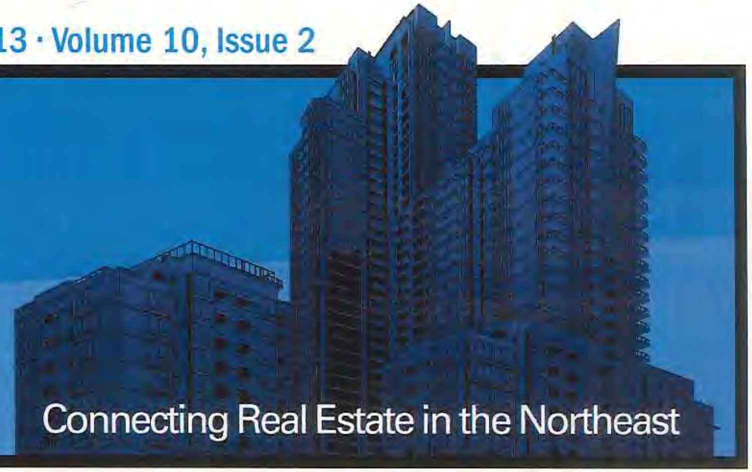
www.REBusinessOnline.com

November/December 2013 · Volume 10, Issue 2

NORTHEAST REAL ESTATE BUSINESS®

Connecting Real Estate in the Northeast



NEW DEVELOPMENT IN NEW YORK

From outlets to neighborhood centers to multi-million-dollar department stores, New York is seeing new development. Sales and rents continue to rise as tourism grows and locals spend.

Roundtable moderated by Jerrold France and Randall Shearin

Northeast Real Estate Business and sister publication *Shopping Center Business* recently held their annual New York Retail Roundtable at the offices of Goulston & Storrs in Manhattan. With the city bustling with visitors on nearby Park and Fifth Avenues, participants were bullish on the city's retail rents — at all-time highs in some areas — and for new development. One item of high interest was the recent announcement that Nordstrom is locating in the city at 225 W. 57th Street, in 2018. Food and entertainment retail were also large topics of conversation, driving the experience that tourists and locals have in the area.

Attendees of this year's roundtable were Andrew Miller, Forest City Ratner; Andy Graiser, A&G Realty Partners; James Steuterman, ARC Property Trust; Jonathan Greenberg, MPI; Joanne Podell, Cushman & Wakefield; Mitchell Salmon, Garrison Investment Group; Joseph French, Marcus & Millichap; Victor Menkin, Menkin Realty Services; Richard Cohan, 34th Street Partnership; Frankie Campione, CREATE Architecture; Patrick Breslin, Studley; Ariel Schuster, Robert K. Futterman & Associates; Richard Brunelli, R.J. Brunelli & Co.; Christopher Conlon, Acadia Realty Trust; Stephen Stephanou, Crown Retail Services; Nina Kampler, Kampler Advisory Group; Howard Gilbert, Robert K. Futterman & Associates; Kenneth Schuckman, Schuckman Realty; Deborah Jackson, Cushman & Wakefield; Samuel Mizrahi, Century 21 Mizrahi

see NY DEVELOPMENT, page 41

> In calendar year 2013, through September, 700,000 square feet of shopping center space has been built in our market.
>
> — *Mitchell Salmon, Garrison Investment Group*

NY DEVELOPMENT from page 1

Realty; Eric Wolf, Katz Properties; Harold Bordwin, GA Keen Realty Advisors, and David Rabinowitz, Goulston & Storrs. The roundtable was moderated by Jerrold France, publisher, and Randall Shearin, editor, of *Shopping Center Business*.

NREB: What is the general consensus of the New York market?

Jackson: The New York market is doing well, with regard to retail. I was involved in helping Nordstrom find a location in the city. It has been a long journey. Now, retailers are beginning to see locations outside of certain districts. It was eye-opening to Nordstrom when they realized that Times Square might be a possibility. New York has a lot of things in its favor. One is demographics and others are the office core and tourism. We did a lot of research into why Macy's does well at its locations and why Bloomingdale's does well at its location. We also looked at why the Shops at Columbus Circle is so successful. The Extell location has been tremendous [for Nordstrom] because they wanted their store to have a certain look. The location is a win-win-win. That is just one project. There is so much going on in the city. The Brookfield project Downtown [Brookfield Place] is another. We have seen markets in the city where asking rents are in excess of $1,000 per square foot. We're seeing an extension of markets and movement of the markets. Activity is strong, and there is room for projects like Brookfield Place and Westfield World Trade Center in Lower Manhattan.

Stephanou: The amount of retail that is going to be replaced in Lower Manhattan is essentially what existed pre-9/11. The new space will be better configured, new and more exciting. It is the same amount of space; now, there is a more sophisticated demand for retail. Brookfield has announced a number of luxury retailers. Westfield has been more guarded about tenant announcements. Westfield's project will be an architectural monument and a huge transportation hub. Related is also promoting its Hudson Yards retail project that will be anchored by an office building. It will be a project that will be bigger and better than The Shops at Columbus Center. Brooklyn is on fire; hardly a day goes by without seeing an article about the activity there from a residential standpoint or a retail standpoint. Fulton Street is in the process of a complete regeneration. H&M opened in the summer with a flagship store. Nordstrom Rack has announced a store there, as has TJ Maxx. Shake Shack has also opened. In the more edgy areas like Williamsburg, rents are also rising.

Menkin: The boroughs are doing very well. There's a large tract of industrial land in Queens that is going to be redeveloped by Related. The B and C level properties are now of more interest to retailers who can't get in line with those on Fifth Avenue and SoHo. Those retailers are also now looking at the boroughs in new ways. It used to be national retailers only wanted the west side, east side and Chelsea. Now, they are looking at Brooklyn and the other boroughs. The rents are more affordable and the demographic is younger and more hip. That transition we have never seen before in New York City. The tourists continue to fuel Manhattan. We are seeing record tourism volumes. The continued development of the hotel and restaurant demand is phenomenal. That does not seem to be lessening.

Salmon: Between 2002 and 2008, 140 million square feet of retail space was built in the country. Since 2008, there have been 20 million square feet built in the country. In calendar year 2013 through September, there has been 700,000 square feet of shopping center space built in our market. That number does well to support the New York City economy as well as those who are active and capitalized in the entire market.

NREB: Ariel [Schuster], how are you viewing the market?

Schuster: In my view, the market bottomed in 2009 and has climbed since then. Across the board, rents are higher now than they were in 2007. How much more can rents go up? In Manhattan and Brooklyn, they have risen 10 to 15 percent in the last three years. At some point, retailers cannot make money at the rent. Emerging markets have become the key for some retailers. The Bowery has become an alternative to SoHo now. Five SoHo tenants have moved there in recent months, so you have tenants realizing that they have to make economic decisions. We are very bullish that retailers want to grow, especially in urban markets.

Graiser: There are some retailers who are looking at their portfolios and saying that, on the real estate side, they might be better off creating a real estate opportunity out of some stores rather than operating them. The devil is in the details as to whether they can assign the lease to a similar use or not. We are meeting with retailers right now and that is a hot conversation. As rents are closing in on a peak, retailers are wondering how deep they should go into New York City and pay those kinds of rents. The rents have doubled or quadrupled in some areas since they have leased space, so some retailers are wondering if those stores are good real estate plays.

(left to right) Frankie Campione, Nina Kampler, Richard Cohan, Samuel Mizrahi and David Rabinowitz.

NREB: Is there a vintage of those types of leases?

Graiser: We are seeing leases that are 10 to 12 years old with options. There have been leases done in the last three years, even on 34th Street, where rents have doubled. The store might be doing ok at best, but that may make better sense to sublease lease to another retailer.

NREB: Has this demand caused the shrinking of lease terms?

Conlon: Landlords are limiting the lease terms in great markets to prevent this. In the best markets, you are seeing lease terms of 10 or so years with no options for renewals. We have been very strict on that. There are no leases with 30 years of term with 10 percent increases every five years.

French: One aspect to keep in mind is that retailers are able to keep sales in this market that they are unable to do anywhere else.

Cohan: Last Black Friday, over 250,000 people visited the Macy's at Herald Square. That is an astounding number. They want to beat that number this year. Across the street from Macy's, there is the largest H&M at Herald Center. Manhattan West and Hudson Yards are both under construction. Urban Outfitters will be opening their largest store at 35th and Broadway.

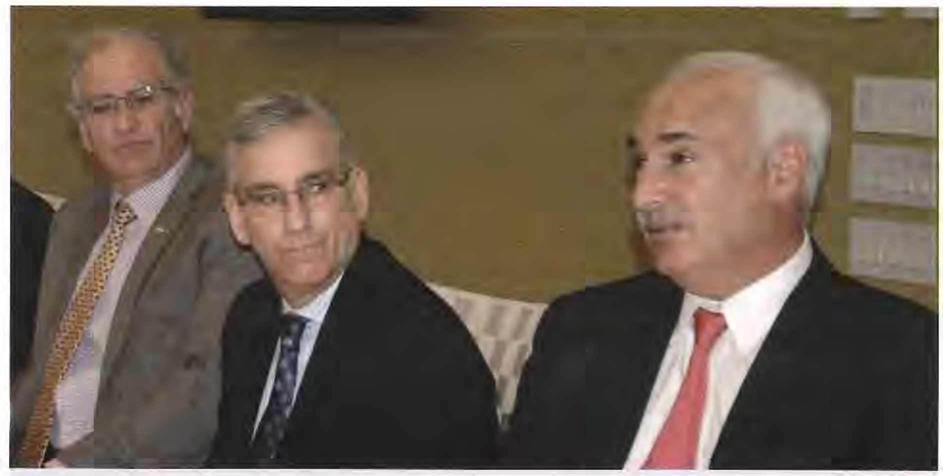
Kampler: The amount of energy that is going on from the Holland Tunnel up the corridor to the Upper West Side in terms of new living units is astounding. It is triggering opportunity on two fronts. One is retail. Room & Board had a flagship location in SoHo; last week, they announced a new 60,000-square-foot flagship on West 18th Street in Chelsea. Chelsea does not have the escalating rents of SoHo. It does not have the question mark of the Meatpacking District. Room & Board is keeping its SoHo store open. Another retailer on the move is Avenues, a new startup that is blending education and luxury retail. They have students in the building on 10th Avenue between 25th and 26th Streets. There is a waiting list to get in. They need additional real estate.

Gilbert: I've seen the market on Fifth Avenue below Saks emerge over the last few years. In the last few years, there have been buildings changing hands with new asking rents. The market in the 50s has gotten tight. In the 40s, you have 300,000 square feet of retail space available. It presents a huge opportunity for those who can't afford the 50s because the rents have increased.

Stephanou: Similar to that, the advent of Eataly north of 23rd Street has really changed that market. There are more public spaces on those streets so that people can take pictures of the Flatiron Building. Eataly has changed that neighborhood. Now, that area has expanded north of 23rd Street; that had always been the demarcation line for retail. It is slowly drifting north. The area between 23rd and 34th Streets has been searching for an identity for awhile. Now, it has some exciting retail concepts. Flatiron to Union Square [in the other direction] is on fire already. One word on Brooklyn: it is amazing how many tourists are finding their way over to the neighborhoods there.

Salmon: There's some reasoning behind the activity in Chelsea: The

(left to right) Harold Bordwin, Joseph French, Richard Brunelli and Mitchell Salmon.



(left to right) Samuel Mizrahi, David Rabinowitz and Andy Graiser.

High Line and Hudson River Park. The High Line is an incredible tourist attraction. You can stay on the High Line for an hour and hear 100 different languages spoken. Because of the configuration of many of the buildings in Chelsea and Flatiron — the large floor plates — you have the highest concentration of new supermarket development. The plates are large enough to support the merchandising efforts.

Menkin: Stephen [Stephanou] took the words out of my mouth when he discussed the emerging market between 23rd and 34th Streets. Another area we need to keep an eye on is the Upper East Side and the transformation that will happen when the Second Avenue subway opens. That whole stretch of the East Side has been so battered that it is going to be interesting to watch the emergence of that area. Not everyone in this room is focused on New York City and the boroughs. We continually have to be sensitive to infrastructure and transportation changes. One question I have: does anyone see a movement toward retail condominiums, considering that rents are at such a peak level right now?

French: In this market, the retail condos are the hottest thing going. Cap rates have never seen compression like we are seeing now. There are companies like Vornado, who are getting rid of their secondary and tertiary market retail and they are investing in retail in the city. You have density in the city that you don't have anywhere else. Retail condos in major locations like Madison Avenue are in high demand. You are also starting to see them in the boroughs. Owners feel that, even if they lose a tenant, it is not going to be that hard to get a new one. As we've seen, retail rents have continued to rise.

Podell: My instinct on whether most retailers will buy condominiums is no. I think that is still an investor play. Retailers are always reinventing themselves; they are not in the real estate business. For them, it is never a consideration. If the space works, they will make a commitment for 10 or 15 years depending on the investment they want to make in the neighborhood and what their strategy is for growth. They are not looking at this as a value retail ownership position, but as a leasing strategy.

Breslin: I have a project in Harlem. Three years ago, the rents were between $70 and $75 per square foot. Now, some landlords are getting north of $150 per square foot. I have 250,000 square feet of box space on 125th Street. We have an astonishing number of offers from retailers; but even more we have a number offers to buy the entire retail condo.

Schuckman: Many of the residential builders in the city and boroughs have retail condominiums in their buildings. They are not interested in owning it. There is great demand for these condominiums from investors because of the lack of other available product in this particular market and other markets. That investor is not necessarily as sensitive to income growth as they are to income stability.

Steuterman: If you have a good credit tenant in a net lease asset you can sell that property in a minute.

Schuckman: You are seeing a little irrational exuberance in the market. We are definitely seeing that in Brooklyn and we are starting to see it in Queens. In Brooklyn, we were negotiating a deal with a national tenant; they got in trouble. Within a three- to four-month period that the tenant took to negotiate the lease, the rents rose 20 percent. The landlord had higher offers and so they went back to the table. Rates are moving that quickly. Separated from New York, Queens and Brooklyn are two of the largest cities in America. There are almost 5 million people between those two boroughs, and they have the least amount of retail per capita of anywhere in the country. We are going to be involved in a new grocery-anchored center in Queens. It has 500 spaces of free parking. You are going to see further improvement in other markets. Long Island City is one.

NREB: Forest City Ratner is a major player in the city and in the boroughs.

Miller: We've been very happy with downtown Brooklyn. What is bringing a lot of people is the overlap between entertainment and commerce. We are seeing it at our project in Westchester, which has a lot of restaurants. That project builds an experience around shopping. Going forward, for all of us, as we watch people make the choice between going to Amazon or going to a store, the overall quality and value that the destination gives them is going to be very important. That has been great in downtown Brooklyn, as well as the Flatiron District with Eataly. It is also what Times Square is about. I am curious as to what others here think about that going forward.

Menkin: Another area to discuss is Brookfield Place, Downtown. When I see what Brookfield has done there, it is phenomenal. When it was designed by Cesar Pelli, retail at the World Financial Center was an afterthought.

Victor Menkin

The transportation movement between the towers was so problematic that, even if you wanted to get somewhere, it was impractical. Brookfield has done enough architectural change to attract a new level of retail. They are opening the waterfront to the project.

Stephanou: Any property that has a waterfront has the potential to be attractive, certainly as an entertainment and dining venue. In the old days, the World Financial Center was known for its restaurants. Because of the horrible events on September 11, there is now a tourism component downtown that didn't exist before. Before 9/11, no one shopped downtown. Locals shopped there. The retail at the World Trade Center and World Financial Center was slow on the weekends. The difference now is that Lower Manhattan is the second most-visited tourist destination in the city after Times Square. It will become even more so after the new Fulton Center transportation terminal opens and everything there is integrated. On Staten Island, the Empire Outlets are being developed. That will be a 250,000-square-foot multi-tiered outlet project that is going to be tourist-driven. Many tourists use the Staten Island Ferry as a free Circle Line, so to speak. They get a great view of the Statue of Liberty and Manhattan from the ferry. Now, they arrive at the terminal and wait around with nothing to do. Soon they will have outlet retail and restaurants, as well as one of the world's highest Ferris wheels.

Salmon: The tourists in New York are probably the most e-commerce proof customer you could imagine. The impact of Internet sales is almost diminished for the tourist shopper. The international tourist does not live here; they are not going to get something delivered to their hotel from Amazon. It is a substantive factor when you go outside an international hub like New York.

Jackson: If we don't have traffic patterns, like a subway system, or the volume of a residential base, projects here have problems.

Breslin: The infrastructure is almost gone here; that is why you cannot expand here. That is a problem in Queens as well. Probably 90 percent of the area is not accessible by highway. It is accessible by side streets and neighborhood streets. The infrastructure is hard to handle. The Long Island Expressway was built to handle about 160,000 cars a day. It handles 1.5 million today. It is hard to accommodate growth here.

Gilbert: Our office is representing Howard Hughes Corporation in the South Street Seaport. It will be a 325,000-square-foot project when completely redone. There will be a lot of quality fashion players. I think you will be surprised at how revitalized Pier 17 and the whole project will be, and what it will bring to that area.

Kampler: Are they anticipating tourist traffic?

Gilbert: Yes, and office worker and residential.

NREB: A lot of you are from the boroughs and other areas. Richard [Brunelli], can you give us an update on New Jersey?

(left to right) Chris Conlon, Ariel Schuster, and Joanne Podell (speaking).

Brunelli: We released our annual study this summer; we surveyed about 60 million square feet of retail in a geography that is within about 25 miles of New York City. That area in New Jersey has a 9 percent vacancy rate; a little above the 8.7 percent vacancy rate that we had in 2012. I calculate that the market is steady. The prime spaces that became vacant as a result of the recession, including the Borders, Circuit City and Linens 'N Things, are pretty much gone. What is causing the lingering vacancy rate is that the mom-and-pops and small franchised operations are still struggling. Individuals have a hard time getting financing. When you are in the suburbs, these smaller vacancies add up. My company is having great success in a number of categories. There are a number of restaurants that are expanding. One thing on the horizon that will be a big boon to economic developers and retail is the proposed changes to New Jersey's liquor laws. We are patiently waiting for the big boxes to come back and expand.

NREB: Are the big boxes going to come back?

Wolf: They are trying to come back. I know they are trying to get into some markets, but they want to dictate the rents that they are going to pay. They aren't paying the big dollars anymore. They are moving slowly.

Salmon: The economic factors don't seem to make sense. You have a two-year lead time on the development end for large boxes on 10-plus acre parcels. You have tremendous community backlash. It is a mature market when it comes to that type of retailer. The carry associated with the development is a killer. At the Shops of Flemington, we were successful in redeveloping an unanchored town center and locating a Home Goods, which the market wanted. At 22,000 square feet, it was an easy bite for the community. The Circuit City, Linens 'N Things and Borders of the world allowed that kind of development to occur. We are working with Rich Brunelli's office right now on another deal with Ulta.

Andrew Miller of Forest City Ratner addresses the New York Roundtable.

Graiser: The smaller retailers can move more quickly, and the financing for the developer is a lot easier.

Salmon: That is correct. If you have a four-year timeframe to work with and you have anything associated with a public forum, that is a long time.

Wolf: But the boxes are getting more creative. They say that they don't need their prototypical box. If they can fit in a box, and will prevent them from going to the township and skip years of wait, they will make it work.

Kampler: There's a reason that large retail boxes are concerned about putting the investment into new infrastructure. When my husband wants something, he buys it online. However, when I want make-up or home goods, I'm going shopping. That is entertainment. If you are 'going shopping' — whether you are eating, touching or trying something on — you are looking to do something you can't do online. It is not that much fun to go buy a screwdriver; it's a lot of fun to go buy lipstick.

Salmon: Your point is taken. With a retailer like TJX, the experience across its concepts is very much in the place. You are in the hunt for a good deal. That's what makes it so successful.

French: The construction industry really drives a lot of big box deals. When construction comes back, they will come back and they will grow.

Rabinowitz: With larger boxes, deals don't pencil out unless there is some governmental component to it. In New York, we have the IDA [Industrial Development Agency]. New Jersey has long-term tax abatement programs, for instance. Without these programs, the developments just don't work. They are critical in the suburbs for development to occur.

Schuckman: Do you mean the incremental sales tax programs or upfront equity programs?

Rabinowitz: In New Jersey, with the pilot programs, it is really state tax abatements. For either 20 or 25 years, you get a significant reduction on the improvements. In New York, you have the IDA, which allows you to get sales tax relief and a tax abatement program. I have a number of projects that are contingent upon IDA coming in. The governor just passed a bill that excluded retail from IDA. The reasoning is that the governor wants to promote high-paying, high-quality jobs and he doesn't perceive retail to create those types of jobs. It is unfortunate; I think it will be the death knell of some of these projects. I'm curious to hear what people think about that.

Schuckman: That is unfortunate. One area that is being destroyed by a high tax base is Long Island. There are no incentives for a retailer to move into Nassau County. We are trying to lease a former Pathmark, where the net rent is less than the taxes. When you are trying to find a retailer, it is difficult. Meanwhile, the community is upset because there is no store. The retailer is looking at it at a great rent, but at a huge gross amount because of the taxes. Long Island is not growing because of this.

Greenberg: You are going to see a lot more gross rent deals. It is more efficient that way.

Breslin: I agree with you; if you put it in a gross number, the tenants do not know that the taxes are high.

NREB: Frankie [Campione], as an architect, how do you view the Northeast market?

Campione: Here in New York City, everything is fantastic. You get into the B and C markets and they are still suffering. Malls are coming back. Anyone who has an A mall is taking it to A-plus. The B and C malls are seeing a lot of backfilling of space. You are seeing a lot of mall renovations. The owners have figured out how to sell small spaces and make it work. We also have two huge power centers we are working on right now. One is in Seabrook, N.H., that is Walmart-anchored and the other is in Prince George's County, Md., which has Bed Bath & Beyond, TJ Maxx and Big Lots. We are busy on Long Island with retrofits; nothing is being developed from the ground up.

Schuckman: I have a number of deals that are stalled there. Even a CVS development that I did four years ago that just broke ground.

Campione: It is almost impossible to do work there. We just converted a Filene's Basement to DSW Shoe Warehouse and Nordstrom Rack in Manhasset. To get the approvals for that was difficult.

Schuckman: There is a countertrend that is happening on Long Island. The shock is reverberating; they are creating transit-oriented developments around the train stations. In Lake Ronkonkoma they are developing a project there. There are things happening in Huntingdon.

Salmon: I live not too far from Broadway Mall. The ownership has done a fine job of maximizing the potential of that shopping center, as a mall.


(left to right) Deborah Jackson, Stephen Stephanou, Howard Gilbert and Kenneth Schuckman.

Conlon: We are developing two new shopping centers in the Tri-State area, one of which is on Long Island. I've heard you all, and I've spent most of my career on Long Island, but my experience is different. We own, through foreclosure, a 20-acre piece on Route 110. It is part of what the township believes could be the re-opening of the East Farmingdale Station. We embraced their thinking to create a sense of place there.

We originally designed a very conventional supermarket-anchored center. They resisted us, and they were right. We completely redesigned the project to be eight restaurant pads and a 50,000-square-foot entertainment use. We have two letters of intent for the entertainment use and there are 15 or 20 restaurants who want to be in this location.

Long Island has nothing like this. The township helped us reshape our thinking. The approvals are going well, for Long Island. It is not a horrible experience.

In northern Westchester, where we bought 36 acres across from our 800,000-square-foot Cortlandt Town Center, the township is bending over backwards for us. They are extending the zoning line through a wetlands area to give us more GLA. That is extraordinary.

Campione: Long Island has some of the strongest population densities in the country. Why does it have some of the worst retail spaces?

Conlon: Well, land in Dayton, Ohio, is free. [Laughs.] In Long Island, it is $1 million to $2 million an acre, and the taxes are $15 to $20 per square foot. There is a huge shift in the pro-forma; you are not rewarded in rent for these amenities, and that is unfortunate.

Breslin: In Dayton, Ohio, I would argue that a center would be the entertainment. Long Island has the city.

Schuckman: We were involved in two lifestyle projects [on Long Island]. The majority of the land area was going to be open space. Thousands of people showed up to protest the projects. We were going to build parks.

Greenberg: There is a difference between Nassau and Suffolk counties. In Suffolk, we have a property in West Babylon. The township is on board with anything that we do because they want the center to succeed. In Manhasset, everything gets red flagged.

Steuterman: In many suburban markets, approvals are probably a little less difficult than they were in the past. Fundamentally, it is Economics 101. I'm willing to bet most of us have appealed our real estate taxes; these towns have budget deficits. They've woken up to the fact that the only way to fill that gap is control and affiliating with projects, even the small deals. They are not getting economic growth through new housing or new population. Until new homebuilding comes back, you are not going to see big boxes growing at rapid rates.

NREB: We are getting calls from economic development corporations who want to market their cities. They need the tax dollars. Hopefully, that is good for developers and retailers.

Salmon: We bought 5 million square feet of shopping centers in the secondary and tertiary markets. Almost without fail, we have been able to get TIF dollars in many markets. The money to support municipalities has to come from somewhere.

Steuterman: It has been a nice political movement for the current administrations because they can show they are making an attempt at doing something positive for the community, despite the retraction of retail.

Salmon: I've had more front-page stories in Alabama than you can believe.

Steuterman: The national retailers pulled back a few years ago. They have had little top line revenue growth. They are keenly aware that if they want their stock to keep moving, they have to grow top line revenue. They need new stores. They are working in denser, more populated, urban markets to get penetration. That is a slower process. If you are in those communities that have budget needs, you can get alignment of interests quickly and more efficiently.

Brunelli: The recession has awakened the politicians, from the governor's office to every mayor. Retail is the only game in town. The townships are rezoning properties that were zoned for office buildings and industrial uses; we are seeing development opportunities starting to arise. We are seeing municipalities that are very friendly and rolling out the red carpet. That was unheard of 10 years ago. Unfortunately, I could count all the new projects on one hand. There might be five new projects in northern New Jersey that are under construction or about to be announced. We still have a limited supply of vacant, developable land. The laws of supply and demand will catch up.

(left to right) Andy Graiser, Chris Conlon, and Ariel Schuster.

Kampler: In New Jersey, the largest vacant parcel in Newark has been amalgamated and it is a huge opportunity.

Cohan: Macy's Herald Square is the largest store in the world. They leverage their Twitter, Facebook and Instagram very well. The retailers who don't follow what Macy's is doing are going to be left behind.

NREB: What are New York City's partnerships doing to help generate retail activity?

Cohan: We are the bridge between the city and private enterprise. When retailers are from out of town, we can give them insight of how to deal with the administration. We will have a new administration shortly.

Podell: The BID is a wonderful facility for New York. They are supportive. They are a private partnership that is supported by the tenants and ownership. They provide additional safety, additional sanitation, foot counts, and information that helps us support the leasing of space along their corridors. The importance of creating partnerships between owners, retailers and the city is critical to the success.

Cohan: We look at New York City as a melting pot. We don't look at Times Square, Fifth Avenue, or The Meatpacking District as a competitor. They are all great options for the consumer. If each individual marketplace can raise their hand, it is better for the consumer. It is two great tennis players in a match; they both elevate their game.

Campione: You mentioned the change in administration. We've had 12 years of pro-development in the city and boroughs. What happens if the hiccup isn't necessarily the retailers, but the change in administration?

Cohan: At the BID, we look at the glass half full. If you look back to when Mayor Bloomberg took office after 9/11, everyone thinks we are in a much better place. Whoever the next mayor is, we look at the glass as half full.

Graiser: I'm more of the cup half empty. When you look at the birth rate going down; we have had the largest decrease in the birth rate in 40 years. You combine that with e-commerce and mobility sales, I see the growth with smaller footprints. I don't see anything big. At the board level, retailers are concerned with going long on some leases. In the secondary and tertiary markets, they don't want to go out long because they are concerned about the footprint going forward.

NREB: Is some of that their own strategy — what they are doing with e-commerce and other channels?

Graiser: A lot of them are behind with that, so they are scrambling to catch up. You can see who is doing well if you go online. Sales increases from omnichannel retailers are going off the charts.

Campione: I'm surprised to hear from friends and family that they commute into Manhattan to do their shopping. On Long Island, you have Roosevelt Field and in New Jersey you have Menlo Park and Short Hills. There are beautiful malls where you have all the same retailers. The kids are coming into the city for entertainment. The shopping experience at Macy's is definitely one-of-a-kind. Everyone wants to see what is happening at Macy's.

NREB: The retail in Manhattan is entertainment.

Campione: Absolutely.

NREB: Ten years ago, the entertainment component disappeared from shopping centers. Now, it is what everyone is talking about.

Salmon: It is a math problem. You don't have guys with their shirts off standing in front of the Abercrombie & Fitch in Menlo Park Mall. But they do stand outside when it's 12 degrees outside on Fifth Avenue, and you have a line around the block. It is about experience. Because of the sales numbers, you can have the most up-to-date retail presentations and concepts of every retailer that you want to see. The consumer who comes to New York can see the same store in his local mall, but it looks like a completely different store when it is in Manhattan. That experience is important.

Kampler: The store here is not just a retail outlet. It is the billboard. It is the marketing, not just the real estate line item on the expense chart. That's why the escalating rents can be supported.

Salmon: You still have to have some results.

NREB: Today, with fewer anchor tenants and retailers who attract traffic, how important are the restaurants?

Salmon: Restaurants drive 40 to 45 percent of new openings in the United States right now.

Campione: Getting the name brands of the signature chefs from the city to take them to the suburbs works well. You have to circumvent the trip to the city by giving residents the opportunity within a seven-mile drive to home.

Miller: People don't necessarily want to make the drive, they just haven't had the choice.

Breslin: Sylvia's Restaurant in Harlem told me that their sales have grown 20 percent because of Asian tourists who arrive by bus every night. Harlem is a destination.

Menkin: We have an esteemed group of brokers here today. One thing that is unique to the New York market is that the brokerage community brings a much stronger level of service. The experience and competition that exists drives the market. We are bringing to landlords a level of service and creativity that I'm not sure a lot of other landlord/developers have at their disposal.

Podell: The brokerage market here has evolved. We don't show space. Today, we offer a tremendous amount of demographic research, mapping, competitive analysis and other services. It is really about the evolving responsibility of the brokerage community. You have to create value for your clients.

Schuster: In New York, there is no percentage rent. It is all about sales. E-commerce has changed the way that retailers look at stores. At the end of the day, retailers look at sales. ■