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## **New mix at Union Square**

**As big retailers leave, stores like Best Buy and Marshalls look to take their place**

By [Adrienne Pasquarelli](#)

Union Square's big-box retailers are dropping like flies, but the area remains sweet for prospective tenants.

Circuit City was recently shuttered, and music purveyor Virgin Megastore will close at the end of this month. This leaves Union Square with 108,000 square feet to fill and possibly more vacancies on the way. Another neighborhood tenant, Filene's Basement, recently filed for bankruptcy.

While this might turn another neighborhood into a ghost town, real estate insiders say Union Square is not in danger of decay. Stores such as electronics retailer Best Buy, discounter Marshalls and even upscale department store Nordstrom's off-price division, Nordstrom Rack, are said to be sniffing around, eager to have a presence in one of Manhattan's most vibrant neighborhoods.

### **Better prices now**

“There are a lot of nationals that were priced out of the market that are now actively looking to secure space in Manhattan,” says Robin Abrams, executive vice president of the Lansco Corp., adding that most new tenants are discount-oriented.

Of course, landlords in the trendy district have to make concessions to the downturn. Brokers say rents must come down and deals will take longer to consummate. The 60,000-square-foot Virgin space has been on the market for almost 18 months, and has yet to find a taker, partly because of price. Ground-level asking rents for The Related Companies-owned property remain high—around \$500 a square foot. Though sources say that price is already 20% off, in today's market, it's still considered steep.

Even so, Union Square remains desirable, with 150,000 people passing through the neighborhood every day on their way to retailers like Whole Foods and Trader Joe's and the popular green market. Recently, the north Broadway corridor filled up with new tenants Steve Madden and True Religion. “It's still a very strong market,” says Joanne Podell, executive vice president of Cushman & Wakefield Inc.

At least one big-box tenant is expected to move into the neighborhood. For Circuit City's former home, the primary candidate is Best Buy, which brokers say is far along in its bid for the 40,000-square-foot second floor and nearly 8,000-square-foot ground space.

Marshalls and T.J. Maxx, which have done well in the downturn because of their low-priced goods and clever marketing, may be looking to expand as well, but a spokeswoman for parent TJX Cos. declined to comment on plans.

Portions of the Virgin space could be subdivided for tenants such as banks, drugstores or fast-fashion clothing chains. Brokers say Nordstrom Rack is actively negotiating for Virgin's ground and lower levels. The Seattle-based chain typically has stores between 25,000 and 48,000 square feet. After posting a 4.4% increase in April same-store sales, Rack is outshining its full-priced sister, which suffered a 13.4% drop. However, a Nordstrom spokeswoman says a Manhattan location is not planned.

### **Eyeing Filene's**

Brokers are also keeping an eye on Filene's 28,000-square-foot space. The discounter entered Chapter 11 bankruptcy protection earlier this month and is waiting for court approval—expected within weeks—of new ownership for the Union Square flagship and other locations. New owners Crown Acquisitions and Chetrit Group plan to operate the locations as Filene's, but the outcome of the bankruptcy is far from certain.

**“If it doesn't work out, they'll make a transition to another brand that they will create, or they will sublease to a healthier operator,” says Jack Hendler, president of Net Worth Solutions Inc.**