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## PROPERTY REPORT

# In New York, a Glitzy New Mall Devotes a Floor to Online Retailers

Hudson Yards is betting that a developer can counter the rise of internet shopping



A sign for the first Neiman Marcus department store in New York City is seen on the first floor of 30 Hudson Yards on Manhattan's West Side. PHOTO: RICHARD B. LEVINE/ZUMA PRESS

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Developers of a glitzy new Manhattan shopping center think they have found a way to cash in on the surge in e-commerce: stock a floor with companies that began as online-only retailers.

That is the grand experiment going on at Hudson Yards, a massive new commercial and residential development of 18 million square feet on the West Side. The mall there is scheduled to open on March 15, along with a 5-acre landscaped plaza and a monument called Vessel that is designed for visitors to hike its 2,500 steps.

Successful online retailers have opened bricks-and-mortar stores before, in New York and other major U.S. cities. Simon Property Group, Macerich Co. and Brookfield Property Partners have properties featuring emerging online brands. Many allocate 100 to 300 square feet to each retailer, rotating among them with new brands every few months.

But Hudson Yards represents one of the biggest bets yet that a developer can counter the rise of online shopping by offering customers a chance to visit stores run by a range of popular e-retailers, from drink makers to footwear. The mall developers have offered these companies a

longer-term presence at Hudson Yards, with bigger spaces and leases that run for more than a year.

The mall's second floor of 77,000 square feet includes shoemaker M. Gemi, men's fitness apparel firm Rhone, sock maker Stance and the specialty men's underwear merchant Mack Weldon.

These firms offer the best and most memorable experiences for customers, said Esty Ottensoser, a retail specialist at Related Cos, the firm developing Hudson Yards with Oxford Properties Group. "We want to showcase their brand in a way they can't do behind a screen."

The shopping center's second floor isn't just counting on online retailers to sell their products to attract traffic. The parent company of online beverage company Dirty Lemon will open the Drug Store, a cocktail bar and cashierless shop that sells lemonade drinks with charcoal, matcha and turmeric. The mall will also include a store with a coffee station from Japanese housewares and clothing retailer Muji and other attractions.

One risk is that these popular online retailers might not enjoy the same success in the physical world. That could leave Hudson Yards with a larger-than-anticipated number of store failures.

"Landlords are taking these retailers for a test-drive," said Alexander Goldfarb, senior real-estate analyst at Sandler O'Neill + Partners, L.P.

Online retailers will open at least 850 stores between 2019 and 2023, and 41.3% of them will choose New York City for their first permanent store location, according to property consulting firm JLL. Retailers have said that after gaining a critical mass of customers online, the cost of getting new customers through physical stores is cheaper than remaining online.

The aim is to pique shoppers' interest with an environment that stands out from the cookie-cutter mall experience focused on transactions and to keep them coming back.

At the Mall of America in Bloomington, Minn., shoppers can browse items from close to 30 mostly former online-only brands in a 10,000-square-foot store called Fourpost, which is a collection of multiple storefronts.

The studio-shop concept, which includes brands such as Hagen and Oats, a local custom wood décor retailer, has already drawn 125,000 people so far since it opened in November last year, said Mark Ghermezian, founder and chief executive of Fourpost Inc.

"We get knee-deep with the brands, their stories and help them with their retail strategies," Mr. Ghermezian said, adding that Fourpost is also focused on sales, not just brand awareness.

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