

THE WALL STREET JOURNAL.

DEAL OF THE WEEK | By Donna Kardos Yesalavich



The Mall at Bay Plaza will be New York City's first enclosed shopping mall in nearly 40 years.

An Unlikely Retail Oasis

The amount of new retail space across the U.S. has remained relatively flat in recent years, but New York's Bronx borough has emerged as a hot spot.

At least five major shopping malls or centers are under way in the Bronx that will add more than 1.4 million square feet of space, one of the largest local retail expansions in the country. Despite the swell of supply already in the pipeline, developer **Equity One Inc.** last week said it would increase the size of its **Broadway Plaza** shopping center by 33,000 square feet to 148,000 square feet at an additional cost of \$13.8 million, boosting the project's total price tag to \$66.5 million.

The initial phase of the development, which the company says is 70% leased, is expected to open in the fourth quarter and will include a **TJ Maxx** store and **Aldi**, a German discount supermarket chain. The additional section will offer five to seven smaller spaces and a street presence and should be completed by the second quarter of 2015.

"A lot of tenants that we talked to mentioned to us they would be interested if there was a street component to the project. Ours was more of a big-box footprint," said **Michael Berfield**, executive vice president of development for New York-based **Equity One**.

On the other side of the borough, apparel retailer **H&M** earlier this month said it would open its first Bronx location at the **Mall at Bay Plaza**, which will be New York City's first enclosed shopping mall in nearly 40 years when it opens in August. "We think that the Bronx retail market is a strong extension of the existing New York City market," said **Daniel Kulle**, president of **H&M North America**. The **Mall at Bay Plaza** is an expansion and conversion of the existing **Bay Plaza Shopping Center**. Unlike shopping centers, malls are enclosed under one roof.

The increased attention on the Bronx is the latest example of businesses following consumers back to the urban core of cities as they search for new markets. Even though the Bronx is New York's poorest borough, it is also the nation's third-most densely popu-

lated county. So even if average purchases per customer are smaller in the Bronx than in other counties, the volume of potential customers could offset lower average receipts.

"The problem in the marketplace remains that there's only so many of these select locations, said **Suzanne Mulvee**, director of U.S. retail research at **CoStar Group Inc.** "When you think about the density and the income that make up the Bronx, you can't duplicate that in too many other places in the U.S."

Another appeal for retailers: Rents at the new developments will be well below Manhattan's sky-high rental prices, which can run above \$2,000 a square foot in **Times Square**.

Riverdale, the Bronx's most affluent neighborhood, is home to two of the new developments: **Broadway Plaza** and **Riverdale Crossing**. **Riverdale Crossing**, a 162,000-square-foot complex, is scheduled to open this June. It will be anchored by a **BJ's Wholesale Club**, the second in the borough. The first is at the **Bronx Terminal Market**, a shopping development completed in 2009 whose success has been credited with boosting confidence in the borough's retail environment.

Many developers "feel a little more comfortable investing in the Bronx after they see projects like that can succeed," said **Mr. Berfield**, though he noted that urban-focused **Equity One** would be putting up **Broadway Plaza** anyway.

Other centers under way are **Bay Plaza**, at the intersection of the **Hutchinson River Parkway** and the **New England Thruway**; an open-air outlet center by **Paragon Outlets** scheduled to open in 2016; and the **Crossings at Southern**, a development in the **Longwood** neighborhood expected to open in the fall of 2015.

U.S. shopping-center growth has slowed to a near standstill since the 2008 financial crisis. In 2013, the number of U.S. malls was up just 0.3% from 2012, compared with 2.6% growth in 2008, according to **CoStar Group**.

Green Street Advisors has forecast average annual supply growth for 2014 through 2017 at 0.4% for malls, well below the long-term average of 1.5%. It sees supply growth for strip centers over the same period at 0.9%.

Altoon Partners