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FOOD HALLS

The dining trend is delicious, but is it sustainable?

By STEVE CUOZZO

PROLIFERATING food halls are a rare bright spot in a limping retail leasing scene. Health clubs and fast-casual eateries help make up for the scarcity of traditional stores, but food halls of many stripes lend prestige to all kinds of properties and provide a valued amenity to a building's office workers or residents.

These halls draw big crowds despite revolving-door vendors and customer complaints that they're cramped, noisy and more expensive than they appear.

But how long can the trend go on? No New York City food hall has yet failed. Most landlords and brokers see even more growth, despite some ominous red flags.

New York City now boasts 30-odd food halls by one definition or another. They range from 10,000 to 50,000 square feet — the latter a super-category that includes Le District and Hudson Eats at Brookfield Place in Battery Park City and DeKalb Market Hall at CityPoint in Downtown Brooklyn. They exist, in different forms, in apartment buildings (like City Acre at 70 Pine St.) and in office towers (the new Urbanspace at 570 Lexington Ave.)

They're in hotels (the Plaza and Row NYC), shopping malls (New World Mall in Flushing), the subway (TurnStyle at Columbus Circle), train terminals (Great Northern at Grand Central), and in previously vacant or underutilized storefronts (Frame on Fifth at 345 Fifth Ave.)

Last summer landlord/developer Philip Chong installed a 12,000-square-foot court at 265 Canal St. Canal Street Market includes the first satellite of Nom Wah Tea Parlor, the fabled dim sum spot in Chinatown.

But Lulu's smoothie stand — with a prime spot just inside the entrance — quickly gave way to shaved-ice purveyor Kakigori. Vendor instability is widespread, even in other locations such as Gotham West Market, where a number have left since it opened on 11th Avenue in Midtown West in 2013.

One sign of possible trouble is swift vendor turnover. Another is softening rents — although those are hard to quantify because deals can be structured in many ways, from



Urbanspace Vanderbilt, near Grand Central, is one of the city's most successful food halls.

straight rental leases to arrangements where vendors give landlords or management a percentage of their gross profits to combinations of the two.

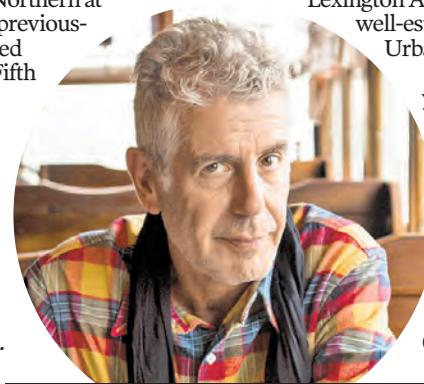
For straight rental leases, Eastern Consolidated's James Famularo says, "A food hall can typically pay anywhere from \$100 to \$300 per square foot depending on the size, location and density of the area."

The low end of this range is much cheaper than most retail rents, which run to \$250 a foot even in secondary markets. Now, there are signs that even those modest numbers are falling. That could actually be a sign of strength, not weakness, in the food hall market because it means that landlords will bend over backwards to get tenants.

Urbanspace inked a deal with the Feil Organization for a forthcoming 11,400-square-foot food hall at landmarked office tower 570 Lexington Ave., a few blocks north of the well-established operator's popular Urbanspace Vanderbilt.

Although we reported last year that the asking rent at 570 Lexington was \$1.5 million, several sources say that the "taking" rent was much lower — in the neighborhood of \$1 million — because Feil was hungry for a "credit" tenant to fill the large space formerly occupied by Mr. K's restaurant. (Per-square-foot estimates are difficult because there was a "blended" price for several floors.)

Food halls differ from old-fashioned food courts full of generic chains in that they boast esoteric, artisanal and local vendors — including such prize chefs as ramen master Ivan Orkin at Gotham West Market and "Arepa Lady" Maria Piedad Cano at DeKalb Market Hall. But the distinction between the new wave and the courts of yore has grown fuzziest. Some smaller food halls resemble salad bars with a sushi counter.



Anthony Bourdain's much-hyped plans to open a food hall at Pier 57 recently folded, but similar projects are still in the works.

