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U.S. | NEW YORK | NY REAL ESTATE COMMERCIAL

Big Lease Play in Flushing

Crown Acquisitions signs 99-year deal valued at \$1 billion; site of Macy's store



The lease for this Flushing building is changing hands. Macy's says it doesn't plan to close its store. *PHOTO: PETER J. SMITH FOR THE WALL STREET JOURNAL*

By **KEIKO MORRIS**

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Family-owned Crown Acquisitions signed a long-term ground lease valued at about \$1 billion for a site in Flushing, Queens, occupied by a Macy's department store.

Crown, a major player in New York City's retail real estate market, last week signed a 99-year lease with the long-term owners of the property, Benider Co., for the

approximately 250,000-square-foot retail building on Roosevelt Avenue, said Isaac Chera, a Crown principal.

The property sits right at a train station entrance and the epicenter of the Flushing neighborhood, which has been a draw for both residential and commercial development in recent years.

The Macy's lease of the building expires in the short term, said Mr. Chera, who declined to specify the number of years remaining. He stressed that the deal is a "long-term play" for Crown.

"We believe at some point in the near future the rents will be greater than what Macy's is paying," Mr. Chera said. The property is located "on the 50-yard line in a booming Flushing marketplace," he added.

A Macy's spokesman said that the company has no plans to close the store. The retailer, however, has been under pressure. Macy's, which reported disappointing holidays sales, has announced plans to close 36 stores in early spring and eliminate more than 4,000 jobs, with some employees to be relocated. The Flushing store wasn't among those listed as closing.

The Crown deal is significant for its size but even more so for its potential to redefine the area's retail market, said Tim King, managing partner at CPEX Real Estate LLC, a Brooklyn-based commercial-real-estate-services company, who isn't involved in the Crown deal.

Mr. Chera said the future of the property is still undecided, but Mr. King said it wouldn't be a surprise if Crown worked out an agreement with Macy's that would allow it to redevelop the property and bring in new tenants. That could triple or quadruple the number of shoppers visiting the site and the immediate area, he said.

"This is the equivalent of dropping a pebble in a pond," Mr. King said. "The ripple effect of this transaction will have an extremely salubrious impact on merchants and landlords up and down Roosevelt Avenue and Main Street."

Flushing's landscape already is shifting. A number of mixed-use developments are in the works in Flushing, promising hundreds of rental apartments and luxury condominiums accompanied by large blocks of retail space.

"Flushing has great demographics," said Geoffrey Bailey, a broker with SCG Retail,

which is marketing several Flushing retail projects. “You are seeing young Chinese who are very affluent. You see a lot of empty-nesters coming to Flushing and condos selling out for \$1,200 to \$1,300 a square foot.”

Mr. Chera said it is rare to find such a large retail site with future development potential in such a dense, downtown environment. The building sits on a 65,000-square-foot lot.

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Size and scale in a well-populated urban setting also were motivating factors for a Blackstone Group LP fund, which paid about \$410 million last summer for most of the 680,000-square-foot shopping center and garage known as the Shops at SkyView Center. The shopping center, located on the western end of Flushing and at the base of a luxury residential project, has attracted big brands such as Target, Nordstrom Rack, Nike and Uniqlo.

Crown, now in its third generation of family operation, started as a chain of children’s specialty stores but has grown into a real estate business with properties stretching from Fifth Avenue in Manhattan to heavily trafficked downtown areas in the boroughs, including Brooklyn. Brokers said that the family has been able to tap into its expertise from its past retail business to make savvy investments and redevelop properties.

The Flushing property is the only one Crown controls in that neighborhood and is one the company has been watching for some time, Mr. Chera said.

The deal “signifies our desire to invest in best of class locations in strong urban retail markets,” Mr. Chera said.

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