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Empty aisles, big questions: The future of NYC retail after Rite Aid closures

Experts weigh in on what the future holds for these vacant storefronts

More than 30 Rite Aids in New York City are set to close, and some may be difficult to fill. (CoStar)

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A fresh batch of vacant storefronts is popping up across New York City.

After shuttering stores in the Big Apple last year, Rite Aid decided to close another batch of stores last month. The Philadelphia-based Rite Aid filed for Chapter 11 protection from creditors, and the company handling the sale of its properties released a list of the more than 1,200 sites across 15 states that are up for bid.

The list includes 35 Rite Aids in and around New York City. The stores, spread across every one of the five boroughs, present a unique leasing challenge as they are larger than most storefronts in the city, which typically measure less than 5,000 square feet.

CoStar reached out to NYC experts to get their take on this news and what it means for the health of the city's retail scene.

Meet the NYC retail experts

Click images for bios

Organization Marcus & Millichap Lee & Associates M.C. O'Brien

Alex Arustamian
Marcus & Millichap

Peter Braus
Lee & Associates

Topic: Vacancy

CoStar: Pharmacy closings have been occurring since last year, with some shuttered stores still sitting vacant. What's really keeping them from getting leased — is it size, layout, location or something else?

***Alex Arustamian*:** It's a mix of format, location and landlord expectations. Most former pharmacies are 5,000 to 10,000 square feet, which is an awkward size. Too big for local operators, not quite right for national tenants. Some are laid out deep and dark, with legacy pharmacy configurations that don't translate well to modern retail. The best-located spaces will get filled. But the secondary ones will sit, and in many cases, landlords are holding out for pre-COVID pricing or ideal tenants instead of adapting to the market. The spaces that linger usually do so for a mix of reasons: layout, foot traffic, neighboring tenancy, or just owners not ready to reset expectations.

***Peter Braus*:** Well, they are slowly leasing up. The bankruptcy process is long and cumbersome, and many of the Rite Aid stores only recently hit the market. Others are still under lease to their landlords and working their way through the courts. Other pharmacies, like Walgreens & CVS, have given up stores, but some landlords aren't willing (or able) to make deals. They might not be willing to lease at a lower rent than what they were getting, or may not be willing or able to pay for the buildout and renovations demanded by new tenants. Some will need to sell because they don't have the resources to make a new deal. Still others might have a mortgage that is no longer serviceable and might lose their properties to the lender. We are, however, seeing demand, mostly from discounters (like dollar stores) or smaller mom-and-pop groceries.

William O'Brien: There could be a number of reasons. First, fewer retailers are looking to expand into brick-and-mortar locations. Additionally, some landlords had benefited from elevated rents that, in many cases, can no longer be replicated in the current market — leading to unrealistic expectations. Some landlords are also facing issues with their lenders, leaving them in limbo or under financial duress, which can make transacting difficult, if not impossible. Lower rents can complicate refinancing, often requiring a capital infusion from partners — something that can be particularly challenging. This is especially true for multigenerational property owners with extended family interests in certain assets.

Topic: Leasing

CoStar: With over 30 Rite Aid closures this year alone — dumping nearly 400,000 square feet of retail space on the NYC market — how long do you think it'll take for these spaces to move? And which locations are most likely to lease first, and why?

O'Brien: The old adage "location, location, location" still holds true, but timing and owner expectations around current market conditions will ultimately drive absorption. Prime sites with motivated owners may get snapped up quickly, while properties in less dynamic markets could sit vacant for up to a year.

Arustamian: This is going to take time. A 24- to 36-month absorption period is realistic unless there's a major repositioning push. The highest-traffic corners with strong pedestrian flow and visibility will lease first. Some of those will attract grocery stores, quick-service restaurants, urgent care or boutique fitness tenants. But the rest will move slowly, especially in quieter residential pockets where retail demand is thinner and foot traffic is inconsistent.

Braus: The NYC locations will go pretty quickly. Most of the Manhattan stores (there weren't that many) already have multiple offers. The prime outer-borough locations, such as those in Bay Ridge in Brooklyn or Riverdale in the Bronx, will also lease quickly. These areas have low retail vacancy, and there really aren't many sites like these, especially the ones with parking. Rite Aid tended to choose good real estate.

Topic: Retail strategy

CoStar: New York retail has recently seen a luxury apparel and dining boom — but clearly that momentum hasn't reached everyone. What do you think large-format national chains need to do differently to avoid ending up like Rite Aid?

Braus: Rite Aid is a victim of the same headwinds affecting its competitors (Walgreens and CVS), who are also closing stores, but have avoided bankruptcy. Rite Aid was previously in Chapter 11 and never really recovered, so its balance sheet was always a little shaky. The dominance of Amazon has hit this sector hard. Ironically, the small local pharmacies that were put out of business by the big three chains are now thriving here in New York because they offer a better, more personalized experience. Customer service at the big stores is a joke.

O'Brien: In the outer boroughs, we haven't seen a significant influx of luxury apparel retailers. In fact, that segment has been impacted by recent tariffs, and most expansion plans have been put on hold. On the other hand, there has been a noticeable proliferation of food-related tenants, primarily in the fast-casual and takeout categories. Sit-down, white-tablecloth restaurants have not meaningfully entered the boroughs. Additionally, the typical 10,000-square-foot footprint left behind by stores like Rite Aid is too large for most food concepts to absorb.

Arustamian: Too many national chains have relied on cookie-cutter site selection and rigid lease structures. What works in Midtown Manhattan won't necessarily work two neighborhoods over. The operators that succeed are the ones who take a more localized approach: right-sizing their footprints, picking locations with block-level insight, and building stores that are flexible enough to serve both customers and fulfillment needs. It's not about rolling out a prototype anymore. Every location needs to earn its footprint.

Topic: Future tenants

CoStar: These former pharmacies are big, boxy and often on corner lots — what kind of tenants do you realistically see taking over these larger-format retail spaces in today's market?

Braus: As mentioned, discounters and smaller, locally owned grocers primarily.

Arustamian: We're seeing interest from medical users like urgent care and specialty clinics. Grocery stores, especially discount or smaller-format operators, are also particularly active when there's on-site parking. Early education and day care are in the mix, too. But in a lot of cases, the only real path forward will be subdivision or redevelopment, especially for the outlier sites where retail demand just doesn't justify the size.

O'Brien: In most cases, supermarkets are the ones snapping up these sites — some are purchasing them outright, while others have secured leases. We've also seen a few traditional mercantile users, such as discounters and other value-oriented tenants, take space. However, in Brooklyn and Queens specifically, supermarkets are taking over more former drugstore locations than any other retail category.

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