 Dow Jones Reprints: This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Order Reprints tool at the bottom of any article or visit www.djreprints.com

• See a sample reprint in PDF format.

• Order a reprint of this article now

THE WALL STREET JOURNAL

WSJ.com

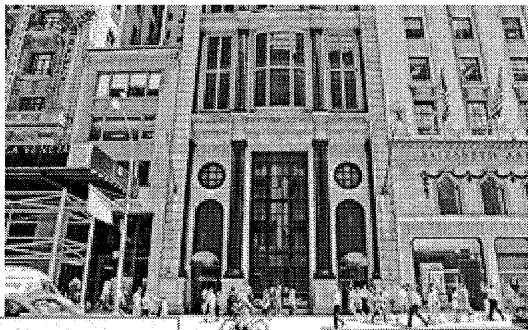
NY REAL ESTATE RESIDENTIAL | JULY 12, 2010

On Fifth, a Facelift to Attract a New Retailer

By CRAIG KARMIN

The Takashimaya building, a Fifth Avenue trophy property, will undergo a major facelift and ground-floor expansion as part of the developer's plan to attract a prominent retailer to lease the first eight floors.

Thor Equities closed on a deal to buy the building last week after it submitted a winning \$142 million bid in June. The developer plans to spend an additional \$40 million to \$60 million to change the building's front façade and to expand the ground level up to 6,300 square feet from its current 3,500 square feet, an area considered too small to attract much retail interest.



Mustafah Abdulaziz for The Wall Street Journal

The Takashimaya building on Fifth Avenue, left, will receive a major facelift and expansion to attract a prominent retailer.

"A Fifth Avenue location is like buying a billboard to the world," says Joe Sitt, Thor's chief executive. "This is the best strip of real estate and I wanted a property that was iconic."

The Takashimaya building, which the Japanese retailer erected in 1993 between 54th and 55th streets as its U.S. flagship store, is less renowned than other Fifth Avenue properties in the East 50s such as the Peninsula Hotel or the Cartier building. But it does have one big advantage: Unlike many of the stately limestone properties on the avenue, the Takashimaya building doesn't have landmark status.

That means Thor can take down the facade without seeking the Landmark Commissions' approval. Mr. Sitt plans to make the first eight floors available for retail, planning to replace the black and red granite columns and bowed-out sections with sleek glass windows to display merchandise. Mr. Sitt said he would offer a new tenant the right to name the building after its own brand.

He plans to keep the original design for floors nine through 20. This will likely remain office space, but he said residential or even a hotel were also possible. Since the building is about 90% vacant, and with remaining tenant leases due to expire in the next couple of years, Thor will have a relatively clean slate for finding new tenants. But it means that the developer inherits a building with little existing source of revenue.



Thor Equities

A rendering of the completed space, with eight floors of retail space.

Officials at Takashimaya's New York office couldn't be reached to comment.

Faith Hope Consolo, a retail specialist at broker Prudential Douglas Elliman, thinks it won't be hard for Thor to attract tenants paying up to \$2,500 per square foot for the ground, which would be in line with other retailers on that strip of Fifth Avenue.

She says Takashimaya arranged the retail space following the Henri Bendel "shop of shops" model, where one store showcases many different types of products in walled off areas. Ms. Consolo said it was a strategy that worked 30 years ago but wasn't appropriate today.

"Fifth is not for the weak or undercapitalized," she said. But Mr. Sitt "ought to be able to attract dozens of contenders of the space."

Among the contenders she sees: high-end department stores like Nordstrom, Harrods or Harvey Nichols, though they would have to adapt their model to fit a smaller space than they have used elsewhere. Mr. Sitt says he will

be talking to European luxury goods companies that are eager for a Fifth Avenue store and see the U.S. market as healthier than back home.

But he said he also plans to talk to more "moderately priced" outlets, noting that Abercrombie & Fitch has a popular Fifth Avenue store, and Japanese casual retailer Uniqlo recently signed a 15-year lease at 666 Fifth Ave.

The Takashimaya building marks Thor Equities' first major New York purchase in three years, during which time the firm was primarily a seller.

Mr. Sitt, who owns about five acres of property at Coney Island, has made headlines recently for his plans to demolish four century-old buildings on Surf Avenue that he says have been left to rot but have drawn protests from preservationist groups.

Write to Craig Karmin at craig.karmin@wsj.com

Copyright 2009 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit www.djreprints.com