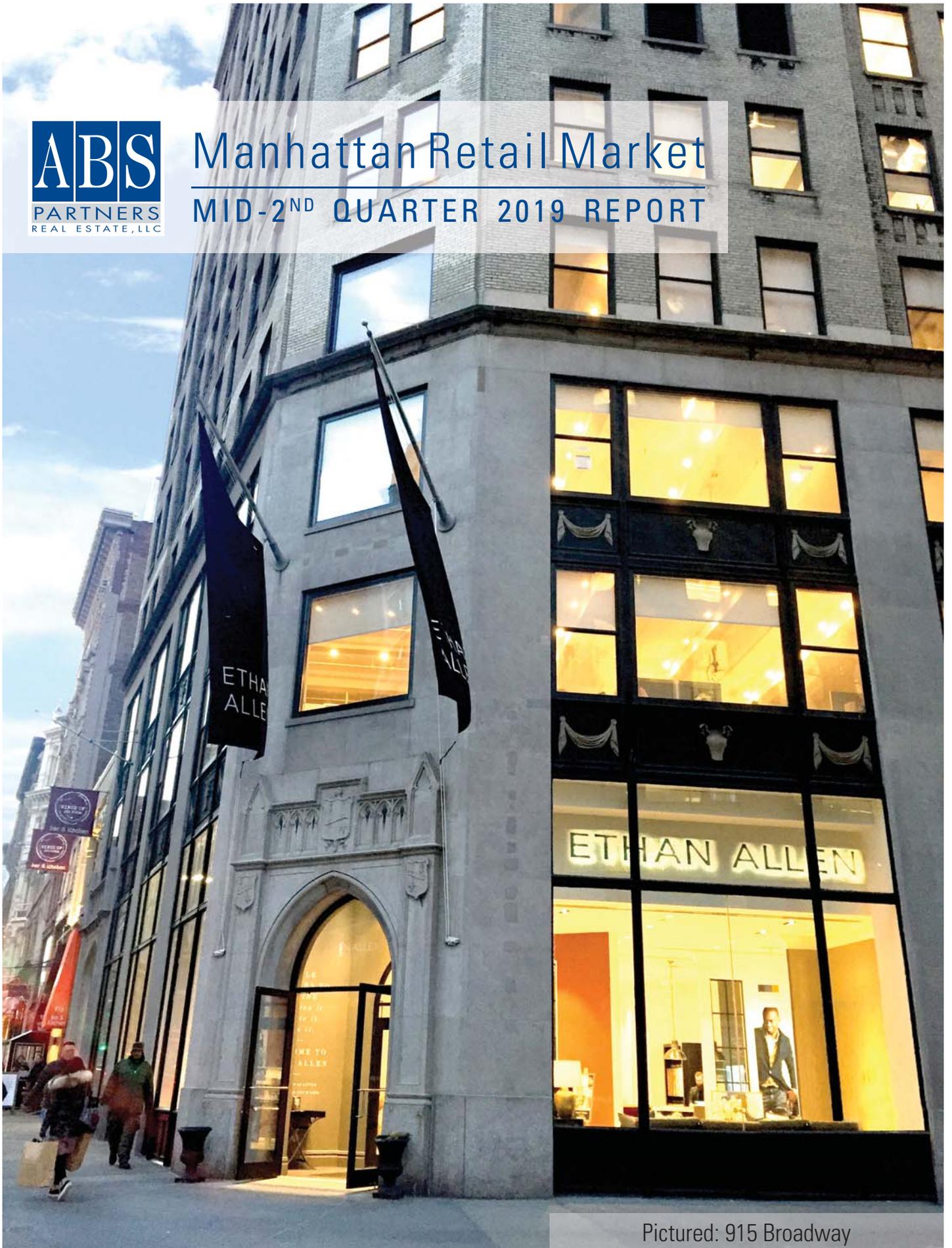




Manhattan Retail Market

MID-2ND QUARTER 2019 REPORT



Pictured: 915 Broadway



Shops & Restaurants at Hudson Yards

Shops & Restaurants at Hudson Yards Makes its Far West Side Debut

Opening day arrived on **Friday, March 15th** for the highly anticipated 7-story, 1 million-square-foot retail center within the multi-building **Hudson Yards** complex. Anchored by Neiman Marcus, which has made its New York City debut in the 3-story, 250,000-square-foot space the Dallas, TX-based high-end department store leased back in 2014, the vertical mall adds a wide variety of retailers and food offerings to the burgeoning Far West Side neighborhood. Developed by Related Companies and Oxford Properties Group, the retail component that straddles the 10 and 30 Hudson Yards office towers sits along 10th Avenue between West 30th and 33rd Streets.

About 90% leased at opening, there are 100 stores and 25 restaurants from fast-casual to fine dining spread throughout, with several of the restaurants operated by well-known chefs including the 35,000-square-foot **Mercado Little Spain**, a Spanish-themed foot court operated by chef José Andrés located in the base of 10 Hudson Yards; as well as the casual all-day restaurant **Cedric's at the Shed** by Danny Meyer's Union Square Hospitality Group that opened in April within the arts and culture venue. In addition the entire 2nd floor dubbed **Floor of Discovery** is an experimental concept that offers a mix of "first locations for digitally native brands and experiential shopping offerings from modern brands;" while the permanent **Snark Park** exhibition space operated by design studio Snarkitecture will feature a rotating schedule of design environments and unique retail experiences.

It has been projected that the retail center will attract approximately 60,000 visitors per day, with access to the site via the recently extended 7-subway line; as well as a direct connection to the elevated **High Line** park, which sees about 7 million visitors per year. The retail tenants will further benefit from the approximately 2 million visitors per year at the nearby **Jacob K. Javits Center**; and the "tens of thousands of people who will live and work on-site." Hudson Yards is "expected to bring 55,000 workers to the area, providing a captive audience with 10 and 30 Hudson Yards offering the convenience of opening directly onto the mall's floors.

Further retail sales activity is expected from the residents that will fill the 4,000 residential units within the Hudson Yards complex upon full construction completion of the entire 28-acre site. Attracting retailers to the as yet underserved area of Manhattan was crucial, reports indicating that "the main profit driver of large, mixed-use developments like Hudson Yards are condo sales, which are a harder multi-million dollar sell in an area without conveniences," with retail almost becoming an amenity. As a result lease deals were incentivized, as is standard practice; and in some cases the developer invested in their businesses according to a Related Companies spokesperson.



View of Hudson Yards - March 2019

Hudson Yards Debut (cont'd)

Major dining areas are primarily located on the 4th and 5th levels, with none on the ground level due to the reportedly higher rents that only the luxury brands can afford.

4th Level:

- **Hudson Yards Grill** – The 275-seat “American brasserie” features an open kitchen and a diversified menu ranging from burgers to pizza and sushi.
- **Queensyard** – The restaurant features a 110-seat main dining area, a communal seating area dubbed **The Kitchen**, plus a 50-seat bar and lounge on a mezzanine. Operated by D&D London, which opened its first New York City eatery Bluebird in the Shops at Columbus Circle last year, the food offerings “bring in various English elements.”
- **Belcampo** – The fast-casual eatery offering “rustic fare” also includes a small rear dining area dedicated to specialty dishes.

5th Level:

- **Wild Ink** – The 175-seat restaurant that has been described as an “interpretive East-meets-West menu offering establishes London-based rhubarb Hospitality Group’s first U.S. outpost. In addition to the main dining room area, the restaurant has an open kitchen with counter seats as well as a bar where international street food is served. The hospitality group will also operate a 10,000-square-foot 150-seat dining area and event space on the 101st floor of 30 Hudson Yards that is expected to open before the end of the year.
- **Kawi** – The 130-seat restaurant operated by Momofuku’s David Chang offers a mix of bar, open kitchen and chef’s counter eating areas offering a Korean-influenced menu. In addition, Chang’s adjacent **Peach Mart** offers a quick-serve, take-away menu of sandwiches, snacks and kimbap (sushi roll slices); and the company also operates its fried-chicken eatery **Fuku** on the 2nd level.

6th Level:

- **Estiatorio Milos** – The 230-seat Greek seafood restaurant features an outdoor terrace, open kitchen, as well as a wine bar and raw fish bar. The company also operates **Milos Wine Bar** on the 5th floor, which focuses on Greek wines, but also includes a yogurt bar and a retail counter where they sell Greek products and serve meze (finger foods, similar to Spanish tapas).
- **Tak Room** – The 180-seat restaurant brings the return to “continental dining” and the “fancy style of the 1940s and ‘50s, featuring European-style dress-to-impress food” like lobster thermidor and beef Wellington. Divided into several dining areas, the restaurant by chef and restaurateur Thomas Keller also features a glass-enclosed conservatory room, and outdoor terrace and a lounge. The restaurant’s entrance located on the 5th floor hosts an intimate bar and a working fireplace. The chef’s **Bouchon Bakery** located in a small space on the 5th level offers a “unique twist on traditional French boulangerie fare” in its selection of pastries, cookies and tarts.

Neiman Marcus also has a selection of eateries within the store ranging from its fine-dining **The Zodiac Room** restaurant on the 7th level to the **Cooks & Merchants** on the 5th floor, which sells fresh and packaged food to go, culinary gifts, and offers cooking classes. In addition to cocktails, **Bar Stanley** on the 6th level features a quick-serve menu of burgers, sandwiches and bar snacks.



Shops & Restaurants at Hudson Yards - Interior Views

Hudson Yards Debut (cont'd)

Neiman Marcus



Neiman Marcus - Interior Views



Hudson Yards Debut (cont'd)



Mercado Little Spain



Citarella



Citarella - Interior Views



Hudson Yards Debut (cont'd)



Belcampo



Bluestone Lane



Hudson Yards Grill



estiatorio Milos



Tak Room



Queensyard

JO MALONE
LONDON



BR
BANANA REPUBLIC



kate spade
NEW YORK
NEW YORK



Milos Wine Bar



Bouchon Bakery



Queensyards - The Kitchen



Kawi



Neiman Marcus - The Zodiac Room



Wild Ink

Hudson Yards Debut (cont'd)



Batch



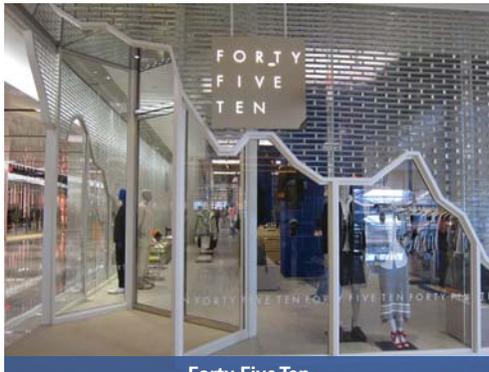
B8ta



The Conservatory



PIQ



Forty Five Ten



William Greenberg



t h e o r y



Van Leeuwen



Jack's



M-Cro



Rudsak



Snark Prsk



Frankie CoLAB

Hudson Yards Debut (cont'd)



Vitra Eyewear



Li-Lac Chocolates



Avant Gallery



Dylan's Candy Bar



Athleta



Pandora

ZARA

H&M

verizon

VILEBREQUIN

lululemon
athletica



Sephora



Stuart Weitzman



Atelier Cologne



Rhone



Milk & Honey



Aritzia

Hudson Yards Debut (cont'd)



Mack Weldon



Chanel



Coach



Louis Vuitton



Piaget



Van Cleef & Arpels



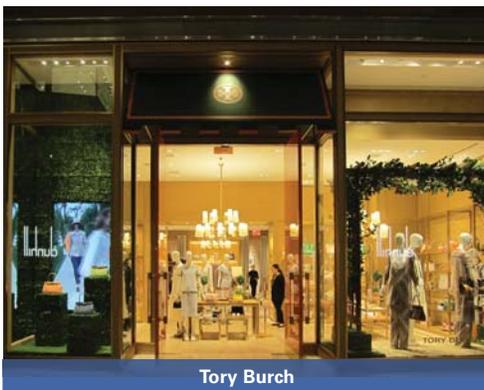
SCANLAN THEODORE



FENDI
ROMA



M.A.C.



Tory Burch



Fuku



Molton Brown



Uniqlo

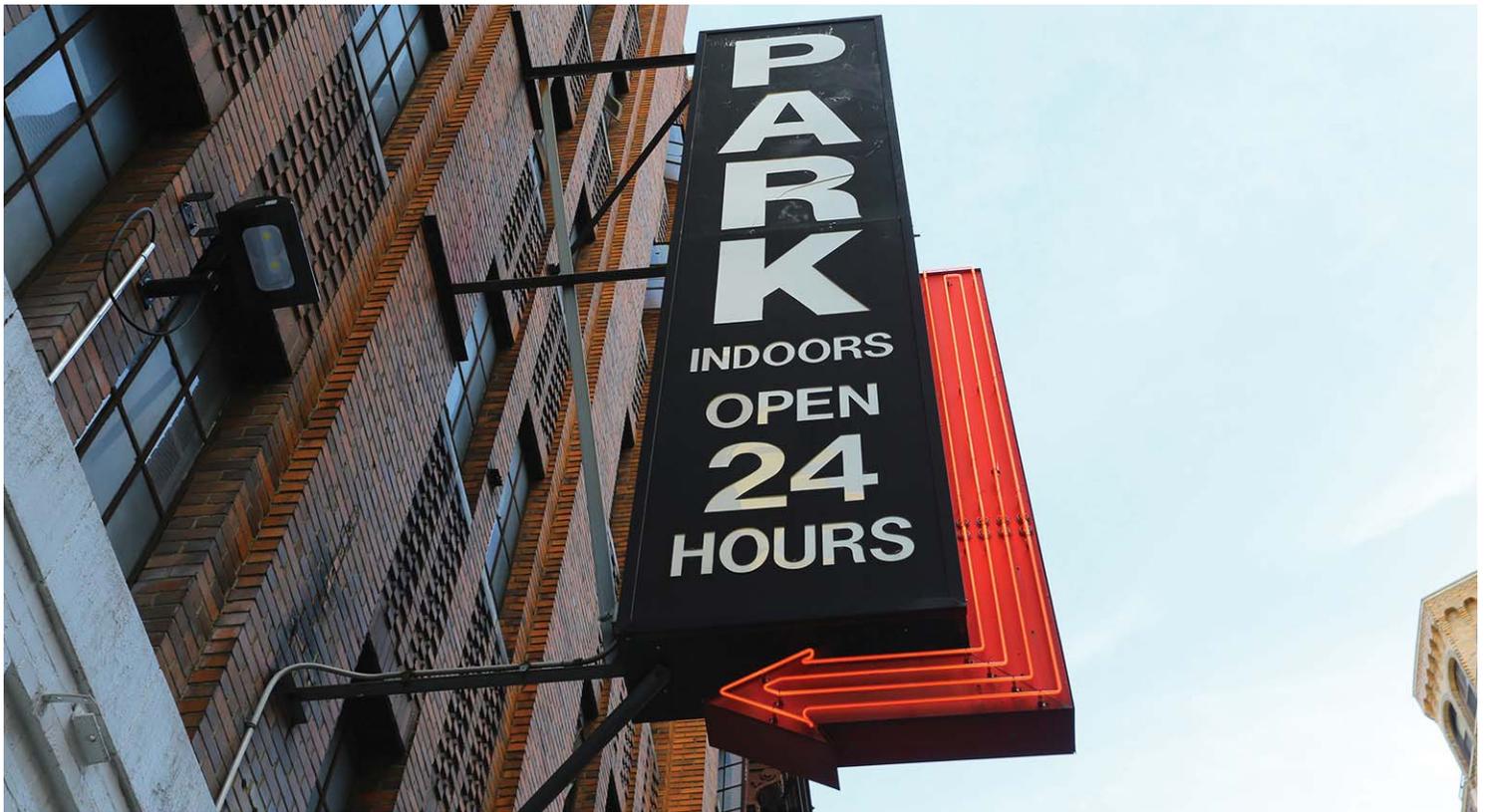


Tumi



City Council Shifts Focus (cont'd)

- A required assessment of the state of storefront businesses in every community district in the city to be completed by the SBS at least once every 5-years. These assessments would analyze a community district's storefront business environment, such as the number and types of stores, vacancies, and opportunities for increasing retail diversity. Each assessment would be aggregated into a citywide storefront business assessment at least every five years.
- Developers of economic development projects receiving \$1 million or more in financial assistance from a City agency or City economic development entity would be required to provide affordable ground floor retail space at such economic development projects. The city agency or city economic development entity that provides the financial assistance for the development project shall determine the affordable retail space that applies to that city development project. In making such determination, the city or city economic development entity shall conduct a neighborhood retail needs assessment that incorporates information about the neighborhood and commercial environment related to the location of the development project. The bill provides the Commissioner of Small Business Services with enforcement authority, including the authority to conduct investigations and assess remedies for violations committed by developers.
- Helping businesses to avoid fines by having agencies like the Department of Health and Fire Department evaluate codes and laws to see where "provisions or rules can be repealed; and whether businesses can be given a period to cure the violations."
- Requiring the SBS to provide small businesses with training and counseling related to business systems, marketing, and pivoting to e-commerce.



Looking Ahead (cont'd)

Fate of Manhattan's Parking Garage Industry Uncertain Amid Congestion Pricing

Over the past several years as a growing number of people shift to public transportation or ride-app operators, the number of parking garages in Manhattan continues to decline. The disappearance of garages and parking lots below 60th Street could potentially further accelerate with the passing of congestion pricing at the end of March, as part of the new \$175 billion New York State budget, which is expected to present significantly heightened challenges for the industry. In contrast garages and parking lots north of 60th Street may see increased revenue or investor interest fueled by commuters that opt to continue driving to Manhattan but seeking to avoid the extra fee by parking just outside of the congestion zone.

Robust residential development in recent years has actually increased the total square footage of garage space throughout Manhattan, since the inclusion of private parking within project plans has become a more frequently added tenant amenity. However over the past 10-years, the number of garages and parking lots in Midtown and Downtown has reportedly declined by 25% with only about 330 garages and lots remaining as of 2018. Declining revenue has led to the sale and/or redevelopment of several Manhattan garages over the last 5-years, which has included:

- **320 West 36th Street** (Penn Plaza/Garment) – A 26-story, 249-key **Crowne Plaza** hotel opened in 2017 on the site of a former 2-story, 24,686-square-foot garage.
- **38-46 West 33rd Street** (Penn Plaza) – A 41-story, 223-unit mixed-use tower known as **Solari** now stands on the site of a former 5-story, 54,550-square-foot garage, having completed construction last year.
- **324 West 44th Street** (Times Square) – Construction of the 114-key, nearly 45,000-square-foot Marriott International-branded **TownPlace Suites** that delivered last year has replaced a former parking lot located on the 8,400-square-foot block-through site.
- **145 West 47th Street** (Times Square) – The former 7-story, 67,200-square-foot garage is being replaced by a 27-story, 343-key **Rui Plaza-branded** hotel development that is currently under construction.
- **159 West 48th Street** (Times Square) – The former 7-story, 89,152-square-foot garage is being replaced by a 35-story, 277,527-square-foot hotel development that broke ground earlier this year. The 437-key project marks the debut of the city's first music-themed **Hard Rock-branded** hotel.



Manhattan's Parking Garage Industry (cont'd)

- **110 University Place** (Greenwich Village) – The 75,000-square-foot garage, which had also served as the home of **Bowlmor Lanes** on the corner of East 12th Street, was demolished to make way for the 23-story, 108,000-square-foot mixed-use development. Construction of the 52-unit condominium is expected to be completed this year.
- **76 Eleventh Avenue** (Chelsea) – Construction is well underway for the 2-tower mixed-use development dubbed **The XI** that is rising on the 76,425-square-foot full block site that formerly served as an Edison Properties-owned parking lot. Expected to deliver next year, the 908,250-square-foot condominium development will include a mix of 240 residential units, 85,000 square feet of commercial space, and a 9-story, 137-key **Six Senses-branded** hotel.
- **113-117 West 24th Street aka 112-118 West 25th Street** (Chelsea) – The block-through site that formerly hosted a 3-story, 53,247-square-foot garage, which last served as the home of the **Chelsea Antique Garage**, was subdivided to give rise to a pair of Marriott-branded hotel developments. The 330-key **Renaissance** hotel fronting West 25th Street is expected to deliver this year; while the 360-key project fronting West 24th Street will likely deliver sometime in 2020.
- **241-251 West 28th Street / 250 West 29th Street** (Chelsea) – The former 29,515-square-foot Edison ParkFast parking lot is expected to be replaced by a planned 22-story, 372,000-square-foot mixed-use development that will host 460 residential units and ground level retail space.
- **11-19 Jane Street** (West Village) – The 6-story, 31,000-square-foot mixed-use condominium development is currently being constructed on the site of a former 2-story, 18,196-square-foot garage; and will host (7) residential units and a below-grade 12-space parking garage.
- **165 Mercer Street** (SoHo) – A conversion was completed last year of the landmarked 5-story, 21,342-square-foot garage, creating a mix of office-and-retail space. As part of the project a 6th story was added, increasing the building's square footage to 24,834 square feet.
- **110-112 East 16th Street** (Union Square) – A 21-story, approximately 100,000-square-foot mixed-use condominium development expected to host 50 residential units, as well as some retail and community facility space, is planned for the site of an existing 9-story, 50,174-square-foot garage.
- **41-47 East 21st Street** (Flatiron) – The 4-story, 50,000-square-foot garage was sold for \$32.2 million in March. Plans have yet to be revealed by Georgia-based Mequity Companies, which reportedly specializes in developing and re-developing self-storage properties.
- **60 Fulton Street** (FiDi) – The 10-story garage has been replaced by a 23-story, 101,500-square-foot mixed-use tower dubbed **Exhibit** that hosts 120 residential units and 5,800 square feet of retail space. Construction was completed in late 2017.
- **302 East 96th Street** (Upper East Side) – The 21-story, 75,887-square-foot mixed-use development that is expected to deliver this year has replaced a 3-story, 14,405-square-foot garage. The new tower dubbed **Vitre** will host 48 residential condominiums and ground level parking for 8-cars.

Manhattan's Parking Garage Industry (cont'd)

Intended to “ease traffic congestion, cut pollution and boost mass transit” by charging motorists a toll when entering Manhattan below 60th Street, congestion pricing is expected to raise “billions of dollars” to help fund much needed repairs to the city’s subway system. Although the first American city to initiate congestion pricing, New York City follows in the path of other cities around the world that have successfully implemented a similar plan such as Singapore, Stockholm and London according to reports. Although details of the plan have yet to be finalized, the congestion fee will go into effect starting in 2021; and be collected by the Triborough Bridge and Tunnel Authority (TBTA), which is part of the MTA. Some parking-industry groups are reportedly hoping that the fees will be “fairly applied to circulating vehicles,” such as taxis and delivery vehicles, “versus commuters who park once in a garage and clear the road.”

- **Fees** are anticipated to range from \$12 to \$14 for cars and around \$25 for trucks during peak business and traffic hours, with a lower fee at night and on weekends.
- **Required Payers** will include those entering the congestion zone from outside New York City, as well as those driving from elsewhere within the city such as north of 60th Street and the outer boroughs.
- **Exemptions** are reportedly expected to be established for:
 - Drivers who are “low income, have disabilities, or are going to medical appointments;” and
 - Drivers who live in the congestion zone when they drive within the zone or when they leave the zone only; however it could change if an exemption or discount is granted to congestion zone residents.

Although there is a proposal to exempt all New York City residents, it reportedly seems unlikely; and there exists some concerns that if more exemptions are established it could mean higher tolls for everyone else in order to generate the expected \$1 billion annually.

- **Implementation** of the charge will be done through an electronic tolling system that is anticipated to expand upon the existing **E-ZPass** technology currently used at the city’s bridges and tunnels. Upon entering the congestion zone, drivers would automatically be charged through the E-ZPass tags in their cars, or if a tag is not available, a camera will snapshot the license plate to bill the driver later. Some anticipated challenges cited by a former New York City transportation official include:
 - Finding places to mount the E-ZPass readers and cameras so that they are not “visually intrusive;”
 - Potentially having to install gantries (bridge-like overhead structures) over wide avenues;
 - Securing interstate agreements that might be needed so the city could track down drivers with out-of-state license plates.
- **Success** in the cities of London, Stockholm and Singapore were cited by advocates of the plan, pointing out that although the fees were “greeted with skepticism and anger from many commuters and civic and business leaders;” they later proved effective in reducing traffic, congestion and air pollution. City officials in London reportedly stated that within a year after the 2003 fee implementation:
 - The number of vehicles entering the congestion zone dropped by 18%, traffic delays declined 30%, the average speed of vehicles increased from 8.8 miles per hour to 10 miles per hour, and there was a 12% reduction in emission of “nitrogen oxides and particulate matter from vehicles.
 - Curbside parking spots on many main roads within the congestion zone were able to be removed; and
 - Millions were raised for “new buses, bike lanes and other public transit services to accommodate drivers who leave their cars at home.

However due to the recent spike in ride-app cars and the more than doubling of congestion fees over the years, London’s gridlock has returned; and many drivers continue to complain according to reports.



Online Returns a Logistic and Cost Challenge for E-commerce Industry

Although online purchasing has proven to be a great convenience for today's consumers, it does not come without some significant challenges for the e-commerce industry. A report released in mid-December points-out that "Without the physical experience of seeing, touching or trying on an item, e-commerce shoppers have become accustomed to buying multiple items with the intent of returning some of them," with expectations of a seamless and inexpensive (free if possible) return experience. This trend has placed an "enormous stress on and added costs to retailers and distribution networks that are not optimally equipped for the reverse flow of inventory," particularly during the holiday season when the volume of returns is significantly higher.

According to reported data compiled by retail analytics firm **The Retail Equation**, the return rate for the retail industry in the U.S. and Canada averages 8% of total sales; while e-commerce return rates are significantly higher, ranging 15% to 30% depending on product type. In 2017 online sales during the November and December holiday shopping period generated a total of \$107 billion, which in turn generated \$30 billion in returned merchandise; and if the average order price was \$82, it would equate to 390 million packages of merchandise being sent back, which is then generally sold at a steep discount to liquidators, or disposed of entirely. Online holiday sales in 2018 were projected to generate \$123 billion, representing a 16.2% year-over-year increase; and potentially pushing return dollar volume to \$37 billion. The United States Postal Service (USPS) reportedly estimated that 1.5 million packages were returned on **National Returns Day**, December 19; and an additional 1 million return packages expected daily leading up to Christmas.

The growing volume of online returns has given rise to the heightened need for reverse logistics, which is defined by the **Council of Supply Chain Management Professionals** as the "movement of goods and management of resources after sale and delivery to the customer, including product returns for repair and/or credit." It is estimated that in addition to added labor due to the required manual inspection process, a reverse logistics supply chain can require up to 20% more space than an outbound (forward logistics) supply chain; and while adding additional cost burdens to the e-commerce industry, creates "tremendous industrial real estate opportunities as users add more warehouse and distribution centers to handle the reverse flow of inventory." As a cost-savings alternative and to gain maximum efficiencies, many retailers have sought to outsource their reverse logistics operations, benefiting third-party logistics (3PL) operators and owners.

Retailers that have both an online and brick-and-mortar presence have the advantage of encouraging consumers to return items in the store. This policy not only significantly reduces retailers' shipping and handling costs, while also allowing the item to be quickly displayed for resale when possible, but there also exists the potential of additional sales upon the customer bringing the return to the store. Statistics compiled by the **International Council of Shopping Centers** (ICSC) reveals that on average, in-store returns from online purchases generates an additional sale that is 107% of the value of the returned item. However a preference among consumers to mail returns is increasing, resulting in a 4.4% loss in revenue to the average retailer due to items that can't be resold or must be discounted according to cited data within the report from research firm IHL Group. While a small number of retailers are testing pricing models that offer customers a lower price for an item if they forego the right to return it, the standard of flexible and free returns policy remains for most online retailers in order to better compete in the e-commerce space.

Sources: <https://www.cbre.com/-/media/cbre/countryunitedstates/media/files/services/industrial%20and%20logistics/research-content/2018-reverse-logistics/returntosenderholidayseasonheightenschallengeofonlinereturnsforretailsupplychainssecured.pdf>

<http://www.cbre.us/real-estate-services/real-estate-industries/omnichannel/the-definitive-guide-to-omnichannel-real-estate/retailing/reverse-logistics-problems-and-opportunities>



Real Estate Board of New York's Winter 2019 Brooklyn Retail Report

The report released in mid-April by REBNY revealed that average asking rents for available ground floor retail spaces within the borough lowered year-over-year in (10) of the (17) corridors profiled. Although strong rent growth occurred in up-and-coming areas experiencing increased foot traffic, a broader view of the Brooklyn retail market indicates "some softening in asking rents in more established areas with low availabilities in prime retail spaces." Similar to Manhattan, Brooklyn is currently experiencing natural market corrections as landlords are reassessing the quality and value of their stock among shifting national retail conditions.

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	Summer 2018 Avg. Asking	Summer 2018 Asking Range	Winter 2018 Avg. Asking	% Yr-over-Yr Change	% Change Winter 2018
Greenpoint					
Franklin St (Meserole Ave – Commercial St)	\$70	\$45 - \$115	\$74	23%	-5%
Manhattan Ave (Driggs Ave – Ash St)	\$70	\$36 - \$125	\$70	9%	0%
Williamsburg					
Bedford Ave (North 8th St – North 12th St)	\$147	\$106 - \$200	\$168	-17%	-13%
Bedford Ave (Grand St – North 12th St)	\$319	\$210 - \$500	\$351	-11%	-9%
North 6th St (Driggs Ave – Kent Ave)	\$209	\$55 - \$350	\$251	-7%	-17%
North 4th St (Driggs Ave – Kent Ave)	\$196	\$120 - \$300	\$197	61%	-1%
Grand St (Havemeyer St – Kent Ave)	\$100	\$65 - \$175	\$84	-1%	19%
DUMBO					
Washington St, Main St, Water St, Front St	\$108	\$70 - \$150	\$110	-25%	-2%
Brooklyn Heights					
Montague St (Hicks St – Cadman Plz)	\$72	\$40 - \$108	\$110	-50%	-34%
Downtown Brooklyn					
Fulton St (Boerum Pl – Flatbush Ave)	\$262	\$100 - \$375	\$234	-27%	12%
	\$166	\$120 - \$234	N/A	-	-
Prospect Heights					
Flatbush Ave (5th Ave – Grand Armory Plz)	\$139	\$71 - \$226	\$118	6%	18%
CobbleHill					
Court St (Atlantic Ave – Carroll St)	\$96	\$55 - \$125	\$103	-28%	-6%
Smith St (Atlantic Ave – Carroll St)	\$83	\$46 - \$150	\$101	-34%	-17%
Park Slope					
7th Ave (Union St – 9th St)	\$117	\$110 - \$128	\$112	2%	4%
5th Ave (Union St – 9th St)	\$95	\$85 - \$110	\$95	0%	0%
Bay Ridge					
86th St (4th Ave – Fort Hamilton Pky)	\$111	\$45 - \$200	\$118	-10%	-5%



In the News

Sale of Former Lord & Taylor's 5th Avenue Flagship Closes

WeWork Property Advisors (WPA), the investment vehicle managed by The We Company (formerly WeWork), and private equity firm Rhône Group have closed on the acquisition of the 12-story, 662,729-square-foot building. The sale of the building located at 424 Fifth Avenue that served as the Manhattan flagship of Lord & Taylor's for 104-years was valued at \$850 million. As part of the deal seller Hudson's Bay Co. (HBC) will retain a \$125 million "preferred minority equity interest," utilizing proceeds from the sale to "remove the nearly \$400 million mortgage on the building from its books." Announcements of the closing comes about (6) months later than the originally expected August 2018 date, having been pushed back several times requiring the buyers to pay millions to extend the deadline according to reports.



At the end of January reports indicated that an initial deposit of \$75 million had been paid upon agreeing to purchase the building in October 2017, which was initially expected to see Lord & Taylor's remain in a significantly downsized space of about 150,000 square feet. However in June 2018, HBC shifted directions, opting a full closure of the store instead. Delays in the closing came at an additional cost of reportedly \$50 million, extending it into February. JPMorgan Chase and Starwood Property provided roughly \$389.285 million at the February 8th closing according to city record documents, as part of reportedly \$900 million in financing, which included an undisclosed third lender, that the buyers secured at the end of January to fund the purchase and building renovations.

A memorandum of lease for the building was simultaneously secured by WeWork Companies to serve as its new headquarters location. The lease that will commence August 8, 2020 extends through August 8, 2041; and includes (2) additional 10-year renewal options, plus a right of first offer to purchase the building so long as the lease is in effect. Plans have reportedly already been approved by the city's Department of Buildings for interior renovations, as well as a 26,000-square-foot addition.

The (3) companies will continue to maintain the ongoing relationship established in 2017 upon initial news of the sale, The We Company having established agreements to lease retail space within select HBC department stores. In addition, Rhône is expected to make a \$500 million equity investment in HBC "in the form of 8-year mandatory convertible preferred shares" according to an HBC press release at the time.



In the News (cont'd)

Whole Foods Launches Its Daily Shop Concept

Continuing to test downsized concept stores, the latest launch dubbed **Whole Foods Market Daily Shop** focuses on grab-and-go offerings with self-checkout lanes. The first location to debut in New York City is located on the corner of West 25th Street at 260 Seventh Avenue, adjacent to Whole Foods' existing full-sized 40,000-square-foot market at 250 Seventh Avenue; and replaces Whole Body, a Whole Foods operated specialty store that sold beauty products. The "bodega-like convenience" store's offerings will primarily feature local items, with a portion of the store dedicated to "common grocery items" included pet food, toiletries, travel-sized-products, and limited produce. For those that want to eat in-store, there is some bar seating. Other concepts the retailer has tested include a food-hall branch in Bryant Park at the base of **Salesforce Tower**, 1095 Sixth Avenue and in Brooklyn's Williamsburg neighborhood at 238 Bedford Avenue. The **365 by Whole Foods** concept launched in 2015, was intended to offer a "values-oriented experience geared toward millennial shoppers;" however it has reportedly been announced that the stores operating under the cost-friendly brand will be converted to regular Whole Foods stores by the end of the year.



Amazon Plans Launch of New Grocery Business

As part of a strategy to better understand the preferences of grocery shoppers amid mixed results with the company's **AmazonFresh** grocery delivery business, Amazon is reportedly planning to launch a grocery store business that will be distinct from and non-competitive with its upscale **Whole Foods Market** chain. Although full details of the e-commerce giant's plans are not available, the first store is expected to open in Los Angeles, potentially as early as by the end of the year. Talks are reportedly underway for potential locations in San Francisco, Chicago, Seattle, Washington, D.C., and Philadelphia, as well as the possible purchasing of a small regional chain with about a dozen stores under operation being explored. The new stores are expected to offer lower price point products; as well as a much broader range of products not available at Whole Foods due to its highly restrictive quality standards.

Amazon is seeking leases without restrictions on the type of goods it may sell in the approximately 35,000-square-foot stores; as well as the flexibility to "change the store and sell health and beauty products for instance" according to reports. In addition, with the intention of speeding shoppers' ability to get groceries, Amazon is seeking to have some control of the parking lot where the stores will be opened. Although Amazon still led the way in 2017 for online U.S. grocery orders, reportedly accounting for 12.5%, or \$2 billion, the company's closest competitor Walmart is reportedly narrowing the gap, having accounted for 11.1% in the same year; and in-store and online sales in 2017 totaling 26% of the \$800 billion U.S. grocery business, compared to Whole Foods Market's 1.6% share per reported data.



In the News (cont'd)

Godiva Joins Growing Roster of Café Concept Openings

The Belgium chocolatier launched nearly 100-years ago in Brussels will be opening its first ever **Godiva café** in Manhattan's Plaza District on April 18th following a testing of the concept with a short-term pop-up in Penn Station earlier this year. The new 1,200-square-foot location on the corner of East 50th Street at the base of the 22-story, 382,580-square-foot office building at 560 Lexington Avenue, is one of 10 planned initial openings by the end of the year in the Northeast, with longer ranged plans of establishing 2,000 locations worldwide. Distinguishing it from the company's typical stores, a selection of both savory and sweet grab-and-go items and beverages will be offered at the café, including its "decadent cold blended signature drink **Chocolixir** and exclusive stuffed croissant waffle, the **Croiffle**.



The new chocolate-themed café will join a growing number of similar concepts launched in recent years including **Nutella**, the hazelnut-spread brand owned by Italy-based Ferrero International S.A. debuted its 2,200-square-foot café in time for the 2018 winter holiday season at the base of the newly constructed 116 University Place on the border of Midtown South's Union Square; and cereal maker **Kellogg's**, which initially opened a one-year, 1,650-square-foot pop-up in Times Square, subsequently due to enthusiastic response secured a 5,000-square-foot permanent location on the edge of Union Square Park at 31 East 17th Street.



Sources: <https://ny.eater.com/2019/3/29/18287100/godiva-cafe-midtown-location-nyc> • <https://www.godiva.com/cafe>
<https://www.delish.com/food-news/a26990869/godiva-first-united-states-cafe-nyc/>
<https://www.delish.com/food-news/a26291388/first-godiva-cafe-in-the-country-serving-croiffle-croissant-waffle-hybrid/>
<https://www.moodiedavittreport.com/godiva-plans-ambitious-growth-plan-for-cafe-concept/>



In the News (cont'd)

Macy's Launches Rotating Brand and Experience Concept STORY

The Cincinnati, OH-based department store launched “a narrative-driven retail concept shop” within 36 of its stores across 15 states in April hoping to refresh the 160-year-old brand and expand its reach to young shoppers in the digital age. In 2018 Macy's acquired New York City-based **STORY** for an undisclosed price. The start-up launched in 2010 that pioneered “a retail as media business model” features a rotating cast of brands within its Chelsea location. In addition to leveraging STORY's ability to track customer data and provide a “differentiated brick-and-mortar experience, Macy's is hoping that the installation of the “discovery-led narrative experience” will give new customers a fresh reason to visit the stores, while prompting current Macy's shoppers a reason to return repeatedly throughout the year.

The small “shop-in-shop” spaces that average about 1,500 square feet will also provide Macy's a testing ground for new products and brands. Offering a blend of curation, editorial storytelling, interactive events and displays, the concept is anticipated to create what has been described in Macy's press release as a “real life version of scrolling through Instagram.” The evolving STORY themes will change every few months, with the inaugural launch of **Color STORY** featuring more than 400 products for men, women, kids and the home from a collection of over 70 small businesses. Among the 36 stores that are debuting the STORY shops, (3) are located in New York City in the boroughs of Brooklyn, Queens and Manhattan. STORY in the flagship Herald Square store will spread across 7,500 square feet of continuous space on the ground and mezzanine levels; and due to its larger size offer a broader range of brand partners, as well as several independent brands, and interactive experiences.



Wegmans, Admirals Row - Rendering

In the News (cont'd)

Navy Yard Opening to Test Wegmans' Ability to Compete in a Big-City Market

Since initial reports in mid-2015 of the Rochester-based family-run grocer's commitment to the 74,000-square-foot space within **Brooklyn Navy Yard's Admirals Row**, the store's highly anticipated opening is finally approaching. The slated fall opening represents the privately-held chain's New York City debut, as well as reportedly the establishing of its first big-city location. At a time when many large grocers have folded, Wegmans launched in 1916 is forging ahead and opening in one of America's most competitive markets, having reportedly proven "adept at solving the most intractable problem facing retailers — giving shoppers a compelling reason to visit its stores." Reports indicate that the move will be a big test for Wegmans to see if it can duplicate the "phenomenal success it's had in smaller locales" in Upstate New York, New Jersey, Pennsylvania, Massachusetts, Maryland and Virginia at the site located in a "long-ignored tract of the former military base" that is currently being redeveloped by Steiner NYC. Employees at the store will total about 500 — 150 full-time and 350 part-timers, of which many of the hires will be local residents. Among the 4,000 applications Wegmans reportedly received in January, 741 came through the Navy Yard's employment office; and about 30% of the submissions were from residents at Farragut Houses, as well as two other local housing projects.

Not planning any big changes to its product assortment for Brooklyn, the grocer is hoping to attract the reportedly 2.8 million people that live within 5-miles of the Navy Yard, with its array of exclusive offerings including an extensive assortment of take-home meals, developed in part by celebrity chef David Bouley; and a 350-variety cheese counter for pairing with a selection of Wegmans' 2,200 wines. In addition to specialty items, the store will also offer a wide selection of everyday items. However the store's success may be dependent upon Wegmans ability to overcome some expected challenges such as:

- Big, crowded cities not conducive to Wegmans' sprawling stores;
- The Navy Yard's isolated location that is cut off from most of the borough by the Brooklyn-Queens Expressway (BQE); and abuts the **Farragut House** public-housing project;
- New York City's extremely competitive grocery market comprised of a mix ranging from bodegas and street-corner produce stands to local chains like Fairway and D'Agostino that reportedly have "more experience with the hefty and rising costs that have eaten away at area grocer's margins;" and
- Convincing the city's "finicky" shoppers that the store, which is an unfamiliar name to many locals, offers something unique.

Buildout of the store's layout, which includes a mezzanine café and wine bar, had reportedly given rise to several design challenges for Steiner in part due to the new building that will serve as Wegmans' home housing several floors of light-industrial manufacturing space above. In order to avoid the businesses above infringing on the grocery store's layout, an elevator shaft had to be installed; as well as the need to raise the site by an average of 5-feet to reduce the risk of a reoccurrence of the flooding incurred in 2012 during Hurricane Sandy. Other design changes included Steiner's decision to install the "low-iron glass" that is more typically used by luxury retailers and easier to see through, versus the tinted glass generally used by most grocers to lower energy costs, hoping that Wegmans will have a better chance of becoming a destination if shoppers are able to more easily view the offerings inside; and although parking for about 250 cars was planned, since many New Yorkers will likely travel via public transportation, a parking garage with 429 additional spaces is now being constructed in response to Wegmans' expectation that it will attract shoppers driving from up to one hour away.



Developing Trends

QSR Restaurant Chains Evolving Amid Changing Consumer Preferences

Amid a sharply declining number of consumers eating within the dining areas of quick-service restaurants, an increasing number of QSR chains are adding more drive-up lanes and online ordering options. The developing trend has also served to fuel the heightening need to provide home delivery service; as well as the growing number of independent “ghost restaurants.” Also described as “virtual restaurants” that “make food just for delivery, with no dining rooms and little or no customer interaction, the concept offers the benefit of greater flexibility in location to reduce overhead rent costs, while the need for high-end décor, wait and hosting staff are eliminated. In the long-term, some reported sources anticipate that the trend “could change the way restaurant companies or developers choose sites, locations, designs and staff.” However it has been pointed out that in markets like New York and San Francisco, where real estate supply is already tight, it could become harder to find good locations at relatively low prices if the “production-kitchen-and-delivery-only concept catches on more broadly.

Further changing how customers interact with restaurants is the growing convenience of mobile technology, opening the door to dedicated restaurant company apps that let customers skip waiting in line by ordering and paying for food before arriving at the restaurant. In addition, many QSR chains are adding the convenience of “curbside pickup” where drive-up lanes are not available in suburban neighborhoods. According to reported data compiled by Business Insider Intelligence, the number of mobile orders placed at U.S. restaurants rose 50% year-over-year in 2017, with projections that the “order-ahead segment” will account for 10.7% of all QSR sales by 2020.

The growth pace of third-party delivery services has also seen a significant surge, early pioneering companies such as **Seamless** and **GrubHub** provide the convenience of direct home delivery of food from participating restaurants that is ordered and paid for through the delivery service’s website. Financial services firm Morgan Stanley reportedly projects that by 2020 “direct delivery could account for 40% of annual U.S. restaurant sales, or \$220 billion,” about 8-times the 5%, or approximately \$30 billion the segment accounted for in 2017. However the convenience is costly for most restaurant operators, which pay a percentage of the meal tab to the third-party delivery service provider; but more affordable than establishing their own direct delivery service due to “labor, fuel, insurance and other rising costs.”

In recent years several QSR chains have been testing different concepts and store layouts geared toward adapting to the rapidly changing preferences of today’s consumers. Newport Beach, CA-base **Chipotle** has added in-store pick-up shelves, which “let customers quickly obtain their items ordered to go on the company’s app; as well as tech-enabled “second make” lines that serve as dedicated food-assembly lines for online orders, with staff “guided through new visual screens to ensure accuracy.” As restaurant operators seek to keep more revenue in-house, some reported sources expect that the “pick-up-oriented, online-ordering model is likely to gain traction among more types of restaurant in coming years.” In contrast the “ghost restaurant” concept, which so far has a reportedly limited footprint nationally and a mixed performance record, “generally succeeds only for operators who already have well-established sit-down eateries or food trucks.”



Developing Trends (cont'd)

Craft Breweries on the Rise in Brooklyn

The beer industry is making a strong comeback in Brooklyn, since beer production had reportedly all but disappeared in the 1970s. Brewing within the borough reportedly dates back to a time when the original Dutch settlers came to the city, but it wasn't until mid-19th century arrival of German immigrants, that the industry surged. By the early 1900s brewing in the city reportedly peaked with 45 breweries, of which 11 were located along a 12-block stretch in Williamsburg according to reports. A gradual revival of the industry started in 1988 upon the launch of **Brooklyn Brewery**. The brewery that reportedly produced most of its beer outside of the city has been a Brooklyn staple for 25-years since opening its production facility in 1996; and currently houses its operations in about 70,000 square feet at 61-71 Wythe Avenue in Williamsburg under a lease expiring in 2025. However this time the landscape of the industry presents an entirely different picture from when prior to 2012 beer came from all around the world making New York a beer destination. In contrast to earlier years when a majority of the beer sold in New York City was out-of-state and out-of-country brands, a rebirth of the industry in Brooklyn, which is growing at a quickening pace, has given rise to a number of local breweries as consumer preferences shift to interest in local beers.



According to reported statistics compiled by the Brewers Association, "Beer sales around the country reached \$111.4 billion in 2017, with independently owned breweries (a.k.a., craft beer) accounting for \$26 billion," or about 23%. However the pace of growth among independent craft breweries nationwide reportedly began to slow in 2017 due to "many competitive factors including challenges with access to market; big beer companies purchasing formerly independent breweries; and consolidation at the distributor level are making it more difficult for craft breweries who want to increase sales." In addition finding a location can present additional challenges, some reported industry sources further pointing out that unlike other warehouse users, "breweries tend to need more concessions in order to open" such as longer leases, free rent and more help with construction; and therefore finding a landlord willing to work with them," coupled with the high cost of buying brewing equipment, can make opening a long process."

Helping to fuel growth of the brewing industry is the 2014 passage of the **Craft New York Act** by Governor Cuomo, which "eased restrictions for operating breweries and distilleries around the state;" and also lifted the "ban on selling cans and glasses of beer inside the brewery itself;" opening the door to direct interaction with consumers. Although breweries have begun to open in all (4) outer boroughs, the pace of growth has been more robust in Brooklyn "because of its reputation for locally made, artisanal products, and simply because the brewers mostly live in the borough" according to the report.



Craft Breweries (cont'd)

Brewers Association data reportedly indicates that there are at least (7) breweries in the planning stages in Brooklyn such as **Stillwater Artisanal**, which is currently searching for a location to join the numerous other breweries that already call Brooklyn home including:

**stillwater
artisanal.**

- **18th Ward Brewing / 300 Richardson Street** – The brewery was expected to open in March within the former East Williamsburg carpet cleaning factory. A 5-year lease, including a 10-year extension option was secured in 2018 for the 2,000-square-foot space within the 3-story mixed-use building located on the corner of Debevoise Street. Although the asking rent was not disclosed, the landlord granted a 6-month rent concession for the buildout of the space according to reports.



- **Other Half Brewing Company / 260 Kent Avenue** – The brewery secured a 3,600-square-foot lease within the newly constructed mixed-use development that is expected to deliver by the end of 2019 within the multi-building **Domino Sugar Refinery** project in Williamsburg. Upon opening in the new space on the corner of Grand Street, it will establish Other Half's 3rd outpost.

OTHER HALF

- **Collective Arts Brewing / 516-529 3rd Avenue** – The Canada-based craft brewery is making its U.S. debut in the multi-level, 16,000-square-foot space. Located within the borough's Gowanus neighborhood, the new venue reportedly secured under a 15-year lease at an asking rent of \$49 per square foot will include a microbrewery and taproom, as well as a restaurant and 40-seat craft distillery cocktail lounge.



- **Grimm Artisanal Ales / 990 Metropolitan Avenue** – The brewery was able to purchase the single-story, 7,500-square-foot former truck repair shop for \$4 million in February 2018 after receiving a \$2.288 million mortgage from small business loan provider the New York Business Development Corporation. Proceeding with a reportedly \$2 million buildout to install tanks and fermenters, Grimm was able to open its East Williamsburg brewery and taproom (6) months later.

GRIMM

- **Braven Brewing Company Bar & Kitchen / 52 Harrison Place** – Having opened in September 2018 within the 2,500-square-foot former Bushwick beer bar, the owners recently ceased operations and decided to sell the lease and equipment after less than one year of being in business.



- **Greenpoint Beer / 1150 Manhattan Avenue** – Initially opening in 2014 in a 6,500-square-foot space at 7 North 15th Street, the brewery had to secure a new Greenpoint location following the sale of the 12,775-square-foot building to a developer. While the new 5,000-square-foot space is smaller, it features a 1,000-square-foot roof deck.



Craft Breweries (cont'd)

Additional independent breweries listed on the Brewers Association website include:

Brewery	Location	Neighborhood
Additional Brooklyn Breweries		
Circa Brewing Co	141 Lawrence Street	Downtown Brooklyn
Coney Island Beer	1904 Surf Avenue	Coney Island
Interboro Spirits And Ales	942 Grand Street	East Williamsburg
Island To Island Brewery	642 Rogers Avenue	Prospect-Lefferts Gardens
Keg & Lantern Brewing Co	97 Nassau Avenue	Greenpoint
Kings County Brewers Collective	381 Troutman Street	Bushwick
Randolph Beer Dumbo	Dumbo Heights, 77 Sands Street	DUMBO
Strong Rope Brewery	574A President Street	Gowanus
Threes Brewing	333 Douglass Street	
Five Boroughs Brewing Co	215 47th Street	Sunset Park
Wartega Brewing	Industry City, 33 35th Street	
Queens Breweries		
Alewife Brewing Company	514 51st Avenue	Long Island City
Big Alice Brewing Company	808 43rd Road	
Fifth Hammer Brewing Company	10-28 46th Avenue	
Iconyc Brewing Company	45-13 34th Avenue	
LIC Beer Project	3928 23rd St	
Rockaway Brewing Company	4601 5th Street	
Transmitter Brewing	5301 11th Street	
Fineback Brewery	78-01 77th Avenue	
Mikkeller Brewing NYC	12001 Roosevelt Avenue	Flushing
Singlecut Beersmiths	19-33 37th Street	Astoria
Staten Island Breweries		
Flagship Brewery, LLC.	40 Minthorne Street	Tompkinsville
Kills Boro Brewing Company	62 Van Duzer Street	
Bronx Breweries		
Gun Hill Brewing Co	3227 Laconia Avenue	Williamsbridge
The Bronx Brewery	856 East 136th Street	Port Morris





Leasing Activity

NYC's Retail Market Continues to Attract New Overseas Entrants

Over the years New York City has served as one of the preferred gateway cities among overseas brands that are looking to establish a foothold in the U.S. retail market. Lease signings by several newcomers over the past year have been reported including:

First U.S. Store:

- **Il Bisonte** - The high-end Italian accessories and leather brand was expected to open in February within the 2,600-square-foot space located in the West Village at 381 Bleecker Street.
- **Just Baked** – The Polish bakery chain that is reportedly “being rebranded for an entrance to the U.S. market” signed a pair of Downtown Manhattan leases last year — a 1,400-square-foot space in TriBeCa at 88 West Broadway, and in the Oculus at Westfield World Trade Center, ahead of a reported plan to open 50 stores in New York. Asking prices for the (2) leases were reportedly \$200 per square foot and \$450 per square foot respectively.
- **New & Lingwood** – The upscale British men’s clothes and accessories brand secured a 2,500-square-foot lease in the Upper East Side at 970 Lexington Avenue. Asking rent for the space was reportedly \$25,000 per month.
- **Castangia 1850** – The 168-year-old Italian suit brand established its showroom in an 1,800-square-foot space spanning the entire 2nd floor of 521 Madison Avenue. Located in Midtown’s Plaza district, the reported 3-year lease includes a 2-year extension option; and had an asking rent of \$65 per square foot. The location will serve as an atelier for the upscale suit designer, enabling customers to make appointments for private fittings. While Castangia has previously opened temporary locations in the city and has been featured in department stores including Bergdorf Goodman, the showroom represents its first permanent space in New York City and the U.S. at large. Castangia is renting at an “office rate,” for the space ideally located along “Gentlemen’s Row,” enabling the retailer to benefit from a rent cost well below that of a street retail location,
- **Hawksmoor** – The London-based steakhouse is opening a 180-seat restaurant at 287 Park Avenue South in the Flatiron district. Although details of the deal were not released, the main area of the restaurant will be located in the landmarked building’s 30-foot ceilinged “Assembly Hall.”

New Overseas Entrants (cont'd)

- **Redemption** – The Italian clothing brand secured a lease for 5,000 square feet — 3,500 square feet on the ground level and 1,500 square feet of lower level space at 102 Wooster Street. The SoHo store leased under a reportedly 10-year term at an asking rent of \$775,000 per year is expected to open this year.
- **Bravissimo** – The British lingerie brand founded in 1995 will be opening in Midtown South's SoHo neighborhood this spring, having secured a 10-year lease for 4,475 square feet at 433 West Broadway. The space that includes 2,000 square feet on the ground level and 2,275 square feet of lower level selling space had a reported asking rent of about \$200 per square foot.
- **Falconeri** – The Italian womenswear retailer, a brand of parent company Calzedonia Group, secured a 7-year lease for 2,850 square feet — 1,850 square feet on the ground level and 1,000 square feet of non-selling basement space. Asking rent for the SoHo store that is expected to open this spring at 101 Prince Street was reportedly \$600 per square foot.
- **Angelina Paris** – The Paris-based pastry restaurant founded in 1903 recently leased a 4,000-square-foot space at the base of **ML House**, a 62-unit mixed-use development that is nearing construction completion. Located in Midtown's Penn Plaza neighborhood at 1050 Sixth Avenue, the space that had a reported asking rent of \$300 per square foot will include a sit-down cafe serving modern French cuisine as well as a grab-and-go coffee/bakery area.
- **Collective Arts Brewing** – The Ontario, Canada-based craft brewery secured a 15-year lease for 16,000 square feet. The multi-level space that had an asking rent of reportedly \$49 per square foot is located at the base of (3) connected buildings at 519-529 3rd Avenue in Brooklyn's Gowanus neighborhood. The former warehouses are currently undergoing a repositioning to create a mix of office and retail use.

First NYC Location:

- **Grace Loves Lace** – The Australian brand launched in 2010 that designs wedding dresses opened last year in Midtown South's SoHo neighborhood, establishing its second U.S. location. A 5-year lease was secured for the 4,300-square-foot storefront with 2,800 square feet below grade at 43 Wooster Street.
- **Venchi** – The Italy-based chocolatier opened its first standalone store in a 3,000-square-foot space at the base of 861 Broadway. Located in Union Square the 10-year deal that had a reported asking rent of \$360 per square foot includes 1,500 square feet each on the ground and basement levels. Prior to the signing, Venchi has had outposts within both of Eataly's Manhattan food halls.



NEW & LINGWOOD



BRAVISSIMO



GRACE LOVES LACE

FALCONERI

HAWKSMOOR



ANGELINA

Paris depuis 1903

Just baked!





Leasing Activity (cont'd)

Rising 5th Avenue Vacancies Spark Need to Create Fresh Look and Broader Vision

The storied corridor that has been described as a global market continues to attract a high volume of tourists since it is reportedly “so celebrated by the international imagination” as the epitome “of what New York is.” However while foot traffic remains high, retail purchasing volume appears to be relatively low. While technology-related challenges and high rents continue to attribute to the rising number of vacancies along Midtown’s 5th Avenue corridor, some sources point out that they are not the only factors. It has been reportedly pointed out that the large-scale retail built along much of the corridor, which in the past served as the necessary anchors to attract shoppers, is no longer relevant as the definition of what an anchor is for a commercial area changes very radically. At a time when the delivering of experience has risen to the forefront, so does the heightened need for 5th Avenue to be “re-imagined as a user experience which generates a unique value proposition.”

Another factor impacting 5th Avenue is the transition of the urban experience to one that is “less centralized and more niche,” bringing a huge market shift within Manhattan into play with prime retail locations such as Downtown and the newly opened Hudson Yards reportedly “being redefined in incredible ways that you couldn’t have imagined a few years ago.” Since the September 11 terrorist attacks, the revitalization of the Lower Manhattan neighborhood has turned it into an “urban-district experience where you can experience many, many different things without having to jump into a cab or ride the subway to go somewhere else” accorded to reported source statements.

Looking ahead, it has been suggested that the “future of 5th Avenue lies not in mere preservation, but in smart re-purposing of existing buildings that play into the avenue’s global image and brand value — a course very much in flux.” It is anticipated that although 5th Avenue will “always be a major draw for travelers from around the world, they will increasingly look for a broader range of experiences.”



Leasing Activity (cont'd)

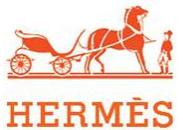
Lease Deal Highlights

Midtown

Lululemon Athletica / 592 Fifth Avenue (Plaza) – The athletic apparel retailer will be opening a new flagship in time for the winter holiday season, having reportedly secured a 10-year lease for 20,000 square feet at the base of the 11-story, 70,135-square-foot building. The newly created multi-level space that has a reported asking price of nearly \$7 million per year is part of a major repositioning launched last year by the building's landlord United Overseas Bank. Located on the corner of West 48th Street, the athleisure brand's new flagship includes 6,000 square feet on the ground level, and 7,000 square feet each on the 2nd floor and lower level. Lululemon will be relocating from an 8,000 square foot space spread across the ground, mezzanine and balcony levels, with 5,000 square feet of basement space at the base of nearby **Charles Scribner's Sons Building**, 597 Fifth Avenue. Lululemon had leased the space short-term in mid-2017 according to reports at the time; and apparently decided not to exercise an option to extend the lease long-term.



Hermès / 706 Madison Avenue (Plaza) – The Paris-based luxury brand will be relocating its Manhattan flagship sometime in 2022 according to reports. Although full details of the deal were not released, the retailer has secured a lease for the entire 5-story, 39,671-square-foot building located at the corner of East 63rd Street. The larger space that includes two outdoor terraces will allow Hermès to consolidate its men's and women's stores under one roof. Hermès reportedly plans to keep the women's location remain open until the buildout of the new flagship is completed; but it is unclear if the men's store will similarly continue to operate or close prior to the 2022 relocation.



Currently the company's women's line is housed on the corner of East 62nd Street in the 4-story, 21,738-square-foot building at 691 Madison Avenue, which features a top-level greenhouse. A memorandum of lease was executed in mid-June 1998 for a term of 15-years; and included (1) 10-year renewal option. In 2013 Hermès exercised the renewal option at a reported asking rent north of \$1,700 per square foot. The Hermès Mens store opened in 2008 in the 4-story, 6,620-square-foot building at 690 Madison Avenue, which is located directly across the street from the women's store. According to reports in 2017, Hermès was paying roughly \$4 million per year (\$604 per square foot) for the space it occupies under a net lease that expires in 2024, with (2) 10-year renewal options. A \$175 million (\$26,435 per square foot) sale offering of the townhouse was reportedly introduced to the market in 2017, just 2-years after seller Ashkenazy Acquisitions had acquired it for roughly \$115.17 million (\$17,397 per square foot).

Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Hard Rock Cafe / 1501 Broadway (Times Square) – The rock-and-roll-themed restaurant chain has extended its tenure at the **Paramount Building** into 2036 according to reports. As part of the renewal of its approximately 42,705-square-foot space on the ground and 2nd floor of the 32-story tower, the restaurant added 3,335 square feet to expand its



Rock Shop. The store that sells artist-inspired gifts, music memorabilia and souvenirs reportedly features a 90-foot-wide storefront. Hard Rock Café's tenancy dates back to 2005 upon making its debut in the former **Paramount Theatre** which closed in 1964 and underwent a conversion to office and retail use. The 708-seat restaurant includes a "unique outdoor space above the building's historic marquee used for private parties.

Crunch Gym / 1385 Broadway (Penn Plaza/Garment) – The fitness chain has reportedly extended its lease at the base of the 23-story, 492,597-square-foot building, with plans to update the facility and equipment. The approximately 27,481-square-foot space (SF per Costar) spans the entire 2nd floor and portions of the ground, mezzanine and lower levels; and asking rents for the ground and 2nd floor were reportedly \$175 per square foot and \$55 per square foot respectively.



Midtown South

McNally Jackson Books / 52 Prince Street (SoHo) – The independent bookstore will be remaining in its 5,700-square-foot space of 15-years, after reports last October indicated the likelihood of a relocation upon lease expiration this June due to rising rents. Currently paying an annual rent of \$350,000 per year for the space that includes 3,250 square feet on the ground level and 2,450 square feet on the lower level, an increase to \$850,000 was reportedly sought by the landlord. However a successful negotiation secured an agreement at a rent of \$650,000 per year, with "gradual increases over the next 5-years" according to reports, at which time McNally Jackson will reassess.



Initially opening the store in 2004 as part of the McNally Robinson chain, founder Sarah McNally reportedly went independent 4-years later. Over the years of the bookseller's SoHo tenure, a café and in-house printing press has been added. In addition, a new 3,600-square-foot location in Brooklyn's Williamsburg neighborhood at the **Lewis Steel Building**, 76 North 4th Street opened last year. Looking ahead, leases have been secured to open an approximately 5,300-square-foot store on 2-levels in Downtown Brooklyn's **City Point** complex at 445 Albee Square West; and an over 7,000-square-foot, 2-level store in the **South Street Seaport** as part of the Howard Hughes Corporation's larger redevelopment project.

Poggenpohl / 138 Greene Street (SoHo) – The German kitchen design firm will establish a flagship location this fall at the base of the building located between West Houston and Prince Streets. The space formerly occupied by furniture brand B&B Italia includes 3,200 square feet on the ground level, featuring 15-foot-6-inch ceilings, and 2,850 square feet of lower level space. The new store had a reported asking rent of \$985,000 per year; and will join the retailer's current location at 270 Park Avenue South (Flatiron).



GRIT BXNG / 9-11 East 16th Street (Union Square) – The new boutique boxing studio will be making its debut in June at the base of the 7-story mixed-use building located between Union Square West and 5th Avenue. Recently launched by the founder of The Learning Annex, the new boxing concept will spread across 3,500 square feet on the ground level and 2,000 square feet of lower level space under a 15-year lease at a reported asking rent of \$250 per square foot. The high-end concept will feature dramatic LED lighting, a DJ, an outdoor café on the ground level, plus a fully stocked liquor bar and upscale locker rooms on the lower level.

City Winery / Pier 57 (Chelsea) – The restaurant venue that offers a mix of music and wine making will reportedly be relocating its flagship at the end of the year or beginning of 2020 to a 32,000-square-foot space at the former shipping and passenger terminal that is undergoing a redevelopment for office and retail use.



Full details of the deal were not released, but the venue will reportedly close for several months in preparation for the move. Currently located in Hudson Square at 155 Varick Street since 2008, City Winery was required to seek a new location from the 2-story, 34,000-square-foot building they occupy in its entirety on the corner of Vandam Street since it is part of the 5-building portfolio known as 4 Hudson Square that is now controlled by Walt Disney Company under a 99-year ground lease for the planned redevelopment into a new headquarters complex for its American Broadcasting Company (ABC).

Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Vivvi / 75 Varick Street (Hudson Square) – The employer-sponsored corporate childcare provider is opening its first campus at the base of the 19-story, 1,173,231-square foot tower also known as **One Hudson Square**. A 12-year lease for 7,500 square feet was reportedly secured in April to accommodate 90 children ranging ages from 6 weeks to 5-years. The new center that will have a dedicated entrance fronting Canal Street features 20-foot ceiling heights and large windows offering abundant natural light throughout.



Uptown

E by Equinox / 30 East 85th Street (Upper East Side) – The high-end fitness chain debuted the launch of its “intimate-style club” in mid-December, representing the first U.S.-based standalone location offering the brand’s “most elevated Equinox experience” according a press release by the company. Dubbed **E Madison Avenue**, the upscale facility spreads across the 14,000-square-foot townhouse at the corner of Madison Avenue, which is connected to the base of a 30-story, mixed-use tower. Previously occupied by David Barton Gym, the townhouse offers 120-feet of wraparound frontage and an entrance on East 85th Street. Initially launched as a private training facility at **Equinox Columbus Circle** in 2004, the concept has since expanded nationally to Greenwich, CT and San Francisco, CA; and its first stand-alone E by Equinox opened in London in 2017 according to earlier reports.



JPMorgan Chase / 1289 Lexington Avenue (Upper East Side) – The bank has reportedly secured a 10-year lease for 6,000 square feet on the ground level of the 21-story, 229,751-square-foot mixed-use development dubbed the **Hayworth**. The new bank branch will join clothing brand Old Navy, which in September 2017 secured a 15-year lease for 18,500 square feet — 5,600 square feet on the ground level and 14,900 square feet of lower level space. Expected to deliver before the end of the year, the newly constructed building hosts 61 residential condominiums and 25,000 square feet of retail space that is now fully leased.



Salons by JC / 117-127 East 59th Street (Upper East Side) – The salon suite rental concept for the beauty industry has secured a 15-year lease for 16,253 square feet on the 2nd floor of the 33-story, 400-unit mixed-use tower. The franchise business based in San Antonio, TX offers a business model for the beauty industry that is reportedly similar to office co-working space. Currently operating in an 11,000-square-foot outpost leased in 2016 under a 10-year term at the base of the 20-unit mixed-use condominium at 124 West 24th Street (Chelsea), the recent signing for the new location within the Lenox Hill section of the neighborhood will establish the franchisee’s second Manhattan outpost. Expected to open in the 4th quarter following a major renovation, the space had an asking rent of \$75 per square foot; and is a portion of the approximately 35,000 square feet formerly occupied by sister companies Williams-Sonoma and Pottery Barn until shuttering in 2015, reports at the time indicating that the entire space was being marketed at an asking price of \$6.5 million per year, and an at grade ask of \$400 per square foot. In 2017 Japan-based Muji leased a 13,200-square-foot portion — 5,700 square feet of ground level space and 7,500 square feet on the lower level at reported asking rents of \$375 per square foot and \$125 per square foot respectively.



Upper Manhattan

Foot Locker / 605-609 West 181st Street (Washington Heights) – The sportswear and footwear retailer will debut its first New York City “**Power Store**” in the Upper Manhattan neighborhood. The 25,000-square-foot store located between St. Nicholas and Wadsworth Avenue was formerly occupied by school uniform retailer America’s Kids; and will reportedly include a “barber shop, sneaker cleaning and gaming zones, as well as activation spaces for events and an area where customers can ‘make their own shoes’ and create limited-edition sneakers with customized designs.” The new concept that initially debuted in Detroit, Michigan in January is intended to reportedly serve as a “hub for local sneaker culture, art, music and sports” according to reported statements within a Foot Locker press release. The New York-based retailer plans to relocate from a space about one-half the size at nearby 621 West 181st Street, with the new store slated to open in the fall. Looking ahead, Foot Locker is reportedly expected to open more than a dozen Power Stores in the U.S. over the course of the year, including in Los Angeles, New York and Philadelphia; as well as Milan in Europe.



Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Outer Boroughs - Brooklyn

Viva Toro / 987 Grand Street (East Williamsburg) – The Mexican restaurant will be opening its second location in the borough, having reportedly secured a 10-year lease for the 6,000-square-foot building formerly occupied by Global Plastic Company. Expected to open sometime in July between Morgan Avenue and Catherine Street, the warehouse structure will undergo a repositioning to accommodate the new eatery. Viva Toro opened its first location 188 Berry Street (Williamsburg), reportedly claiming the title as the first business to have a mechanical bull for riders upon opening in 2010.



Brooklyn Boulders / 56 North 9th Street aka 87 Kent Avenue (Williamsburg) – The 10-year-old rock climbing gym will be opening its second facility within the borough before the end of the year, having reportedly secured a lease for 30,598 square feet at the base of the 102,789-square-foot, 45-unit mixed-use development that is nearing construction completion. Currently operating at 575 Degraw Street in Brooklyn's Gowanus neighborhood, it had been reported in the fall of 2017 that Brooklyn Boulders was considering opening an approximately 35,000-square-foot gym at 121 Morgan Avenue (Bushwick). However prior to plans moving forward an agreement to raise sections of the roughly 20-foot-tall roof had to be secured from the building's ownership. Although unverified the recent signing may represent an abandoning of the potential deal.



56 North 9th Street - Rendering

Solidcore / 94 North 3rd Street (Williamsburg) – The boutique fitness center will be making its Brooklyn debut in the late spring, having secured a 10-year lease with (2) 5-year renewal options for a 1,880-square-foot space. The new studio is situated at the base of the newly constructed mixed-use development known as **House No. 94** that opened last year featuring 75 residences across two buildings. The project that has a second address of **125 Metropolitan Avenue** includes a total of 15,000 square feet of retail space. Solidcore is the first retail tenant to open at the property, making it the company's 4th New York City location since initially entering the New York City market last year with a 2,105-square-foot lease at 155 West 23rd Street in Midtown South's Chelsea neighborhood. Further expansion plans are already in the works, two additional openings are slated for 261 Hudson Street in SoHo, and 31 East 31st Street in NoMad according to reports.



94 North 3rd Street

Alamo Draft House Cinema / 445 Albee Square (DoBro) – The Austin, TX-based in-theater dining-and-movie chain that debuted in the borough in 2016 will be expanding its footprint by 25,000 square feet within the 1.8 million-square-foot **City Point** complex. The current 7-screen, 796-seat multiplex spread across 38,000 square feet on the 4th and 5th floors of the 675,000-square-foot retail component will upon opening in 2020 add 400 new seats and (7) additional screens as a result of the deal announced in mid-February.



Alamo Draft House - City Point

WOODstack / 1357 Flatbush Avenue (Flatbush) – The boutique fashion shop launched in 2011 will be opening its 6th New York City location at the base of the 37,133-square-foot, 36-unit mixed-use development currently under construction. The retailer will occupy the entire 7,500-square-foot retail component of the building dubbed **Hello Flatbush** when the new store opens in April. WOODstack currently operates (4) locations in Brooklyn, (1) in Queens and (2) in New Jersey according to the company's website.



Target / 8973-98 Bay Parkway (Gravesend) – The discount retailer has reportedly secured a lease for a 2-story, approximately 91,151-square-foot space at the over 300,000-square-foot **Caesar's Bay Shopping Center**. Although full details were not released, the majority of the space was formerly occupied by Toys "R" Us and Babies "R" Us stores. According to Toys "R" Us bankruptcy filing details the retail had a combined total of 79,151 gross square feet at the outdoor shopping center, of which 44,771 square feet was selling space. In addition, the shopping center's owners reportedly secured a deal with existing tenant Kohl's to reclaim 12,000 square feet of 2nd floor storage space which is being repositioned into selling space as part of the lease signing with Target.





Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Porcelanosa / Industry City (Sunset Park) – The Spanish interior-design brand known for its ceramic tiles as well as its kitchen and bath products will be opening a retail showroom at the 16-building waterfront complex. A 10-year lease for 6,500 square feet was announced in mid-February adding another tenant to the growing roster of manufacturing, food, fashion and home furnishing tenants that occupy the approximately 3 million square feet of leased space according to reports. Porcelanosa joins other homeware brands Mitchell Gold + Bob Williams, which lease 10,000 square feet under a 10-year term in 2017; and Restoration Hardware, which leased 10,000 square feet in 2018 for an outlet store.



Collective Arts Brewing / 519-529 3rd Avenue (Gowanus) – The Ontario, Canada-based craft brewery will be entering the U.S. market in a 16,000-square-foot multi-level space spread across portions of the ground and cellar levels, plus a rear yard loading dock area reportedly secured under a 15-year term at an asking rent of \$49 per square foot. The new outpost will include a microbrewery, a 2-level taproom with 24 taps, a 100-seat casual restaurant, and a 40-seat craft distillery cocktail lounge on the lower level. Plans to host live music on the weekends will include “an open call for artists to submit work to be featured on their beer cans and merchandise (4) times a year, and each time it selects (4) new artists.”



Collective Arts will be joining fitness brand Crossfit, which secured a 10-year lease in 2017 at a reported asking rent of \$45 per square foot for a 4,660-square-foot space on the portion of the ground level; as well as co-working space provider The Yard, which leased 25,000 square feet of office space.



Blink Fitness: Double Header Deals – The low cost fitness brand that is under the Equinox’ umbrella reportedly secured a pair of 15-year leases in mid-April totaling 33,100 square feet.



- 1134 Fulton Street (Bedford-Stuyvesant) – The 15,100-square-foot space includes a 400-square-foot ground level entry, with the remainder located on the lower level. The new facility is situated at the base of the 11-story, 186-unit mixed-use development that is expected to deliver in the 4th quarter; and will join Blink’s nearby 1413 Fulton Street facility to establish the fitness brand’s second location in the immediate area.
- 5901 Flatlands Avenue (Flatlands) – Construction of the 18,000-square-foot space that spans the entire 2-story building is expected to begin in June for an expected completion within 14 months. The lease is part of Blink Fitness’ effort to open outposts in underserved markets where there is demand.





Leasing Activity (cont'd)

Lease Deal Highlights (cont'd)

Staten Island

Empire Outlets, 55 Richmond Terrace: Triple-Play Deals (St. George) – The newly constructed approximately 1.1 million-square-foot waterfront shopping center on the site of a former parking lot is expected to open this spring. Upon full construction completion the complex that is over 75% leased will host 100 designer outlet retailers, a variety of restaurants and cafés. In addition, there is a 190-key hotel, a 1,250-car below-grade parking garage, and a 12,415-square-foot artisanal food hall dubbed **MRKTPL**. Pre-leasing activity continues to attract several national brands, some of the more recent signings reportedly include:



- **FlyingTee** – The operator of dining and golf entertainment venues has secured a 15-year lease for 22,000 square feet. The recent signing will establish the company's 3rd **Tee Suite** upon its planned 2020 opening. The venue will feature indoor golf simulators as well as food and a bar.
- **American Eagle Outfitters** – The apparel retailer has reportedly secured a 10-year lease for 11,031 square feet to be shared with sister brand **Aerie**.
- **Lucky Brand** – The denim brand will open in a 4,912-square-foot space under a 10-year lease, representing the Los Angeles-based retailer's first outpost in the borough.

Other retail outlets to open at the shopping center include:

Retailer	Sq. Ftge.	Retailer	Sq. Ftge.
Old Navy (Gap Inc.-owned brand)	13,382	Crocs	2,000
Banana Republic (Gap Inc.-owned brand)	8,000	Samsonite	1,924
Gap	10,000	Nike Factory*	13,000
Brooks Brothers	4,040	Levi's	5,450
Jockey	2,744	H&M	33,000
Nordstrom Rack	30,000	*Plus 6,000 SF storage space	



Adding to the roster are several eateries including **Shake Shack**, in 3,900 square feet; Ohio-based **Wasabi Steak & Sushi**, in 7,172 square feet; along with **Two Boots Pizza**, **Mighty Quinn's Barbecue** and **Nathan's Famous**.

The \$352 million development being constructed by BFC Partners offers a "collection of retail buildings interspersed with 3-acres of outdoor space" as part of a 16-acre St. George Waterfront Redevelopment Project. BFC currently controls the Empire Outlets site under a 99-year lease from the city.



Sale Activity

New to Market

Midtown South

130 Bowery (Lower East Side) – The 32,000-square-foot landmarked building that had been listed on the National Register of Historic Places since 1980 was reportedly headed to auction on Feb 11th. The former headquarters of the **Bowery Savings Bank** currently serves as the home to event operator **Capitale**. The structure features 90-foot ceilings and marble-clad interiors. Los Angeles-based ownership is reportedly open to delivering the non-core asset vacant so that the space can be repurposed — potentially as a food hall; and although an asking price was not established, the sale could potentially fetch in the neighborhood of the \$50 million (\$1,563 per square foot) range. While the sale via an auction has not been prompted by bankruptcy, foreclosure or divorce as is typical, the soft real estate market has opened the door to “trying more unusual methods to offload property.” The deadline for bid submissions, along with a \$1 million deposit, was April 30th. The building last traded in 2000 upon being acquired for an undisclosed price from Greenpoint Bank, which had acquired Home Savings of America (formerly Bowery Savings Bank) around 1995 according to reports.

Downtown

353 Broadway aka 91 Leonard Street (TriBeCa) – SMI USA and Toll Brothers Living have introduced the \$15 million sale offering of the 12,099-square-foot retail condominium situated at the base of a 19-story, 161,000-square-foot mixed-used development that is nearing construction completion. The unit includes 7,954 square feet of ground level space and 4,145 square feet of lower level selling space with 14-foot and 16-foot ceiling heights respectively; and offers 89-feet of frontage along Broadway.



353 Broadway - Rendering

Sale Activity (cont'd)

New to Market (cont'd)

Outer Boroughs - Staten Island

2955 Veterans Road West (Charleston) – The father-and-son ownership of Murray and Dave Berman have reportedly introduced the **South Shore Commons** shopping center to the market at an asking price of \$59.75 million (\$435 per square foot). News of the sale offering comes less than 2-years after the sellers purchased the open-air center for \$41 million (\$298 per square foot), reportedly investing an additional \$1.5 million in upgrades. Located by the Outerbridge Crossing that links Staten Island to new Jersey, the approximately 5.4-acre retail center offers a combined total of 137,390 square feet hosting 35 stores spread across (5) buildings.

Sale Highlights

Midtown

7-Building Flagship Retail Portfolio (Plaza/Times Square) – Vornado Realty Trust has transferred a 45.5% common equity interest in its portfolio of flagship high street retail assets according to the April press release by the REIT. The transaction values the portfolio at \$5.556 billion, a 4.5% cap rate; and will generate approximately \$1.198 billion in net cash proceeds to Vornado. As part of the joint venture deal with a group of institutional investors advised by Crown Acquisitions Inc., Vornado will be the general partner and retain 51.0% of the common equity. Prior to the deal, the REIT reportedly had a 96.4% stake, with the remaining interest held by undisclosed minority partners. Comprised of 640, 655, 666, 689 and 697-703 Fifth Avenue, as well as 1535 and 1540 Broadway, the portfolio offers approximately 489,000 square feet of retail, 327,000 square feet of office, signage and parking garage at 1540 Broadway, and signage and the theatre at 1535 Broadway. Preliminary estimates indicate that a tax gain of approximately \$735 million will be incurred by Vornado, with a financial statement gain of approximately \$2.6 billion in the 2nd quarter of 2019. Preferred equity interests totaling \$1.828 billion, or 100%, in certain of the properties have been retained by Vornado, and \$950 million of mortgage debt — the assumption of a \$450 million loan on 697-703 Fifth Avenue and a soon to be completed new \$500 million mortgage loan on 640 Fifth Avenue.

Address	Last Trade Price / Sq. Ftge.	Last Trade Year
640 Fifth Avenue	N/A Office and retail - 285,821 sf Retail tenants: Victoria's Secret, Dyson	1997
655 Fifth Avenue	\$302.064MM Office and retail - 57,500 sf Retail tenants: Salvatore Ferragamo	2013
666 Fifth Avenue	\$707.82MM Retail only – 114,000 sf Retail tenants: Hollister, Tissot, Uniqlo	2012
St. Regis Hotel 697-703 Fifth Avenue	\$200MM Retail only - 12,869 sf Retail tenants: Blancpain, Brequet, Harry Winston	2014
689 Fifth Avenue	N/A (91,210 sf) Retail Tenants: M.A.C., Massimo Dutti	1998
Marriott Marquis 1535 Broadway	\$442MM Retail – 45,000 sf Marquis Theatre – 1,611-seats LED signage – 25,000 sf Retail Tenants: Sephora, Invicta, Swatch, T-Mobile, Levi's	2018
1540 Broadway	\$260MM Approximate SF: Garage – 36,848 sf Theatre – 36,848 sf Restaurant – 9,212sf Retail – 92,121 sf Retail Tenants: M.A.C., Disney, Forever 21, Sunglass Hut, Planet Hollywood	2006

Sale Activity (cont'd)

Sale Highlights (cont'd)

Downtown

374-378 Broadway aka 67-75 White Street (TriBeCa) – The newly launched real estate venture City Storage Systems, formerly known as CloudKitchens and reportedly headed by Travis Kalanick, purchased the 15,365-square-foot commercial condominium for \$9.27 million in mid-January. Goldman Sachs provided a \$9 million financing package to close on the transaction, including the assumption of the remaining unpaid principal of roughly \$6.387 million in existing debt provided by Signature bank in 2014 and a newly provided roughly \$2.613 million gap mortgage. As part of the transaction City Storage leased back the unit for an undisclosed price to seller Premier Equities for a 99-year term that expires January 31, 2118, including (9) automatic options to renew the term of the lease for successive periods of 99-years each according the city record documents. The space that spans a portion of the ground level, plus the cellar and subcellar levels currently serves as the home of a Harley-Davidson outpost. Other recent acquisitions by the Los Angeles-based start-up that focuses on buying and repurposing distressed real estate assets, like parking lots or abandoned strip malls; and turns them into spaces suited for new industries, such as food delivery or online retail include:

- **247 West 46th Street** (Times Square) – The 22,322-square-foot garage unit was acquired in December 2018 for \$10 million (\$448 per square foot) from Laz Parking Realty Investors, having last traded at a higher \$10.55 million (\$473 per square foot) in November 2012. Goldman Sachs provided roughly \$14.044 million in financing that included the assignment of roughly \$5.236 million in unpaid principal of existing debt provided by Texas Capital Bank, NA in November 2012 and a newly provided \$8.808 million gap mortgage.
- **27-28 Thompson** (Long Island City, Queens) – The 41,924-square-foot garage was purchased for \$9.4 million (\$224 per square foot) from Thomson Garage LLC in November 2018, having previously traded for roughly \$6.763 million (\$161 per square foot) in March 2015. Goldman Sachs provided \$12.1 million in financing, including the assignment of roughly \$4.573 million in unpaid principal of existing debt provided by The First National Bank on Long Island in March 2015 and a newly provided \$7.528 million gap mortgage.
- **66 Leonard Street** (TriBeCa) – The 16,661-square-foot garage unit at the base of the 47-story mixed-use condominium known as the **Textile Building** was acquired for \$10.5 million (\$630 per square foot) in October 2018, last trading in March 2012 for \$6.1 million along with a 6,935-square-foot retail condo. Goldman Sachs provided a \$12.272 million loan including the assignment of roughly \$2.654 million in unpaid principal of existing debt provided by People's United Bank in June 2013 and a newly provided \$9.618 million gap mortgage.

Uptown

One West End Avenue (Upper West Side) – The Elad Group has acquired the retail and garage components at the base of the 42-story, 760,000-square-foot mixed-use building on the corner of West 59th Street. The sale attracted a price of \$51 million — \$36.76 million for the 32,173-square-foot retail component and \$12.24 million for the pair of garage units offering a combined total of 68,090 square feet. The majority of the retail space was leased in late 2017 to the family-owned independent grocery chain **Morton Williams**. The 25-year deal for 29,400 square feet includes 21,400 square feet of selling space at a reported asking rent of \$85 per square foot, and 8,000 square feet of lower level storage space according to reports at the time. Seller Silverstein Properties developed the building located the Lincoln Square section of the neighborhood that also hosts 246 market rate condominiums and 116 affordable housing units on the upper floors. Completing construction in 2017, the development was part of the multi-building project constructed by various developers; and formerly known as **Riverside Center**.



Outer Boroughs - Bronx

1806 East Gun Hill Road / 1816 East Gun Hill Road (Pelham Gardens) – Atlanta, GA-based Home Depot has purchased the pair of adjacent retail properties for a combined total of \$40 million. Seller Madison International Realty had initially acquired a 49% interest in the 147,200-square-foot **Shops at Gun Hill Road** as part of the 12-asset, 2.1 million square-foot **NYC Core Retail Portfolio** located throughout the (5) boroughs and Northern New Jersey's Hudson County owned at the time by Forest City Realty Trust. In 2018 Madison completed the buy-out of the REIT's 51% stake to take full control of the multi-property assets.

- 1806 East Gun Hill Road – The single-story, 132,200-square-foot building that current serves as a Home Depot is situated on the 468,155-square-foot parcel traded for \$33.2 million (\$251 per square foot).
- 1816 East Gun Hill Road – The single-story, 15,000-square-foot building situated on the 20,978-square-foot parcel currently serves as the home of a Chuck E. Cheese's traded for \$6.8 million (\$453 per square foot).



Lending

Midtown South

540 West 25th Street (Chelsea) – Owner Weinberg Properties has refinanced the newly constructed 8-story, 60,000-square-foot mixed-use development with a 10-year \$90 million first mortgage carrying a 5.15% interest rate provided by Citi Real Estate Funding according to reports. The new loan retires a \$58.3 million loan provided by Shanghai Commercial in 2016, and reportedly includes a “\$6.8 million reserve for the build out of the project’s shell; closing costs; and returned approximately \$23.9 million of equity to Weinberg. The 135-foot-tall structure replaced a former trucking terminal located between 10th and 11th Avenues that had served as the home of **Pace Gallery**, which will continue its tenure in the new building.

Pace will occupy the entire building that will provide the art gallery with a ground floor space featuring 18-foot ceilings to house the over 10,000 art books that comprise Paces’ library, as well as a 5,000-square-foot gallery; and a 4,200-square-foot exhibition space, plus an adjacent 1,000-square-foot terrace and open storage facility for artwork on the 2nd floor. A setback in the building’s design will create a 6,000-square-foot outdoor sculpture garden on the 6th floor. While (2) of the gallery’s (3) existing locations are owned, the new West 25th Street flagship will be occupied under a reportedly triple-net lease through December 2038. Currently paying \$112.66 per square foot in rent, escalations will be 3% per year through 2028, Pace having invested \$18.2 million to complete its own interior buildout according to reported data provided by Kroll Bond Rating Agency. During construction the gallery operated at nearby 508 and 510 West 25th Street, in addition to a Midtown location at 32 East 57th Street.



540 West 25th Street - Rendering

461 West 14th Street (Chelsea/MePa) – Savanna has refinanced the single-story, 17,342-square-foot retail property located beneath the elevated **High Line** park. LoanCore provided the \$51.3 million financing package that consolidates a \$46 million senior mortgage with a newly provided \$5.3 million building loan. Savanna had acquired the single-story, nearly 24,682-square-foot asset in 2015 while still under construction on the site of a former **Exxon-Mobil** gas station/car wash for roughly \$47.604 million from Milk Studios. An additional roughly \$38.396 million was paid by Savanna for the lease assignment of the remaining term of the 48-year ground lease which extends to 2059, originally issued in November 2011 for the yet to be re-developed site to construction manager Real Estate Equities.

Alfieri Development reportedly partnered with Real Estate Equities as lender on the project under a previously formed entity, providing a \$12.5 million fee and leasehold mortgage. Savanna had secured a \$70 million financing package from Natixis at the time of the 2015 transaction, which included a roughly \$59.631 million gap mortgage and the refinancing of the remaining \$10.369 million of the loan provided by Alfieri back in 2011 according to city record documents. The space recently served as the home of **Disney Mickey Experience**, an interactive art gallery that reportedly secured a lease for 16,000 square feet last year; and was open to the public from November 8th through February 10th.



Development

Midtown

Macy's, 151 West 34th Street (Penn Plaza/Herald Square) – Macy's Inc., the multi-national Cincinnati, OH-based holding company whose brands include Macy's, Bloomingdales, Bloomingdale's Outlets, Macy's Backstage and Bluemercury, reportedly held preliminary discussions with New York City officials regarding a proposal being considered by the retailer of a vertical expansion of the Macy's flagship building. Rumors of the idea being floated initially surfaced back in early 2016, as the company began to explore all viable avenues to create shareholder value from its real estate holdings. The existing 19-story, 2,192,088-square-foot building that spreads across nearly the entire full block bound by Broadway and 7th Avenue between West 34th and 35th Streets initially dates back to the store's opening in 1902, expanding in 3-phases through 1931 to reach its current size; and in 1978 was designated as a National Historic Landmark. Currently about 1.25 million square feet of retail space houses the iconic store, with the remaining space used for offices and storage.



Proposed alteration plans being discussed would reportedly add a 1.2 million-square-foot office component atop the existing structure with an entrance fronting West 35th Street; and would be leased to other tenants. Although plans are still exploratory and may change, the project would reportedly require rezoning approvals for that site that is overbuilt by 847,906 square feet according to available online data; and if secured require major public improvement to the surrounding streets and sidewalks. In addition, due to its landmark status, major façade changes would likely be denied.

Outer Boroughs - Brooklyn

144-150 Greenpoint Avenue (Greenpoint) – Cayuga Capital has introduced the sale offering of the 12,000-square-foot commercial property located within the Greenpoint Historic District at an asking price of \$11.75 million. Located just off Manhattan Avenue, steps from the Greenpoint Avenue G-subway station, the property is being marketed as a potential repositioning of the existing structure; or for a new ground-up development. The 7,600-square-foot parcel can accommodate 22,800 buildable square feet offering 80-feet of frontage along Greenpoint Avenue; and under current C4-3A (R6A) zoning allows for a variety of uses including hotel, retail, banquet, or community facility. Last trading in June 2015 for \$10.1 million, the property is encumbered by a \$5 million mortgage secured the same year according to city records.

Queens

59-02 Borden Avenue (Maspeth) – Home improvement chain Home Depot pre-filed applications in late January for a proposed single-story, 134,743-square-foot commercial development. New construction will rise on the 7.26-acre site that currently hosts a 202,050-square-foot warehouse, 120,000 square feet of parking and loading space, and bill board signage offering exposure to the Long Island Expressway. The M1-1 zoned site that can accommodate 316,200 buildable square feet was acquired by Home Depot for \$63 million in August 2017 from longtime owner the Kaymac Corporation, just (5) months following initial reports of the sale offering. Currently triple-net leased by the **Coca-Cola** company for its bottling plant, ground breaking for the new store will remain on hold until March 2020 when Coca-Cola's lease reportedly expires. Demolition permits were secured in August for the existing 2-story structure to make way for new construction.





Hospitality Market

Renaissance Hotels to Make its Queens Debut

The 4-building, 1.2 million-square-foot mixed-use **Tangram** development rising in Flushing will include the 9-story, 208-key hotel that will fall under the Marriott International umbrella. Co-developers F&T Group and SCG America (Shanghai Construction Group America) reportedly announced the selection of **Renaissance Hotels** as the operator of the new **Renaissance New York Flushing at Tangram** hotel that is currently under construction along 37th Avenue. Slated to open in early 2020, the new hotel establishes the debut of the Renaissance-brand in the borough. Featured within the 124,000-square-foot hotel will be a “signature restaurant, (2) bars, a club lounge and 3,500 square feet of outdoor terrace;” as well as a 60-foot indoor pool, a vitality pool, and a fitness center.



The entire project bound by College Point Boulevard and 37th and 39th Avenues will also host a mix of office, retail and residential space. Upon full construction completion there will be 275,000 square feet of retail space to include a 34,000-square-foot, 7-screen 4DX **Regal Cinemas** operated multiplex theater, themed restaurants, and a 24,000-square-foot food hall and beer garden. In addition, a 14-story, 94,268-square-foot commercial building will host 48 office condominiums, and 337,919 square feet of residential space divided between (2) buildings — **Tangram House West** and **Tangram House South**, to host a combined total of about 338-units.



Renaissance New York at Tangram - Rendering



Tangram - Rendering

Hospitality Market (cont'd)

New to Market

Midtown

700 Eighth Avenue (Times Square) – Highgate Hotels, the Rockpoint Group and NorthStar Realty Finance have reportedly introduced the sale offering of the 31-story, 487,156-square-foot **The Row NYC**. The sellers have reportedly put an asking price of about \$220 million (\$165,289 per key) for the 1,331-key hotel that spans the entire 8th Avenue block-front between West 44th and 45th Streets. Originally opening in 1928 as the **Hotel Lincoln**, it was subsequently rebranded **Milford Plaza Hotel**. In 2010 the hotel was sold for \$200 million (\$150,263 per key) to reportedly Highgate and Rockpoint, which closed the hotel and launched a \$140 million capital improvement program.

In 2013 the property was divided into an approximately 26,883-square-foot retail condominium unit and a 460,273-square-foot hotel unit. Initially selling the land beneath the hotel (fee) to reportedly the partnership of investor David Werner and Deutsche Asset & Wealth Management for \$325 million in 2013; and about one year later Thor Equities purchased the retail unit for \$64 million, which comprised 11,862 square feet on the ground level, 11,675 square feet of lower level space, and 3,919 square feet of lobby space.

Midtown South

246 Spring Street (SoHo) – CIM Group is reportedly considering the sale of the 42-story, 284,451-square-foot hotel that was recently rebranded as **Dominick**. The hotel hosts (3) commercial units and 391 hotel condominium units “that can only be used by their owners for 120 days each year; the rest of the time they are sold as hotel rooms, with owners sharing in the rental revenue.” The Los Angeles-based company, which held a junior loan on the property, reportedly took control of the asset in 2014 upon winning a foreclosure auction; and in 2017 CIM acquired the management and license agreements from the Trump Organization, which does not have an equity stake the hotel. The former **Trump Soho Hotel** spans the entire Varick Street block front between Dominick and Spring Streets; and opened in 2010 upon construction completion by co-developers the Sapir Organization and Bayrock Group.

1170 Broadway (NoMad) – The 12-story, 110,769-square-foot **NoMad Hotel** is reportedly slated to go to auction on June 6th. Mezzanine lender Colony financial reportedly initiated the auction that is set to sell off full ownership interest, reportedly opting to move forward with a Uniform Commercial Code (UCC) foreclosure since the foreclosure sale under Article 9 can “maximize the secured lender’s recovery without the cost and delay of a judicial foreclosure sale.” Located immediately north of Madison Square Park, the hotel was constructed in 2012 by Sydell Group and Make It Nice. At the time of its opening NoMad Hotel was considered one of the pioneering operations for high-concept lodging in the neighborhood; and was only preceded by the **Ace Hotel** which opened 3-years prior.

News of the auction comes as a surprise to some within the industry since there’d been no outward sign of distress according to reports. Debt encumbering the hotel includes the reportedly \$35 million mezzanine loan provided by Colony in November 2015, in conjunction with the \$104.99 million financing package provided by Bank of America that reportedly refinanced previous construction debt provided by Deutsche Bank in 2013, as well as a \$25 million gap mortgage. According to city record documents, the developers controlled the site under a 99-year lease that commenced March 2008, with a January 29, 2107 expiration. The deal with fee-owner The Haddad Organization includes one 25-year extension option.

Sale Highlights

Midtown

338 West 36th Street (Penn Plaza/Garment) – Magna Hospitality Group closed on the \$274.3 million (\$484,629 per key) acquisition of the dual-branded hotel that is nearing delivery, having reportedly entered into contract about (7) months prior. Seller, the McSam Hotel Group, developed the 28-story, 191,000-square-foot hotel located between 8th and 9th Avenues that was refinanced in early 2018 with a \$185 million loan provided by Deutsche bank. Upon construction completion, the new Marriott-branded, 566-key hotel will host a 280-key **Spring Hill Suites** spanning the base 12-floors, and a 286-key **Fairfield Inn & Suites** on the remaining upper 14 floors. The hotel’s design includes a replicated version of the façade of the former 6-story Gothic Church that once stood on the site, having been acquired by McSam Group in 2014 for \$50.75 million (\$266 per buildable-square-foot).





Hospitality Market (cont'd)

Lending

Midtown

560 Seventh Avenue (Garment/Times Square) – Soho Properties and MHP Real Estate have reportedly secured a \$270 million financing package for the planned **Margaritaville Resort Hotel** development that will now move forward. Lenders Related Fund Management, the debt arm of Related Companies, and investment bank Angelo Gordon backed the approximately \$180 million in senior debt, while South Korea-based Hana Bank is the mezzanine lender according to reports. The estimated \$300 million hotel development will be constructed on the site of the former Parson's **The New School of Design** on the corner of West 40th Street. New building applications were initially filed with the city's Department of buildings in 2015, updated reports detailing a 29-story, approximately 170,000-square-foot development that will host a 234-key hotel intended to offer a lifestyle experience. Included among the hotel's planned offerings are 13,000 square feet of Margaritaville food and beverage concepts to be operated in partnership with International Meal Company (IMC) — a rooftop LandShark Bar & Grill and pool, 5 o'Clock Somewhere Bar, Floridays Airstream Café, and an all-new concept, Chill Bar; as well as a 3-level, 16,500-square-foot Margaritaville Restaurant.



560 Seventh Avenue
Rendering

The Jimmy Buffet-operated hospitality company Margaritaville Holdings will reportedly control the property via a lease from Soho and MHP, however details of the deal were not released. A portion of the ground level space and (2) sub-cellar levels at the base of the new hotel will serve as a synagogue for the **Garment Center Congregation**, currently relocating from its former location at the property to a temporary space at nearby 1384 Broadway. Visions of a hotel development go back to 2014 upon the co-developers acquiring the property for \$62.325 million in a deal that reportedly included 100,000 as-of-right buildable square feet; subsequently purchasing 19,772 square feet of development rights from Nederlander Organization's Neil Simon Theatre for \$8.9 million (\$450 per square foot) one year later.

400 West 42nd Street (Times Square) – The Landis Group has refinanced the newly constructed 28-story, 218,872-square-foot mixed-use tower that was reportedly co-developed with the Friedman Group. Wells Fargo provided the new debt that consolidated and refinanced an existing \$120 million loan, also provided by the California-based lender in May 2016, that had been split into roughly \$79.154 and \$41.847 million mortgages; and added \$80 million in additional debt. Spanning the entire 9th Avenue block-front between West 41st and 42nd Streets, the 341-foot tall structure operated by BD Hotels hosts a 527-key **Pod Hotel** and 45 residential units dubbed **Pod Pads**, which that are fully furnished with WiFi and cable included. While the hotel units typically average about 120 square feet, the Pod Pads range from 400-800 square feet, and are rented for a minimum of one month or a full year — similar to the extended-stay product.



400 West 42nd Street

Hospitality Market (cont'd)

Lending (cont'd)

342-350 West 39th Street (Garment) – The McSam Group has refinanced the 25-story, 518-key **Hyatt Place** hotel that is nearing construction completion. Deutsche Bank has provided the \$160 million financing package that replaces \$95 million in loans provided by Arkansas-based Bank OZK (formerly Bank of the Ozarks) in 2017. The new debt includes a roughly \$61.003 million senior loan that consolidates an existing \$25.767 million loan with a newly provided \$35.236 million gap mortgage; a \$66.624 million building loan, consolidating an existing \$58.881 million building loan with a newly provided \$7.743 million gap mortgage (building); and a roughly \$32.373 million project loan, consolidating an existing \$10.352 million project loan with a newly provided \$22.021 million gap mortgage (project) according to city record documents.



342-350 West 39th Street
Rendering

305-309 West 48th Street (Hell's Kitchen) – Madd Equities and Joy Construction have reportedly secured \$45 million in construction financing from Bank Leumi. The hotel project will be developed along with Long island-based Atlas Hospitality, which in 2016 secured a 99-year ground lease that extends through November 2115 from fee-owner Bright Management, Inc. The \$23.5 million transaction included 11,977 square feet of additional developments transferred from the adjacent property at 795 Eighth Avenue that is also owned by Bright Management. The 3,750-square-foot parking lot located between 8th and 9th Avenues will give rise to a 27-story, 73,504-square-foot hotel that will reach a linear height of 305-feet and host 203 guest rooms according to new building applications initially filed in May 2017 by the fee-owner.



305-309 West 48th Street
Rendering

320 West 36th Street (Penn Plaza/Garment) – Raber Enterprises has secured a \$71 million loan provided by Morgan Stanley. The new debt consolidates the refinancing of \$70.5 million in existing debt — \$12 million senior loan, \$49 million building loan, and \$9.5 million project loan provided by M&T Bank in 2015 with a newly provided \$500,000 gap mortgage. The newly constructed 26-story, 119,039-square-foot **Crowne Plaza HY36 Midtown Manhattan** hotel that opened in 2017 hosts 249-keys; and features a restaurant spread across the ground and cellar levels. The 246-foot-tall hotel backs up to the InterContinental Hotel Group-branded 150-key **Even Hotel** at 325 West 35th Street, which was also constructed by Raber; and opened in 2016.



320 West 36th Street

Midtown South

105-109 West 28th Street (Chelsea) – The Lightstone Group has reportedly refinanced the newly constructed 349-key Marriott-branded **Moxy** hotel that opened in February. Co-lenders LoanCore Capital and KDL Capital Partners provided the \$155 million financing package, a portion of which replaces \$58 million in construction financing provided by Bank OZK in 2016 according to reports. The 35-story, 145,344-square-foot hotel located between 6th and 7th Avenues includes ground level restaurants; and features a conservatory, a co-working lounge, meeting spaces and a glass covered rooftop lounge. Other Manhattan Moxy hotels developed by Lightstone over the past few years include the 618-key **Moxy Times Square** that opened in 2017 at 485 Seventh Avenue; the 311-key **Moxy East Village** which is expected to open later this year at 112-120 East 11th Street; and in April new building applications were filed for an 18-story, 300-key **Moxy Lower East Side** that will total 127,081 square feet including 3,057 square feet of retail space at 151-153 Bowery.



105-109 West 28th Street

1185-1193 Broadway / 29-35 West 28th Street (NoMad) – Flag Luxury Properties has reportedly “finalized a \$125 million preferred equity investment” using capital raised through the federal government’s EB-5 Foreign Investor Program. Upon a refinancing or sale of the project, the fixed 5-year investment of “EB-5 Capital will exit to repay the investors” according to a reported statement by a spokesperson for the developer. The recent investment in the \$500 million Marriott International-branded **Ritz Carlton** hotel that is currently under construction is in addition to a \$250 million financing package the Maryland-based developer secured last year from co-lenders CapitalSource and Atalaya Capital, the latter also providing an additional \$65 million in preferred equity according to reports at the time. Reaching street level in March, the 40-story, approximately 150,000-square-foot hotel will ultimately reach a linear height of 580-feet; and host 250-keys, 11,190 square feet of commercial space and reportedly (16) one- and two-bedroom condo residences on the top (4) floors of the tower. Expected to open sometime in 2021, guest and tenant amenities will include an “exclusive Ritz-Carlton Club lounge, spa and rooftop bar.”



1185-1193 Broadway
Rendering

Hospitality Market (cont'd)

Lending (cont'd)

223-225 Bowery (Lower East Side) – Omnia Group and Northwind Group have reportedly secured a 5-year, \$80 million mortgage for the newly constructed 14-story, 76,105-square-foot hotel. Lender Bank Hapoalim provided the balance-sheet loan that replaced previous financing provided in 2017 by Bank OZK (formerly Bank of the Ozarks) according to reports. The 225-key **Ace Hotel on the Bowery** is the result of the repositioning of the former 10-story, 55,000-square-foot Salvation Army Chinatown Shelter. As part of the project, the existing structure underwent a 4-story vertical expansion, as well as an interior gut renovation. Guest amenities include a 130-seat restaurant and a rooftop bar. The co-developers had acquired the property located between Rivington and Stanton Streets in 2014 for \$30.5 million (\$401 per buildable-square-foot). The transaction was financed by a \$17 million mortgage from New York Community Bank.



Downtown

151 Maiden Lane aka 37 Fletcher Street (Insurance) – LCRE Group refinanced the newly constructed 33-story, 139,891-square-foot Marriott-branded **AC Hotel New York Downtown** hotel with an \$85 million financing package. Shanghai Commercial Bank provided the loan that refinanced and consolidated a \$45 million building loan and \$8 million project loan previously provided by the Hong Kong-based lender in 2016 with \$19 million in existing debt and a newly provided \$13 million gap mortgage according to city record documents. The 336-foot-tall Lower Manhattan hotel hosts 274-keys plus about 2,000 square feet of ground level retail space. News of LCRE entering the lending market was initially announced in early 2018, at the time reports indicating that a “5-year, floating-rate, non-recourse mortgage with a loan-to-value ratio of 65%, or \$365 per key” was being sought. The site was originally part of a planned 2-building, condo-hotel development, seller Fortis Property Group deciding to move ahead with the 57-story, 98-unit residential development at adjacent **161 Maiden Lane**, subsequently selling the 6,700-square-foot waterfront hotel site to LCRE for \$32 million (\$229 per buildable-square-foot) in 2014.



Outer Boroughs - Brooklyn

95 Rockwell Place (Fort Greene) – VOS Hospitality and Second Development Sources have reportedly entered the lending market to secure \$36 million in financing through the federal government’s EB-5 Foreign Investor Program. New financing will help fund the planned commercial-to-hotel conversion of the existing 5-story, 30,943-square-foot building. A 24-story vertical expansion will be constructed as part of the project, increasing the 50-foot-tall building’s size to 107,625 square feet and a linear height of 300-feet according to details of initial alteration permits filed in July 2014.



The Marriott-branded **BKLYN Autograph** hotel will host 201-keys; and is expected to begin construction before the end of the year. Guest amenities will reportedly include meeting spaces, a restaurant, and fitness center with a rock-climbing wall. The hotel will also benefit from exposure on Ashland Place via an arts plaza located adjacent to the rear of the development’s site, having been built simultaneously with the non-profit **Theatre for a New Audience**, which focuses on Shakespeare productions and other classic dramas.

The development team controls the 6,030-square-foot site under a 49-year ground lease secured for \$4 million in June 2012 from longtime fee-owner the Hertz Family LLC according to city records. In October 2013 47,337 square feet of excess development rights were purchased for roughly \$2.84 million from adjacent 99 Rockwell Place, which serves as the home of the **Mark Morris Dance Theater**.

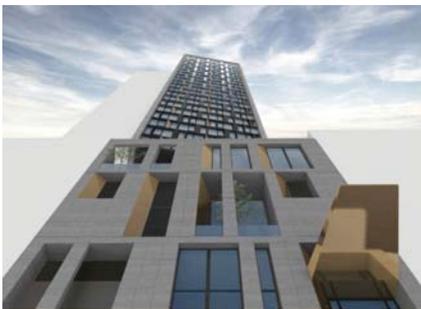
Hospitality Market (cont'd)

Development

Midtown

842-844 Sixth Avenue (NoMad) – Plans for a new 25-story, 99,850-square-foot hotel development are finally moving forward about 18 months after applications were filed. A \$50 million financing package secured in March by the entity 842 Enterprises Inc., reportedly connected to the Chun family, will help fund construction of the 168-key hotel. The new debt included the refinancing of roughly \$1.744 million of existing debt, a \$30.49 million gap building loan, and a \$17.765 million project loan. Expected to reach a linear height of 360-feet, the Marriott International-branded **AC by Marriott** will rise using a modular constructed method. The modules will be manufactured in Poland at a factory owned by the project's general contractor Skystone Group according to reports. Although Marriott has completed 31 modular hotels in the U.S. according to reported statements by a spokesperson for the hospitality giant, the building method is only beginning to gain momentum in New York City, with some projects confronting challenges that have delayed delivery and increased costs.

Avana Capital provided the financing, having previously financed Marriott's modular project in Los Angeles. However typically, modular construction is filled with risks for lenders, particularly when the modules are being manufactured overseas. Furthermore, in contrast to traditionally-built projects, a lot more of the funding is reportedly deployed at the front end of the project where the manufacturing of the modules can account for up to 35% of a project budget. Upon construction completion, the new Marriott hotel will stand about 114-feet taller than the recently opened 300-key, 99,433-square-foot **CitizenM New York Bowery** hotel in the Lower East Side at 185-191 Bowery, which was similarly constructed using pre-fabricated modules from Poland and shipped to New York in 210 pieces.



842-844 Sixth Avenue Renderings



Module



Guestroom

Midtown South

145-151 Bowery (Lower East Side) – Lightstone Group filed new building applications in April for an 18-story, 127,081-square-foot Marriott International-branded **Moxy** hotel development. The 193-foot tall structure will host 300-keys spread across 81,354 square feet and 3,057 square feet of retail space. New construction will rise on the 3-parcel. 11,512-square-foot assemblage acquired through (2) transactions in December 2018 for a combined total of \$56.4 million; and will replace existing low-rise mixed-use structures according to demolition permits filed last year.

Outer Boroughs - Queens

110-00 Rockaway Boulevard (South Ozone Park) – Renderings have been released for a 400-key, 500,000-square-foot hotel development as part of the second phase of construction that will expand the existing **ResortsWorld Casino**. The 4-star hotel will feature a 2-story, main entrance; and include additional gaming room space, as well as a conference room and meeting areas, a fitness center, additional dining options and retail space. Construction is well underway with the first part of the facilities' expansion expected to open this summer. A total of 1,000 new construction jobs are expected to be created, with full construction completed expected by the end of 2020.



110-00 Rockaway Boulevard - Rendering



Shrinkage & Expansions

Looming Closures

Barneys Seeks to Significantly Downsize Manhattan Flagship

BARNEYS
NEW YORK

The 275,000-square-foot flagship at 660 Madison (Plaza), which has served as the home of Barneys since 1989, may become significantly smaller if negotiations with the building's landlord are successful. According to March reports, Barneys is seeking to give up as many as (5) of the (9) floors it currently occupies at the base of the 23-story, 533,093-square-foot building located on the corner of East 61st Street. As part of the ongoing negotiations, landlord Ashkenazy Acquisitions is reportedly "considering taking back some of the floors and converting them to office space or luxury apartments." Barneys had secured a 10-year renewal for the space last year, following a lengthy rent dispute which resulted in a city arbitrator declaring the new annual rent bill to be paid by the retailer. Under the previous 20-year lease that expired in January 2019, Barneys was reportedly paying \$16 million per year as of mid-August, a figure that has now increased to \$30 million per year; and with property taxes factored in, could actually come closer to an estimated \$44 million per year according to reports. Although the new rent is nearly double, it is significantly lower than the reportedly up to \$60 million the landlord was seeking.

Calvin Klein Shuttering Longtime Madison Avenue Flagship

CALVIN KLEIN

As the spring approaches, the approximately 22,000-square-foot Manhattan flagship of the wholly-owned subsidiary of PHV Corp. will be shuttering. As one of the reportedly largest brands in U.S. history, Calvin Klein has been housed in the multi-level space since 1995. At the time of its opening in the former "neoclassical" bank space at the base of the 22-story tower located at 654 Madison Avenue (Plaza), the store's design was considered a "radical departure from convention that set the tone for the next 25-years of retail design." News of the planned closure comes during a transition period for the fashion brand that will reportedly shift a heightened focus on digital sales; while evaluating options for future retail locations. In addition, the new strategy will involve job cuts; a consolidation of operations; the installing a new "Consumer Marketing Organization" to elevate the customer experience; and integration of the Calvin Klein retail and e-commerce teams "to create an omni-channel approach mirroring how consumers browse, shop and purchase today," according to reported details of a January press release by PVH.

Petland Discounts' Full Store Closure



Following the recent passing of the pet product chain's sole owner and founder in January, the company will be ceasing operations resulting in the closure of its stores across New York, New Jersey and Connecticut. Launched in 1965 in Queens, at its business peak, Petland Discounts operated 118 locations. The anticipated full closure by April 18 of the 70 locations throughout New York City, Nassau and Westchester will result in the layoff of 367 employees according to details of a January 18 WARN notice with the New York State Department of Labor, which indicates economics as the reason for the closings. A closing date of March 19 was expected for the additional 10 stores in New Jersey, with 30 employees in each, and 2 locations in Connecticut with 7 employees per reported filing notices with the respective New Jersey and Connecticut Departments of Labor.

Shrinkage & Expansions (cont'd)

Number of Planned U.S. Store Closures Continues Upward Trend

The tracking of store openings by Coresight Research reportedly reveal that the number of announced store openings as of a few days prior to mid-April totaled 2,641 versus 3,239 for all of 2018. Dollar stores and other discount chains accounted for many of this year's planned openings. In comparison, announced plans for store closures among the nation's retailers reportedly reached 5,994 stores less than halfway through April 2019 per Coresight's reported data. Although remaining above the record-setting over 8,000 planned closures in 2017, the figure thus far exceeds the total 5,854 announced planned closures throughout the entire 2018 year by about 2.4%. A portion of the planned closures are attributed to "retailers in good financial shape" that are reducing the number of locations as leases expire such as reportedly:

- **Walgreens Boots Alliance** announced plans late last year to dispose of (15) Duane Reade and Walgreen stores in Manhattan, as the company begins seeking smaller format locations.
- **Gap Inc.** announced plans in late February to close 230 Gap stores over the next 2-years, mostly as leases expire.
- **Victoria's Secret** plans to close 53 stores this year, up from the company's usual closure of about 15 stores annually.
- **Bed Bath & Beyond Inc.** plans to close at least 40 stores this year will be partially offset by the opening of 15 stores; but they represent a fraction of the Union, NJ-based retailer's 1,500 brick-and-mortar outlets operated under several of the company's brands including — Bed Bath & Beyond, Christmas Tree Shops, Harmon Face Values, buybuy BABY, Cost Plus World Market.

In contrast, bankruptcy filings by brands such as Payless ShoeSource and Gymboree and the planned shutting down of reportedly hundreds of stores within months account for almost 50% of the announced closings.

- **Gymboree** – The San Francisco-based specialty retailer launched in 1976 began store closings of its Gymboree and Crazy 8 brands reportedly in January upon the bankruptcy filing. However in March 2019, reports indicated that competitor Secaucus, NJ-based The Children's Place is expected to buy the assets of Gymboree and Crazy 8, which at the time of filing totaled 380 Gymborees, 164 Gymboree outlets and 265 Crazy 8 Stores in North America; while San Francisco-based Gap is buying the Janie and Jack assets which include 102 stores and 45 outlets. Future plans for the purchase by The Children's Place and Gap, which requires court approval, had yet to be announced.
- **Payless ShoeSource** – The Topeka, KS-based chain founded in 1956 planned to shutter all 2,100 stores in the U.S. and Puerto Rico upon filing bankruptcy in February according to reports at the time. News of the planned full closure came after efforts to sell the assets failed to secure a buyer.
- **Charlotte Russe** – The 44-year-old San Francisco-based-fast fashion retailer announced plans in March to shutter its remaining 416 stores.
- **Things Remembered** – The Ohio-based personalized engraving retailer has reportedly closed more than 200 stores following this year's bankruptcy filing.
- **Fred's** – The Memphis, TN-based discount retailer that dates back to 1947 announced plans in April to close 159 underperforming stores among the 557 stores currently in operation, including the store located adjacent to the company's headquarters. Although a few of the stores are owned by Fred's, the majority of those being closed "anchor shopping centers or have leases in standalone buildings owned by individual investors with net lease deals," most of which have "near-term lease expirations and limited remaining lease obligations" according to reported statements by a Fred's spokesperson.



Notable Retail Transactions

Lease - Manhattan

Address	Submarket	District	Sq. Ftge	Tenant
1501 Broadway	Midtown	Times Square	44,040	Hard Rock Café (renewal/expansion)
706 Madison Avenue	Midtown	Plaza	40,000	Hermès (relocation)
1385 Broadway	Midtown	Penn Plaza	27,481	Crunch Fitness
592 Fifth Avenue	Midtown	Plaza	20,000	Lululemon Athletic (relocation)
Pier 57	Midtown South	Chelsea	32,000	City Winery (relocation)
117-127 East 59th Street	Uptown	Upper East Side	16,253	Salons by JC
605-609 West 181st Street	Upper Mnhtn	Washington Heights	25,000	Foot Locker (relocation)

Lease - Outer Boroughs

Address	Borough	District	Sq. Ftge	Tenant
8973-95 Bay Parkway	Brooklyn	Gravesend	56,771	Target
56 North 9th Street	Brooklyn	Williamsburg	30,589	Brooklyn Boulders
City Point	Brooklyn	DoBro	25,000	Alamo Draffthouse (expansion)
5901 Flatlands Avenue	Brooklyn	Flatlands	18,000	Blink Fitness
519-529 3rd Avenue	Brooklyn	Gowanus	16,000	Collective Arts Brewing
1134 Fulton Street	Brooklyn	Bedford-Stuyvesant	15,100	Blink Fitness
Empire Outlets	Staten Island	St. George	22,000	FlyingTee
55 Richmond Terrace	Staten Island	St. George	11,000	American Eagle Outfitters

Sales

Address	Submarket	District	Sq. Ftge	Sold Price	Purchaser
374-378 Broadway	Downtown	TriBeCa	15,365	\$9,270,000	City Storage Systems
One West End Avenue	Uptown	Upper West Side	32,173	\$36,760,000	Elad Group
1806 East Gun Hill Road	Bronx	Pelham Gardens	132,200	\$33,200,000	Home Depot
1816 East Gun Hill Road	Bronx	Pelham Gardens	15,0000	\$6,800,000	Home Depot



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