

# Growing retailers seize recession-made chances

*Grab larger, better-located spaces vacated by fallen rivals*

October 18, 2009 5:59 AM

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*A SHOE-IN: Terra Plana's U.S. retail director, Sabra Ellingson, had her eye on a larger space for months before it opened up.*

With a long-term lease about to expire, shoe seller Terra Plana began looking for larger spaces this past spring. Several of its NoLIta neighbors had already shut down as the economy slowed, and Terra Plana began eyeing nearby shops. One occupied a spot with the perfect combination of size and location.

“I kept watching that space, and as soon as it was open, I called,” says Sabra Ellingson, Terra Plana's retail director in the U.S.

In July, she signed a lease for the storefront, a 2,200-square-foot site at 254 Elizabeth St., just weeks after previous tenant Cadeau Maternity went bust. The location is triple the size of Terra Plana's old one, and the asking rent was \$100 a square foot—half the going rate in the area a year ago.

A range of retailers, from small outfits like Terra Plana to national players such as teen clothier Aéropostale Inc., are seizing the opportunities created by the recession to trade up to bigger and better storefronts all across Manhattan. With the borough's retail vacancy rates above 10% for the third quarter and rents at multiyear lows—down as much as 50% in some areas—strong stores are jumping into larger sites with better foot traffic that their weaker brethren have abandoned.

“Rather than renewing, some tenants are trading up to larger spaces as there are more available and as their business has changed and grown,” says Robin Abrams, executive vice president at The Lansco Corp.

## **Proceed with caution**

While there are many attractive deals to be had, even growing stores remain cautious about expanding. Most are upgrading their space only when their current leases expire or are within a year or two of doing so.

“People aren't taking a lease they just signed and saying, 'Oh, let me get a better lease,' “ says David LaPierre, a senior vice president at CB Richard Ellis.

One of those in expansion mode is Aéropostale, a retailer that's thriving in these bad times.

Driven in part by the recession, teens have been scooping up the chain's bargain-priced yet fashionable wares. The company logged a 19% increase in same-store sales last month, and it has seen its stock price rise almost 80% in the past year.

“They've improved their product, and consumers are looking for that best price on things, so Aéropostale has been winning,” says Sapna Shah, a principal at consulting firm Retail Eye Partners.

Aéropostale is taking advantage of the growing choice of empty spaces to open its first street-access location in the Big Apple. Next month, it will open a nearly 3,000-square-foot store on one of the busiest shopping corridors in New York City, at 15 W. 34th St.—the former home of Aldo Shoes, which moved to a smaller space. Rents in the area have dropped by around 20%, to roughly \$400 a square foot.

The fate of Aéropostale's Manhattan Mall site at Herald Square is uncertain. Executives at the teen shop decline to comment. Brokers speculate that once a higher-traffic location is in operation, the mall store may eventually be closed.

### **Breaking down walls**

CVS is also improving its storefronts. The drugstore giant—which has seen a stock price gain of near 40% since last October and positive same-store sales—grabbed a corner site next door to its 1241 Lexington Ave. location in the spring. The space hit the market when CVS's neighbor, a bake shop and deli, closed. The move increased CVS's square footage at East 84th Street by 1,200 square feet, or nearly 20%.

The pharmacy chain took similar steps a few blocks away on Second Avenue, adding on an adjacent storefront that had recently been vacated.

“The opportunities came, and CVS took them,” says Jason Pruger, the senior managing director at Newmark Knight Frank Retail who handled the deals. “Landlords are eager to capitalize on giving as much space as they can to top tenants [like CVS].”

Doodle Doo's, a children's hair salon and toy boutique, isn't a big brand like CVS, but it is also seizing its opportunities in this dismal market.

The retailer recently tripled its square footage at a bargain rent of \$100 a square foot when it signed a new lease. Doodle Doo's owner, Dana Rywelski, pounced on the 1,800-square-foot space at 11 Christopher St. after a pricey clothing store went out of business. She plans to open there next month, and she'll close her old location on Hudson Street when the lease is up in December.

## **Get 'em while you can**

Other retailers, too, are quickly latching on to whatever bargains they can.

“They're afraid the rents are going to get terribly aggressive again,” says Faith Hope Consolo, chairman of retail at Prudential Douglas Elliman.

Meanwhile, those that have made their moves are cashing in. At Terra Plana, sales were up markedly in the first half of this year. Now, with the store's new, larger location, Ms. Ellingson expects them to rise even further. She is using her extra space for more in-store displays and a small office. She has already hired six additional employees.

And, of course, she's on the lookout for new locations.