



Send to Printer

Close Window



## New York Construction

### Feature Story - October 2003

#### ATTENTION: TRI-STATE SHOPPERS

*Retail Construction Down But Poised for a Rebound*

*By Tom Stabile*

When it comes to retail construction in the tri-state area, the glass is at the halfway mark.

But is it half-full or half-empty?

Evidence of new work in the regional retail marketplace isn't hard to find. In these pages, you'll read about a new "village experience" mixed-use complex in Queens called The Shops at Atlas Park and major retail spaces in Brooklyn. Other projects are sprouting around Manhattan, Long Island, New Jersey and other suburbs.

But the work doesn't rival recent levels. For Michael Ratner, CEO and president of Richter + Ratner Contracting, the slowdown of new retail construction began in mid-2001. Despite spikes of activity, he sees most clients-and consumers-holding back.

advertisement

"People are doing what they have to do strategically, and not one ounce more," he said.

Micheal Nicholson, executive vice president for ICS Builders, a regional CM and general contractor based in Manhattan, estimated that the retail construction market has shrunk by 15 to 20 percent since 2001.

Nevertheless, contractors are handling fit-outs and new construction as retailers take over vacant spaces, expand their presence and keep pace with competitors, said Matthew Schimenti, president of Schimenti Construction Co.

"We've seen some chains close and new chains follow right into their space," Schimenti added.

Most contractors agree that New York City has been active this year, with pockets of work in major suburbs like White Plains and Bergen County.

Faith Hope Consolo, vice chairman of Garrick-Aug Associates Store Leasing Inc., has seen retail leasing activity pick up. "We're now going into a growth sector again," she said. "It's pent-up demand."

But the wait for a greater recovery remains. Consolo predicted a burst of new projects by the end of 2003. Nicholson said spring 2004 will bring a fresh stream of new projects.

For now, at least luxury retailers aren't talking about cutting back, said Les Hiscoe, vice president of retail construction for Shawmut Design and Construction, a Boston-based luxury retail builder active in New York. "I think people are going to continue to build at the present rate," he said.

Barry Fries, CEO of B.R. Fries & Associates, a major retail builder, sees steady sailing, with the fuller recovery coming in 2004 or 2005.

"Those firms that are expanding will continue to expand," he added. "We're getting

feedback for some builders who haven't been building that they're planning to build in the NYC area next year." Others are less optimistic. Ratner sees a bleak finish to 2003 in retail contracting and is unsure what 2004 holds.

"Some of our regular customers have made commitments," he said. "Everything else is sort of tentative."

One factor that could shorten the downturn is the drop in construction prices. Fries said it's a good time to build. "Prices are so depressed," he added. "From a contractor's point of view, it's very competitive and very cheap."

Ratner said the price battles are widespread. He added that a commercial cabinet installer recently took a job for \$40,000, when competitors were bidding more than \$100,000.

"People are desperate enough that they're taking work just to keep busy," he said.

ICS's Nicholson estimated that construction prices are down from 5 to 10 percent compared to 2000.

"For a 'plain vanilla' retail space in New Jersey, lower upstate New York and New York City's boroughs, the average price is in the range of \$25-\$30 per square foot," he said.

While Ratner expects continued low prices, Nicholson forecasts a "slow price recovery beginning in the first half of 2004."

### **Faster, Better, Easier**

Contractors have noticed other trends taking shape in retail construction, such as demand for quicker project completions.

"All of these stores have very, very fast timelines," Fries said. "It's about the speed of when we start construction, when we can deliver the space for them, when they can start merchandising." He cites a 22-week schedule for a new 150,000-sq.-ft. Home Depot his firm is building on Long Island.

The cost-saving implications of faster timelines are clear. But the economic downturn has other effects, such as encouraging retailers-and landlords-to focus on remodeling and upgrades of existing locations or properties.

"I've seen a shift over the last two years of the property owner doing the work for the tenant in a turnkey fashion because the interest rates are so low," Schimenti said.

Another trend - "lifestyle centers" - may promise new work for contractors.

These outdoor complexes, typically ranging from 150,000 to 500,000 sq. ft., are growing in popularity because they take up less land and because their open-air, drive-up formats offer convenience to customers.

The centers attract upscale retailers such as Williams Sonoma and Ann Taylor, said Patrice Duker, manager of media relations at the International Council of Shopping Centers. The model calls for fewer stores, but larger layouts than the typical 5,000-sq.-ft. spaces in regional malls.

The closest lifestyle center in the region, according to ICSC listings, is Tice's Corner Marketplace in Bergen County, N.J. ICSC also lists two new centers planned for 2004 and 2005-the Mall at Bay Plaza in the Bronx and Meadowlands Xanadu in East Rutherford, N.J. Read about Shops at Atlas Park lifestyle center that recently broke ground in Glendale, N.Y.

### **Big Box Comes In Strong**

In "big-box" land, there is work in the suburbs and urban centers as well.

Fries said his firm is building a new Home Depot in Shirley, N.Y., on Long Island. But

complementing that traditional large layout are two smaller Home Depots coming to Manhattan, fitting a modified product line in smaller spaces.

"We had built a store for them in Brooklyn, and they called it a Home Depot Lite," Fries added.

The contractors say other big-box retailers sizing up Manhattan-for new spaces or expanded presence-include Kohl's, Bradlees, Bed Bath & Beyond, Best Buy, IKEA, Lowe's and Bloomingdale's.

Big-box retailers are also renovating. Fries said his firm erected a 5,000-sq.-ft. tent for swing space at the Home Depot in Jericho, N.Y., as it renovates various parts of the store in a 15-phase project.

For midrange space retailers, activity has come in various pockets. For Shawmut, these include a new Barnes & Noble in Edison, N.J., and fit-outs of available stores in the upscale Short Hills Mall in Short Hills, N.J.

Meanwhile in the Big Apple, Talbot's has an aggressive expansion program, including major renovations to its location at 79th Street and Second Avenue, Fries said. ICS has recently built out eight new Kinko's locations around the city with an average project size of 8,000 sq. ft.

### **Banks Cash In**

New York already has a strong reputation as a financial hub. But at least four banking firms are eager to expand their stake in the city.

Commerce Bank, which launched its presence in New York last year, now has 13 branches in Manhattan, two each in Brooklyn and Queens, one in Rockland County, and two more planned for Staten Island and Westchester County this year. Its plans call for more than 400 branches in the region, with 30 in Manhattan.

Valley National Bank, already operating seven former Merchant Bank locations in New York after a merger, has added an eighth in Chelsea and is planning for more to complement its 120 New Jersey branches.

Wachovia Bank launched its Manhattan presence in August, opening two midtown branches. Two more will follow this year, and it expects to have 12 locations open in Manhattan by the end of 2004-all de novo. In other parts of the tri-state region, Wachovia is the new name and face for former First Union branches.

Another big player in Manhattan and the region is Washington Mutual, a Seattle-based branch that acquired Dime Savings Bank last year. It has 37 new locations in New Jersey, and more than a dozen in New York, including a mix of new branches and reformatted Dime locations.

Of its branches, 14 feature the Occasio layout that Washington Mutual hopes will be more welcoming to customers than a traditional bank layout. Wachovia is using a similar layout in its new branches.

The Occasio layout at Washington Mutual features a 2,500 to 4,500-square foot space that opens to a concierge-type desk to greet customers. Behind it is a comfortable setting that removes the counter-and-barrier format; instead customers meet tellers at a desk. The sites also feature children's play areas, says Kendall Bateman, first vice president and manager of construction for the firm.

Since the approach is unique, Bateman says Washington Mutual wants contractors to grasp the concept.

"We look for contractors that work in the retail industry, who are experienced in rapid rollouts," he says.

William Cohen, senior project manager with the Builders Group, has worked on 18 projects for Washington Mutual in the region since early 2002, including 16 with a previous employer and two for his current firm in New Jersey and on Long Island. He says while the Dime branch conversions are more cosmetic, the sites getting the Occasio prototype require careful coordination.

"They are giving very strict and very particular standards, very detailed drawings," Cohen says. "It's very strongly outlined... You know the second you walk in the door that you're in a Washington Mutual."

### **Luxury Abounds**

On the luxury side, Hiscoe said activity remains strong because retailers are eager to strengthen brand presence through flagship urban retail spaces in Manhattan. He mentioned Louis Vuitton and Chanel as among the most active. The Shops at AOL Time Warner Center is one new hot spot in town.

**Click here for past Features >>**

[http://newyork.construction.com/features/archive/2003/0310\\_feature3.asp](http://newyork.construction.com/features/archive/2003/0310_feature3.asp)