On Long sland, A New Generation of Business Rises from The Ashes of Big-Box Retail

January 23, 2019 | Berdon LLP | Bisnow New York

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Around the country, the husks of former retail giants dot the suburban landscape. Massive storefronts, relics left over from now-bankrupt companies like Sears and Toys R Us, are standing vacant. But on Long Island, a different story is unfolding.

An underbuilt retail landscape means that Long Island is more resistant to a retail downturn than most of America, and quicker to recover. The wide swath of suburbia extending east from New York City has become a proving ground for a new breed of retailers looking to adapt and grow.

"We've been spared from many of the more dire trends in American retail," said **Berdon LLP Real Estate Advisor Marc Fogel**, who has lived on Long Island his whole life. "It's become an insulated pocket of high demand, which makes it interesting to see the future of retail inventing itself."

Long Island has had its fair share of retail closures. In July, Toys R Us shuttered all 12 of its locations in Nassau and Suffolk counties. Waldbaum's and Pathmark, two New York-based supermarket chains, closed a combined 51 stores.

As anchor tenants move out or fold, nearby businesses often fold as well. Fogel explained that when a ShopRite supermarket near his home in Plainview moved out, about half of the local businesses in the same plaza closed within the year.

"That plaza was filled with mom-and-pop stores, and now I'd say that half of them are gone," Fogel said. "It's ironic. The demand for good space is high, but that doesn't mean that retail is actually healthy for every business."

Retail vacancies on Long Island are sitting at 6.9%, well below the national average of 10.2%. According to Fogel, local restrictions on development kept the retail sector from becoming overbuilt. While shopping malls were going up across the rest of the country, zoning regulations and municipal bureaucracy kept Long Island retailers vying for a small supply of enviable retail locations.

"It's very difficult to develop anything here," Fogel said. "We have towns and villages and government agencies that all have to sign off on new projects. It can take years."

With demand for retail space still high, tenants are often lining up to fill in the gaps left by store closures. Gym chain Planet Fitness opened a location in Greenlawn, taking over much of a former Waldbaum's. Northwell Health, the largest healthcare system in New York, has grown its footprint into 685 outpatient practices that have nestled into strip malls across Nassau and Suffolk counties. In May, restaurant/arcade chain Dave & Buster's opened a new location at the site of a former Walmart in Massapequa.

"The retailers that are surviving and expanding are the ones who have adapted to the times," Fogel said. "The common thread is they all offer something you can't get on Amazon — restaurants, gyms, hair salons. You can't get your hair done by clicking a button."

Map data from Google, 2018.

A former Sears department store in Hicksville, Long Island. A mixed-use development is slated to replace the store.

Seasonal and pop-up stores are also becoming more popular; retailers are testing the waters before signing long leases. E-commerce brands with storefronts in New York City are looking east as they expand their brick-and-mortar presence — Peloton, an exercise bike company that conducts most of its business online, now has showrooms at Roosevelt Field and in Manhasset.

Ambitious developers are finding creative ways to reuse former retail space. By the time it was announced that the Sears department store and auto center in Hicksville was closing, plans were already in place to turn the property into a mixed-use complex of over 600 apartments, 200K SF of retail space, a movie theater and 5 acres of green space.

"There's a push to build walkable communities that are split between retail and residential space," Fogel said. "It's hard to fight through the red tape and get these areas zoned for mixed-use, but that's where retail is trending."

The main challenge facing retail now is for landlords who have lost a large anchor tenant to subdivide and lease their space to the new generation of businesses, which tend to operate within a smaller footprint.

"These new businesses might only take up 10K or 20K SF, so a landlord who owned a 200K SF department store might have to divvy up that space between 10 new tenants," Fogel said. "Landlords have to put a lot of time and money into restructuring the leases that they offer, and subdividing the space into different storefronts."

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