

MANN REPORT™

AUGUST 2014

| THE PEOPLE BEHIND THE DEALS IN THE NY REAL ESTATE SCENE |



Greenberg Traurig

FROM TOP LEFT TO BOTTOM RIGHT: WARREN KARP, BARRY SHIMKIN, GLENN KLEINBAUM, KEITH REICH, STEPHEN RABINOWITZ, ROBERT IVANHOE, HOWARD SHAPIRO, LOUIS VITALI, PETER MILLER, DAVID BOLEN, DEIRDRE CARSON, LAURA NORMAN, JAY SEGAL, HOWARD SCHOCHET, STEVEN SHAPIRO, JOSH FARRELL, FARAH AHMED, NICK HOCKENS, KRISTEN LONERGAN, MICHAEL RISHTY, GARY KLEINMAN, KEN SKLAR, STEVEN RUSSO

Will Clicks Save Bricks?

By Faith Hope Consolo, The Retail Group, Douglas Elliman



It seems that my clients, friends, colleagues and competitors in retail real estate have bemoaned the rise of e-commerce forever. “Shoppers will buy everything online.” “No one will go out to a store, so we have to place more restaurants and services in our centers [or on our streets].” “The mall is dead.”

Entire conferences and panels from various associations and companies were dedicated to competing with and defeating the dreaded online store. Except brick-and-mortar stores are still alive, and it seems finding a new source of tenants: the very e-commerce sites they were so worried about before. In fact, in several speeches *Sandeep Mathrani*, the CEO of General Growth Properties (owner of Staten Island Mall as well as several in New Jersey) has noted that he considers Internet retailers to be a major source of potential new tenants for their malls around the country.

Locally, we have a number of examples, both recent and less so, of what we’ve all called the “clicks to bricks” phenomenon. *Warby Parker*, which built a huge following for its eyewear online, is opening shops around the country after debuting in New York. Jewelry purveyor *BaubleBar* continues to open temporary stores that have become huge party venues as well as shops (a perfect combination, if you ask me). *Bonobos’* opening of actual stores has gone so well that it has now opened a shop and fitting room for *AYR*, its women’s line, at 45 West 25th Street. *La Garçonne*, which offers women’s apparel, menswear and even home furnishings, opened its first flagship in Tribeca in May. Even *Google* has come to appreciate the physical shop, leasing space on oh-so-trendy Greene Street in Soho. These follow pioneers such as Gap’s *Piperlime* and *athleta*, which began life on the Web and launched brick-and-mortar stores in the last few years.

We didn’t beat them – they joined us!

Why and why now? These retailers are realizing that shoppers still like to touch the merchandise (particularly apparel, where fit and the feel of fabric matter) – and enjoy being around other people while they do. Shopping remains a social activity, from the markets founded thousands of years ago to the ultra-modern flagship stores and malls of today. In addition, like any good business, e-commerce sites want to maximize their potential target audience. While web shopping continues to grow, like catalogs it likely will hit a certain saturation point. Adding physical stores will appeal to yet another audience, and extend the brand.

But doing this entails more than just finding a space, hiring a couple of salespeople and opening the doors. Many of the above-men-

tioned retailers first test the waters by opening pop-up shops for a few days, weeks or months, a strategy I highly recommend. Unless you have the vast real estate experience of Gap, this is a huge transition for a company. How large should a store be? What city should be home to the first location? What neighborhood in that city is right? While an examination of the ZIP codes with the most deliveries begins to answer that question (Talbots used catalog sales as site selection data for decades), there are many more subtleties involved, including negotiating the best rents, knowing when a space will be available, and even which side of the street will be more successful.

Logistics, too, have to be learned. How much stock should be in store? What about deliveries? What type of building codes should be complied with in the store design, even if it’s minimal? Hiring and training salespeople is critical – they represent a brand as much as the merchandise itself. How long should a temporary store be open to really get an idea if a long-term commitment is warranted? Is technology in place to collect sales tax in that state?

Research and consultation with experts clearly are needed – and obviously have been done by these and other stores that are testing the tried-and-true method of appealing to customers, a store. Some of these companies will make a permanent commitment to a physical presence; others may opt to remain cyber-space only. But the testing is providing a great deal of retail excitement, both here in New York (where all brands should be, of course) and around the country. Pop-ups remain a vibrant part of our retail scene, and new stores are always welcome!

Are clicks saving bricks? That would imply brick-and-mortar needs saving, which isn’t true. Yes, certain items will now be easier to buy online, but retailers who market properly and provide a positive, fulfilling shopping experience will continue to do well. Most important, retail always needs an infusion of freshness, and clicks are beginning to provide that big time.

Happy shopping!

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