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Urban Retail's Revival Has Four Legs

By **Miriam Hall**

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The pandemic proliferation of pets is **already playing out in the office world** as workplaces figure out just how to formulate and roll out their canine policies. But the rush to dog ownership over the past two years is making its mark on the city's retail scene too.

Roughly 1 in 5 American households added a cat or dog between March 2020 and March 2021, **per the American Society for the Prevention of Cruelty to Animals**, and most still have them. But as offices have reopened and mandated returns are now the norm, where and how these animals fit into their owners' routines is a whole new hurdle to overcome.

As a result, pet-related retail uses are having a moment, as landlords look to fill space and retailers aim to maximize the tenant-friendly market. Increasingly, these kinds of users are viewed as safe bets as tenants. For retailers, the real estate presence is becoming a huge part of their brand and marketing.

"There's a lot of excitement with landlords with the veterinary category," said **CBRE** Senior Vice President Cassie Durand, whose clients include Bond Vet. "They understand what they're going to get in their building is going to be first-class, very aesthetically focused and a true amenity for the residents and the community. So it's been really fun to see how that whole paradigm has shifted so dramatically in such a short period of time."

Pet and vet concepts were once put squarely in the "unsexy" category, Durand said. But with a boom in pet ownership, it has become a high-end use, particularly in wealthier neighborhoods with a large concentration of residents willing to spend big on their pets.

"I'll spend anything on the dog, that's the reality," **Newmark** Vice Chairman **Ariel Schuster** said. "People are spending more on experiences ... and so we've definitely seen an uplift in terms of pets."

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Schuster represents PetSmart in its leasing and earlier this year brokered a deal for a company called Just Food for Dogs to take 2,400 SF at 2025 Broadway. The firm provides dog foods, prescriptions, treats and custom diets and is known as the “Chipotle for dogs,” he said. The Upper West Side location features an open-concept retail kitchen.

Schuster said there was a six-way bidding war for the space, and Good Food For Dogs won in part because it is aiming to create a premium flagship location.

“The owner really saw the value of them, and we had long calls, and Just Food For Dogs really invests in their business and have a lot of talented people on the executive level,” he said. “So we felt really confident they’ll be successful.”

Manhattan’s retail market has seen a jump in activity this year, with leasing up by 23% in the first quarter, per CBRE. Asking rents dropped 5% from the year before and have been dropping steadily for years. Increasingly, direct-to-consumer brands, many of which saw significant growth during the pandemic, have been opening up physical stores.

Landlords are now more flexible and willing to reach deals with a fresh set of occupiers, industry experts said.

“There’s a whole new category of retailers looking to lease space,” said Lauren Holden, managing director and head of retail asset management at Clarion Partners. “Pet is a big category that’s growing today.”

In February, Petco leased 30K SF at Reading International’s 44 Union Square. On the Upper East Side, the stretch along Third Avenue from Bloomingdale’s to East 79th Street has gone from sports retailer-focused to largely populated by medical and veterinary services, the New York Post reported. Last year, Small Door Veterinary, after raising \$20M, said it planned to open 25 locations in major urban centers over the next three years, starting with a clinic on the Upper East Side.

“Pet is a huge use group now. We have a friend of the family that owns a pet supply place in Long Island. They’re having the best years ever since the pandemic,” said Joseph Aquino, the president of brokerage Jaacres. “If you go to go get a small dog now in the shelters, there’s no small dogs.”

With so much focus, demand and funding in the space, Durand said that landlords are seeking these kinds of tenants because they know real estate is becoming a key part of these businesses. There is now ample opportunity for these kinds of users to expand rapidly to reach more customers.

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“From a landlord's perspective, the previous era of veterinary, it wasn't something that necessarily was something a landlord would seek,” she said. “It was a lot of being tucked into a neighborhood on a side street, super-destination, but not about building a brand and not aesthetically focused or overly experience-focused. ... [But now] real estate is something that can be harnessed to build awareness and build a brand much quicker.”

She added that Bond Vet, which continues to expand, is looking to be in residential neighborhoods in “A+ retail locations.” At the end of 2020, for example, Bond inked a 10-year deal for space at Hudson Garden at the corner of 10th Avenue and West 45th Street, **paying \$140 per SF.**

“The approach has been ensuring that we're very visible to the communities,” Durand said. “An avenue over a side street and making sure that we have that visibility and accessibility to as many people as possible”

Well before the pandemic, doggy daycare and spas were becoming a key part of residential communities and often a selling point for luxury apartments and high-end condominiums. But the fit-outs come with challenges, said Vince Cangelosi, the managing director of design and development at RAL Cos. The firm, which is developing **Quay Tower**, a condominium in Brooklyn Bridge Park, leases to Wag Club at the residential building at 362 Furman St.

“There are challenges within a residential building with acoustics, so you do need to build out to take acoustics into consideration — especially in a daycare situation and a boarding situation like we have in Brooklyn,” he said. “We did take some extra measures to make the tenant include characteristics to ensure that it wouldn't disturb any neighbors. We also selected their spots specifically because it wasn't directly below any residences and actually below parking areas. So that helped abate any issues with noise.”

Shaun Pappas, a partner at law firm Starr Associates who specializes in condo development, said the biggest issue landlords have is noise. But he said pet uses have become almost impossible to avoid because pet ownership has become ubiquitous.

“The trend in the market is to really cater to those people that are big pet owners in the city,” he said. “Most buildings don't restrict anymore. You know, even the older co-ops have kind of come to terms with the fact that pet restrictions just aren't really the way of the future. ... When you have an increase in that type of lifestyle, you see the services industry increase as well.”

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