

# The New York Times

## *Stores Go Dark Where Buyers Once Roamed*

By Christine Haughney July 20, 2009

Among the marks of Manhattan's prosperity in recent years were the thousands of restaurants and shops that opened to meet an ever-growing demand. Confident in the appetite for spending on expensive shampoo at 24-hour drugstores, cheese plates at sleek wine bars and clothes at minimalist boutiques store owners signed high-rent leases with little haggling.

But as New Yorkers have drastically cut back, the shops that line the streets, from chain outlets to family-run shops, have started to disappear.

The storefront vacancy rate in Manhattan is now at its highest point since the early 1990s an estimated 6.5 percent and is expected to exceed 10 percent by the middle of next year, according to data gathered by Marcus & Millichap Research Services, a national real estate investment brokerage based in Encino, Calif.

And those numbers do not capture the full story. Some of the more desirable shopping districts are littered with empty storefronts. For example, Fifth Avenue between 42nd Street and 49th Street, the stretch just south of Saks Fifth Avenue, has a vacancy rate of 15.3 percent, according to the brokerage Cushman & Wakefield.

In SoHo, from West Houston Street to Grand Street and Broadway to West Broadway, among the high-end boutiques, art galleries and restaurants, 1 in 10 retail spaces are now empty or about to be.

"I've never seen such an across-the-board problem," said [Lorraine Nadel](#), a lawyer who has represented tenants and landlords for 18 years. "Store owners can't pay their rent, and they can't keep their businesses going."

It has long been difficult to run a small business in Manhattan, but a number of struggling store owners cite high rents and their landlords' unwillingness to negotiate as the leading obstacles to their survival.

"It's a crisis," said Stephen Null, director of the Coalition for Fair Business Rents, which has been promoting legislation to protect small businesses in lease negotiations since 1984. "Lease renewals are the single biggest killer of small businesses in New York City."

Manhattan, with its high density, high incomes and near-constant foot traffic, has maintained a strong storefront culture while other urban areas have seen their downtowns empty out and lose customers to suburban malls.

Stores and restaurants in New York are open longer hours, increasing the potential for revenue, and residents tend to shop near where they live, if just by necessity.

But because stores are such a part of their neighborhoods, the closings can have more of an emotional impact on residents.

“New York is different than the rest of America because it is the last bastion of storefronts,” said Kenneth T. Jackson, a historian at Columbia University. “You don’t live in a city of eight and a half million people. You live in a city of neighborhoods.”



“We feel a loss when the store is gone,” he added.

In one block alone, on the west side of Lexington Avenue between 74th and 75th Streets, three stores have closed in the past few months: a women’s clothing shop called Cantaloup, a luggage shop and a design store, places that the locals say had thrived for years. Those closings followed that of a sandwich shop across the street.

“The fabric of the neighborhood is up for grabs right now,” said Elaine Abelson, a professor of history at the New School who has lived in the neighborhood for 35 years.

Office space for rent on Bay Street in Staten Island.  
Credit...Richard Perry/The New York Times

The outlook is even worse in other boroughs. Hessem Nadji, managing director of research services at Marcus & Millichap, estimates that vacancy rates in Brooklyn and Queens, currently at 7 to 10 percent, will rise to 12 to 15 percent by year’s end. He said some neighborhoods have been ravaged by vacancy rates of 25 to 40 percent.

The problem is so bad that the city has become involved. It has offered grants for worker training, and it held a session last Wednesday on how to negotiate leases. Scott M. Stringer, the Manhattan borough president, held a conference called “Rescue and Recovery for Small Businesses” on July 13 that drew 320 people, among them owners of an organic grocery store, a wine bar, and a coffeehouse and bookstore who swapped advice on how to keep their businesses afloat.

High rents in the recession are the “last straw for small business in New York City,” Mr. Stringer said, “and I hear it everywhere I go.”

Without these storefronts, he said, the city loses “our special sauce that gives us our panache.”

The City Council is weighing in, too, considering a Small Business Survival Act that would require businesses to have the option of 10-year leases, renewals and the right to mediation if they cannot reach an agreement.



The legislation does not have the support of the Bloomberg administration, which argues that tracking lease negotiations would be too costly because of expenses like hiring staff, and that the need for such a law has “greatly dissipated” because rents have declined.

But as jobs disappear and neighborhoods suffer, the tide of opinion is growing that the government may need to step in. While data on the challenges of small business owners is limited, a survey of 937 Hispanic small business owners conducted by the U.S.A. Latin Chamber of Commerce between November 2008 and

A “for rent” sign dominates a building on Jamaica Avenue in Jamaica, Queens. Credit...Ruth Fremson/The New York Times

January 2009 found that most of them said they would not stay in the city because their rents had become so high.

The closing of stores has started to chip away at the city's tax collections. Sales tax revenues have declined by 3 percent through May, to \$4.15 billion from \$4.3 billion the year before, according to the city's Office of Management and Budget.

Some neighborhoods seem better positioned to hold on to their storefronts. Times Square has had relatively fewer closings because more people have been staying in town for vacations and attending Broadway shows, said Tim Tompkins, president of the Times Square Alliance. Doug Griebel, president of the Columbus Avenue Business Improvement District and an owner of the Rosa Mexicano restaurants, said there were only two vacant storefronts on Columbus between 67th and 82nd Streets.

Gary Schwartzman, broker with Grubb & Ellis, a commercial real estate firm, said many landlords were trying to find ways to keep retail businesses open.

"The risk of losing a good tenant is something that landlords don't want," Mr. Schwartzman said. "Right now, it's all about tenant retention."

Ms. Nadel, the lawyer, says that if a landlord tells her that he or she will not negotiate with tenants, she points to a stack of eviction files and says the chances of finding a new tenant are slim.

"You can't maintain the rents," she says she tells them. "People have run through their savings. They've run through everything."



Another empty storefront, this one on Amsterdam between 92nd and 93rd Streets.

Credit...Chester Higgins Jr./The New York Times