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The Rise of E-Commerce and its Effects on Greenwich Village Retail

By Brendan Gotch, Director of Retail Leasing, Massey Knakal Retail Leasing Services

E-commerce is quickly capturing a large share of the retail sales market across the United States. A recent report by Cassidy Turley shows that internet usage has increased by 1.5 billion people in the last 10 years alone. This has translated into a 10% increase in e-commerce in the last five years, now representing 5.4% of all retail sales in the United States. Analysts project that this figure will grow to 30% of all retail sales in the US in the next 30 years. The combination of this internet surge and improvements in mobile technology are making it easier to purchase goods without ever entering a store. The impact on brick and mortar retail stores is substantial, however, it is not strictly negative, nor is it evenly distributed across varieties of retailers.

To evaluate the impact of e-commerce specifically in Greenwich Village, we need to take a step back to examine some fundamentals of the area. The median income here is $102,000, which is close to $40,000 greater than the rest of Manhattan, according to the US Census Bureau. This high income is spread primarily among a young to middle age, well-educated population, which is ideal for retailers. Like in the rest of the country, in the Village, the impact of e-commerce has posed challenges for many businesses as their customers go online. Much-loved local stores that have become victims of this phenomenon include Bleecker Bob's and Bleecker Street Records, as well as Barnes & Noble and the Oscar Wilde Bookshop. These stores are following a trend that is taking place nationwide: they are simply not as convenient or efficient as their internet-based competition such as Netflix, iTunes, and Amazon.

The viability of retail businesses in the online and offline environments depends on several key factors. The most influential among these factors include the ability to try or touch the product immediately before purchase, the ease of delivery and return for purchased items, and whether substitutes to goods from physical stores are readily available online. By applying these factors to various retailers, we can determine which are more suited to bricks and mortar and which are more suited to online retail. This rubric suggests that media, sporting goods, and electrical needs will thrive in e-commerce, while services (such as gas stations, nail salons, and doggy day care), fashion apparel, restaurants and grocery stores will continue to prosper in their existing retail locations.

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Companies that were previously online-only such as Bonobos, Piperlime, and Ebay are opening up showrooms in popular locations where they can offer a gallery type of experience and customers can view and interact with their products. Pure play internet companies cannot offer comparable experiences, and as a result, we are witnessing a major increase in multi- and omni-channel retail. On Bleecker Street, retailers will pay a tremendous amount of money to open shops showcasing their products in an off-line setting. The number of outlets a retail chain needs to have national coverage has dropped from 200 in the pre-online era to 50-80.

Greenwich Village is made up of a wide variety of retailers, including restaurants (30%), apparel stores (9%), bars (7%), spas/salons (7%), laundromats (4%), entertainment (3%), and many others. We anticipate that the rise in e-commerce will not destroy this variety, but absolutely will redistribute these percentages. Retailers that thrive in the off line market offer experiences that cannot be replicated online. Restaurants and salons, for example, would fit this group. Meanwhile, more commoditized goods, such as apparel, home entertainment and bookstores will decrease over the next few years. We expect an increase in the number of luxury service retailers such as florists and grocery stores, as well as laundromats (though Greenwich Village-based Slate NYC is already pioneering an online-based cleaning business). According to the Cassidy Turley report, restaurants, which hold the largest share of retail stores in the Village, are going to grow in numbers and increase in profitability. Across the US, there will be a large increase in the number of dollar stores, however we do not expect this in Greenwich Village, given the demographic environment.

Nationally, the best located malls and retail strips are thriving while secondary and tertiary locations suffer. In contrast, here in the Village, while prime locations are indeed thriving, we do not see the same extent of suffering in other locations that we do nationally. For instance, streets such as Bleecker, Broadway and University Place experience high foot traffic and avid shoppers, and rents and occupancy rates have reflected that. However, contrary to national trends, streets like East 9th, 10th, and 11th, West 4th, and Washington Street, which are not primary retail corridors continue to prosper as well. These streets are largely composed of local vendors offering unique goods and services to the community. New York City is a heavily space-constrained environment, and this is disproportionately true for retail. Across the US, there are approximately 23 square feet of retail per capita. Conversely, according to Massey Knakal research New York City has a mere 6 square feet of retail per capita. Moreover, retail sales per person in New York City are $23,250, while the national average is just $8,344.

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As a result of these factors, the future for the retail leasing market in the Village is bright, though the composition of the stores in the market is certain to change. While many older book shops, record stores, and clothing shops may close, in their wake new restaurants and eateries will surface, as well as specialty and luxury good sellers and larger supermarkets. The good news is that our market will doubtlessly remain rich and diverse, not to mention healthy. Change and evolution have always been a part of New York City and Greenwich Village, and e-commerce is likely to make that fact the one thing that remains a constant.