

HUDSON YARDS HERE WE COME

NOTES FROM THE FIELD

4/19

The Shops & Restaurants at Hudson Yards officially opened in mid-March and “brings more than a mile of shopping and dining experiences to Manhattan’s West Side.”

<https://www.hudsonyardsnewyork.com/press-media/press-releases/shops-restaurants-hudson-yards-open-march-15-noon>

Much has been observed and written about the Hudson Yards development by a variety of professionals in media, design, retail, real estate, urban planning, and other groups. Some of the reporting has been favorable, but it seems more has been fairly critical of its launch. Examples include one professional focusing on the mall as another example of the “death of retail,” another discussing the “design atrocities,” and yet another stating there were “no shopping bags in hand.” I’ve had some lively conversations with these industry professionals, tourists, and fellow New Yorkers alike, and there has been no shortage of viewpoints.

I purposely held off from drawing any conclusion about Hudson Yards until I could visit several times and experience the stores, have a bite, climb Vessel, and dance at a concert at The Shed. It’s critically important to understand the overall physical space from a variety of perspectives, and I’m glad I did just that both as a customer and an industry professional. As a result, I don’t agree with most critics, and my overall conclusion on the development is quite positive. I’ll briefly share my thoughts to support this conclusion, as well as share a few of the potential challenges.

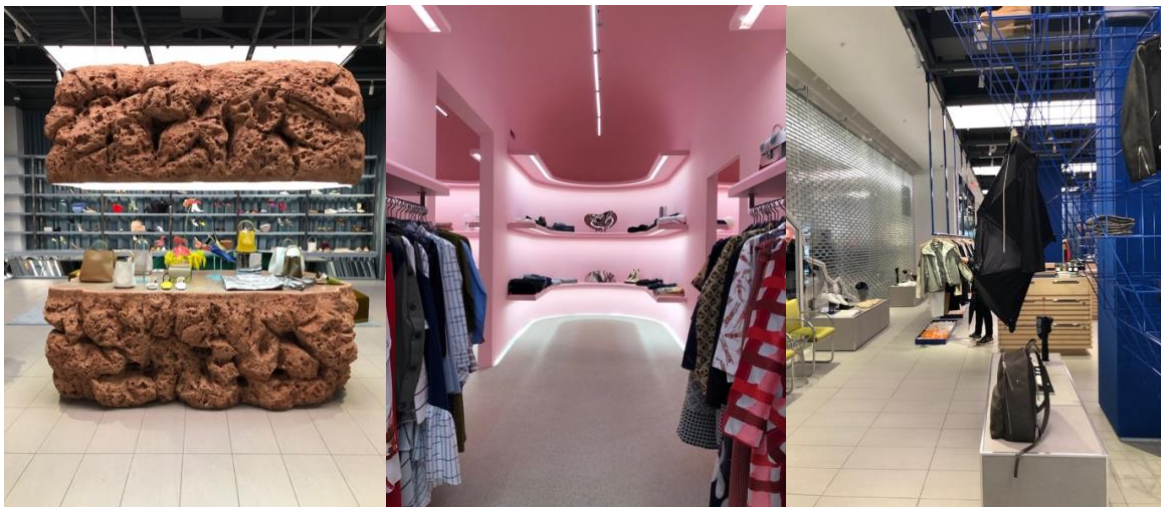


The Positive

The central location of Hudson Yards and its future expanse once completed is excellent. There are a variety of transportation options to support visitor traffic to this midtown destination. A brand-new extension to the #7 subway line delivers commuters and travelers to Hudson Yards from the 42nd street transit hub at Grand Central and beyond in Queens, including connections from LGA/JFK airports. Both the Port Authority and Penn Station are short walks away. There's a ferry terminal too on West 39th Street for the cross-river journey from New Jersey. MTA and private bus lines operate right by the Yards, along with a heliport on West 30th street and nearby access to the major Henry Hudson Parkway.

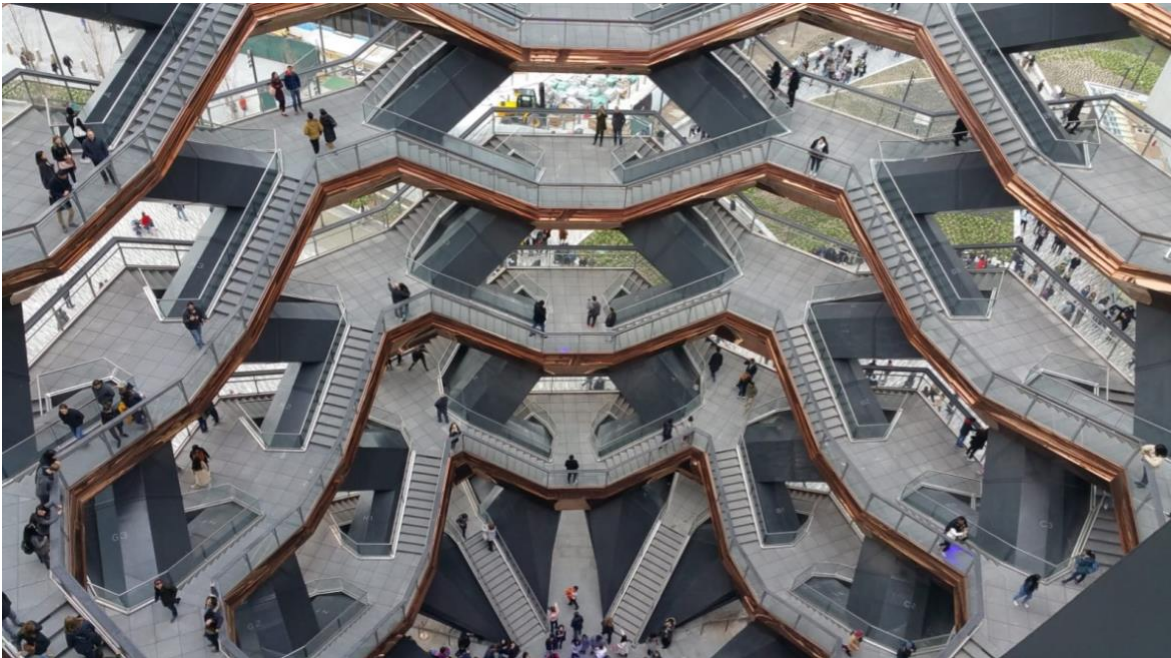
As the largest city in the United States, New York has experienced tourism growth for nine consecutive years, closing 2018 with 65 million visitors. As such, there are two other significant sources of traffic to Hudson Yards literally on its doorstep. One is the newly expanded Jacob Javits Convention Center, which hosts 150 events a year with 2 million attendees. The other is the exceptional 1.5-mile elevated High Line linear park—visited by 8 million visitors last year—that winds its way north right into the Yards.

There are over one hundred stores to visit here. Many are established international brands in the luxury and contemporary retail arenas, including men's, women's, and children's clothing; beauty; home; and beverage and food. The floorplan, layout, and flow of the center makes sense and keeps you exploring. The variety of physical environments is extensive with many new and innovative retail formats to visually enjoy. One favorite example is newcomer to New York, Forty Five Ten, which occupies four distinctly different storefronts on the fifth floor with well-curated men's and women's designer and vintage clothing and home items. While a few tenants have yet to open their doors, the majority of stores in this one-million-square-foot center are complete.

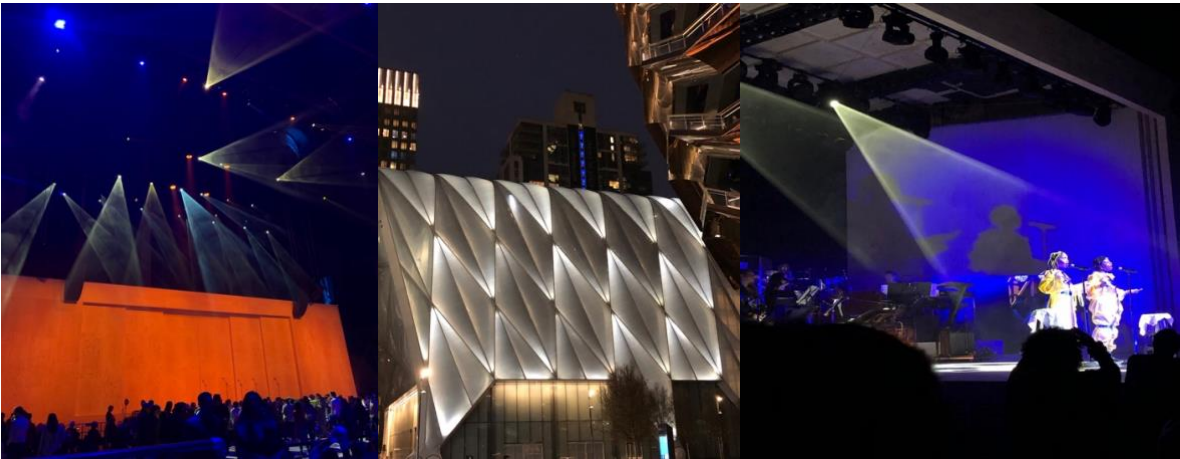


Upon my multiple visits, all of the restaurants were teeming with customers. There was a meaningful range of choices by cuisine and price point from Shake Shack to Wild Ink and TAK Room, another important indicator of the prospects for the center.

Just outside The Shops & Restaurants of Hudson Yards are three interesting attractions for visitors. Vessel, designed by Thomas Heatherwick, is a free interactive sculpture comprised of a network of stairs and landings that visitors can take to the top for varying views of the nearby area. While I'm not a huge fan of the design nor the materials, my journey up the structure was pleasant and well attended each time I visited. Photos and Instagram moments were chronicled by most of the visitors there.



The Shed is a new flexible art space and cultural institution that houses a small theater, galleries, and a large performance space. Included in its design is a roll-back roof that, commencing in August, will occasionally open up for outdoor performances. I attended a wonderful sold-out performance of "Soundtrack of America," a celebration of African-American music directed by British filmmaker Steve McQueen. Tickets were reasonably priced.



Edge, an observation deck opening in 2020 and standing at over 1,100 feet, will be the tallest outdoor observation deck in the western hemisphere and fifth highest in the world. Early photos and renderings of the panoramic New York City views are outstanding. This will be supplemented by a 10,000-square-foot restaurant, bar, and event space.

Combined, all these factors bode well for Hudson Yards and retail alike.

This discussion that malls are dead is just not true, and New Yorkers should know this from the success of The Shops at Columbus Circle. Certainly, we are in the midst of a retail evolution where many B and C malls are in trouble. The growth of the suburbs and the malls that followed in the late forties is certainly over. The fact is, however, that there are many very successful full and off-price shopping centers in the U.S. and abroad. It's all about sharpening the matrix of key components: focusing on the customer profile, the specific location, transportation, local attractions, commercial and residential density, drinking/dining options, and entertainment possibilities, to name a few.

The Potential Challenges

The overall private real estate investment in Hudson Yards is the largest in the history of the United States at \$25 billion. Major commercial tenants like Tapestry, L'Oréal, CNN, and Wells Fargo have moved their headquarters there, and several residential towers will be added. Given that only half of the complex has been completed, it will take some time for many to reach the return on their investment.

Within The Shops & Restaurants, some retail monobrand may struggle in terms of their offerings, financial health, and due to competition nearby—a business reality. The one that concerns me specifically is Nieman Marcus. A newcomer to New York with 190,000 square feet of space, it was a massive investment by the retailer . . . there is plenty of art, friendly staff, fashionable merchandise, new design concepts, and three restaurants. Customers, however, must pass through four floors of monobrand stores (many of whom NM carries) to get to the NM entrance on the fifth floor. It seems a bit large, too distant from the street level, and could be expensive to maintain given tight fashion seasons.



Certainly, the economy must remain stable and hopefully robust in the future to drive sales revenue and achieve favorable occupancy levels in the commercial and residential buildings at Hudson Yards, particularly given some of the price points. But ultimately, it's all about community. The elements are all uniquely interwoven in terms of where people work, play, live, eat, shop, learn, exercise, and socialize. Once construction is complete within three to five years, Hudson Yards will thrive as an important New York City destination and neighborhood.

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