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## Retail holdouts at Hearst

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Nearly two years after its highly anticipated opening, the critically acclaimed Hearst Tower on Eighth Avenue is still without a ground-floor anchor tenant.

The 12,686-square-foot retail space has sat empty since 2006 as brokers struggled to find common ground with Hearst over the value (and potential) of the building, which is located at 300 West 57th Street.

Officials at Hearst said they are in talks with several potential anchor tenants and are holding out for a top-of-the-line retailer that makes sense for its high-profile headquarters.

But brokers said some retailers consider the building's Eighth Avenue location harmful to the success of any luxury brand.

"The building is clearly one of the most spectacular buildings in the city, so you can understand why they won't want to schmaltz it up with a falafel stand," said Jeffrey Roseman, executive vice president at Newmark Knight Frank Retail. "I think if they had their druthers, they would like to see Prada or Gucci [in the space]."

Asking rents for retail space in the Columbus Circle area have ranged from \$300 to \$400 per square foot. But despite the surge in high-profile development, including the Time Warner Center just two blocks north, several leasing experts say that Columbus Circle has not established itself as a top location for storefront retail.

"The Time Warner Center is really a project unto itself," said Brad Kaufman, a real estate attorney with the firm of Pryor Cashman. "It's probably one of the few, if only, urban malls that's succeeded in the city."

Sources said talks fell apart between the Hearst building and at least two major retail chains, including the Container Store and CB2, a home furnishings spin-off of Crate & Barrel. CB2 opened its first New York location at 451 Broadway, while the Container Store has two locations in Manhattan, at 725 Lexington Avenue at 58th Street and 629 Sixth Avenue in Chelsea.

Crate & Barrel spokesperson Natalie Levy said the retailer has been "looking at properties across the U.S." But she said she could not "confirm or deny" whether the Hearst building was under consideration. Container Store officials were not immediately available for comment.

In early April, many thought the building had finally secured a tenant when signs for cosmetics and apparel company Anna Sui graced the ground-floor windows. But it turned out that that was, well, just a façade. A spokesperson for the retailer confirmed that the signs were being used as a backdrop for a movie filming in front of the Hearst building. Ironically, given the retail drought at the building, the movie was "Confessions of a Shopaholic," starring Isla Fisher.

Hearst spokesperson Paul Luthringer declined to comment on any specific retailers, but acknowledged that discussions were ongoing.

"We are currently in discussions with numerous potential tenants," said Luthringer. "It's a fabulous space, and we're being selective."

FedEx/Kinko's is currently the building's only retail tenant; the firm signed a lease late last year for space on the 56th Street side of the building. In addition to that space and the 12,600-square-foot anchor tenant space, the building has another 2,000 square feet left to lease.

Some say the Hearst building has unrealistic expectations about its value and is insisting on bringing in a type of tenant that cannot be supported on Eighth Avenue.

"The landlord doesn't know how to get out of his own way," said a leading Manhattan retail broker who asked not to be identified. "They're very difficult at Hearst; they're very exacting. They're very prissy."

The broker said that Hearst treats the building as if it were located on Madison Avenue rather than Eighth Avenue, where the demographics are completely different.

"It's not an accident that the place is called Hearst Castle," said the broker. "They'll probably sit empty if they don't get what they want. They belong in an office park."

Jim Downey, senior director of retail services at Cushman & Wakefield, which is marketing the building, said he resents the notion that the tower is being held up to an unrealistic standard or that Hearst is out of touch with the marketplace.

"It has nothing to do with prestige, style, class or élan," said Downey. "We're just trying to get the right tenant for the space."

He said the main anchor space could be marketed to one tenant or could be split up among numerous smaller tenants.

When the 46-story Hearst Tower officially opened in October 2006, it was one of the hottest headquarters buildings in the city. Designed by Lord Norman Foster, the tower measures 856,000 square feet. A 2001 New York Times story called the design "brilliant" when it was revealed in 2001, and said that the city's skyline "has been waiting for this."

The building, one of the most environmentally friendly in the city, uses daylight sensors to lower energy use, and was the first office building in New York to receive LEED gold certification.

When the Hearst Tower opened, Columbus Circle was considered a neighborhood that had undergone a major revival. The 2004 opening of the Time Warner Center created a commercial and retail destination that drew a number of high-end retailers, including Hugo Boss and Stuart Weitzman, to the area. In 2005, developer Kent Swig entered a record deal to buy the Sheffield, an 845-unit luxury residential tower at 322 West 57th Street, and transform the property into condos. More recently, W&H Properties spent more than \$82 million to renovate 250 West 57th Street, leading Mandarin Oriental and Exhale Enterprises to sign office leases there.

"I think the crossroads of the intersection are getting better and better," said Robert Futterman, president of Robert K. Futterman and Associates. "If we were marketing [the Hearst Tower], we would come up

with some interesting out-of-the-box ideas about getting it done."

Author: David Jones

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