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The Heart of Fifth Avenue Shopping Is Edging to the South

By JANE L. LEVERE

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Ángel Franco/The New York Times

Aritzia, its under-construction storefront painted black, is joining Lacoste at 49th Street and Fifth Avenue.

Long the retail stepsister of upper Fifth Avenue, the stretch of the avenue south of 49th Street and north of 42nd Street seems finally to be coming into its own with the opening of several flagship stores by retailers from around the world.

The list includes Joe Fresh and Aritzia, two Canadian fashion retailers; Ted Baker London; Tommy Bahama; and an expanded Lacoste. H&M, the Swedish fast-fashion retailer, also announced last month that it planned to open its largest store in the world, a 57,000-square-foot outlet at 48th Street and Fifth Avenue, next fall.

Several factors are responsible for this burst of activity. The supply of vacant retail space on Fifth Avenue north of 49th Street is quite limited. What is available, though, is expensive, making it prohibitive for many merchants, especially those that do not sell luxury goods. But “if you are a global name, you need to have a flagship presence on Fifth,” said Lawrence J. Longua, clinical associate professor at the New York University Schack Institute of Real Estate. “Fifth Avenue to New York is like the Champs-Élysées in Paris; it’s the place where you cannot not be.”

Some companies have decided that moving down the avenue is a good alternative.

Fifth Avenue is an attractive shopping destination for tourists, especially international tourists, whose numbers have been climbing annually and who have been spending generously. According to NYC & Company, the city’s tourism marketing organization, although international visitors make up only one-fifth of all visitors to the city, they generate half of all retail spending by visitors. The organization said 10.6 million of the 50.9 million visitors

who came to New York in 2011 were international, and they accounted for half of the \$7.5 billion in retail spending by all visitors last year.

Retailers on Fifth Avenue between 42nd and 49th Streets also attract commuters from Grand Central Terminal and tourists and workers from the Times Square area, said Andrew S. Goldberg, executive vice president of retail services for CB Richard Ellis.

In March, Joe Fresh opened its fourth New York store, its largest in North America, in the landmark former Manufacturers Hanover Trust building at 510 Fifth Avenue, at 43rd Street. Last month the British fashion retailer Ted Baker London opened its third New York and largest United States store at 595 Fifth Avenue, at 48th Street. Both joined Lacoste, which opened what was then its largest store about a year ago at 608 Fifth Avenue, near 49th Street, by adding 1,000 square feet to its existing 5,000-square-foot space in a \$10 million makeover. It has since opened a larger store in London.

Opening this fall are the flagship of Tommy Bahama, the American fashion and housewares retailer, in the landmark Fred F. French building at 551 Fifth Avenue, at 45th Street, and the flagship of Aritzia, a Canadian women's clothing retailer, at 600 Fifth Avenue; both stores will be the retailers' largest. And developers on both sides of Fifth Avenue between 43rd and 45th Streets are offering additional new spaces in hopes of attracting other retailers. The earlier success on this stretch of well-known retailers like H&M and Zara has paved the way for others, said Jonathan Bowles, executive director of the Center for an Urban Future, signaling "that New York City is a prime environment and can be a real cash cow for international retailers." H&M already has a 44,000-square-foot store at 640 Fifth Avenue, at 51st Street, its first in the United States, and a 24,000-square-foot store at 505 Fifth Avenue, at 42nd Street.

Daniel Kulle, president of North America for H&M, said the retailer had set out to find a space with more than 50,000 square feet to accommodate every line of merchandise it offered, including fashion for men, women and children, cosmetics and housewares, before deciding to open at 589 Fifth Avenue on a site previously occupied by Chase Bank.

Although there has been speculation that H&M will vacate its store at 640 Fifth Avenue when that lease expires, Mr. Kulle said the retailer had "no plans to close our 51st Street store at this time." However, Paul Berkman, an executive vice president of Jones Lang LaSalle, said Vornado Realty Trust, H&M's landlord at 640 Fifth Avenue, "has started putting feelers out to the market" for the space.

The attractiveness of the corridor and increasing scarcity of space has put growing pressure on rents. The spring 2012 retail report of the Real Estate Board of New York described "the relentless ground-floor asking rent increases for retail space on Lower Fifth Avenue between 42nd and 49th Streets" as "one of the most important developments in the Manhattan retail market." The average asking rent for ground floor retail space in the corridor had reached \$900 per square foot, the report said, up 75 percent from spring 2011.

A similar survey by Cushman & Wakefield found that the average ground-floor asking rent per square foot on Fifth Avenue between 42nd and 49th Streets in the second quarter of 2012 was \$892, up 44 percent from the same period in 2011, and 96 percent higher than the same period five years ago. At the same time, the average asking rent per square foot on Fifth Avenue from 49th to 60th Streets was more than twice as much at \$2,067, but that figure was up less than 1 percent over 2011, and 38 percent over five years.

Lindsay Page, finance director of Ted Baker London, said his company, which looked for space on Fifth Avenue for five years, found 595 Fifth Avenue attractive because it represented "a great combination of a very strong position on the street at an appropriate rent."

Mr. Page added: "Fifth Avenue is part of the world stage. A lot of our customers visit Fifth, and it's a fantastic showcase for us to have. And it allows us to win new customers." Meant to resemble an Art Deco London town house, the new Ted Baker London store occupies 7,500 square feet of retail space on three floors.

Brian Hill, chief executive of Aritzia, which currently has a store in SoHo, said, “We consider ourselves to be an aspiring global retailer, and it’s natural if we are going to be in Manhattan that we should be on Fifth Avenue.” He said that Aritzia’s new Fifth Avenue store would occupy 13,000 square feet on the basement and first floors when it opened in November.

Joseph J. Sitt, chief executive of Thor Equities, said he planned to demolish 516, 518 and 520 Fifth Avenue, three buildings between 43rd and 44th Streets, and replace them with one or three buildings with retail space that could range from 5,000 to 78,000 square feet.

Other spaces seeking new retailers include 45,000 square feet of space available at 530 Fifth Avenue, between 44th and 45th Streets, which is owned in a partnership between Crown Acquisitions, Jamestown Properties, Rockwood Capital and Murray Hill Properties; and the 84,000 square feet of retail space owned by the Moinian Group at 535, 537 and 545 Fifth Avenue, between 44th and 45th Streets. That space is being promoted by the Winick Realty Group as a “fully customizable flagship presence in the most sought-after area of Manhattan.”

Looking ahead, Mr. Berkman of Jones Lang LaSalle predicted that retail activity now occurring on Fifth Avenue between 42nd and 49th Streets “will continue south inevitably, connecting 34th Street to 42nd Street. The Empire State Building is a true traffic generator, and there are big and small footprints to satisfy both ends of the retail spectrum.”

Jeffrey D. Roseman, executive vice president of Newmark Grubb Knight Frank, said he saw retail development on Fifth Avenue extending even south of 34th Street.

“There’s no reason in the next few years that you won’t be able to walk from 57th Street to 14th Street and shop,” he said. “The different stretches will all have their own unique flavor, but it will be one continuous retail corridor all the way down.”

This article has been revised to reflect the following correction:

Correction: September 6, 2012

An earlier version of this article misstated the ownership of 530 Fifth Avenue. It is owned in a partnership between Crown Acquisitions, Jamestown Properties, Rockwood Capital and Murray Hill Properties, not solely by Crown.

http://www.nytimes.com/2012/09/05/realestate/commercial/the-heart-of-fifth-avenue-shopping-edges-to-the-south.html?_r=1&adxnnl=1&pagewanted=all&adxnnlx=1346965883-nT6PnOfywqrF8tgYi+1bow