

Square Feet

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Trailblazers Heading to a New Shopping Destination

By CLAIRE WILSON

The wealthy have been synonymous with Wall Street since before the New York Stock Exchange was founded in 1792. But a prosperous group of potential shoppers had to move to the financial district before luxury retailers like Hermès, Thomas Pink and BMW could be persuaded to open stores in the neighborhood.

Recent residential conversions and new apartment construction have also induced **Tiffany & Company**, in business in Manhattan since 1837, to open a store downtown, according to Beth O. Canavan, Tiffany's executive vice president. The jewelry emporium will open its second Manhattan location at 37 Wall Street on Oct. 10.

"We now have more of a 24/7 community, with laundries and bagel shops and all the things we need to live," Ms. Canavan said. "What was missing was some great retailing."

The population below Chambers Street has increased 30 percent since 2001, now numbering just under 45,000. Perhaps even more impressive, the median household income is \$165,000, about triple the median for Manhattan as a whole, according to the Alliance for Downtown New York, the business improvement district.

Michael Stone, senior director for retail services at Cushman & Wakefield, gives all the credit for the luxury retail activity to the financial services industry, which employs a majority of downtown residents and doles out annual bonuses.

"It's the men and women with high incomes and long hours who live and work here, but in many cases don't have time to go anywhere," he said. "If you are Tiffany and Hermès, you've got to look at Wall Street."

The new round-the-clock nature of the neighborhood is a major factor in attracting retailers, but the revitalization of the office market is also critical, according to Nicole LaRusso, vice president for planning and economic development at the Downtown Alliance. New headquarters are planned for Goldman Sachs, JPMorgan Chase & Company and Deutsche Bank, but it was an agreement reached in 2006 between the developer Larry Silverstein and the Port Authority of New York and New Jersey that was in many ways a turning point, Ms. LaRusso said.

That agreement provided a framework for the development of the World Trade Center site, with deadlines for completion of five towers, which would include 490,000 square feet of retail space. "It is hard to overestimate how important that level of certainty is to the market when it comes to making leasing commitments," she said.

The nearly six million tourists that visit downtown annually are also important. At Thomas Pink, tourists were a profitable supplement to the core customers, who were on vacation or away on weekends in July and August. "We noticed over the summer months that you lost the 9-to-5 customers but picked up the tourists," said Robert Dundon, president of **Thomas Pink Inc.**

The number of hotel rooms in the area will soar to 5,367 by 2010, from 2,197 this year, according to the Downtown Alliance. The neighborhood is also well-served by public transportation, making it a destination for shoppers from other parts of the city and the suburbs.



Tiffany, left, will open a store at 37 Wall Street on Oct. 10. The BMW dealership is at 67 Wall Street, and Thomas Pink is at 63 Wall Street.

June. Both companies say they have had good results, particularly after Labor Day, when Hermès opened on Saturdays for the first time.

"We are in the right place," said Robert B. Chavez, the president and chief executive of **Hermès USA**. He believes the store at 15 Broad Street will be among the group's top three revenue producers in this country. It has 17 stores in the United States and sells its products in 37 other stores.

More luxury brands are said to be looking downtown. "They are cautiously viewing how the trailblazers are doing," said Loren Baron, vice president of CB Richard Ellis. "They would rather be a little late to the party and know things are going well than jump in a little too early."

Robert Futterman was less circumspect. "If the Hermès store does \$3,000 a square foot, you will see Prada, Gucci and Vuitton," he said.

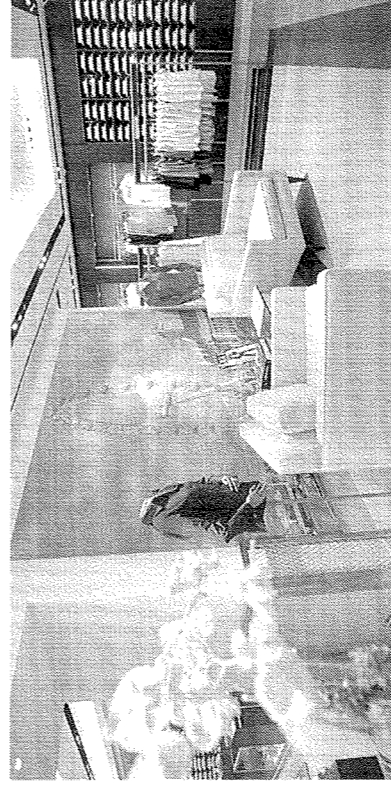
But latecomers will not get the rental bargains that early birds did. Early in 2006, asking annual rents around Wall Street and Broad Street were in the \$125-a-square-foot to \$150-a-square-foot range, up from as low as \$50 a square foot a year earlier. In some instances, they are now 2.5 times that, or \$400 a square foot, according to Michael Hoffmann, a retail specialist with Colliers International who negotiated the Wall Street lease for Thomas Pink. "I've heard numbers as high as \$600 for some of the spaces," he said.

By comparison, asking rents on Madison Avenue above 59th Street run from \$600 to \$800 a square foot, with some going as high as \$1,200, brokers said.

Prime financial district rents are expected to keep going up. Desirable space is limited to a few blocks around Broad Street and Wall Street, and not all buildings are adaptable to retail use. Tiffany has carved a three-level store from a former bank; Thomas Pink's shop is slightly below street level in the former Brown Brothers Harriman headquarters.

For the moment, no one is worried about how dips in the financial markets might affect the market for \$47,000 briefcases.

"There are going to be peaks and valleys on Wall Street, but even if the bonuses are 20 percent less, that's still \$19 billion they will be giving out," Mr. Hoffmann of Colliers said. "They'll get by."



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The new brands near Wall Street are expected to be only the tip of the high-end iceberg. The men's clothing store Hickey Freeman has opened on Broadway, and an Italian men's clothing store, Canali, will open in the next year.

These retailers will get a boost from other newcomers serving the same clientele. They include restaurants like Bobby Van's Steakhouse, which opened last year; Haru, which is about to open; and Fresco, a Midtown Italian restaurant that recently announced a financial district opening.

Prada Beauty has a spa at the Ritz-Carlton Hotel, and Sephora, the cosmetics chain, has signed a lease for a 7,500-square-foot space at Broadway and Liberty Street. Testimony to the new residential character of the district is the opening of a Gristede's supermarket on Maiden Lane.

In addition to Wall Street, there may

be other high-end enclaves in the area.

According to Robert K. Futterman, chief executive of Robert K. Futterman & Associates, a retail brokerage agency, the retail component at the Fulton Street Transit Center, where many subway lines will converge, will be "strictly limited to luxury brands."

Brokers speculate that shops at the World Trade Center site will be a mix of better quality and high-end stores, a direction in which it had been heading before Sept. 11.

"It had been improving for years and was getting better and better," said Mr. Stone of Cushman & Wakefield, which last month opened an office on Pine Street to capitalize on the retail expansion. "It was one of the highest performing malls in the country."

Hermès and Thomas Pink are test cases that many luxury retailers have been watching since they opened in