

Homeware Outposts Beat a Hasty Retreat from East 59th Street

BY LAUREN ELKIES SCHRAM (/AUTHOR/LAUREN-ELKIES-SCHRAM/) SEPT. 24, 2015, 5:30 P.M.



RENDERING OF 127 EAST 59TH STREET.

Crate & Barrel is gone from its Manhattan flagship and siblings **Williams-Sonoma** and **Pottery Barn** are in the process of shutting down shop on East 59th Street, leaving the highly-trafficked street bereft of home furnishings, furniture and accessories stores.

After 20 years, Crate & Barrel shuttered its 62,000-square-foot store at **650 Madison Avenue** between East 59th and East 60th Streets at the beginning of August, departing before its lease came due. According to *The Wall Street Journal*, rising rents led to the closure and the 53-year-old home store chain doesn't plan to relocate (<http://www.wsj.com/articles/crate-barrel-to-close-manhattan-flagship-store-1433718746>). A Crate & Barrel spokesman would only confirm to Commercial Observer that the information in the *Journal* article was accurate.

Williams-Sonoma and Pottery Barn have occupied the 35,000-square-foot three-story retail condominium at **127 East 59th Street** between Lexington and Park Avenues for over 15 years, but are exiting by the end of the month. (Representatives for both stores didn't respond to questions.)

"In a span of 60 days, that section of town has lost close to \$100 million in sales of plates and forks," said **Jeffrey Roseman** of **Newmark Grubb Knight Frank** who is marketing the retail condominium at 127 East 59th Street for **Benenson Capital**. "You could have gotten anything for your table within a span of two blocks and now you can't."

The asking rent for the entire Williams-Sonoma and Pottery Barn space, which can be divided and will be gutted, is \$6.5 million per year, with a price of \$400 at grade, Mr. Roseman said. He anticipates landing a tenant like the iconic **Fiorucci** department store, which used to be housed there.

In this market, as leases for larger Manhattan spaces come due landlords can divide them into smaller parcels and drive up the rent, chop shop style.



(<https://nyocommercialobserver.files.wordpress.com/2015/09/image001-e1443129813295.jpg>)

127 EAST 59TH STREET TODAY.

Ground-floor asking retail rents in the second quarter of this year along Fifth Avenue between 49th and 60th Streets averaged \$3,350 per square foot, up 4.9 percent from \$3,192 in second-quarter 2014, data from **Cushman & Wakefield** indicate. Along Madison Avenue between East 57th and East 72nd Streets, the ground-floor asking rent averaged \$1,580 per foot between April and June versus \$1,519 a year earlier.

Tenants facing rent hikes need to be able to justify the numbers based on their sales.

“I just think that the area has gotten too valuable and rents have just moved up so much that it’s a difficult area to just simply be there to sell your product,” said **Lou Ceruzzi** of **Ceruzzi Properties**, which is erecting a 60-story condominium at **138 East 50th Street** with 7,500 square feet of retail.

Rent increases are coming as the retail landscape has changed.

“The East 59th Street strip “trades more like an avenue than a side street,” said **Ripco Real Estate’s Andrew Mandell**, who is marketing the 25,000-square-foot retail space at 111 East 59th Street next to Williams-Sonoma and Pottery Barn for \$5.1 million, with a \$400-at-grade asking rent.

Because of the name recognition achieved by the three stores, they could comfortably forego main streets with higher rents for less prominent streets with lower rents, Mr. Mandell said.

At the outset, “they weren’t as well known so a premier location was more important then than today,” he said. “I think they can exist today on a side street.”

Mr. Roseman speculates that the issue is not rent-related, but about furnishing stores not evolving with the times.

“It has nothing to do with rent,” he said. “None of them are leaving because of rent. They are leaving because they haven’t adapted. They’re not clicking on all cylinders.”



(https://nyocommercialobserver.files.wordpress.com/2015/09/111-east-59th-street_midtown_2015-09-22-1.jpg)

Luxury retail specialist **Soozan Baxter** of **Soozan Baxter Consulting** noted that those types of stores “have to stay relevant” to survive. She cited **Restoration Hardware** as an example of a home furnishings company that has “adapted to the times, builds gorgeous stores, is adding a boutique hotel to its Manhattan flagship and will be successful at its upcoming Meatpacking District store as a result.”

Restoration Hardware is opening a new home furnishings store at **9-19 Ninth Avenue** between Little West 12th and West 13th Streets, where **Pastis** used to be, and around the corner, a boutique hotel at **55 Gansevoort Street**. And it’s not the only furnishings company that is thriving in New York City. Last year, furniture chain **Design Within Reach** opened a 20,000-square-foot store at **957 Third Avenue** between East 57th and East 58th Streets, marking one of the brand’s largest spaces in the country. And, California-based interactive appliance store **Pirch** is coming to **200 Lafayette Street** between Broome and Spring Streets in Soho next year with a three-story, 32,000-square-foot space.

Home furnishings retailers are “one of the most coveted tenants right now,” Ms. Baxter said.

With the three home store behemoths out of the picture on East 59th Street, **Bed Bath & Beyond** and **Bloomingdale’s** stand to gain the business, and other stores can get into a market that had little to no space availability.

“For years, other tenants have wanted to be in this market but there just wasn’t any space available,” Mr. Mandell said. “There’s opportunity in this market that hasn’t existed in a very long time.”

KEYWORDS: [Crate & Barrel \(/tag/crate-barrel/\)](#), [Pottery Barn \(/tag/pottery-barn/\)](#), [127 East 59th Street \(/tag/127-east-59th-street/\)](#), [Williams-Sonoma \(/tag/williams-sonoma/\)](#), [650 Madison Avenue \(/tag/650-madison-avenue/\)](#), [Benenson Capital \(/tag/benenson-capital/\)](#)