

Retail Update



The Shoppers Are All Here

Developers in Brooklyn and the Bronx are making up for lost time with new projects that are changing the appearance of these understored boroughs

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IF BROOKLYN HADN'T MERGED WITH THE REST OF NEW YORK City in 1898, the largest borough would be the country's fourth most populous city. Nearly 2.5 million residents live in Kings County, making it the second most densely populated county in the country. Similarly, with 1.4 million residents living within its bounds, the Bronx boasts more potential shoppers than there are in the city limits of Boston, Atlanta and Miami combined.

But you'd hardly know it by looking at the retail options currently available in the two boroughs. While the slightly more isolated Queens and Staten Island are well serviced in certain areas by neighborhood retail centers, residents in many parts of Brooklyn and the Bronx haven't been as lucky. Some still report making treks to Manhattan, the other boroughs or even Long Island, New Jersey and Westchester in order to satisfy some of their basic shopping needs.

This oversight, however, is finally being corrected with a wave of



Related Cos. recently broke ground on the \$500-million, one-million-sf Gateway Center at Bronx Terminal Market (top and right), which will reportedly be the largest retail development ever built in the borough. It is slated for completion in the fall of 2009.

also gearing up to begin a second phase of development at Brooklyn Gateway Center, which will more than double the size of the project's retail space to in excess of 1.3 million sf, while adding approximately 2,300 residential units to an adjacent site.

"If you look at how many people there are in New Jersey and Long Island and how many home improvement, electronics or sporting good stores there are per person versus how many there are in the boroughs, the disparity is significant," says Glenn Goldstein, president of Related Retail. "Even though there are different demographics, we still feel there is a significant amount of demand that is not being met in the boroughs."

Forest City Ratner Cos., which helped move Brooklyn retail into the 21st century in 2004 with its Target-anchored Atlantic Terminal development, will include 247,000 sf of retail as part of its \$4-billion, 22-acre mixed-use project at Atlantic Yards. Forest City also plans to develop a new 125,000-sf retail center in Mill Basin in southeastern Brooklyn.

Acadia, along with partners P/A Associates and MacFarlane Partners, recently acquired the underutilized Gallery at Albee Square in Downtown Brooklyn and will redevelop the site into a 1.6 million-sf tower, including residential and office components, in addition to the expanded 475,000-sf retail center. Other projects currently going up in Brooklyn include Triangle Equities' 300,000-sf Triangle at the Junction complex in Flatbush, where Target will be the anchor tenant; Acadia and P/A Associates' Canarsie Plaza, a 175,000-sf, Home Inc.'s 133,000-sf, mixed-use Realty Kingswood Center, where a White Rose Foods supermarket and New York Sports Club will anchor the retail component.

Toll Brothers, meanwhile, has included 25,000 sf of retail as part of the first phase of its Northside Piers residential project in Williamsburg. It will be the first of the luxury home-builder's properties to open in the boroughs when it is completed later this year.

"It's the first significant piece of retail in Williamsburg backed by a big residential development, says David Tricarico, an associate director with Cushman & Wakefield, who is marketing Northside Piers' retail space for Toll Brothers. "It's not



The second phase of Related Cos.' Brooklyn Gateway Center will more than double the size of the project's retail space to more than 1.3 million sf, while adding some 2,300 residential units to an adjacent site.

an offshoot corner location where retail wasn't given much thought. They are looking for service retail for the tenants of the building, but also at things like a branded food market that will make a statement in the area."

Retailers are developing their own projects as well: Ikea is constructing a 346,000-sf store on a 22-acre site it owns in Red Hook, not far from where Fairway Market opened its first outer-borough location last year. And after a lengthy planning process, Whole Foods has gone into the ground with a 68,000-sf store at the crossroads of Park Slope and Carroll Gardens, slated for completion in the spring of '08.

Acadia and P/A Associates are also developing a number of properties in the Bronx. Foremost is Fordham Place, a redevelopment of the former Sears building at 400 E. Fordham Rd. that will include 100,000 sf of retail space beside 166,000 sf of office. Sears will return to anchor the building in a new, 50,000-sf space, while Walgreens and several smaller retailers have also signed on to the project, which currently has lease agreements for about 93,000 sf.

"We think the area needs a lot of services, restaurants and banking, and there's a courthouse right across the street," says Aaron Malinsky, president of P/A Associates. "There are services and a variety of retailers in the Bronx, but there isn't a sufficient number of them to supply the population. Statistically, the retail sf for the number of people is among the lowest in the country."

The New York City Economic Development Corp., meanwhile, recently issued a request for proposals seeking a retail-driven, mixed-use redevelopment of the 575,000-sf Kingsbridge Armory. While a developer has not yet been selected, Atlantic Development Group, the Related Cos., and Rosenshein Associates have responded to the RFP, which actually discourages the inclusion of big-box stores and seeks space in the former National Guard facility armory for community groups and a school component to be funded by the NYC Department of Education.

Nearby, on Broadway and West 230th Street in Kingsbridge Heights, a joint venture of Fairfield, CT-based Ceruzzi Holdings and Syosset, NY's Blumenfeld Development Group is slated to turn a city-owned parking lot into the mall-like Kingsbridge Crossing. The project is still in the initial planning stages. Vornado Realty Trust also recently threw its hat into the Bronx retail arena with its \$165 million purchase of the 386,000-sf Bruckner Mall. Located near the Westchester border, it is currently anchored by Kmart and Toys 'R' Us.

While no one would describe Brooklyn as "untapped" or "undiscovered" any longer, those words are still used to describe the Bronx real estate scene, from retail to office to high-end residential. That makes the area one of the last bargains in New York City, at least for developers with enough savvy and know-how to understand the market, says Patrick Breslin, president of GVA Williams' retail group.

"The Bronx is a hard place to figure out if you've never done business there," Breslin says. "The local mom and pops, the Dr. Jay's and Jimmy Jazzes of the world, understand these neighborhoods better than anybody and it's been a booming success for them. With all these big-time developers like the Vornados of the world coming in, it means that the Bronx, just like everywhere else, is ready for change. It's probably the easiest place in New York now to get developments done, and the city will be behind you."

Outsiders are often amazed to learn as well about the profit margins at stores on busy shopping strips like Fordham Road, Breslin adds.

"When you tell someone a Fordham Road store has a chance of being one of your best performers across the country, they look at you like you're insane," says Breslin, who has negotiated deals for Verizon Wireless, AT&T, Cingular and various Genesco concepts in the area. "But once they get their stores, they do sales that just baffle their minds."

Rents in the most central portions of Fordham Road have surpassed \$250 per sf and are now approaching \$300 per sf, Breslin says. "Foot Locker and the Gap paid more money on Fordham Road than Sony did for their store on North Michigan Avenue on the Golden Mile in Chicago, so that says something for the Bronx," he relates.

While Acadia and P/A Associates' Fordham Place will add further retail options to that bustling thoroughfare—along with the area's first class A office space—the most anticipated retail project

in the borough is Related's Bronx Terminal Market project. Located a stone's throw from Yankee Stadium, the vertical development, which will be spread across two



In the Bronx, Acadia Realty Trust and P/A Associates are working on Fordham Place, a redevelopment of the former Sears building that will include 100,000 sf of retail and 166,000 sf of office space.

large, three-story structures, is slated for completion in the fall of 2009. Some 650,000 sf of leases have already been signed with tenants including Target, Home Depot, BJ's, Best Buy, Bed Bath & Beyond and Applebees, says Goldstein. The Best Buy and Bed Bath & Beyond stores will be those chains' first locations in the Bronx.

"Even though it is vertical, we tried to give it a little more of the suburban-type shopping experience in that the floorplates are very large. So for the larger-format retailers, there are one-level stores," Goldstein explains. "We staggered the parking structure so one level accesses directly to one level of retail, so you can walk across a pedestrian bridge after you park and walk right into the store."

In addition to the big boxes, the project includes an 80,000-sf ground-level component geared toward smaller local retail tenants.

"As part of the community benefits agreement, we agreed to reserve a certain amount of space for local Bronx merchants, though a lot of that leasing won't take place until the project is little closer to reaching fruition" Goldstein says.

Related will follow up that project with the second phase of the Gateway Center in Brooklyn. Plans call for a 1,650-seat public high school and other community

and public facilities in addition to 620,000 sf of retail and an adjacent residential component. So far, the shop space will house a 70,175-sf neighborhood retail center as well as anchor and mid-size tenants.

"We are hopeful that now we will be able to go to some retailers that wouldn't have been interested the first time around, like department stores," Goldstein says. "It was a marketing challenge to convince a lot of the national retailers that areas of Brooklyn would justify the investment needed to open stores there the first time around. We are hopeful that now, building off of the success of phase one, we'll be able to do some things we probably wouldn't have been able to in 2002." —RENT