

THE REAL DEAL

New York Real Estate News

Paramus defending its top-mall status

June, 02, 2008

Vornado Realty Trust's massive build-out of the Bergen Town Center in Paramus, N.J., is one of several big retail projects currently enhancing the town's position as the mall capital of the Tri-State area.

Vornado recently closed on a \$290 million construction loan to finance a 950,000-square-foot retail expansion, part of which is scheduled to be finished in 2009. It includes a Target, a rehabbed Century 21 and a Whole Foods.

The publicly traded real estate company has leased 400,000 square feet to the three anchor tenants on the site, which sits just miles from the George Washington Bridge on the notoriously congested Route 4.

While Century 21 already has space at the retail plaza, the Target and Whole Foods will both be firsts for Paramus. A Vornado spokesperson declined to comment on the specifics of the redevelopment or to reveal any other tenants.

The expansion is expected to have a major impact on Paramus' retail market. Real estate experts say it will bring life back to what has for years been a third-rate shopping center — though it will be at a time when consumer spending is tanking and retail rents are softening a little.

"They are taking a defunct mall and reconvertng it into a hybrid mall," said Jerry Welkis, president of Welco Realty.

This project is just the latest shopping addition to hit the already retail-obsessed town. The area is home to several big malls, including Garden State Plaza and Paramus Park, as well as to big-box stores like Ikea and Home Depot and outdoor strip shopping. The town's location at the nexus of so many major highways (in addition to Route 4, it also sits at the juncture of the Garden State Parkway and Route 17) is credited with fueling its primacy as a shopping capital.

Many of Paramus' destinations continue to expand. Last year, Garden State Plaza, which is owned by the Westfield Group, built a shiny new wing onto its already massive complex, in part to contain a movie theater.

The president of the Greater Paramus Chamber of Commerce, Fred Rohdieck, said on top of the Garden State Plaza and Vornado expansions, there are reports of possible expansions at Paramus Park and at several strip malls.

In addition to the Whole Foods, a Fairway Market — a beloved gourmet grocery staple on the Upper West Side, in Harlem and most recently in Red Hook — is expected to open soon in the so-called Fashion Center in Paramus. And West Elm, the popular furniture store, recently decided to take over roughly 21,000 square feet of the dated Treasure Island store while the Burlington Coat Factory just expanded its footprint in a shopping mall called the Paramus Center. Welkis, who handles many Paramus deals, noted that the Riverside Mall, which is just a few miles east of Paramus in Hackensack, recently transformed itself by adding several

large upscale restaurants, including Rosa Mexicana.

Welkis said that average retail rents have been in the \$30 to \$40 a foot range, with a slight softening in the market in recent months because of the economic situation. He said that Bergen Town Center is on track to generate higher rents, with parts of the new expansion expected to go for \$40 to \$50 a square foot.

While Paramus is a strong retail hub, it has had to overcome several challenges. The municipality is subject to Bergen County's legendary blue laws, legislation mandating that stores stay closed on Sundays, and has competition from the Palisades Center in West Nyack, N.Y., one of the biggest malls in the country. But Welkis said the Palisades Center has not had much of an impact on Paramus' retail activity. That may be since New Jersey doesn't charge sales tax on clothing or shoes.

While the blue laws, which are stricter in Paramus than in the rest of Bergen County, are the only ones of their kind in New Jersey or the metro area, Welkis said several Paramus retailers are among the top sales stores in the region. While there have been several referendums to do away with the laws, county and town residents consistently vote them down. "Most major retailers in Paramus have two stores, and they are usually in the top 10 to 20 percent in sales," Welkis said.

By John Celock

Copyright © 2008 – The Real Deal, Inc. , 158 West 29th Street New York, NY 10001 , 212-260-1332