

MANN REPORT

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



RESTORING NEW YORK BUILDING BY BUILDING

Skyline Restoration

JOHN KALAFATIS, JASEN GERAGHTY, JOHN TSAMPAS, AND ADNAN KABA

Shop And Sup!

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Are we in a store with a restaurant – or a restaurant with a shop? It's becoming increasingly harder to answer that question, as some of our greatest new specialty and luxury stores are opening fine dining establishments within their walls. The result is serving up style and sustenance!

Urban Outfitters' announcement that its first store in Williamsburg, Brooklyn will feature a restaurant and bar is just the latest in a line of food-meets-fashion combinations. There's even a recent twist outside the New York area, as supermarket company H-E-B is planning a full service restaurant serving lunch and dinner (with beer and wine available) at an upcoming store in Austin, Texas.

This phenomenon is not exactly new. Department stores around the country, and around the world, have nearly always had some sort of white-tablecloth dining to keep people in the store. The quality of these restaurants have varied from little more than a diner to terrific: *Harrods* has a number of options, including Bentley's Sea Grill, the Galvin Demoiselle Petit Bistro and the Georgian Restaurant, while Paris' *Galleries Lafayette* offers the new *Laurier*, *Le Café Sushi* and more. The *Walnut Room* at *Macy's* (nee *Marshall Field*) in Chicago is a local legend, and *Alan Wong's Pineapple Room* at the store's branch at *Ala Moana Mall* is one of my favorite restaurants in Honolulu. At home, I'm always happy to grab a lovely lunch at *Saks Fifth Avenue's Café SFA*, or indulge in a decadent dinner at *Fred* at *Barneys New York*. *Macy's* and *Bloomingdale's* have a number of choices, from fast food to *David Burke's* burgers at the latter.

Now, however, specialty stores are entering the fray as never before. *Giorgio Armani's Armani Ristorante* inside his 717 Fifth Avenue flagship is one of the better Italian restaurants in town, with everything from the décor to the cutlery designed by the master himself. And the food is exceptional. A huge surprise is the *Tommy Bahama Restaurant* at his 551 Fifth Avenue flagship – what could easily have been a kitschy themed eatery on the second floor instead features fabulous food and creative cocktails. *ABC Carpet & Home's ABC Cocina* features cuisine from *Jean-Georges Vongerichten*. Downtown, *Swarovski's* store at 70 Mercer Street has *Café Kristall*, which offers salads and Austrian dishes.

Why the explosion of in-store dining? For department stores, which presumably are one-stop shopping that theoretically should last hours, a major reason remains keeping the customer in the store – and upright. (No fainting from hunger in the shoe department, please!) Specialty stores, which usually are quicker trips, make the investment for an additional reason – they are all about the experience.

It's very easy these days to order even the most luxurious items on the Internet. But throw in a meal at a nice restaurant, and that shopping trip becomes an afternoon or evening out. That's something the Web can't replicate.

Then add in a truism that art galleries have known for years – shoppers spend more after indulging in a meal, perhaps with a glass or two of wine. The results can be very lucrative: Published reports say that *Tommy Bahama's* combination store/restaurants average sales of \$2,000 per square foot – more than twice the volume of their traditional units!

The consequences for those of us in the real estate business can be significant: adding a restaurant takes up valuable space, not just for seating, but for the food preparation, code-required storage and drainage, and more. Space must be designed carefully to minimize aromas from the food overwhelming the sales area – that's one reason why many of these shops locate their restaurants on an upper level. (That also minimizes the effect of slower sales on those floors; volume decreases dramatically above the ground floor.)

But this new collaboration can be a good thing, as it allows stores to once again take larger spaces. Because of greater efficiencies in purchasing, higher rents and the growth of Internet sales, retailers and luxury brands have been taking smaller spaces. Adding dining helps to bring back the large statement store, particularly a multi-level flagship.

There are dangers, however. It is critical that the restaurant is an extension of the brand in terms of quality, both in food and service – a bad meal may keep the shopper away from the merchandise, too. It's incumbent on the retailer to work with a chef or food operator who will create a seamless experience. And that's not as easy as it sounds.

Still, it's clear that shopping and supping are the hit combination for retail. Can you really have Breakfast at Tiffany's now? Not yet. But I wouldn't count it out!

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