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Dolce & Gabbana Signs SoHo Lease

Property owner Thor Equities aims to develop 'luxury corridors' on Mercer and other SoHo streets

BY KEIKO MORRIS

Italian luxury retailer Dolce & Gabbana will open another store in Manhattan, taking over all four levels of a building in the SoHo neighborhood, the property owner said on Tuesday.

Dolce & Gabbana, which has two stores uptown on Madison and Fifth Avenues, intends to create a "premier" location at 155 Mercer St., a former firehouse owned by Thor Equities, said Joseph Sitt, Thor's chief executive.

Also on Mercer Street are other upscale fashion brands such as Balenciaga and Versace.

Thor, which owns more than 30 properties in the neighborhood, declined to disclose financial terms of the deal. Representatives of Dolce & Gabbana couldn't be reached for comment.

Dolce & Gabbana's decision to lease the 15,000-square-foot building is in line with luxury retailers gravitating toward locations on Mercer, Wooster and Greene streets, a movement Mr. Sitt said he has been pushing for about a decade.

Thor has been trying to position less-exclusive retailers on Broadway and Prince and Spring Streets, he said.

"Our vision was to create an outdoor urban shopping environment as opposed to a mall in SoHo, to be a southern outpost to be able to serve people from Wall Street all the way up to Midtown," Mr. Sitt said.

Dolce & Gabbana's lease is a continuation of the "downtown designer march for a grand presence," said Faith Hope Consolo, chairman of Douglas Elliman Real Estate's retail group.

The strategy of setting up shop on Madison Avenue or Fifth Avenue and then opening a second flagship in SoHo has become common among international retailers, Ms. Consolo said.

"These equally high-end areas don't typically see a lot of cross-shopping," she said. "So it makes sense to serve the affluent tourists and uptown residents at Fifth Avenue and the affluent SoHo residents, who skew a little younger, with a location there."

Ms. Consolo estimated ground-floor rents at $600 to $800 a square foot in SoHo. Real estate service firm Cushman & Wakefield Inc. estimated average asking rents for ground-floor retail space in SoHo were about $517 a square foot in last year's fourth quarter.

Average asking rents in other shopping corridors varied widely—from $417 a square foot in the Flatiron District, for instance, to $3,683 a square foot on upper Fifth Avenue, according to Cushman & Wakefield Inc.

SoHo has long been a destination for both “ultra luxury or chic affordable” for many years, said David Ash, a principal at Prince Realty Advisors, who brokered the $280 million sale of a SoHo retail condo to Spain’s Industria del Diseño Textil SA, the parent company of the Zara brand.

But Mercer Street emerged as a block with a strong cluster of upscale retailers near the Mercer Hotel entrance, which is on the southern end of the block at Prince Street, said David LaPierre, executive vice president at CBRE Group Inc.

There was a movement of some luxury designers to the Meatpacking District, but many have now returned. Coming out of the recession, the SoHo retail real-estate market “caught fire,” said Mr. LaPierre, who represented high-end retailer Tory Burch in leasing a shop at 151 Mercer St., a space that is under construction.

There were several tenants competing for retail space in Thor’s building, he said.

Luxury retailers are looking to SoHo’s Mercer Street as a place where they can create a shopping experience different from their other New York locations, said Michael O’Neill , senior director at Cushman.

As an example, he pointed to 148 Mercer St., where Balenciaga removed a mezzanine section of the space so that the ceiling height reached 35 to 40 feet.

“The stores being built on this block are experience-type stores,” he said, “which almost have a museum-type component or feel that is reflected in its design.”