continues to evolve. The stand-alone kiosks typically located within malls, Kohl's and grocery stores, had showcased Amazon's devices, such as its Fire tablets and Echo speakers. However, recently Amazon has begun opening what has been described as a "new incarnation" of the Pop-Up that has been rebranded **Amazon Pop-Up**, with locations currently operating in California, Colorado, Illinois, Nevada, Washington and Texas according to the website. Intended to be a physical extension of Amazon, the pop-ups feature rotating themes and brands, while providing consumers with the immersive opportunity to "try-before-you-buy" experience.

Macy's to Move Beyond the Mall with Debut of Small Concept Store

As part of its 3-year **Polaris** strategy plan intended to "stabilize profitability and position the company for growth" the 162-year-old department store chain will be moving beyond the walls of the nation's shopping malls to test a new store format. Dubbed **Market by Macy's**, the small format store will be located "off-mall in lifestyle centers" according the retailer's press release. The first location that opened on February 6 in the Dallas suburb of Southlake, Texas is about 15,000 square feet, significantly smaller than Macy's typical 116,000-square-foot mall store, with other locations planned for Atlanta, GA and Washington, D.C.

The new concept is primarily aimed at the under-40 age group, and will initially open with a "selective assortment of apparel brands, jewelry and home décor, plus apothecary aimed at health and cosmetics, one of the department store's biggest customer magnets;" as well as featuring products from local artisans according to reports. Macy's is hoping that the concept will provide an opportunity to "test, learn and innovate" as they continue to seek ways to boost sales revenue and foot traffic. Announcements of the Market by Macy's concept comes simultaneously to the planned closure of 125 of Macy's least productive stores over the next 3-years, which account for approximately $1.4 billion in annual sales, in a move to optimize its portfolio.

Market by Macy's

Other concepts Macy's has recently begun testing include:

- **Clothing Resale** – Through a partnership with online consignment and thrift startup **ThredUp**, the 500-square-foot clothing and accessary resale concept announced in August was initially being tested in 40 of Macy's namesake stores. The majority of the apparel is reportedly made up of "customers return for whatever reason made within the 30-day money-back guarantee period."

- **Rental Concepts** – The subscription rental apparel service dubbed **My List** is being tested at its Bloomingdale's stores, hoping to generate the success that the 2009 launched startup Rent the Runway has had.

- **Backstage** – The acceleration of plans to open more than 200 store-within-a-store concepts by the end of 2019 of Macy's off-price outlets launched in 2016, which along with store upgrades has helped to boost sales revenue. Success of the Backstage platform is reportedly prompting the retailer to consider opening a combination of 50 more stores-within-stores and freestanding outlets.

- **STORY** – The "narrative-driven retail concept shop" launched in 2010 in New York City was acquired by Macy's in 2018. An in-store concept was initially launched within 36 Macy's stores across 15 states last April. The small "shop-in-shop" spaces that average about 1,500 square feet feature a rotating cast of brands; and will also provide a testing ground for new products and brands. Macy's is hoping that the installation of the "discovery-led narrative experience" will help to expand the department store's reach to young shoppers in the digital age; and give new customers a fresh reason to visit the stores, while prompting current Macy's shoppers a reason to return repeatedly throughout the year. Initially tested in 36 stores, the created STORY themes will change every few months. The inaugural launch of Color STORY had reportedly featured more than 400 products for men, women, kids and the home from over 70 small businesses that have come together.

Sources: https://www.macysinc.com/investors/news-events/press-releases/detail/1608/macys-inc-announces-three-year-polaris-strategy-to
https://www.businessinsider.com/macys-new-store-not-in-mall-photos-2020-2

Fairway Bankruptcy Auction Comes to a Closure

The auction of store leases operated by the 87-year-old Fairway market was reportedly completed in March, as part of the grocer's January 22nd filing for Chapter 11 bankruptcy protection. Among the 14 stores, Fairway's stores in Harlem and Brooklyn's Red Hook neighborhood failed to attract a taker, as well as locations in Stamford, CT, 2 in Long Island, in Westbury and Plainview, and one in Queens according to reports. Winning bidders among the 10 leases sold included:

Village Super Market - The Springfield, NJ-based member of the Wakefern Food Corp. cooperative that reportedly operates under the ShopRite and Gourmet Garage brands, had reportedly secured an initial agreement with Fairway at the time of the Chapter 11 filing for the (5) Manhattan stores and the Bronx warehouse. According to reported statements at the time by a Fairway spokesperson, the approximately $70 million offer acted as a "so-called stalking horse bid that sets a floor for other potential offers in a court-supervised auction." Although Food Bazaar operator **Bagopa Enterprises** topped Village Super Market's bid in March, with an offer of $76 million for the (5) Manhattan stores plus the Westchester store in Pelham Manor, it failed to secure the deal, but has reportedly been named the backup bidder for the stores being acquired by Village Super Market.

Previous reports earlier this year indicated that Village Super Market plans to continue to operate the acquired locations under the Fairway name, having reportedly also acquired the intellectual property right of the "Fairway" and "Fairway Market" names per reported details of court documents. As a result of the auction and reportedly $76 million offer, in addition to the **parking lot of the Harlem store** and the Westchester store at **Post Road Plaza**, 847 Pelham Parkway, Village Super Market now controls:

Location	Sq. Ftge. (approx.)	Deal Terms*
Manhattan: 766 Sixth Avenue, Chelsea	26,000 SF - 17,000 SF Grd - 9,000 SF Bsmt	20-year lease issued February 2013 and includes (2) 10-year extension options.
Kips Bay Shopping Center 550 Second Avenue, Kips Bay	40,119 SF	20-year lease commenced August 10, 2012 and includes (2) 10-year renewal options.
2131 Broadway, Upper West Side	N/A	25-year lease commenced January 18, 2007 and extending through January 2032; includes (2) 5-year extension options.
240 East 86th Street, Upper East Side	45,283 SF	20-year lease issued August 11, 2010 includes (2) 10-year extension options.
Bronx: Distribution Center 400 Walnut Avenue, Port Morris	237,000 SF	25-year lease dated May 2, 2013, commencing May 16, 2013 and expiring June 30, 2039
*Source : NYC ACRIS		

Amazon – Reports in March delivered news of the e-commerce giant placing a bid on (4) Fairway locations. However, the company was only successful in acquiring the leases for the (2) New Jersey locations with a reported bid of $1.5 million — 1510 U.S. 46, Woodland Park and 30 East Ridgewood Avenue, Paramus; while store locations at Brooklyn's Georgetowne Shopping Center and in Westchester went to other bidders, with Amazon named as the backup bidder for the Brooklyn store being acquired by Seven Seas .

Seven Seas Georgetowne – The company reportedly associated with the Key Food Stores Cooperative offered $5 million for one of the Brooklyn stores:

Location	Sq. Ftge. (approx.)	Deal Terms*
Brooklyn: Georgetowne Shopping Center 2149 Ralph Avenue, Georgetown	40,000 SF	Approximately 20-year and 9-month lease issued May 18, 2015 includes (2) 10-year extension options. Fairway reportedly serves as the anchor tenant at the 147,000-square-foot shopping center recently sold for $85 million to Federal Realty Trust.
*Source : NYC ACRIS		

Developing Trends

Fast-Casual Brands Enjoy an Uptick in Private Equity Investor Interest

Robust demand from "life-style-conscious" millennials and Gen-Z consumers of fast-casual eateries has captured the interest of private equity investors seeking to invest in "cult food" concepts that "can scale quickly and offer attractive returns, even in what's generally considered a high-risk and low-margin business" according to reports. While other retail sectors have struggled in recent years, landlords reportedly "now look to food tenants to both activate and brand their properties." Some landlords are hosting rotating vendors in addition to some long-term offerings, thereby creating the opportunity to test various concepts and determine what works best for the location, something which has become crucial at a time when the food industry is undergoing rapid change in response to the reportedly on-demand economy as it looks "for ways to navigate the arrival of cloud kitchens; the competing demands of convenience and authenticity; and experimenting with the various income streams, from order-ahead clients to walk-in customers and third-party delivery apps."

A growing number of food entrepreneurs are entering the market, a trend that is being driven by a "combination of food halls, food trucks and pop-ups offering a lower-cost entry;" and a lot of the newer brands are reportedly built with a focus on scalability, which is making them very attractive to investors seeking "exciting chef-driven concepts that can have explosive growth." A further interest by investors of the fast-casual model, which lowers costs by simplifying preparation and minimizing ingredients, is the efficiency of training anyone to prepare the dishes without any change to consistency or quality; however, the challenge is in determining which will survive a growth spurt. In contrast to fast-food brands, which can easily be replicated, and focus on low costs; as well as having the benefit of using the "franchise model to proliferate in markets with cheaper real estate and lower buildout costs," fast-casual, locally-sourced concepts are harder to replicate and brand loyalty doesn't always translate well across a national footprint." In addition, some mistakes that can lead to a startup's early failure reportedly include "choosing 'off-Main' locations and hoping the brand is strong enough to entice customers; piggybacking a location strategy off of a mis-matched brand; and overspending on buildout."

Some cited startups seeing success include:

- **Bluestone Lane** –The Australia-based coffee purveyor launched in 2013 attracted the interest of Related Companies' RSE Ventures 5-years later upon expanding to 30 locations in (6) markets, with plans to open another 30 outposts within 2-years and expand into (4) more markets.

- **Dig** (formerly Dig Inn) – The locally farm-sourced eatery launched in New York City in 2011 that currently operates 12 locations in (5) markets attracted the interest of Union Square Hospitality's Enlightened Hospitality Investments (EHI) in 2019 due to the concept's potential to work well in a wide range of markets.

- **&Pizza** – The D.C.-based pizza concept founded in 2012 reportedly raised $60 million, including an investment by RSE Ventures in 2017. Reports indicate that by late 2019, 36 locations were in operation in D.C. and New York, at which time the startup partnered with robot pizza company **Zume**. Backed by Japan-based Softbank, the startup initially launched serving pizzas made by robots in 2015, now offers automated kitchen infrastructure to other restaurants. The new partnership has enabled &Pizza to instantly expand its number of locations from 40 to 70, while minimizing the real estate and capital expenditure costs, by utilizing Zume's fleet of trucks offering a variation on the cloud kitchen, to cook and deliver its own pizzas.

Real Estate Board of New York's Winter 2020 Brooklyn Retail Report

The report released in March by REBNY revealed that average asking rents for available ground floor retail spaces within the borough decreased year-over-year in (8) of the (17) corridors profiled. Rents continued to stabilize overall across the major retail corridors, as owners better position their space to meet tenant expectations.

The surveyed corridors in the report represent Brooklyn's top tier retail corridors. While the asking rents provided are intended to offer a useful and reliable guide, the rent fluctuations between two consecutive periods does not necessarily indicate a change in the market. In addition physical components of a retail space significantly factor into its rental value such as frontage, ceiling height, presence of below grade, mezzanine, and 2nd floor space; as well as locational factors such as proximity to subway access.

Corridor	Winter 2020 Avg. Asking	Winter 2020 Asking Range	Winter 2019 Avg. Asking	% Yr-over-Yr Change	% Change Summer 2019
Greenpoint					
Franklin St (Meserole Ave – Commercial St)	$69	$32 - $120	$70	-1%	-6%
Manhattan Ave (Driggs Ave – Ash St)	$70	$35 - $130	$70	1%	5%
Williamsburg					
Bedford Ave (North 8th St – North 12th St)	$153	$120 - $200	$147	4%	0%
Bedford Ave (Grand St – North 12th St)	$276	$82 - $500	$319	-14%	-15%
North 6th St (Driggs Ave – Kent Ave)	$237	$133 - $300	$209	14%	-3%
North 4th St (Driggs Ave – Kent Ave)	$135	$45 - $260	$196	-31%	-16%
Grand St (Havemeyer St – Kent Ave)	$87	$40 - $137	$100	-13%	-5%
DUMBO					
Washington St, Main St, Water St, Front St	$69	$37 - $140	$108	-36%	-32%
Brooklyn Heights					
Montague St (Hicks St – Cadman Plz)	$97	$65 - $150	$72	35%	13%
Downtown Brooklyn					
Fulton St (Boerum Pl – Flatbush Ave)	$295	$200 - $375	$262	13%	25%
	$157	$113 - $217	$166	-5%	-2%
Prospect Heights					
Flatbush Ave (5th Ave – Grand Armory Plz)	$134	$86 - $226	$139	-4%	-5%
CobbleHill					
Court St (Atlantic Ave – Carroll St)	$120	$48 - $210	$96	25%	14%
Smith St (Atlantic Ave – Carroll St)	$94	$55 - $160	$83	13%	-3%
Park Slope					
7th Ave (Union St – 9th St)	$99	$83 - $120	$117	-15%	16%
5th Ave (Union St – 9th St)	$99	$74 - $125	$95	4%	-5%
Bay Ridge					
86th St (4th Ave – Fort Hamilton Pky)	$119	$55 - $150	$111	7%	16%

Sources: https://www.rebny.com/content/dam/rebny/Documents/PDF/News/Research/Retail%20Reports/2020_Winter_BrooklynRetailReport.pdf

Leasing Activity

Lease Deal to Watch For

Midtown

Eataly / 660 Madison Avenue (Plaza) – The Italian-themed emporium has reportedly been in "quiet" talks to lease or buy a 40,000-square-foot space within the 275,000-square-foot former **Barneys** flagship; and although a relatively small portion in comparison, would mark a major move at sparking new life within the retail condominium at the base of the 22-story, 475,893-square-foot building that has remained in darkness since Barneys' closure at the end of February in the wake of the retailer's bankruptcy. However, it remains uncertain if the onset of the COVID-19 pandemic has had an impact on chances of the potential deal moving forward.

Lease Deal Highlights

Midtown

Taco Bell Cantina / 707 Lexington Avenue (Plaza) – The Irvine, CA-based fast food chain will be opening in the Midtown East area, having reportedly secured a 15-year lease for the entire 4-story, 6,615-square-foot building. Located between East 57th and 58th Streets, the Mexican eatery plans to use the ground and 2nd floors for retail; while the 3rd and 4th floors will be for office use or subleased out to another retail tenant according to reports. Asking rents for the space reportedly range from $400 per square foot on the ground level to $85 per square foot on the 4th floor. Since shifting to a trendier "cantina" build-out launched in 2015, which typically serves alcohol, Taco Bell has reportedly become more sought after in New York City over the past year.

A continued rapid expansion by the eatery has added (3) more reported lease signings since January:

- **1501 Broadway** (Times Square) – A 10-year lease for 3,250 square feet of ground level space in a portion of the **Paramount Building's** lobby that was relocated from Broadway to 43rd Street. The deal that had a reported asking rent of $1,500 per square foot includes LED signage and an additional 800 square feet of lower level space.

- **976 Sixth Avenue** (Penn Plaza) – A 10-year lease was signed for 4,610 square feet. The off-market deal includes 1,537 square feet on the ground level, 1,500 square feet on the 2nd floor and 1,573 square feet of basement space.

- **1266-1270 1st Avenue aka 401East 68th Street** (Upper East Side) – A 10-year lease for 2,650 square feet of ground and basement space in the Lenox Hill section of the neighborhood.

Starbucks / 350 Fifth Avenue (Penn Plaza) – The coffee chain has reportedly secured a 23,000-square-foot lease at the base of the **Empire State Building**. The lease was reportedly signed amid the coronavirus pandemic, but prior to Governor Cuomo's full ban on non-essential workers going into offices. The deal will see the Seattle-based retailer expand from its current 1,500-square-foot storefront on the west end of the iconic building, to the southeast corner. Starbucks will occupy 9,200 on the ground level, offering 86-feet of 5th Avenue frontage, at an asking rent of $325 per square foot; as well as space on the concourse level and 2nd floor. The majority of the space formerly served as the home of the **Heartland Brewery** restaurant, while the remaining portion is currently occupied by fast-casual eatery **Chipotle Mexican Grill**, which reportedly renewed its lease and will relocate to Starbuck's current storefront. Starbucks will relocate into a temporary space while concept work and redevelopment plans get underway for what could potentially be a high-end concept offering alcohol, food and branded merchandise that also offers private dining areas and coffee taskings — similar to its **Starbucks Reserve Roastery and Tasking Room** currently in operation in the Meatpacking District at 61 Ninth Avenue, but without the roastery according to reports. The new location will benefit from the additional foot-traffic of tourists that exit nearby from the building's Observation Decks, in addition to interior entrances the provide direct access from within the building to tenants.

Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Brickworks Limited / 445 Fifth Avenue (Grand Central) – The Australia-based conglomerate that reportedly manufactures building materials and owns a variety of American brickmaking brands will be opening its second U.S. flagship location. The 16,171-square-foot multi-level space secured under a 10-year term will serve as a design studio for the company's various brands, as well as event space "to engage with the architectural community" according to reports. Located on the corner of East 39th Street, the retail condominium situated at the base of the 174-unit mixed-use condominium was formerly occupied by women's accessories brand Charming Charlie, which had secured a lease in late 2013 for the space that served as its first New York City location. Currently owned by Virginia-based Harbor Group International, having acquired the retail condo for $68 million ($4,205 per square foot) in December 2015.

Avra Estiatorio / 1271 Sixth Avenue (Columbus Circle) – The Greek restaurant established in 2000 is expected to open its 3rd Manhattan location, having reportedly secured a lease for 16,000 square feet at the base of the 48-story tower. If the lease that is reportedly in final stages moves ahead as anticipated, Avra will occupy a multi-level space that formerly housed a Fidelity branch. Other Manhattan locations currently in operation are located in **The Cosmopolitan** residential tower in Midtown East at 141-145 East 48th Street since 2003 and T**he Financial Times Building** in the Plaza District and 14 East 60th Street, where the restaurant occupiest 9,250 square feet on the ground and lower levels since 2015.

Midtown South

Target / 10 Union Square East aka 1 Irving Place (Union Square) – The discount homeware chain has secured a lease for 32,759 square feet at the base of the 27-story, 1.07 million-square-foot building that is home to **Mt. Sinai Beth Israel Medical Center**. The Minneapolis, MN-based retailer will replace longtime grocery store tenant the **Food Emporium** sometime reportedly before the end of 2023. According to city record documents Target's lease will have an initial term of 15 years with an option to exercise a 10-year extension on the first day of the 16th year; and an additional 5-year extension, that if exercised, will commence on the first day of the 26th year for a total term of 30-years. Asking rent for the space that includes about 8,823 square feet of basement space (per original A&P lease) and a loading dock was reportedly $183 per square foot.

Although unverified, the grocery store at the Union Square location appears to have been acquired by the Brooklyn-based entity Seven Seas Union Sq. LLC, paying roughly $1.487 million in RPTT and RETT. Many of the other Food Emporium chain stores that were previously owned by the former Great Atlantic & Pacific Tea Company (A&P) were sold to Albertsons and Safeway supermarket owner Mid-Atlantic-based Acme Markets; and Netherlands-based Ahold, which owns the Quincy, MA-based Shop & Stop chain, while others were either purchased by smaller supermarket operators or shuttered. City record documents indicate that a grocery store under the A&P umbrella has been located at the site since May 1986. The initial lease term for the space that was expanded in 1998 to 24,109 square feet on the ground level (including the loading area) and 8,823 square feet of basement space, was 20-years; and included (3) 5-year extension options.

PacSun / 503-511 Broadway (SoHo) – The Anheim, CA-based skateboard and surfwear clothing brand has reportedly secured a short-term lease for 10,000 square feet of ground level space, with an option to commit long-term. The $450 per square foot deal that brings the 5-story, 152,236-square-foot building to full occupancy marks the retailer's NYC debut, having previously had a brief pop-up in 2013 according to reports. It is uncertain if PacSun, reportedly owned by private equity firm Golden Gate Capital, will also occupy the 5,000 square feet of lower level space and sub-lower storage space that was also available according to marketing material. At one time the space served as the longtime home of Gap Inc.-owned Old Navy, until shuttering in 2015 upon Spanish-based international fashion corporation Inditex acquiring the newly created 2-level, 41,188-square-foot retail condominium for its Zara brand, which required the roughly $20.303 million buyout of Old Navy's lease.

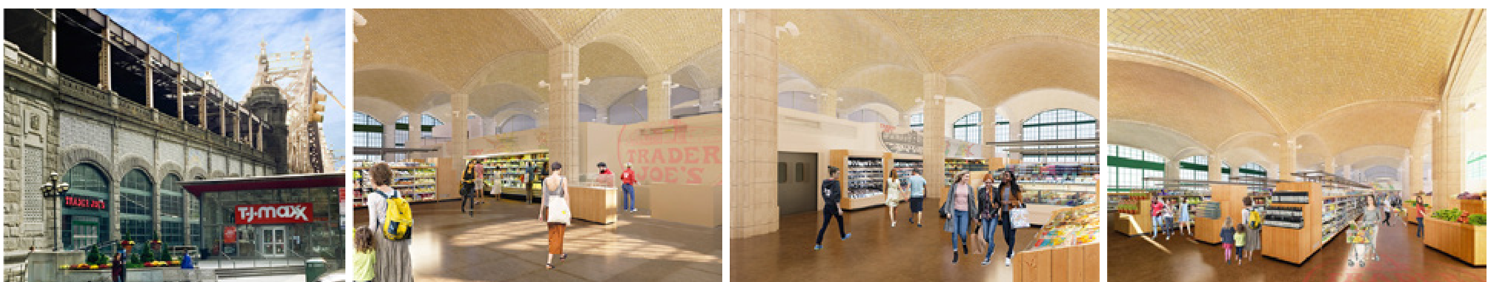
Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Uptown

Trader Joe's / 405-415 East 59th Street (Upper East Side) – The California-based grocer that operates multiple New York City locations, of which (7) are in Manhattan, will be making its debut on the Upper East Side. Reports in mid-February brought the announcement of approvals by Community Board 8's landmarks committee of the grocery chain's application to open in the space that formerly served as the home of the **Food Emporium at Bridgemarket** for 16-years until shuttering in the aftermath of parent company the Great Atlantic & Pacific Tea Company (A&P) going bankrupt in 2015. Located beneath the Queensboro 59th Street Bridge along 1st Avenue, the landmarked city-owned site features beautiful vaulted arched tiled ceilings. Prior to making any modifications to the space Trader Joe's will need to secure approvals from the Landmarks Preservation Commission (LPC), which began a review in February of the application that included drawings reportedly provided developer Maddd Equities. As part of the review, the LPC is expected to provide feedback on proposed upgrades to the building's façade and historic interior spaces. However due to its former use as a grocery market, if approvals are secured, Trader Joe's will reportedly "not need to do much construction to get the store up-and-running."

Currently the 64,360-square-foot space is divided in two, with the other portion serving as the home of **Guastavino's** event venue — named in tribute to master artisans Rafael Guastavino and his son, Rafael, Jr., who were responsible for the design of the canopy of tile vaults as part of the commercial use development of the area beneath the bridge that opened to traffic in 1909. In 2017 reports initially surfaced of arts and craft chain **Michael's** submitting applications to the LPC with interest in occupying the space; but reportedly amid "some resistance from landmarks commissioners" of some of the proposed changes a deal never moved forward.



Trader Joe's, 405-415 East 59th Street - Renderings

Outer Boroughs - Brooklyn

Randolph Beer / 25 Kent Avenue (Williamsburg) – The brewery will be opening its second outpost in the neighborhood, having reportedly secured a lease for 12,228 square feet at the base of the newly constructed 8-story, 500,000-square-foot retail-office-industrial building. Details of the deal were not released, but the location expected to open in the fall will reportedly house the company's "primary brewing operations, a canning operation, a taproom with views of the city, a restaurant and large-format games like shuffleboard, skeeball and foosball." Randolph Beer has (3) other locations currently in operation — Dumbo Heights, 82 Prospect Street aka 77 Sands Street (DUMBO), 104 South 4th Street (Williamsburg) and in Manhattan at 343 Broome Street (NoLita).

Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Chelsea Piers, L.P. / 595-615 Dean Street (Prospect Heights) – The company behind the sports complex in Manhattan's Chelsea neighborhood has reportedly secured a lease for 103,000-square-foot of primarily below-grade space at the planned mixed-tower that is expected to break ground this year. Developer TF Cornerstone will be constructing the adjoining 2-building development located within the multi-building **Pacific Park** complex;and upon delivery will host a combined total of 798 residential units. The announced deal for the fitness and health club that will offer sports facilities, camps and after-school youth programming upon tentatively opening in 2023 comes about 3-years after securing a lease for its first standalone fitness center in the borough. Situated at the base TF Cornerstone's 714-unit **33 Bond Street** (aka 276-300 Livingston Street) in Downtown Brooklyn, the 52,000-square-foot facility that includes 21,000 square feet on the ground level and 31,000 square feet of lower level space opened in 2018.

Queens

At Home / 61-35 Junction Boulevard (Corona) – The Texas-based home goods chain will be making its New York City debut, having reportedly secured a deal for approximately 130,000 square feet at **Rego Park II**, a 960,000-square-foot power center located on the border of Elmhurst and Rego Park. The big box retailer will occupy the 2nd floor space that formerly served as the home of discount chain **Kohl's** since reportedly 2006, until closing in 2019. At Home will occupy the space through what seems to be a lease assignment of Kohl's remaining term expiring in 2031. The deal that fetched a rent in the high-$20s to low-$30s per square foot range, which was reportedly less than Kohl's was paying, includes a 20-year renewal option.

Alexander's, Inc., a Vornado Realty Trust-controlled REIT, owns the power center that is reportedly anchored by a primarily below-grade 145,000-square-foot Costco supermarket warehouse under a lease set to expire in March 2034, with (5) 5-year extension options. Other tenants include Germany-based grocer Aldi, which occupies approximately 17,413 square feet under a lease that commenced in February 2011 and extends through February 2026 plus (2) 5-year renewal options; and fashion discounter Century 21, in 140,461 square feet primarily on the 3rd floor; as well as Bed Bath & Beyond, Burlington, TJ Maxx, Marshall's, Petco, Old Navy, and the expected opening of Sweden-based retailer Ikea's first U.S. smaller format layout in a 115,000-square-foot space. Ikea had reportedly secured the 10-year deal in September 2019, absorbing space formerly housing a Sears store until closing in 2017. The mall is situated at the base of a 24-story, 314-unit rental tower known as **The Alexander at Rego Center**, which Vornado completed the construction of in 2015. The remaining portion of the Rego Park commercial complex is located across the street at 96-05 Queens Boulevard.

Bronx

Zeta Charter School / 1910 Arthur Avenue (Tremont) – The school founded in 2018 will reportedly be opening a new facility in the entire 9-story, 65,181-square-foot building, bringing a year-long search to a closure. Reports indicate that Zeta Charter will control the building located between East Tremont Avenue and East 176th Street under a 49-year leasehold reportedly secured for an undisclosed price. A planned conversion of the building will add the pre-k through 5th grade **Zeta Bronx Tremon**t Elementary to the neighborhood upon its planned opening in August 2021. The latest deal will establish the school's third location in the borough, adding to its existing campuses at 222 Alexander Avenue, Mott Haven; and at 652 West 187th Street, Inwood.

Sale Activity

New to Market

Midtown

229 West 43rd Street (Times Square) – Kushner Cos. has reportedly introduced the sale offering of the 248,457-square-foot retail condominium situated at the base of the 16-story, 731,600-square-foot former New York Times Building, now known as the **Times Square Building**. The asset that is currently about 76% leased will be sold via a June 30th auction according to reports. Kushner acquired the block-through, multi-level unit offering ground and lower level space featuring 45,000-square-foot floor plates and high ceilings for $296 million ($1,184 per square foot) in October 2015. At the time of the acquisition tenants included Discovery Times Square, Bowlmor, Haru Times Square, Guitar Center, and Guy's American Kitchen & Bar. In 2016, Kushner had secured a $370 million loan to refinance the unit that was fully leased at the time, which reportedly included a $285 million senior note provided by Deutsche Bank and an $85 mezzanine loan from SL Green Realty.

Bowlmor Lanes, a bar and restaurant featuring bowling and entertainment, is currently the largest tenant; while the National Geographic-branded **Ocean Odyssey** immersive experience venue that opened in 2017 occupies 59,137 square feet leased under a 15-year term secured in mid-2016. However, in recent years the retail has faced occupancy challenges among some of its other larger tenants, reportedly resulting in the $285 million loan collateralized by the retail condo being transferred to special servicing early this year.

Gulliver's Gate – In 2015 the miniature attraction secured a 15-year lease for the 49,000-square-foot majority of the approximately 60,000 square feet of space that formerly housed restaurant and bar Jekyll & Hyde, reports at the time indicating that the 23,000 square feet space on the ground level and 26,000 square feet of 2nd floor space had asking rents of $300 per square foot and $100 per square foot respectively. The venue that opened in 2017, subsequently shuttered early this year, after filing for bankruptcy in 2019 in the hope of restructuring the business that "struggled under the weight of its $5.7 million annual rent," which accounted for about a fifth of the property's rent roll according to reports.

Guy's American Kitchen & Bar – The restaurant operated by celebrity chef Guy Fieri shuttered at the end of 2017, despite having 10-years remaining on lease term at an annual rent of $1.8 million according to reports at the time; but the 16,500-square-foot space was re-tenanted a few months later by American concept eatery **Ribbon**.

Sale Activity (cont'd)

Sale Highlights

Midtown

609 Fifth Avenue (Plaza) – U.K. real estate investors, brothers David and Simon Reuben have reportedly purchased the 27,000-square-foot retail condominium for about $170 million ($6,296 per square foot). News of the sale comes about 3-weeks following initial reports that SL Green Realty was "quietly marketing" the unit that underwent a reconfiguration in 2018 as part of building upgrades that resulted in the 5th Avenue office entrance being relocated to East 49th Street. An asking price had not been announced for the condo that is situated at the base of the 13-story, 170,000-square-foot corner building. Germany-based athletic footwear brand **Puma** currently occupies the majority of the retail space, having secured a 15-year leases in May 2018 for the space that spread across the entire 2nd floor, plus portions of the ground and basement levels. Reports in mid-February had indicated that SL Green was "making arrangements to sell" the entire building that includes 138,653 square feet of office space, which is leased in its entirety to co-working space provider WeWork upon securing a lease in 2018. It is uncertain if considerations of a sale have changed direction; if previous news of a full building sale was misreported, or if SL Green is testing the market while continuing to explore options.

Midtown South

644-654 Greenwich Street aka 111-115 Barrow Street (West Village) – Pamela and Cary Roth, under the entities 27-33 Realty Associates, LLC and 35 Realty Associates, LLC have purchased the leasehold of the 9,500-square-foot retail unit at the base of the 39-unit mixed-use co-op. The $10.2 million deal that closed on March 30th for the remaining 67-year term reportedly includes 7,500 square feet on the ground level and 2,000 square feet of lower level space. Investors Bank provided $4.15 million in financing, which included a newly originated $63,817 gap leasehold mortgage. Seller Premier Equities had secured the leasehold of the 1987 Master lease in November 2016, paying $5.45 million in real property transfer taxes and securing a $4.35 million loan from Signature Bank to close on the deal according to city records. The lease which has an initial term extending through March 31, 2027 includes (4) 20-year extension options per documents posted on city records; and if exercised will extend the lease term through March 31, 2087. Reports indicated that the space is currently fully subleased by childcare provider Bright Horizons.

Sale Activity (cont'd)

Sale Highlights (cont'd)

Uptown

200 East 95th Street - Rendering

200 East 95th Street aka 1681 Third Avenue (Upper East Side) – A buyer under the entity 1683 Third Avenue Retail LLC, which although unverified appears to be associated with CL Investment Group, has purchased the 3-unit, 23,616-square-foot retail condominium offering 212-feet of wraparound frontage at the base of the 31-story, 260,969-square-foot mixed-use development known as **The Kent**. Seller Extell Development had constructed the 105-unit tower that opened in 2018 in the Yorkville section of the neighborhood, fetching $28.712 million ($1,216 per square foot) for the retail space that reportedly benefits from a 421-a tax abatement. A $23 million loan was provided by the Bank of China to close on the transaction. About 50% of the space has been leased to the New York City Department of Education (DOE), which secured a 15-year deal in 2018 for a pre-K school that will occupy about 11,820 square feet on the ground level as part of Mayor de Blasio's universal pre-K expansion plan. Previous reports indicated that the DOE will pay $171 per square foot over the next few years, with the rent escalating to $207 per square foot during the last 5-years of lease term. The remaining vacant space includes 9,449 square feet of lower level selling space and 1,165 square feet on the ground level with ceiling heights ranging from 15-19-feet at graded and 15-feet in the lower level.

Outer Boroughs - Brooklyn

Kingswood Center Portfolio (Midwood) – Real estate investment trust Urban Edge Properties has reportedly purchased the (2) building commercial portfolio for $165 million from Infinity Real Estate and Nightingale Properties as a result of an unsolicited offer leading to the off-market deal. The REIT is reportedly acquiring the properties "through a 1031 exchange for the recent sale of non-core properties."

1630 East 15th Street

- **Kingswood Center, 1630 East 15th Street** – The 3-story, 229,926-square-foot commercial building constructed in 2007 last traded in August 2014 for roughly $67.486 million according to city records. Tenants that the block-through building located between Kings Highway and Avenue P reportedly include TJ Maxx, New York Sports Club, and the Visiting Nurse Service.

- **Kingswood Center II, 1715 East 13th Street** – The 5-story, 114,443-square-foot office-and-retail building that opened in 2018 was developed by Infinity and Nightingale, having purchased the 22,000-square foot block-through site located between Kings Highway and Avenue R in August 2014 for $7.7 million. New building applications were initially filed in August 2016 for the property that attracted a pair of big block tenants for the entire retail component during pre-leasing. Reports at the time indicated that asking rents were $65, $55 and $45 per square foot for the ground, 2nd floor and lower level respectively.

  - Target secured a lease for 38,081 square feet in May 2016 under a 10-year deal that includes (2) 5-year extension options.

  - Marshall's secured a lease for 21,804 square feet — 2,662 square feet on the ground level and 19,142 square feet on the lower level under a 10-year deal that includes (4) 5-year extension options.

  In addition, the sellers have reportedly "lined up some medical-services and educational tenants" to lease the 45,000 square feet of office space spanning the 3rd through 5th floors, which the contract vendee was reportedly expected to finalize.

1715 East 13th Street

Sale Activity (cont'd)

Sale Highlights (cont'd)

1600 Kings Highway (Midwood) – Wharton Properties has acquired the 2-story, 32,838-square-foot commercial building for $11.75 million ($358 per square foot) from HSBC. The London-based lender took ownership of the building formerly owned by Republic National Bank of New York upon reportedly acquiring the bank in 1999; and currently uses the space for an HSBC branch.

Queens

38-18 Union Street - Rendering

38-18 Union Street / 138-35 39th Avenue (Flushing) – Thor Equities and United American Land have reportedly acquired the 36,731-square-foot retail condo spanning (2) lower levels and portions of the 1st through 3rd floors, as well as the 271,294-square-foot parking garage condo spanning (4) lower levels and portions of the 1st through 4th floors at the base of the 2-building, mixed-use **Flushing Commons** complex. The sale of the entire 308,025-square-foot condominium interest by co-developers F&T Group, the Rockefeller Group and AECOM Capital attracted a price of $42 million ($136 per square foot); and the transaction was financed by a $28 million loan provided by Citigroup according to reports. Retail tenants include Chinese restaurant **HaiDiLao**, which made its U.S. debut in a 12,000-square-foot space at $75 per square foot leased in March 2018 on a portion of the 2nd floor as the first retail tenant to sign a deal at the newly construction complex; and (3) additional signings in June 2018 totaling nearly 7,500 square feet added fashion brand Atelier in 2,236 square feet, along with Metro City Bank, Hanover Community Bank and Elements Pharmacy in the remaining approximately 5,264 square feet.

Comprised of an 11-story, 164,000-square-foot office-and-retail condominium fronting Union Street and an adjacent 14-story, 148-unit residential condominium fronting 39th Avenue, the 2-buildings reportedly completed the first phase of a 2-phase project. Upon full construction completion tentatively slated for sometime in 2021, the estimated $1 billion complex will total 1.8 million square feet, with Phase 2 reportedly adding (3) more buildings that will host 452 condominium units plus 280,000 square feet of commercial space, 77,000 square feet of community facility space, and a 1.5-acre public plaza.

Hi 海底捞 Haidilao ATELIER NEW YORK METRO CITY BANK hanover bank

Lending

Outer Boroughs - Staten Island

2505-2535 Richmond Avenue (Heartland Village) – Infinity Real Estate has reportedly secured $20.5 million in acquisition financing from Bridge Investment Group. The floating-rate debt will fund the firm's purchase for an undisclosed price of the 77,260-square-foot **Shops at Richmond Avenue** located in Staten Island on a 192,116-square-foot parcel. Seller Madison International Realty had initially co-owned the property as part of the 12-property multi-borough NYC Core Retail Portfolio with Forest City Realty; and in 2018 completed a $20.964 million buy-out of its joint venture partner's 51% stake. Big block tenants at the power center that is adjacent to the Staten Island Mall include Dick's Sporting Goods and Staples, as well as Men's Warehouse, Vitamin Shoppe, Starbucks and a Bank of America branch.

Development

Midtown South


1-3 Ninth Avenue - Rendering

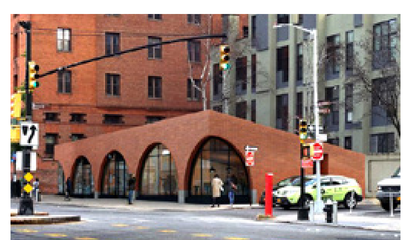
1-3 Ninth Avenue aka 49-51 Gansevoort Street (MePa) – A partnership under the entity Little West 12th Street Realty secured Department of Buildings approvals in January vfor planned renovations to the adjacent landmarked buildings. Project designs for the 19th century 3-story rowhouse and single-story stable building will require approvals by the Landmarks Preservation Commission (LPC) before construction can proceed. The project as proposed includes the installation of floor-to-ceiling windows on the ground level and a new canopy awning, while the exiting brickwork at the upper levels of the rowhouse will be maintained. Upon construction completion **Loro Piano** will occupy the space that is to serve as a flagship location. News of the lease was initially surfaced in August 2018, reports at the time noting that the space includes 1,700 square feet on the ground level at an asking price of $400 per square feet and 1,300 square feet of lower level space. The new store will establish the LVMH-owned fashion house's second Manhattan location, adding to the existing store at 748 Madison Avenue on the Upper East Side.

Downtown


15 Park Row - Rendering

15 Park Row (Insurance) – Longtime owner Rachelle Friedman, known as the "R" in the former retailers **J&R Music & Electronics** is seeking approvals to restore and reconfigure the mostly bronze storefronts at the base of the 30-story, 350,000-square-foot mixed-use building. The retail space that previously housed a portion of J&R's multi-building store along Park Row until shuttering in 2014 continues to remain vacant. Initial designs include options for one, two and three tenants in the larger portion of the space that is south of the landmarked building's residential entrance, while the unit to the north will be for single tenant use. City record documents indicate that the commercial space on the ground level totals 12,106 square feet, plus 3,640 square feet of mezzanine space. As part of the proposed project, a new entrance with a marquee that will include a digital sign will be created on the north end of the building, allowing access to the lower level space where an 150-seat supper club named **J&R Music Lounge by City Winery** is planned for an 8,000-square-foot portion of the building's 15,936-square-foot cellar.

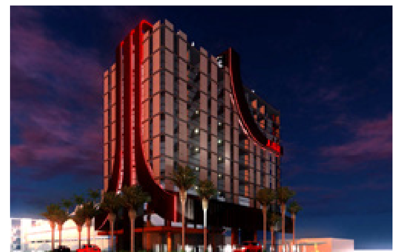
Outer Boroughs - Brooklyn


15 Park Row - Rendering

20 Old Fulton Street (Brooklyn Heights) – The property owner under the entity 20 Old Fulton Holdings LLC, associated with Brooklyn-based Level One Holdings, has reportedly secured approvals for the single-story retail development that spans the entire Old Fulton Street block-front between Everit Street and Elizabeth Place. Excavation work at the vacant site is reportedly underway to make way for construction of the 5,890-square-foot development that will rise in linear height from 12.5-feet to 18.5-feet. The project initially envisioned in 2014 had secured Department of Buildings approval in August 2015; however construction by the long time owner under the entity Old Fulton Ventures, LLC never moved forward, instead opting in January 2018 to sell the 2,967-square-foot parcel for $3.5 million, new ownership financing the purchase with a $1.6 million loan from Emerald Creek Capital. Pre-leasing activity has reportedly attracted coffee purveyor **ARABICA Coffee**, which will be opening its first stateside outpost in a portion of the space.

Hospitality Market

Atari Enters the Hotel Market with Video-Game Themed Brand



Atari Hotel - Rendering

Video-game maker Atari has secured a deal with innovation and strategy agency GSD Group to acquire the rights to build video game-themed **Atari Hotels** according to the company's January press release. The first hotel is slated to break ground in Phoenix, AZ sometime this year; and intended to deliver a "unique lodging experience combining the iconic brand with a one-of-a-kind video-game-themed destination" offering a fully immersive experience for hotel guest of all ages. In addition, select hotels will feature art venues and studios to accommodate e-sports events. Atari hopes the new concept will benefit from the increasing number of gamers worldwide, indicating that "more than 2.5 billion gamers across the world spent more than $152.1 billion (U.S.) on games in 2019; an increase of +9.6% year on year." Looking ahead, additional initial Atari Hotels are planned for the cities of Las Vegas, Denver, Chicago, Austin, Seattle, San Francisco and San Jose.

Impact of STRs Prompts Hotel Industry to take Another Look at Valuation Method

Over the past years, the hotel industry essentially ignored the impact of short-term rentals (STRs) when assessing a hotel's value. However, a reconsideration of the current valuation method is being considered as the fast-growing STR industry is projected to reportedly expand to 650,000 actively rented units in the U.S. this year, or about 12.2% of the nation's hotel-room supply. Although representing just one of the many factors that can affect hotel rates and occupancies, the reported findings of a real estate industry report indicate that the STR industry has a direct impact on hotels. Since more STRs come online during periods of high demand and low vacancy; and at a time when hotel rates traditionally rise, the high penetration of STRs in a market tend to limit the ability of hotels in that market to raise rates, thereby directly affecting a hotel's profitability. Suburban hotels are likely to incur a higher impact in contrast to urban hotels, which rely on consistent demand for rooms due to their proximity to main attractions such as stadiums and concert venues.

Looking ahead, the pace of STR growth rate overall is reportedly expected to slow to an expected year-over-year increase of 19% in 2020, representing a significant decline from the 26% and 39% growth rates in 2019 and 2018 respectively. The slowdown is partially due to the "effect of growing from an increasingly larger base;" as well as a shifting by some STR growth outside big urban markets that are at or near saturation, which on average is reportedly when STR supply in a market matches 10% to 20% of its hotel-room supply. Although the STR industry continues to "grow at a somewhat comparable and slightly cheaper alternative to traditional hotel rooms," STRs' "growth has changed course in recent years to focus on suburban, rural and resort markets, which now represent about 80% of the industry's room supply" — possibly providing some relief to urban market hotel owners.

Sources: https://atarihotels.com/news/atari-announces-world-class-video-game-themed-atari-hotels-first-atari-hotel-to-begin-construction-in-phoenix-in-mid-2020/

Hospitality Market (cont'd)

Sale Activity

Midtown

33 West 37th Street (Penn Plaza/Garment) – Marriott Vacations Worldwide has acquired (6) timeshare units and (5) ancillary units for roughly $86.409 million from its partner, reportedly private equity firm 54 Madison Partners. The ancillary units that are located on the cellar, ground and roof levels of the 20-story hotel fetched a combined price of roughly $7.221 million; while $79.188 million ($13,198 per unit) was paid for the timeshare units spanning the entire 15th through 20th floors according to city records. The formerly wholly owned subsidiary of Marriott International, until reportedly being spun-off about 9-years ago, and 54 Madison had acquired the 177-key, 72,052-square-foot former **Strand Hotel** located between 5th and 6th Avenues 54 Madison in 2016 for $105 million, rebranding it as **Marriott Vacation Club Pulse**.

Lending

Midtown South

169-171 Ludlow Street aka 176-184 Orchard Street (Lower East Side) MRR Development has reportedly secured $1.7 million in financing from the Small Business Association's **Paycheck Protection Program** (PPP); as part of the federal assistance created through the CARES Act stimulus package enacted at the end of March to provide relief amid the COVID-19 pandemic. According to reported details of a March 16th Tel Aviv Stock Exchange (TASE) disclosure, although expected to incur a loss for the 1st quarter, representing a reversal of the profit made in the 1st quarter last year, **Hotel Indigo** has been able to remain in operation during an extremely challenging time. Under the PPP program, the percentage of the 2-year debt that carries a 1% interest rate used to cover payroll, mortgage payment and utility costs within the first 8-weeks is reportedly eligible for forgiveness. The 294-key, 166,930-square-foot hotel component of the 24-story,199,408-square-foot hotel-and-retail tower located between Stanton and East Houston Streets was acquired by MRR, which was launched in October 2018, for $162.5 million ($552,721). In 2018 MRR successfully raised $73 million at a reported interest rate of 4.5% through an institutional bond offering to help fund the purchase, marking the company's first foray on TASE. Reports at the time indicated that demand for the bond reportedly exceeded the company's $72 million target; and was oversubscribed with demand reaching $122 million.

Shrinkage & Expansions

Looming Closures

Modell's Plans Full Store Closure

The family-owned and operated sporting-gear retailer that initially made its debut in 1889 in New York City's Lower Manhattan neighborhood on Cortlandt Street has reportedly filed a Chapter 11 bankruptcy petition in New Jersey; and plans to close all stores. Reports indicate that Modell's Sporting Goods plans to continue its online sales throughout the store liquidation process that was slated to begin Friday, March 13th through a partnership with Tiger Capital Group LLC; however liquidations plans have now been put on hold and all stores closed in response to the coronavirus outbreak as consumers are mandated to shelter at home, but expected to resume once the state bans are lifted. Prior to the health crisis the business was expected to continue to operate in the near term due to financial flexibility reportedly being provided by the retailer's lenders and long-standing partners, enabling Modell's to continue paying "employee wages and benefits, customer orders and shipments, and other obligations as they come due going forward."

Efforts to avoid bankruptcy during today's extremely challenging retail environment included plans to begin testing smaller format stores ranging in size from 5,000 to 8,000 square feet, which are less than half the size of its typical stores – a plan that has now been abandoned despite nearing a deal for a first outpost at an undisclosed Manhattan location. In December the Modell family sold its longtime-owned 3-story, 285,630-square-foot warehouse in the Bronx neighborhood of Morris Park at **1500-1502 Bassett Avenue**. Formerly used for the distribution of inventory for its eponymous sports apparel and equipment chain, the sale to reportedly Maryland-based logistics real estate company Realterm Logistics attracted a price of $115 million ($403 per square foot).

In February it was reported that Modell's 4th generation ownership began reaching out to landlords with the hope of renegotiating leases; approaching vendors and the factory community for a 90-day compliance; as well as seeking a minority investor, and although having some success, in the end it was "not enough to avoid bankruptcy" according to reported statement by Modell's. In addition to increasing operating costs, a disappointing holiday season, an unusually warm winter, and "poor performance of merchandise sales for the area's professional sports teams" further reduced cash flow. Modell's currently operates about 153 stores spread across 10 Northeastern states and Washington, D.C., of which 42 stores are in New York City per the retailer's website. Talks are ongoing with "creditors about a recapitalization of the business through a potential sale of some or all of its assets or an equity investment" according to reports.

However, as the spread of the COVID-19 pandemic forced the shutdown of nonessential businesses, Modell's was granted a court approval to suspend its Chapter 11 case due to its inability to conduct liquidation sales intended to generate revenue to help fund post-petition expenses like rent. In light of the situation, Modell's was reportedly granted a first suspension on March 27, allowing the retailer to defer April 1st rents, followed by a second suspension to May 31st, setting a precedence for others filing for bankruptcy protection during the health crisis.

Sources: https://www.law360.com/articles/1257732/modell-s-gets-pause-in-chapter-11-due-to-covid-19
https://www.law.com/njlawjournal/2020/04/30/modells-granted-second-suspension-of-bankruptcy-amid-covid-19/

Shrinkage & Expansions (cont'd)

Looming Closures (cont'd)

GameStop Plans Brick-and-Mortar Shutdowns

The Grapevine, Tx-based video game retailer is reportedly planning to shrink its brick-and-mortar footprint by 300 stores globally in 2020, despite an unexpected uptick in sales sparked by stay-in-place mandates across the world amid the COVID-19 outbreak. Announcements of the broad-based closing comes at a time when GameStop is facing heightened competition form online game sales, which has prompted decisions by the retailer to "step-up its digital platform." A total of reportedly 320 closures among its 5,500 stores in operation worldwide were closed in 2019. According to GameStop's website, there are 52 stores in operation across New York City — (7) in Manhattan, (18) in Brooklyn, (12) in Queens, (11) in the Bronx, and (4) in Staten Island, but it is unknown if any will be shuttered amid the downsizing.

J.Crew Moves Ahead with Chapter 11 Bankruptcy Protection Filing

The American fashion brand whose founding origins reportedly date back to 1947 under the name Popular Merchandise, Inc. until rebranded in 1983 as **J.Crew, Inc**., and followed by the opening of its first store in Manhattan's South Street Seaport, has joined the growing roster of national retail chains proceeding with bankruptcy filings as financial struggles accelerate in the wake of the COVID-19 pandemic. Following a precedent reportedly set by Modell's Sporting Goods, which similarly filed for Chapter 11 bankruptcy protection at the onset of the health crisis, J.Crew has requested 60-days of rent relief of its reportedly $23 million in monthly lease obligations spread across 140 landlords — a move which is reportedly a significant departure from typical bankruptcy proceedings, but has now become a "go-to-request" during the pandemic which has sparked landlord objections.

Signs of the company, that also owns the denim brand **Madewell**, had begun to surface prior to the health crisis, having reportedly avoided J.Crew default in 2017 following a "financial overhaul that included shuffling assets in a way that moved fast-growing Madewell out of reach of creditors." Although the retailer reportedly "managed to generate $1.5 million in profits for the fiscal year that ended February 1, compared to a $74.4 million loss the year before," large loan payments as a result of the 2017 restructuring are reportedly coming due in 2021. A planned initial public offering (IPO) of Madewell in early March that was expected to be completed in the 1st quarter of fiscal 2020; and raise needed capital to ease J.Crew's heavy $1.7 billion debt burden from a $3 billion leverage buyout in 2011 by its current owners, was ultimately suspended a few weeks later after the company reportedly failed to reach an agreement on terms with creditors.

Reports indicate that J.Crew was able to reach "a deal with a majority of its lenders to convert $1.65 billion of debt into equity;" as well as secure $400 million in financing to maintain operations during the Chapter 11 restructuring, with Madewell remaining part of J.Crew as part of the transaction support agreement. However, store operations were halted shortly after following government mandates requiring nonessential businesses to close in an effort help contain the spread of the coronavirus. As of March 2 there were reportedly 492 U.S. stores in operation, including 182 J.Crew stores, of which (9) are located in Manhattan and (2) in Brooklyn; 140 Madewell stores, of which (7) are in Manhattan and (1) in Williamsburg, Brooklyn along with a separate nearby men's pop-up; and 170 J.Crew Factory outlets.

Sources: https://www.marketwatch.com/story/j-crew-could-cancel-the-madewell-ipo-2020-03-03
https://www.bloomberg.com/news/articles/2020-03-20/j-crew-said-to-suspend-madewell-spinoff-needed-to-cut-debt-load

Shrinkage & Expansions (cont'd)

Looming Closures (cont'd)

JCPenney Moves Ahead with Bankruptcy Filing

Despite "making some progress to improve its gross margin, reduce inventory, eliminate inefficient spending and design a more inspiring store experience" following years of struggle, JCPenney moved ahead with Chapter 11 bankruptcy filing on May 15th. Decisions by the American department store chain whose founding goes back to 1902, were reportedly accelerated by the store shutdowns amid the COVID-19 pandemic, which "necessitated a more fulsome review to include the elimination of outstanding debt" according to reported statements by a JCPenney spokesperson. Headquartered in Plano, Texas, the department store chain reportedly oversees 85,000 employees, the majority of which had been furloughed in mid-March following store closures in accordance with government mandates; and has 846 stores in operation — of which (6) are located in New York City, including within the 243,000-square-foot **Manhattan Mall** at 100 West 33rd Street where according to reports in June 2017 they occupied 150,000 square feet under a lease extending through 2027 plus (2) extension options — an initial 10-years, followed by a second option of 5-years.

Reports indicated that JCPenney's "pre-arranged financial restructuring plan is supported by about 70% of JCPenney's first-lien lenders," with a "self-imposed July 14 deadline on an agreement;" and that the retailer "has secured $900 million of debtor-in-possession financing to aid in the restructuring of its business." In addition, there are plans to close a total of 242 stores nationwide as part of the bankruptcy restructuring, of which the 50 that are owned will be sold. JCPenney also plans to put "some of its property into a real estate investment trust that would sell shares and function separately from its 'new JCP' retail operations," however the risk of liquidation remains at a time when an uncertain retail environment exists in the wake of the health crisis.

Previous efforts by JCPenney that enabled the retailer to reportedly generate a profit for the full 2017 fiscal year for the first time since 2010, despite lowering sales revenue, included plans to shutter anywhere from 130 to 140 stores as well as 2 distribution centers over the next several years. In addition a voluntary early retirement program was initiated for about 6,000 eligible employees, which was projected to significantly diminish the number of full-time jobs affected by the store closures; as well as providing store associates with mobile devices to expedite the check-out of in-store pick-up by online shoppers; and the redirecting of a higher percentage of spending toward experiences like beauty treatments offered in its re-branded **Salon by InStyle** beauty salons and in-store Sephora beauty shops, or toward home furnishing with plans to also add the sale of major appliances. More recently in 2019 JCPenney had reportedly debuted a remodeled store in Hurst, TX that features the addition of a fitness studio, a videogame lounge and style classes.

Notable Retail Transactions

Lease - Manhattan (Feb. 1 - Apr. 30)

Address	Submarket	District	Sq. Ftge	Tenant
Empire State Building 350 Fifth Avenue	Midtown	Penn Plaza	23,700	Starbucks
445 Fifth Avenue	Midtown	Grand Central	16,171	Brickworks Limited
1271 Sixth Avenue	Midtown	Columbus Circle	16,000	Avra Estiatorio (pending deal in final stages)
10 Union Square East	Midtown South	Union Square	32,579	Target
130 Fifth Avenue	Midtown South	Flatiron	11,302	CVS Pharmacy
503-511 Broadway	Midtown South	SoHo	10,000	PacSun
405-415 East 59th Street (Beneath 59th Street Bridge)	Uptown	Upper East Side	32,180	Trader Joe's

Lease - Outer Boroughs (Feb. 1 - Apr. 30)

Address	Borough	Neighborhood	Sq. Ftge	Tenant
Pacific Park 595-615 Dean Street	Brooklyn	Prospect Heights	103,000	Chelsea Piers
25 Kent Avenue	Brooklyn	Williamsburg	12,228	Randolph Beer
61-35 Junction Boulevard	Queens	Corona	130,000	At Home
1910 Arthur Avenue	Bronx	Tremont	65,181	Zeta Charter School

Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
609 Fifth Avenue	Midtown	Plaza	27,000	$170,000,000*	David and Simon Reuben (condo)
655-654 Greenwich Avenue	Midtown South	West Village	9,500	$10,200,000	27-33 Realty Assoc. (leasehold) (Pamela & Cary roth)
200 East 95th Street	Uptown	Upper East Side	23,616	$28,712,000	CL Investment Group (condo)
Kingswood Center Portfolio	Brooklyn	Midwood	344,369	$165,000,000	Urban Edge Properties (2-bldg primarily retail portfolio)
1600 Kings Highway	Brooklyn	Midwood	32,838	$11,750,000	Wharton Properties (building)
Flushing Commons 38-18 Union Avenue & 138-35 39th Avenue	Queens	Flushing	 36,731 271.294	$42,000,000	Thor Equities United Amer. Land Retail condo Garage condo

*Approximate price

The Mid-Quarter Retail Report is produced by:
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