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Retail's restaurant revolution

Developers are increasingly seeing food as the hot new commodity

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By [Bill Cary](#)



- *Trendy chains like Shake Shack can help make a mall a destination.*

As mixed-use developments have proliferated across Westchester in recent years, restaurants have emerged as some of the most important players in the building boom.

At Rivertowns Square, a \$150 million mixed-use development going up on 17 acres in Dobbs Ferry, five of the tenants will be restaurants, which will occupy nearly half of the mall's space when it opens next year.

"We see the future of retail as entertainment, hospitality, food and things of that nature," said Robert Greenstone, the chairman and CEO of Manhattan-based

Greenstone Realty, the exclusive leasing agent for Rivertowns. He added that traditional “retail stores are getting clobbered as they come to grips with the internet.” Restaurants are the dominant group seeking space, according to Greenstone, with activity in the sector about twice that of the typical retailer. “I could do the whole center as food,” he said.

Restaurateur Jeremy Casilli is also seeing changes in the ways restaurants are valued by developers. His 3 Westerly Bar and Grill is set to open in the spring as an anchor tenant at Harbor Square, Ginsburg Development Companies’ new \$65 million mixed-use development on the Hudson River in Ossining.

“A lot of the big landlords and hospitality brokers are turning away from (traditional) retail...as their anchor tenants,” said Casilli, who also has restaurants in Manhattan’s Tribeca and Edgewater, New Jersey. “Now those landlords are shifting to restaurants.”

Food in general is a hot commodity now, agreed Chris Conlon, executive vice president and chief operating officer of Acadia Realty, based in Rye. “That can be a great restaurant, a Trader Joe’s or a collection of smaller shops in food courts — that’s becoming really popular,” he said. “It’s all about the mix, the ability to curate the right collection of uses.”



Chef Peter X. Kelly

Conlon said that there is a “huge range” in rents that Westchester restaurant owners pay landlords and developers, with “\$50 to \$75 per square foot in the best markets.” In high-end Westchester malls, rents for small restaurants are 10 to 20 percent above pre-crash levels. “Rents have come back very strongly, especially over the last five years,” Conlon said.

At Rivertowns Square, the five restaurants on board so far are Chipotle Mexican Grill, Chop’t, Buddha Asian Bistro, Lombardo’s Pizza Bar and Restaurant, and a Tanzy inside the new eight-screen iPic movie theater. “Nothing too high-end, nothing

too low-end,” Greenstone said. Most of the restaurants, which range from 3,000 to 6,000 square feet, pay between \$50 and \$60 a square foot, he said.

In Yonkers, Simone Development Companies is rebuilding the old, run-down Boyce Thompson Institute as a mixed-use development with about 85,000 square feet of space. About 70 percent of the \$35 million Boyce Thompson Center is leased, said Guy Leibler, president of Bronx-based Simone, including deals with two restaurants: Fortina, an Italian restaurant that also has locations in Armonk, Rye Brook and Stamford, Connecticut; and the Taco Project, which is also in Tarrytown. “The key for restaurants is casual but with very good food,” he said. “That’s the real trend that Westchester is following now. But not the same old ones — people are looking for new names with young chefs.”

Leibler estimated that restaurants in Westchester are paying anywhere from \$35 to \$65 per square foot, depending on the municipality and the size. “We’re at the higher end of that range,” he said.

Prices are lower outside of the new developments. In downtown White Plains, restaurant rents can be as low as \$15 per square foot or go as high as \$50, said Paul Adler, vice regional manager of Rand Commercial, which has offices in White Plains and New City in Rockland County. In Tarrytown, Port Chester and New Rochelle, the range is from \$15 to around \$35, depending on the condition of the building, he said, adding that there had been little change in pricing over the past two years. Five years ago, the high price was \$40 to \$45 a square foot, according to Adler.

In downtown Yonkers, which is on the cusp of a residential development boom, commercial space is going for about \$25 to \$30 a square foot, said Wilson Kimball, commissioner of planning and development for the city. She specified that these rents were for “first-floor space, perfect for restaurants.”

Feeding the demand is the promise of more diners on the way. There are currently 2,500 new residential units that have won the necessary city approvals in Yonkers, with another 1,500 in the pipeline, according to Kimball. “We expect that this will dramatically change the face of our downtown... These units are smaller — targeted to millennials and also attractive to empty nesters.”

“Food in general drives traffic and helps extend the duration of a shopper’s visit.”

LIZ POLLACK, MACERICH

There already are a significant number of ethnic restaurants on South Broadway in Yonkers that need to be “glammed up,” she said. “We’re going to market South Broadway to Class A restaurants.”

But when it comes to fine dining, Peter X. Kelly — the chef/owner of Yonkers' X20 Xaviars on the Hudson and an early pioneer in the downtown Yonkers restaurant scene — sees a continued softness in the Westchester market.

“What has happened is sort of a ground shift,” he said. “A lot of the restaurants seeing success are restaurants that have a casualness about them but a high quality associated with the food, whether that’s a taco or pizza.”

However, that doesn’t mean the big names aren’t coming. Kelly, one of the best-known chefs in the Hudson Valley, is also seeing a movement into Westchester by some of New York City’s star chefs.

“The prices of real estate and leases in Manhattan are driving some of the bigger players to the suburbs,” Kelly said, mentioning Jean-Georges Vongerichten with the the Inn at Pound Ridge, Michael White with Campagna at the Bedford Post Inn and Mario Batali with the Tarry Lodge in Port Chester. “That’s a good thing for our neck of the woods,” he said. “The area gets associated with quality restaurants.”

For landlords, though, restaurants have long been a risky proposition. “Restaurants are notorious in the real estate industry for going out in the first year or two,” said Peter Wilcox, director of leasing for Tarrytown-based Juster Development. “They are risky tenants, but they pay high rents. My company looks for backing that can support the rent for over a year at least, and personal guarantees of the rent payments.”

Adler agreed. “What do you do when the restaurant goes out? That’s a toughie,” Adler said. “If you don’t get another restaurant, all that infrastructure — the heavy electrical wiring, the pipes and drains — goes out the window. Even another restaurant may have a whole new concept.”

Landlords may also have concerns about evening parking and lighting needs, vermin, late-night noise and odors that may not be appreciated in a multipurpose building, Adler said. And in the suburbs, even simple changes in road patterns can spell doom for an eatery. “If Mrs. Schwartz can’t get into the parking lot, you’re dead,” he said.

However, a key difference between Westchester and New York City is one that reduces at least some of the financial risk for developers. “Up here, a lot of the tenant improvements are paid for by the restaurant, not the landlord,” said Adler. “The restaurant usually front-loads the expense of building out the building. In the city, the landlord may do that.”

Another route to go is national chain restaurants, which offer a safety net for landlords. “Developers looking for anchor tenants look to the chains,” Adler said. “There’s a reason for that. If you’ve got the company store, you’ve got that corporate guarantee. If the Applebee’s fails, maybe you’ll get an Olive Garden to come into that space.”

Some of the county's older malls and retail outlets are looking to reinvigorate themselves by adding some of the more popular new chain restaurants.

In July, Shake Shack opened its first outlet in Westchester, choosing a spot in the county's largest mall and one of its oldest, the Cross County Shopping Center in Yonkers. In recent years, the mall has been trying to rebrand itself with younger, hipper retail outlets and restaurants.

To help entice Shake Shack, Macerich, which owns the mall, created a brand-new 2,973-square-foot space for the burger chain.

"With Shake Shack, it's a destination restaurant, a trip motivator," said Liz Pollack, senior marketing manager for Macerich, based in Santa Monica, California. "It's a fresh brand, a new brand."

"Food in general drives traffic and helps extend the duration of a shopper's visit," Pollack said. "For 10 percent of our customers, the primary purpose of their trip is for food."

Brokers caution against making too many blanket generalities about the Westchester restaurant scene — and the real estate market in general in the county, one of the most affluent in the U.S. They say that, in fact, one of the region's strengths is in its variety.

"You couldn't have a more diverse market than what you'll find in Westchester, versus the city," Adler said. "In Westchester County, in a period of 5 miles you can drive from Scarsdale to Elmsford, and you might as well need a passport because the markets are so different."