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Retailers and Developers to a Changed Shopping Landscape

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Shopping centers and malls on Long Island and in the nation are evolving as stores get smaller, landlords add non-retail tenants such as medical clinics and gyms, and retailers move into mixed-use developments where residents live.

Behind the evolution are challenges that are forcing retailers and developers to adapt. Nationally, there's the rise of online shopping, and retailers are shrinking store footprints since the recession that ended in 2009. On Long Island, additional challenges include expensive real estate, long development lead times, and high utility and tax costs.

But the payoff that keeps attracting retailers to the Island is the region's high spending. The buying power is driven by the Island's median household income, which was $98,401 in Nassau County and $88,323 in Suffolk County in 2014 — nearly double the national figure of $53,482, according to the most recent census estimates.

“We have malls that are serving an affluent and highly dense population, so that's why some of them have exceptionally high retail numbers,” said Marshal Cohen, retail analyst with The NPD Group, a Port Washington-based market research company.

While there are challenges here such as delays getting approvals, “if you can sort through that, the rewards of Long Island are also very fruitful,” said Todd Magazine, a Port Washington native and president of Blink Fitness, which has opened eight locations on Long Island since 2012.

The Internet is eroding the “cash-and-carry mentality” that

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LI’S CHANGING SHOPPING SCENE

Malls, retailers, developers mixing it up to meet challenges of the Web

Jayson Siano’s Sabre Real Estate Group is handling leases for Wyandanch Village, a mixed-use complex.

once drew hordes of shoppers into stores, Cohen said. Already, 24 percent of electronics and nearly 20 percent of toys and office supplies are purchased online — and that share is expected to grow to 40 percent within five years, he said.

Both offline, online

To survive, retailers are combining their offline and online businesses. They are bulking up their websites and mobile apps, Cohen said.

“Many retailers have said that in markets where they have pulled out of their brick and mortar stores to focus solely online that they have seen a dramatic drop from purchases,” said Joshua Weinkranz, president of the Northeast region of Kimco Realty Corp., a New Hyde Park-based real estate investment trust. He was speaking at a retail panel discussion in Melville on Thursday hosted by the Commercial Industrial Brokers Society of Long Island and The Retail Network. “A lot of retailers have realized that they need both,” he said.

Although more than 90 percent of Target’s sales happen in-store, company spokeswoman Kristy Welker said, Target also uses stores as local distribution centers. Website and app orders shipped to and from stores account for more than 30 percent of its digital sales.

“Stores play a critical role in on-demand shopping,” Welker said.

Many consumers still want to “see, feel and touch” appliances and electronics before buying them, said Gregg Richard, chief executive of Farmingdale-based appliance and electronics retailer P.C. Richard & Son.

However, the chain is continually updating its website to make it easier for consumers to compare items and make purchases, Richard said.

“Customers want things quicker and easier, so we do try to stay ahead of that,” he said.

Trying smaller stores

Large retailers such as Target, Walmart and Macy’s are experimenting with smaller stores — in part because many customers prefer them for everyday shopping.

Target plans to open two new, smaller-format stores, in Freeport and Elmont, in October.

The locations, a 46,000-square-foot store at the Meadowbrook Commons shopping center and a 24,500-square-foot space at an Elmont shopping center near Belmont Park, will have a smaller merchandise selection than the chain’s full-size stores, which are usually around 140,000 square feet.

Last summer, Macy’s opened off-price stores called Macy’s Backstage at the Lake Success Shopping Center in New Hyde Park and at the Melville Mall in Huntington. Macy’s Backstage stores, which are a fifth of the size of a regular Macy’s store, offer off-price, discount, clearance and full-price items.

For Lisa King, of Old Bethpage, who was shopping Friday at Macy’s Backstage at the Melville Mall, the smaller stores are more convenient than sprawling department stores.

“It’s not overwhelming,” said the 45-year-old substitute teacher. “Don’t give me the mall.”

Mixed-use developments

Retailers, food establishments and other businesses are also opening in mixed-use developments, which combine retail, office space and apartments.

“The future of Long Island as far as retail goes is the mixed-use projects that we see throughout Nassau and Suffolk counties,” Robert E. Sandler, a commercial real estate attorney and partner in the Farrell Fritz law firm in Uniondale, said at the retail panel Thursday in front of a crowd of about 75 people.

About 60 percent of the retail space has been leased in Wyandanch Village, a complex that is being built near the community’s rail station and is part of the $500 million Wyandanch Rising downtown revitalization project. Tenants include New York Community Bank, Domino’s, Anthony’s Pizza, Cricket Wireless, and K & B department store.

“Wel iket ol ocate ourselves near the station and not go out of their way, is a major priority for us,” Siano said.

Non-retail tenants

As retailers seek smaller spa-
incorporating movie theaters, bowling alleys, destination eateries, even common areas with benches and fire pits.

Retailers and the developers want a more “entertainment-oriented experience,” said Brad Blumenfeld, vice president of Syosset-based Blumenfeld Development Group, a commercial developer of office and retail projects. “Even retail is becoming more experiential.”

LI’s development delays

Communities have gotten stricter about approving large retail locations in the last decade, leading to long delays.

“To get a new mall approved on Long Island — I think man is going to be living on Mars before then,” Cohen said.

Municipal permitting rules tend to go without updates for years, which can lead to differing interpretations of how regulations apply to proposed projects, said Rob Loscalzo, chief operating officer of developer Tritec Real Estate Co. in East Setauket.

“In some cases it can delay your project for months or years,” said Loscalzo, who oversees the leasing of retail space at Tritec’s mixed-used New Village development in Patchogue.

New Village faced opposition from residents and neighboring businesses. Patchogue Mayor Paul Pontieri, who worked with Tritec to bring the $110 million, 291-unit project to the village’s downtown, said it was possible to get approval because he has a longer term as mayor than most municipal officials.

“Most of your town supervisors and some of the other mayors are on for two-year terms,” said Pontieri, who holds a four-year term. “With a two-year term, you can’t even get a site plan approved or looked at by a planning board.”

A couple of years ago, Walmart wanted to expand its grocery-focused Neighborhood Market — it opened one in Levittown in 2013 — to more than a dozen stores on Long Island. The stores are typically one-third the size of its regular stores. But the company gave up its bid because the approval process was too complicated, said Joseph A. Deal, principal of Hauppauge-based Bohler Engineering’s New York metro region. Instead, the retailer went south, and its North Carolina office helped Walmart open 70 stores in the region about two years, he said at the retail panel.

Walmart declined to respond to Deal’s assertions.

Persistence can, however, pay off. For more than a decade Neiman Marcus tried to open a store on the Island, including an ill-fated bid to be the anchor tenant at the 39-acre former Cerro Wire property in Syosset. The luxury retailer finally opened a store in February at Roosevelt Field mall.

“Everywhere we open a new store, we have a new set of challenges,” Neiman Marcus spokeswoman Ginger Reeder said. “Luckily, our store planning team has many years of experience and has yet to find a challenge we could not handle.”

With Ken Schachter