



Retailers on the French Quarter side of Canal Street enjoy high traffic counts, due to its proximity to Bourbon and Royal streets.

DOWNTOWN UPTURN

Developers breathe life back into New Orleans' Canal Street

BY SUSAN THORNE

February 2005

Not long ago, New Orleans' historic Canal Street looked like a graveyard for dead department stores. Newer suburban malls had rendered the city's main shopping thoroughfare obsolete, and grand buildings that once housed D.H. Holmes, Krauss, Maison Blanche and Woolworth's sat empty as an array of mom-and-pop tourist shops mushroomed around them.

"On some blocks, the majority of retail has become a tourist-oriented mix of electronic stores, shoe stores, knick-knack and T-shirt shops," said Neil Kohlman, executive director of the Canal Street Development Corp. (CSDC), a municipal public benefit corporation. The street also suffers from a perception of crime in some areas.

But change is afoot. Private and public funds are flooding back into Canal Street. Two of those empty department stores have become luxury hotels. Another is set to become a vertical mall. And yet another will be remade as luxury condominiums. In one particularly encouraging development, Thor Equities, a New York City-based developer renowned for transforming decaying inner-city buildings into fresh retail and mixed-use projects, has bought the old Woolworth's store.

The pending revival has been a long time coming for the famous street, which runs from the Mississippi River toward Lake Pontchartrain and is known as the historical dividing line between the city's French and American quarters.

Beginning in the 1960s downtown stores were wounded by an increased migration of shoppers to the suburbs, where they were served by newer enclosed regional malls. Even a downtown high-rise construction boom between 1980 and 1996 didn't help, because it drew away many of Canal Street's above-the-store residents.

But civic leaders have refused to give up on Canal Street and have undertaken a series of large-scale initiatives to save it. In January of last year the CSDC found that Canal Street had more than 170,000 square feet of empty retail space, which it resolved to refill with an array of higher-end retailers. And to encourage visitors to venture uptown from the Mississippi River, they reinstated the Canal Street tramway in April 2004 at a cost of \$163 million.

The city has weighed in too, launching a \$15 million streetscape beautification program this month for Canal Street and surrounding areas of the downtown. This block-by-block face-lift will install new lighting and greenery, and wider, resurfaced sidewalks along Canal to its intersection with Basin Street.

The plan also calls for major public projects, such as a revived theater district with a proposed jazz museum that could spur retail development along Canal. Though the city of New Orleans offers no direct assistance to retailers, a large number of the structures along Canal are eligible for the 25 percent historical rehabilitation federal tax credit, which can run as high as \$250,000, says Kurt Weigle, executive director of the Downtown Development District. And tax increment financing is available in the state.

Those dead department stores will probably act as catalysts. D.H. Holmes and Maison Blanche have been restored as the Chateau Sonesta and Ritz-Carlton hotels, respectively, the former by the CSDC itself. Now two recently announced private sector projects will rehabilitate Canal's remaining vacant department stores.

Last September Thor bought the 94,000-square-foot Woolworth building, which had been empty since 1997, for an undisclosed amount. (It had been listed through Stirling Properties for \$2 million, according to the *Times-Picayune* newspaper.) Thor CEO Joseph Sitt told *SCT* his company plans to develop an enclosed two-level mall with midprice retail in the building and possibly to add three levels for an additional 150,000 square feet. "We've already lined up six different retailers, from larger boxes to smaller specialty stores," he said.

Local real estate executives are happy to see signs of life on Canal. "They'll do well," said Lewis W. Stirling, III, SCSM, CLS, executive

vice president of Stirling Properties, Covington, La., referring to Thor. "Woolworth's was doing \$10 million in sales annually at the time it closed. It would've been kept open if the Woolworth chain hadn't closed."



No longer is Canal Street a graveyard of dead department stores. The old Maison Blanche store is now a Ritz-Carleton.

And more residential space is on the way. In December locally based KFK Group bought the 350,000-square-foot, two-building Krauss property, which had been shut for about six years. The firm plans to build as many as 250 moderately priced condominium apartments there. Buyers snapped up an initial offering of 160 condo units at the building in December, says Pierre N. Ibrahim, senior vice president of sales and marketing at KFK. In keeping with the city's music-oriented heritage, KFK also proposes to develop a jazz-themed retail venue on the ground floor, Ibrahim says.

Wade Ragas, a professor at the Real Estate Research Center of the University of New Orleans, applauds the condo project. "That's exactly what we need happening in that part of Canal — permanent residents in the last area to be developed," he said. "And low pricing is the way to do it." KFK's prices, he says, are about 25 percent below the New Orleans average.

Property values remain robust along Canal's 10-block stretch from the Woolworth building to the Mississippi River, says Donald Schwarcz, a principle at SRSA Commercial Real Estate, a New Orleans brokerage. The worst of the property value slump occurred a decade ago, he says, and there are fewer vacant storefronts today. "Property values have strengthened over the past several years, and I would call them quite stable at this point," he said, estimating that a 2,000-to-4,000-square-foot store on Canal would lease for \$20 to \$40 per square foot annually.

Such long-established shops as Adler's Jewelry and Rubenstein's, a purveyor of women's and men's fashions, continue to do well in the midsection of Canal. "Business is growing and doing fine," said David Rubenstein, owner of Rubenstein's, a 25,000-square-foot store that posts annual sales of \$200 to \$250 per square foot.

These retailers retain a strong residential client base, but tourism will be increasingly important to Canal's retailers, Schwarcz points out. Growing numbers of visitors are flocking to the so-called Crescent City, drawn by its fame as the home of jazz and the blues. The riverside convention center and newer attractions, such as the aquarium, an enlarged D-Day museum and the Audubon Insectarium (opening this year in Canal Street's old Customs House) are extending visitor stays and broadening the tourist mix. At press time, the New Orleans Metropolitan Convention & Visitors' Bureau was projecting about 10 million out-of-town visitors for 2004, up from about 8 million in 2000.

Tourist spending power is evident year-round at The Shops at Canal Place, a 260,000-square-foot, upscale, enclosed center at Canal Street's Mississippi River end. Shoppers at the mall, whose tenants include Gucci, Kevin Cole and Saks Fifth Avenue, consist of 40 percent locals and 60 percent visitors, according to the center's general manager, Lisa Manzella.

At the same time, local demographic trends are now providing stronger support for retail on Canal Street. U.S. census data show that though central New Orleans experienced a 2.5 percent population decline between 1990 and 2000 (to 484,700 inhabitants currently), the population of the Canal Street area increased by 6.1 percent, and the number of households there grew by 9.1 percent, bringing the total number of residents to 9,980. Spending power is particularly high in the Warehouse District, which has seen a 30.7 percent increase in residents since 1990 and boasts average household income of \$54,000 a year, according to the CSDC.

Observers assert that Canal needs new retail with varied price points and uses to reflect the customer mix. Schwarcz recommends more restaurants, including fine dining, plus a landmark retail-entertainment venue, such as a Niketown. Rubenstein proposes small boutiques with local character, like those on adjacent Magazine Street.

Ragas says sufficient demand exists for more European-style cafés and such basic needs-type retailers as a Whole Foods store, a pharmacy with delivery, a computer store and even a scaled-down discount store such as Wal-Mart. "These uses together will not fill all the available storefronts," he conceded, "but they can sure put a dent in it!"