



The New Combo Meal: Real Estate Bets On Restaurants To Create Community

Exploring the growing relationship between chefs and developers

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It's no secret that many New Yorkers make real estate decisions based on restaurants. They long to live where they love to eat. Depending on your stage of life, the impossible dream might be a one-bedroom just a stone's throw from Superiority Burger in the East Village, or a three-bed, two-bath around the corner from Bubby's in Tribeca. Real estate developers have honed in on this feeding frenzy. They're saying goodbye to anchor tenants like Cheesecake Factory and CVS and instead putting a beloved local chef in a restaurant just downstairs.

"Today, it almost always begins with the restaurants," says Kenneth Himmel, president and CEO of Related Urban, the company developing New York City's Hudson Yards, a one-million-square-foot retail complex located on Manhattan's far west side. Hudson Yards will contain roughly a dozen restaurants, including a food hall and concepts from acclaimed chefs Thomas Keller (Per Se, the French Laundry), José Andrés (Minibar and the Bazaar), and Costas Spiliadis (the Greek chef behind the seafood-centric Estiatorio Milos chain).

“You cannot develop a shopping center or a great urban mixed-use project that includes commercial and residential components without restaurants,” says Himmel. “People today want to live and work in a true mixed-use neighborhood, and food and dining is perhaps one of the most important pieces of creating that 24/7 experience.”

The arrangement can be mutually beneficial for the developers, the restaurateurs and the neighborhood at large — especially in long-forgotten parts of town. Himmel, for instance, points to the diverse lineup of restaurants at NYC’s Time Warner Center, which became “a catalyst for Manhattan’s west side,” he says. His goal is to create a similar effect at Hudson Yards, which he describes as a “totally underserved section” of the city.

“In the singular sense, restaurants create value for developers by helping them move whatever’s upstairs — whether it be office space, apartments, or condos — as well as by adding cachet to a property that might increase the value of the asset when the developer recapitalizes or sells,” says Shane Davis, head of strategy and development for Hospitality House, which conceptualizes, programs, underwrites, and curates food and beverage programs for various real estate and hotel projects. These include Joel Robuchon’s upcoming restaurant and market in a project being developed by RFR and Hines in midtown Manhattan, and Matt Maddy of Weather Up and No. 7’s upcoming bar and restaurant in Dermot’s 66 Rockwell in Brooklyn.

“In a broader sense, I truly believe restaurants are one of the most profound drivers for place-making and urban transformation,” says Davis, “so if deployed properly on a master-planning level, restaurants can be a developer with vision’s best friend.”

Opening in Brooklyn this fall, Gotham Market at the Ashland will offer eight distinct dining and drinking venues, including a pop-up space, which will host a rotating selection of local chefs and restaurateurs throughout the year. (Rendering courtesy of the Gotham Organization.)

That nebulous, warm and fuzzy piece — creating a community — is key to the mixed-use puzzle, since many new residential real estate developments push the boundaries of what might be considered a neighborhood; they build on the edge of cities in underserved areas that lack many services. This was the case with Gotham West Market, developed by the Gotham Organization for its Eleventh Avenue residential tower, Gotham West, in 2012. With counters from Blue Bottle, the Cannibal, Ample Hills, Ivan Ramen, Genuine Roadside, and more, this food lover’s bazaar brought foot traffic and a sense of community to a barren stretch of the West Side. “We had a huge building with 1,240 apartments — a big community, very far west,” says Christopher Jaskiewicz, Gotham Organization’s chief operating officer. “There wasn’t much there. We wanted to help create a community and do something extra special. We decided what they needed most was good food.”

But not just any food — an emporium of curated experiences, with dozens of different culinary counters hitting Asian, Mexican, American and everywhere in between. “Chef-driven is important because it appeals to our residents in our buildings and to consumers who want authentic food and drinks,” says Jaskiewicz. “But what really sets us apart is having many chefs under one roof, which means there are many diverse choices every visit for the individual, family, or group. Each person gets to try something new and different that is handmade.”

It’s a formula that has worked so well that Gotham is doing it all over again. Its sophomore effort, Gotham Market at the Ashland, a 50-story residential tower in Fort Greene, Brooklyn, will open in the fall of 2016. Designed by Jeffrey Beers International, it will offer eight distinct dining and drinking venues, including a pop-up space, which will host a rotating selection of local chefs and restaurateurs throughout the year.

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one wants better food, food that feels more interesting, with better ingredients, more thoughtfully prepared, and informed by seasonality. And people want to be able to walk downstairs and get something.” —Tyler Niess, chief marketing officer of Crescent Communities

Restaurant tenants announced for the Ashland so far include a second outpost of Mu Ramen; Flip Bird, a rotisserie with hormone and antibiotic-free Amish chickens served roasted and fried; Mason Jar, a Southern-inspired spot specializing in beer, bourbon and barbecue; and a yet-to-be-named convivial bar in the center, communal area of the market that will serve a selection of craft beers, wine and cocktails. “At the Ashland, there was the opportunity not only to serve the residents of the tower but also the community visiting Brooklyn Academy of Music and Barclays Center,” says Jaskiewicz. “There is a tremendous amount of traffic and guests that need a place to eat and drink.”

Gotham’s role in developing the market colors way outside the lines of the traditional developer. It’s not just leasing a space and walking away. It curates the restaurants, designs the space, and does the branding and marketing. While each tenant is responsible for its counter, Gotham maintains the venue and ensures that the market as a whole “speaks with one voice,” says Jaskiewicz, who warns that there’s a lot more to anchoring a property with a restaurant than a retailer. “It’s easy to lease space to a CVS. But running the market is an active process every day,” he says. “We are involved with daily headaches. It’s part of our building, and our team manages the daily challenges that arise.”

But the rewards are significant: “These restaurants, whether private or simply located in the residential complex, will feel like clubs to the residents — a place where they will have close relationships with the chef and staff and where they will feel ‘at home’ with the convenience of great food, beverage and service,” says Michael Kaufman, a nationally recognized leader in the hospitality industry and a member of the Astor Group, an independent investment bank and strategic advisory firm.

The restaurant–real estate combo meal shows no sign of slowing, and that’s due not only to the popularity of chefs and the cult of farm-to-table cuisine, but to the changing retail landscape. “Restaurants fill the void left by the ‘Amazon effect,’” says Tyler Niess, chief marketing officer of Crescent Communities, a real estate investment and operating firm across the Southeast and Southwest, which is currently developing four to six new mixed-use projects that will be heavily food-oriented. “A big piece of this puzzle is being driven by what is happening to retailers,” he says. “The impact that the Amazons of the world are having on consumer behavior has changed the economics of big box retailers. Now it’s easier to shop online; people don’t want to go shopping for toilet paper; they just want to have it in the house when they need it.”

Niess sees a seismic shift happening: With the retail landscape fundamentally retreating, the market is searching for an alternative with a growing interest — restaurants. “What we have watched over the last decade, led by people like Anthony Bourdain and television shows like Chopped and Top Chef, is the popularizing food as social engagement and something to celebrate,” says Niess. “What each community wants is a culinary experience. Food is that force that is really pulling people in. Not every community wants a world-class chef, but everyone wants better food, food that feels more interesting, with better ingredients, more thoughtfully prepared, and informed by seasonality. And people want to be able to walk downstairs and get something.”

Perhaps that is why these chef-anchored apartment buildings are popping up all over the country, not just in culinary epicenters like New York. In Chicago, there’s New City in Lincoln Park, which offers shopping, bowling, nightlife, and restaurants such as Lyfe Kitchen, Nando Peri Peri, Earl’s, and Yard House. In Santa Monica, Related California developed Ocean Avenue South, a luxury residential development that includes three chef-driven restaurants — Joan’s on Third under executive chef John Schenk, Herringbone featuring chef Brian Malarkey, and eLOVate run by chef Roberto Martin. And at the Avalon in Alpharetta, Georgia —

a sustainably designed, 86-acre development with more than 500,000 square feet of retail, a 12-screen theater, single-family residences and luxury rental homes — several chef-driven restaurants have opened, including Farm to Ladle, a European café and farm stand, and Branch & Barrel, a 19th-century industrial craft bar and kitchen led by chef Todd Hogan.

Miami's most accomplished chef, Michael Schwartz, will helm the restaurant at Related's Gran Paraiso, slated to open next year.

In Florida, Related is developing a number of mixed-use residential properties with celebrity chef tenants. The OMA/Rem Koolhaas–designed Park Grove condominiums in Coconut Grove will open in 2018 with interiors by Meyer Davis, kitchens and baths by William Sofield, landscapes by Enzo Enea, a lifestyle program curated by Colin Cowie (seriously), and a restaurant from James Beard Award–winning chef Michael Schwartz, who will also be the exclusive in-house service provider for the restaurant, catering, pool and bar service on the property. Schwartz is also creating the restaurant for Related's Paraiso District Condo, set on 11 acres and four towers in Miami's up-and-coming Edgewater neighborhood.

“Developers are smart,” says Schwartz. “They are always thinking of ways to sell condos, and as the market is more saturated with more developments, ways to set their projects apart. Restaurants are really the most important part of a neighborhood, and when you think about it, condo buildings are like little neighborhoods.”

For a chef like Schwartz, who says he now fields calls from developers on a regular basis, there are many perks to opening a restaurant in a big multi-use development, including increased exposure as well as a built-in customer base from residents and other commercial tenants of the complex. Additionally, these restaurant deals are often structured in a way that's more advantageous than a traditional lease. “New developments are currently the best option for well-known operators to get a good deal,” says real-estate veteran Julian Hitchcock, founder of F + B Group, an innovative retail consulting and commercial brokerage firm with offices in New York and Los Angeles. “These developers have a lot at stake and recognize the cultural capital that a hip restaurant will contribute to their project. This typically means that the developer will pay for all or a portion of the build-out of the restaurant.”

Carlos Rosso, president of the Related Group's Condo Division, explains that developers must include acclaimed chefs in their suite of amenities. “Today food is culture; it is celebrity,” he says. “Chefs have status that is on par or more important than an architect. It adds a lot of value to the projects to be able to offer a place where tenants can just pop down and have dinner or have the chef cater dinner to your unit. This is particularly important in urban areas where people go out to eat around their neighborhood.”

True, but it's proving equally suitable to rural communities. Just outside Austin, Texas, Salt Lick Barbecue's legendary pitmaster Scott Roberts will develop Driftwood, a property with initial plans for more than 30 single-family, eco-friendly homes, with 215 acres of shared open space, 80 acres of wine vineyards, a boutique lodge and spa, a winery, a private event space, and four restaurants — a Salt Lick barbecue, a Mediterranean restaurant, an American spot and a Mexican place. “We cannot have people needing to drive 10 miles for a margarita,” jokes Roberts. “That would be illegal.”

Roberts says the idea to add restaurants to the mix was fairly simple. “Restaurants create community,” he says. “People choose where they want to live based on the food in the area, and with this project we are giving them a place to call their own.”