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LUXURY RETAIL

Sales soar at mall, bucking U.S. trend

Time Warner consumption mecca packs in tourists and locals

BY ELISABETH BUTLER CORDOVA

AS THE SINKING ECONOMY lays waste to malls nationwide, shoppers are flocking to The Shops at Columbus Circle, spending freely in tony stores like Tournéau and at upscale restaurants like Per Se.

The West Side center delivered average sales of \$1,500 a square foot last year, an astounding 25% jump from 2006. Traffic increased by 10%, to more than 16 million visitors, and total sales shot up 15%, topping \$300 million. That makes The Related Companies property one of the country's top-performing shopping centers.

"Overall, we're seeing sales declining, but you're not going to see that in a center like this," says a spokeswoman for the International Council of Shopping Centers. "This is a very unique property."

Critics who once predicted that

The Shops would fail miserably now proclaim it to be Manhattan's only thriving mall.

"This is successful beyond anything that's been done before in New York City," agrees Kenneth Himmel, chief executive of Related's urban management division.

Foreign magnet

THE SHOPS OWES ITS SUCCESS to its popularity with both locals and visitors. The center attracted 25% more foreign tourists last year than it had in 2006, and they generated about 16% of annual sales. But even traditionally aloof New Yorkers swarmed its Equinox gym and Whole Foods Market, paying big bucks for sweat and sushi to go.

The Shops' challenge is to stay fresh and relevant in a city that's full of hot shopping areas, including SoHo and Union Square, and stave off the economic pressures engulfing retailers.

To help maintain momentum, Related is wooing even more foreign tourists and inviting U.K. and German tour operators for visits.

Related wants to shake up its tenant mix in the next few years, too.

'J. Crew would like to expand, but there's no room'

Up for replacement: stores that ring up annual sales of less than \$1,000 a square foot—a lofty benchmark for most retailers.

"Chances are, it's not a very profitable venture for them, either, considering the load they have to carry to be here," says Webber Hudson, executive vice president of retail at Related. Asking rent for the ground floor of The Shops already tops \$500 a square foot.

Related's brass would not disclose the stores on its hit list, but some dated brands clearly draw less traffic than others. Among those that might not last are Face, Crabtree & Evelyn and D. Fiori on the ground floor, and Benetton, Benetton Kids and Esprit upstairs.

In its quest to cash in, Related is pushing retailers to sign a five-year

lease rather than the standard 10-year. That way the firm can constantly bring in new tenants at higher rents.

There seems to be no shortage of willing retailers.

One French sportswear company is desperate to open its first U.S. store at Columbus Circle, Mr. Hudson says. "I just need to make space available for them."

And some existing tenants want more space.

Waiting list

"J. CREW WOULD LIKE TO EXPAND, but there's no room," says Robert Futterman, founder of retail broker Robert K. Futterman & Associates. He adds that "every specialty [retailer] that competes with J. Crew, Armani A|X and Coach wants to be there."

Wolford and Bebe are The Shops' newest arrivals, and Swarovski and True Religion will open locations there this spring.

But Related Cos. doesn't want to turn the center into a replica of Madison and Fifth avenues.

"You can't become just a harbor for pure luxury," Mr. Hudson says,

pointing to the center's one local business, New York Running Co. "The owner—we love him—is a marathoner and has a real connection with New Yorkers," Mr. Hudson says. "He's a unique tenant who helps us be able to say that we're not just a mall."

Related now wants to build on its success at Time Warner Center, where it also developed the office, hotel and residential space.

The company wants to command two of the city's biggest upcoming projects: Moynihan Station and the Hudson Rail Yards. It has already received rights from the state, along with Vornado Realty Trust, to develop the station. It is vying for rights to the 26-acre rail yards site.



GOLD MINE: The Related Companies' Kenneth Himmel says the center has far exceeded expectations.

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