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GREATER NEW YORK

An Avenue's Shaky Rebirth

By LAURA KUSISTO

Selling \$30,000 purses, the Bottega Veneta that opened recently on Madison Avenue may seem like an odd man out in an economy whose watch words have been thrift, bargain and caution.

In fact, at least 60 new retailers—most of them high-end and many of them luxury brands—have opened on the avenue's northern strip since January 2010, according to the Madison Avenue Business Improvement District.

An additional 10 new stores are under construction.

It's a notable bounce-back. During the recent boom, Madison Avenue between 57th and 72nd streets was one of the most desirable retail lanes in the city. Then the recession took its toll: More than a dozen stores packed their bags, including Christian Dior, Yves St. Laurent, Céline, E. Braun & Co. and Sonia Rykiel. Some, such as E. Braun, moved to cheaper streets.

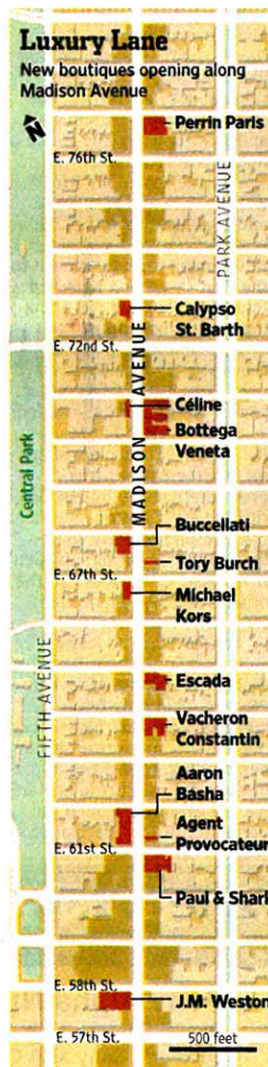
"It was the poster child for doom and gloom," said Jeffrey Roseman, a retail broker at Newmark Knight Frank.

Still, as upscale shops return to the area, they bring a nagging worry that despite the glitz and optimistic predictions, Madison Avenue's latest renaissance is built on unstable ground.

"Madison Avenue rents are going through the roof. Let's go over the potential to repeat history," said Howard Davidowitz, chairman of Davidowitz & Associates, a retail consulting and investment banking firm.

Banks are faltering, bonuses are expected to be down and the retail forecast is relatively weak—dark portents similar to those that came before shops closed two years ago, he said. "It would give me pause," he said.

At the height of the boom years, retail rents on Madison Avenue soared as high as \$1,500 a foot, according to Faith Hope Consolo, chairman of Prudential



Douglas Elliman's retail group. When the recession hit, those rents, combined with falling sales of luxury goods, drove the vacancy rate on Madison Avenue up to 15%, according to Ms. Consolo's data.

Please turn to the next page

Avenue's Rebirth

Continued from the prior page

Rents dropped to about \$500 a foot. What remained on the avenue, which caters primarily to local shoppers, were largely high-end watchmakers, not conducive to regular Saturday afternoon sprees. "There were too many jewelers and there wasn't anything else to buy," Ms. Consolo said.

Certainly, Madison Avenue is reveling in its comeback. A new lease is signed almost every week, and brokers say that a few prime locations have fetched rents around \$1,000 a foot.

Some retailers are brand new to the street, such as an Escada, Buccellati, Agent Provocateur, Perrin Paris and Paul & Shark. Others, such as French fashion designer Céline, are returning after closing their Madison Avenue stores during the recession.

High-end retailers, such as Vince, are scouting for Madison Avenue locations, the company confirmed, but prime spaces are increasingly difficult to come by.

And a development team of Extell Development Co. and Angelo, Gordon & Co. is betting it can push Madison Avenue rents to their prerecession peak.

The new block-long storefront in the former Helmsley Carlton Hotel, with high ceilings and huge display windows, enjoys a near-perfect location on the corner of Madison Avenue and 61st Street, wedged between Barneys and Hermes.

The asking rent for 32,000 square feet of new retail space:

\$1,500 a square foot for a corner on the ground floor and \$350 a square foot for the floors above.

Extell Chief Executive Gary Barnett called the location the "best retail block on Madison Avenue."

But others are skeptical that retailers will pay those rents this time around. "Tenants are not just accepting the \$1,500 rent," said Alan Victor, a broker at the Lansco Corp. "They want something a little more this time. They'd like to make money in this space, rather than have it be just a showcase."

Brokers insist Madison Avenue is poised to survive the most recent economy uncertainty much better this time. They point to the wider variety of retailers have opened on the street in the last couple of years—from macaron shop Ladurée, to a J. Crew bridal store to Tory Burch.

Analysts note that recent sales figures for retailers, such as Saks Fifth Avenue, Tiffany & Co., Ralph Lauren and Neiman Marcus, are strong, and luxury retail has been one of the few bright spots in an otherwise gloomy consumer-spending picture.

But going into the key Christmas season, they're concerned the financial crisis in Europe and planned Wall Street layoffs will begin to be felt.

Luxury retail "can be undone by one bad headline," said Candace Corlett, president of WSL Strategic Retail. "There's been a lot of bad news lately."