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Big boxes a fit for Tribeca's big spaces

Large retailers like Home Depot targeting small-business enclave; less expensive store rents than rest of Manhattan

By Lisa Selin Davis

Vast swathes of Manhattan are already suburbanized strip malls, at least to the critics of the big-box retail stores that line parts of the Upper West Side, Soho, and Flatiron District, but some areas remain impervious to the lure of retail chains. That may especially change if Home Depot proceeds with a store that could alter the traffic and shopping of Hudson Square and Tribeca.

Home Depot has been negotiating with Trinity Real Estate, the area's largest landlord, to fill 100,000 square feet at 345 Hudson Street, an office building. The

do-it-yourself chain isn't alone in its interest. Whole Foods -- the first major chain to sign a lease and officially agree to enter the area -- is slated to move into Minskoff Equities' Greenwich Street development in the southern portion of Tribeca, and Barnes & Noble looks to be headed for Tribeca, too, according to brokers.

Manhattan's big-box boom began in 1996, with Kmart's entrance into Astor Place. They've been joined by everything from the Container Store to Circuit City. While many embrace the convenience, and what they perceive to be lower prices offered by these giants, New York City has, on occasion, put up a fight. Wal-Mart has so far been completely thwarted, and Home Depot met with opposition in 2003, when the Hudson River Park Trust considered Home Depot for Pier 40, at the foot of West Houston Street, until the community protested.

Fewer objections have been levied this time around, in part because the talks were, until recently, quite clandestine; apparently, the parties have been chatting for months without public knowledge, and both parties insist they're still noncommittal.

"There's absolutely nothing definite in terms of our future tenant," says Jason Pizer, Trinity's director of commercial real estate leasing. "We're having preliminary discussions with them and with a lot of other tenants -- I have no idea where we're going."

Hudson Square and Tribeca could be attractive to retailers in part because of their easy access from the West Side Highway, but also because of price. Tribeca maintains Manhattan's lowest average price per square foot of retail space -- \$68 -- along Hudson Street between Chambers and Canal, according to a survey of major retail corridors released last fall by the Real Estate Board of New York.

The neighborhoods, once light industrial -- Hudson Square was, until a few years ago, home to New York City's printing industry -- have seen a big surge in residential construction; for example, along corridors like Greenwich Street, where projects, in addition to 270 Greenwich, include 415 Greenwich Street, 497 Greenwich Street, and 505 Greenwich Street.

"Historically, the neighborhood hasn't had great retail presence," says Pizer. "We would be interested in a tenant like [Home Depot] because they'd bring the type of pedestrian traffic that would help small retail."

Whole Foods will open its 55,000-square-foot store to a warm welcome. "The Whole Foods has been something that the local community has been asking for for a long time," says Judy Duffy, assistant district manager for Community Board 1.

"There's nothing of like quality in Tribeca," says developer Edward Minskoff. "There's not a single food store of any kind that's even close to the quality of Whole Foods."

Along with Whole Foods, the 90,000-square-foot complex bounded by Warren, Murray, Greenwich, and West streets, will have 228 condos, 163 rentals, 170,000 feet of retail, and a 400-car parking garage. Farther south from the 270 Greenwich project, which sits on the border of Tribeca and Lower Manhattan, Nordstrom has been considering setting up shop in Battery Park City, brokers say. Big-box stores will meet the needs of the thousands of residents heading to new residential projects in that neighborhood.

Some point out that rents will rise for existing retailers, and small, unique stores and restaurants that have been pioneers in Hudson Square and Tribeca will be hard pressed to stay

Tribeca cheapest in retail rents

Retail corridor	Avg. rent per sf
Tribeca (Hudson St btw. Chambers and Canal)	\$68
Harlem (125th St from river to river)	\$87
Lower Man. (Broadway btw. Battery Pk and Chambers)	\$125
Soho (Broadway btw. Houston and Broome)	\$228
Times Square (Broadway btw. 42nd and 47th)	\$432
Upper East Side (Madison Ave btw. 57th and 72nd)	\$823

(Source: REBNY Retail Report Fall 2005)

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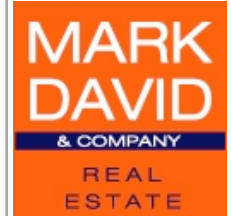
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Home Depot says it's sensitive to such issues. "With any big-box retailer, that's a question that they always face," says a spokesperson, "but there are opportunities for coexistence in those cases. The smaller mom-and-pop shops may not be able to compete with us on price, but they have their customer base that's very loyal to them."

Garber's, a nearby hardware store established in 1884, feels enough New Yorkers are sufficiently turned off by Home Depot that they won't have to worry. Partner Nathaniel Schoen objects more to Home Depot's business practices more than anything.

"It's not a threat to us, but it is a threat to the neighborhood," says Schoen. He worries that expecting one giant retailer to turn a place around is "betting on the wrong horse. When a neighborhood has more to offer than one big store, that's a more realistic way to promote retail traffic."

Besides the effect on small businesses is the more amorphous issue: changing the feel of the neighborhood. If the big-boxes do drive out the small businesses only to find a store is unprofitable enough to close, Schoen says, "few small businesses and few people will be willing to move back. It becomes a less convenient place to live, and property values go down."

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