

**ERA**

**Economics Research Associates**



Market Analysis Report

**For Times Square Retail Marketing  
Strategy**

For

**Times Square Alliance**

Submitted by

**Economics Research Associates**

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**ERA Project No. 15391**

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## **I. Executive Summary**

Economics Research Associates (ERA) was retained by the Times Square Alliance to assist in developing a strategy to attract a new mix of retailers and restaurateurs to the area. This was, in part, a response to the needs of area office employees, many of whom expressed dissatisfaction with the type and style of retail and food venues that are available to them.

Building upon previous studies conducted and commissioned by the Times Square Alliance, ERA sought to identify “new” Times Square consumer markets -- beyond the visitors that the current mix of retailers and restaurateurs have successfully reached.

Once those markets and the spending potential that they represent were quantified, ERA looked at the physical characteristics within the boundaries of the Times Square Alliance, to identify an area that could accommodate a critical mass of new retail and restaurants. This effort identified 8<sup>th</sup> Avenue between 42<sup>nd</sup> and 53<sup>rd</sup> Streets, as well as 7<sup>th</sup> Avenue and Broadway between 49<sup>th</sup> and 53<sup>rd</sup> Streets, as having the greatest potential to accommodate change.

A retail vision for these areas was then developed, as well as a list of representative retail tenants and building owners of key re-tenanting sites.

Finally, ERA developed a series of outreach strategies that can be implemented over time in order create a new retail area for Times Square.

The following summarizes the findings contained in this report:

### ***The Opportunity***

- Today, there is a “New West Side Story” to tell.
- Times Square is evolving into a vibrant 24-hour community, comprised of the young and upwardly mobile residents in Hell’s Kitchen and Clinton, globally influential office workers, as well as visitors to New York City.
- These markets combined have the potential to generate approximately \$4 billion in total retail spending.
- Approximately \$1.2 billion in retail spending potential could be captured by Times Square retailers and restaurateurs.
- Currently, only \$994 million is being captured of these markets, resulting in lost revenue potential.

This provides an opportunity for those who understand the “new” demographics of Times Square to successfully penetrate this lucrative market.



### ***Resident Market Characteristics***

- Area residents represent over \$600 million in potential spending.
  - Over \$265 million on clothing and household goods
  - Over \$122 million in potential spending on food and beverage
- Based on demographic trends of residents, it is clear that the Times Square area has the potential to become the “next” Chelsea and as such can support a new type of retailer.
- New York Magazine described the new neighborhood around Times Square as the place where “young, monied professionals and a sizable gay community have joined the blue collars and largely Latino old-timers.” Many of them are in the 20 to 39 year age group- a key consumer spending market.
- Median household income for residents under 25 years is \$58,000 per year, twice that of Chelsea residents.
- Median household incomes of those between 25 and 34 are on par with those in Chelsea.
- Over 70 percent of households can be characterized as “Urban Up and Comers” and “Successful Singles” – trend-setters in areas such as music, fashion and design and key consumer markets for household furnishings, books and electronics.

### ***Office Market Characteristics***

- One in four Midtown office employees (almost 160,000) work in buildings found within the Times Square Alliance boundaries.
- Corporations with global influence such Viacom, Bertelsman, Random House, Conde Nast, Lehman Brothers, Morgan Stanley and Ernst & Young have brought a new sophistication to the Times Square area.
- These employees have a demographic that is similar to new area residents, providing a 24/7 marketing opportunity.
- In excess of \$744 million of annual retail spending potential is represented by office employees and corporate visitors, 70% of which is spent on food and beverage and the remainder on general retail goods.
- With 90 percent of recently surveyed office workers indicating that they prefer to go outside the Times Square area for apparel and 60 percent dissatisfied with current restaurant venues, there is tremendous upside potential for new entrants into the market.

### ***Capturing the Potential***

- 8<sup>th</sup> Avenue, capitalizing on the energy of Times Square and the neighborhood character of 9<sup>th</sup> Avenue, presents an opportunity for retail redevelopment.
- Rents are significantly lower than those in prime Times Square locations.
- Proximity to visitors, office workers and new residents provides a broad market base.
- New buildings coming on line will include space for larger tenants.
- The area around 42<sup>nd</sup> Street and 8<sup>th</sup> Avenue is the most heavily trafficked, yet most inconsistent with the new vision for Times Square.
- A large anchor tenant (strategically located on/near the corner of 42<sup>nd</sup> Street and 8<sup>th</sup> Avenue) and several notable restaurants are critical for catalyzing change, particularly south of 46<sup>th</sup> Street.
- Home furnishing retailers, gift stores, gourmet food stores that cater to the new Clinton resident are key tenants for the streets north of 49<sup>th</sup> Street, while restaurants and small boutiques adjacent to Restaurant Row will draw office workers and visitors west of Seventh Avenue and Broadway.

### ***Next Steps***

#### **Landlord Outreach**

- The Times Square Alliance should gain the cooperation of Times Square landlords, especially those that control multiple store front and potential development sites, in order to create potential space for targeted tenants.

#### **Broker Support/Marketing Materials**

- The Times Square Alliance should continue and enhance its strategic role as a clearinghouse of information for the retail and brokerage communities.
- A list of potentially available stores, with supporting information and contact information, should be disseminated on a monthly basis.
- A brochure that incorporates the demographic profile of the Times Square consumer markets should be developed.



## **Public Relations**

- Efforts should be made to create a “buzz” about the *New West Side Story*, through articles in retail and real estate trade publications, participation in industry conferences and developing testimonials from influential retailers and restaurateurs in the area.

## **Tenant Outreach**

- Once potential available space has been identified, marketing materials produced and a public relations campaign has been launched, the Times Square Alliance will have the tools to effectively approach potential tenants. Finding an anchor tenants and noteworthy restaurants should be a priority, as they have the ability to attract other retailers and a broad consumer base.

## **Conclusions**

The Times Square Alliance needs to have realistic expectations about the implementation of this redevelopment strategy. Landlord’s goals in terms of timing and rental rates may be in conflict with the goals of the Alliance. As most retailers are hesitant to enter an untested market, it also may take some time to land an initial tenant. However, once the first tenant is in place, other retailers will soon follow. Given these initial constraints, it makes sense to initially focus the redevelopment efforts along the main avenues and wait to assess the results before considering a potential strategy for the side streets.

In order to facilitate the redevelopment process, the Alliance should make marketing materials and transaction information available to everyone on a timely basis. The Alliance should also consider offering incentives for landlords and potential tenants, including the provision of assistance wherever possible to improve signage, storefronts, and streetscapes.

The final, and most important, consideration is to realize that this process is not a quick fix. The Alliance should map out a realistic timetable, identifying necessary steps and goals and stick to them.

## II. Key Consumer Groups

This section provides key insights about the spending power and lifestyle preferences of the dynamic groups of consumers that live, work, play, eat and shop in the Time Square area. Long known as a major tourist destination and the epicenter of New York’s entertainment industry, Times Square is evolving into a vibrant 24-hour community, comprised of the young and upwardly mobile residents in the Hell’s Kitchen and Clinton neighborhoods and a diverse group of office workers employed in globally influential companies ranging from MTV to Ernst & Young to Condé Nast.

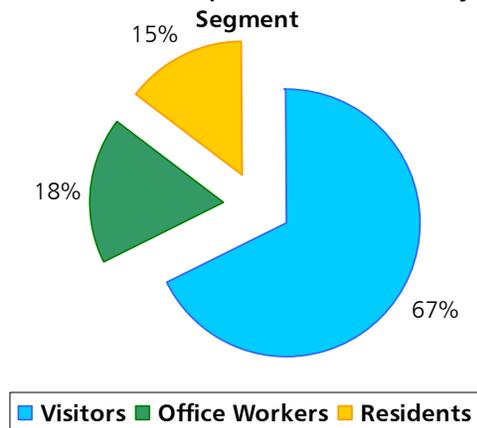
In addition, there are millions of visitors to New York City that pass through Times Square representing a significant market for retail goods and services that serve them, such as the Virgin Megastore, Olive Garden, the Hershey Store, and Toys ‘R Us that are found along Broadway and in the Theater District. It is the residents and office workers, however, which offer a largely untapped market with the potential spending power to support non-tourist oriented stores and restaurants in other Times Square locations.

In terms of total retail spending, the residents, office workers, and visitors represent a \$4 billion market. Although the distribution of expenditure potential across the three major market segments skews the relative importance of the visitors, it should be noted that office workers and residents are more “captive” markets and therefore are more likely to spend in the area. The following paragraphs detail the characteristics and spending behaviors of the three consumer markets and the subsequent implications for retail development in key opportunity areas in Times Square.

**Figure 1: Market Size and Total Retail Sales Potential by Times Square Consumer Segment**

Consumer Segment	Market Size	Spending Potential
Residents	33,360 households	\$608.2 million
Office Workers	158,645 employees; 4.1 million office visitors	\$744.0 million
Visitors	10.5 million day visitors; 15.8 million overnight visitors	\$2.8 billion
<b>TOTAL</b>		<b>\$3.9 billion</b>

**Distribution of Retail Expenditure Potential by Market Segment**



## Residents

The March 10, 2003 *New York Magazine* description of the new neighborhood sprouting up around Times Square as the place where “young, monied professionals and a sizable gay community have joined the blue collars and largely Latino old-timers”, aptly summarizes the ongoing demographic shift that makes the area’s residents a prime target for new retail development.

The resident market of Times Square<sup>1</sup> compares favorably in terms of overall size, age distribution, youthful affluence, and lifestyle characteristics to another thriving Manhattan neighborhood that has experienced a retail renaissance over the past decade— Chelsea<sup>2</sup>.

Based on data from ESRI Business Solutions, as of 2003 there are an estimated 33,360 households in Times Square and 28,968 in Chelsea, respectively. Both neighborhoods have historically been a top destination for young professionals either starting out in the workforce or moving their way up to executive level positions, with people between 20 to 39 years of age representing the greatest in-migration of new residents between 1990 and 2000. This trend is forecast to continue through 2010, suggesting that older residents will make way for a fresh wave of young professionals ready to spend in neighborhood shops, bars and restaurants. The distribution of residents by age in 2003 further demonstrates the youthful character of Times Square residents, as 71 percent of the population is under the age of 50, as compared to 70 percent of the population in Chelsea.

<sup>1</sup> This analysis considers Times Square residents to be those living in the 14 Census Tracts that comprise the area that is approximately south of 59<sup>th</sup> Street to 38<sup>th</sup> Street, west from Avenue of the Americas to the Hudson River.

<sup>2</sup> Defined as ZIP Code 10011.

Figure 2: Net Migration of Residents by Age Cohort<sup>3</sup>

Age	Times Square % Growth		Chelsea % Growth	
	'90 to '00	'00 to '10	'90 to '00	'00 to '10
10 to 19	-19%	-8%	-12%	-5%
20 to 29	312%	278%	239%	222%
30 to 39	19%	14%	24%	3%
40 to 49	-33%	-25%	-33%	-19%
50 to 59	-23%	6%	-27%	-2%
60 to 69	-24%	-9%	-29%	-15%
70 to 79	-40%	-20%	-37%	-24%
Over 85	-51%	-28%	-44%	-26%

Source: US Department of Commerce, Census Bureau; ESRI Business Solutions; Economics Research Associates

<sup>3</sup> Cohorts are a way to measure the migration patterns of age groups over time, e.g. the age cohort between 10 and 19 years in 1990, will be between the ages 20 and 29 in 2000. Comparing the size of the population between 10 to 19 years in 1990, to the population between 20 and 29 in 2000 provides a measure of how many people moved into an area between the ages 20 and 29 versus those that were 10 to 19 have remained there since 1990.

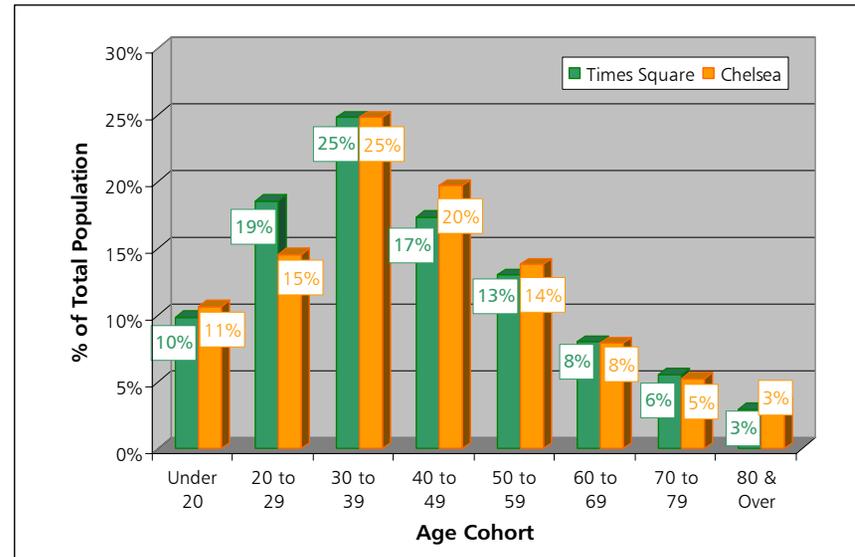
Not only are Times Square residents young, they are also more affluent than your typical 20 or 30 something living in Manhattan. The median income of Times Square households under the age of 25 is approximately \$58,000, almost twice the median income of all Manhattan households under 25, and over two and one-quarter times greater than the median income for similar households in Chelsea. Times Square households between the ages of 25 and 34 demonstrate a similar level of affluence, with a median household income of \$75,000, almost \$10,000 higher than the median for 25 to 34 year-olds in all of Manhattan, and on par with Chelsea households in the same age range.

The overall median household income in Times Square is \$66,252, reflecting the fact that higher levels of income observed amongst younger residents is skewed downward by a less affluent older population. This is not surprising, and is consistent with the migration patterns of area residents that suggest that as younger professionals begin to age they choose to relocate to places that better suit their needs and changing lifestyle preferences.

This presents an opportunity to market toward a demographic that is the focus of the targeted merchandising campaigns of several national retailers, especially those in the apparel and household furnishings category. According to research conducted by the International Council of Shopping Centers<sup>4</sup>, companies such as J. Crew, Anthropologie, and Kenneth Cole are testing new concepts to appeal to the 25-to-34-year-old understanding that “retailers targeting this segment today are poised to reap the benefits tomorrow.”

<sup>4</sup> “Tapping the 25-34-Year-Old Consumer”, *ICSC Research Quarterly* 10.4 (Winter 2003-2004), 11-12.

**Figure 3: Age Distribution of Times Square & Chelsea Residents**



Source: ESRI Business Solutions; Economics Research Associates

**Figure 4: Median Household Income by Age of Householder**

Age of HH	Median Household Income		
	Times Square	Chelsea	Manhattan
Under 25	\$57,892	\$24,500	\$33,779
25 to 34	\$74,873	\$82,353	\$65,450
All HHs	\$66,252	\$77,466	\$66,850

Source: ESRI Business Solutions; Economics Research Associates

## Creative and Diverse Residents

Resident characteristics beyond age and income provide further indication that Times Square has evolved into an equally vibrant community as Chelsea, and area residents are therefore likely to demonstrate similar spending patterns, both in terms of total dollar amount and the types of retail where the dollars are spent.

Utilizing methodology developed by Carnegie Mellon professor and economic development expert Richard Florida<sup>5</sup>, the level of creativity and diversity of Times Square residents has been measured and compared to those in Chelsea and Manhattan. Places with a high concentration of creative and diverse types typically reflect a forward thinking consumer environment, where people are willing to experiment with new products and concepts.

Creativity is measured by the types of occupations held by the labor force of a given area, with professions in the arts and sciences ranking as the most creative and those employed in low-end service jobs and construction requiring the least amount of creativity. With a large share of the labor force working in the arts, media, and a variety of professional services, approximately 70 percent of Times Square residents are employed in creative occupations. This places Times Square slightly below the Chelsea creative labor force (estimated at 78 percent of the total working population) but above the Manhattan labor force, of which only 66 percent can be found in creative positions. The relatively larger share of creative occupations found in the Chelsea labor force is likely attributable to the concentration of galleries and design studios found in this neighborhood that are otherwise lacking in Times Square.

**Figure 5: Creative Occupations in the Labor Force, Times Square and Chelsea**

Occupation	% of Total Labor Force	
	Times Square*	Chelsea**
Management	15.5%	16.4%
Arts, Ent., Design, Sports & Media	14.8%	19.6%
Sales	12.8%	10.7%
Business & Financial	9.8%	7.5%
Legal	5.0%	5.4%
Education	3.9%	6.2%
Computers & Mathematics	3.8%	3.8%
Healthcare	2.6%	4.2%
Life, Physical, & Social Science	1.2%	2.1%
Architecture & Engineering	0.9%	2.2%
<b>Creative Occupations Total</b>	<b>70.2%</b>	<b>78.0%</b>

\* Based on year 2000 labor force of 33,120  
 \*\* Based on year 2000 labor force of 31,030

Source: US Department of Commerce, Census Bureau; Richard Florida, *The Rise of the Creative Class*; Economics Research Associates

<sup>5</sup> Richard Florida, *The Rise of the Creative Class* (New York: Basic Books, 2002).

Diversity amongst the resident population allows for a variety of retailers to thrive by capturing sales from market segments with different lifestyle preferences and consumer behaviors. Times Square residents are a prime example, and represents a market comprised of a mix of people that are:

**Foreign born:** 29 percent of Times Square residents were born in a foreign country and have brought with them a variety of cultures, tastes, and expectations to the neighborhood.

**Gay:** Many retailers have realized the lost potential from ignoring this growing and trendsetting market. Companies such as IKEA, Washington Mutual, Subaru, and IBM have all been courting this segment with revamped advertising campaigns. The share of same sex partners in Times Square (albeit not a complete representation of the gay community) is approximately 9 percent of all couples in the area, while below Chelsea (18 percent), it is above Manhattan (5 percent) and the United States (1 percent).

**Educated:** Many of the country’s most popular and respected brands — Whole Foods, Apple, etc. – value an educated consumer. Approximately 58 percent of Times Square residents over the age of 25 have at least a Bachelor’s degree, compared to 49 percent of Manhattan as a whole, and only 24 percent nationwide. Considering that many of Times Square residents are under 25, the true size of the educated population is likely to be larger than the data indicates.

**Both long time New York residents and new to the City:** According to the 2000 Census, 70 percent of Times Square residents lived in New York City in 1995, while 21 percent moved to the area from other parts of the country and 9 percent had been living abroad five years prior. This suggests that potential retailers and restaurateurs have the opportunity to be the first to “sell New York” to 30 percent of the neighborhood population.

**Figure 6: Other Resident Characteristics, 2000**

Characteristics of 2000 Population	Times Square	Chelsea	Manhattan
<b>Foreign Population:</b> % of Population Foreign Born	28.8%	18.9%	29.4%
<b>Gay Population:</b> % of Couples that are same sex partners	9.3%	17.7%	4.7%
<b>Resident Education:</b> % of population over 25 with Bachelor’s degree or higher	58.0%	68.6%	49.4%
<b>Previous residence in 1995*:</b> % of population in Same City/Town	70.1%	76.0%	79.0%
% of population Elsewhere in the US	20.6%	17.5%	13.9%
% of population Abroad	9.1%	6.3%	3.9%
* May not add to 100%			

Source: US Department of Commerce, Census Bureau; Richard Florida, *The Rise of the Creative Class*; Economics Research Associates

## Resident Psychographics

Psychographic data, provided by national market research firm Claritas, Inc., takes the analysis of demographics one step further and allows for insight about a consumer group’s lifestyle preferences, values, and behaviors. The segmentation of Times Square households into lifestyle categories reveals that the majority (over 86 percent) of households are comprised of either “Urban Up and Comers” (49 percent) or “Successful Singles” (37 percent). Further details about the market segments reinforce the idea that area residents are young and upwardly mobile.

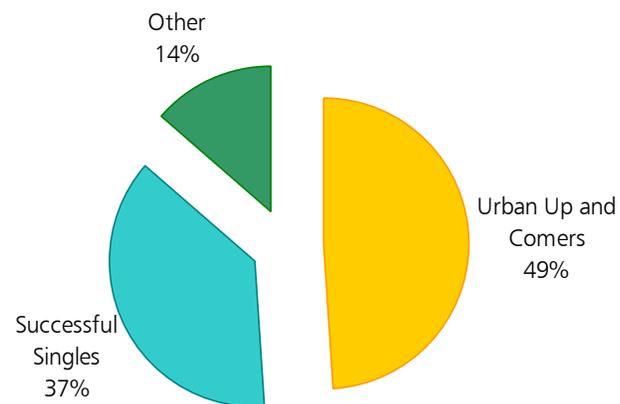
### Urban Up and Comers (49% of Times Square households):

According to Claritas, the Urban Up and Comers segment is comprised predominantly of singles that live alone or in non-family households. Likely to be recent college graduates, they are typically highly-educated and are employed in white-collar industries. This segment is an active group that enjoys regular exercise and foreign travel. They are also trendsetters in areas such as fashion, music, and design. Many members of this segment are moving into their first apartment and are likely to have purchased furniture and home accessories in the past year. As a group that is always on the go, many members of this segment own portable electronic devices such as laptops and iPods.

### Successful Singles (37% of Times Square households):

This segment can be interpreted as Urban Up and Comers with more “real world” experience, higher incomes, and maturing tastes. Like their younger counterparts, Successful Singles are likely to live in single or unmarried couple households and prefer a more active lifestyle. While not so focused on trends, this group prefers cafes and museums to bars and nightclubs. With many Successful Singles becoming first time homeowners, this segment tends to spend on household goods, including furniture, books, and electronics.

Figure 7: Resident Psychographics, Times Square Households\*



### Who are Urban Up and Comers & Successful Singles?

- Single, educated, & part of the white collar labor force
- Renters & first-time homeowners
- Frequently travel, exercise, visit cultural facilities, & SHOP
- “On-the-go” & “Trendsetting”
- Likely to eat out, purchase home goods, furniture, books, & apparel for both work & play

Source: Claritas, Inc.; Economics Research Associates  
 \*Percentages reflect share of total households in Times Square.  
 “Other” category is comprised of 14 market segments.

## Resident Spending Potential

The highly favorable demographic characteristics of the resident market are borne out in an analysis of household expenditure potential suggesting that, in 2003-dollar terms, the average household spends approximately \$18,123 on retail goods and services annually<sup>6</sup>. In an area with approximately 33,360 households, this translates into over \$608.2 million in total expenditure potential that can be captured by new and existing retailers in Times Square.

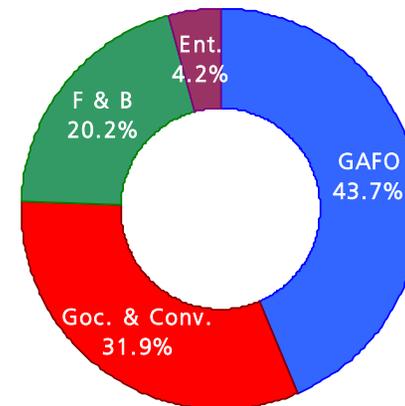
As indicated in the psychographic profile, Times Square residents are allocating a significant share of their total annual spending to retail in the GAFO category (General merchandise, Apparel, Furnishings, and Other). Approximately \$265.8 million, or 43.7 percent of total resident retail expenditure, is being spent on clothing and household goods in stores across Manhattan. Residents are also hungry for new restaurants like Blue Fin and Ruby Foo’s, indicated by an annual food and beverage expenditure of over \$122.8 million (20.2 percent of total expenditure). The remaining 36.1 percent of total resident spending is allocated toward convenience goods such as groceries and personal care products (31.9 percent), and entertainment related expenditure for fees and admissions (4.2 percent).

<sup>6</sup> ERA adjusted findings on national spending behavior from the US Bureau of Labor Statistics, 2002 *Consumer Expenditure Survey* to reflect spending patterns unique to New York City and the age and income distributions of residents in the Times Square area.

Figure 8: Resident Spending Potential (2003 \$’s)

Retail Category <sup>7</sup>	Per HH Expenditure*	Total Expenditure**
GAFO	\$7,969	\$265,840,000
Food & Beverage	\$3,684	\$122,880,000
Groceries & Conv.	\$5,812	\$193,870,000
Entertainment	\$767	\$25,580,000
<b>TOTAL</b>	<b>\$18,231</b>	<b>\$608,170,000</b>

Category Share of Total Expenditure



Source: US Department of Commerce, Bureau of Labor Statistics; ESRI Business Solutions; Economics Research Associates

\* Based on average spending for 33,360 Times Square households.  
 \*\* Total varies slightly due to rounding.

<sup>7</sup> Based on the 2002 *Consumer Expenditure Survey*

- **GAFO:** Apparel; Household Furnishings; TVs, Radio, & Sound Equipment; Sporting & Other Recreation Goods; Pets & Toys; Books & Reading materials
- **Food & Beverage:** Food Away From Home; Alcohol Away From Home
- **Groceries & Convenience:** Food at Home; Personal Care Products; Housekeeping Supplies; Tobacco; and Alcohol at Home
- **Entertainment:** Fees & Admissions



ERA cautions that it is unlikely that a revitalizing Times Square can capture all of the resident spending potential, as people will continue to shop at national retailers and one of a kind boutiques and eat at restaurants in other parts of the City. However, this does not preclude similar types of stores and restaurants from entering the market and capturing a significant share of these dollars based on the potential proximity to a high-spending consumer market.

### Office Workers

Midtown Manhattan is the largest business district in the US, boasting over 601,000 office employees, with over one in four working in the buildings found within the Times Square Alliance boundaries<sup>8</sup>. This translates into approximately 158,645 employees working in an area that is home to the world’s leading creative and influential companies that include:

- **Media Giants:** Viacom, Bertelsman
- **Publishers:** Random House, Condé Nast
- **Financial Services:** Lehman Brothers, Morgan Stanley
- **Professional Services:** Skadden Arps, Ernst & Young

The distribution of employment in Times Square, provided by the New York State Department of Labor for zip codes 10019 and 10036, reveals that almost half of the daytime population is employed in either professional services, financial services, information, or entertainment-related industries. In fact, one in four Manhattan workers in the information sector spend their day in the Times Square area.

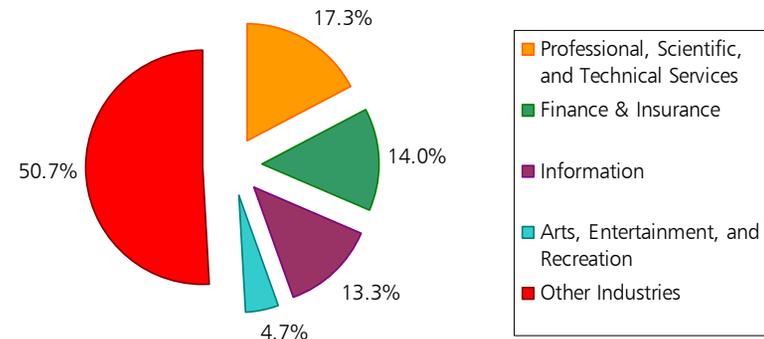
<sup>8</sup> For the purposes of this study the Times Square Alliance boundaries were slightly adjusted to include the area south of 53<sup>rd</sup> Street to 40<sup>th</sup> Street, from the west side of Avenue of the Americas to the Hudson River. This was done in order to utilize an inventory of office space to derive total employment. ERA believes that the insignificant amount of office development west of 8<sup>th</sup> and 9<sup>th</sup> Avenue have a negligible affect on the employment count.

**Figure 9: Midtown Manhattan Office Using Employment**

ABR Colliers Midtown Submarket	Estimated Employees <sup>9</sup>	% of Midtown Total Employment
Midtown Plaza	185,012	31%
Grand Central	140,877	23%
Rockefeller Center	102,533	17%
Times Square	78,448	13%
Midtown West	57,628	10%
Penn/Garment	36,711	6%
<b>Midtown Total</b>	<b>601,209</b>	<b>100%</b>
<i>Times Square Alliance</i>	<i>158,645</i>	<i>26%</i>

Source: Colliers ABR; Economics Research Associates

**Figure 10: Times Square Employment by Industry**



Source: NYS Department of Labor; Economics Research Associates

<sup>9</sup> Based on Q1 2004 occupied office space in each respective submarket. Employment estimates assumes 250 sq. ft. of occupied office space per employee. Estimates subject to change due to fluctuation in vacancy rates and new office inventory.

## Understanding the Office Worker

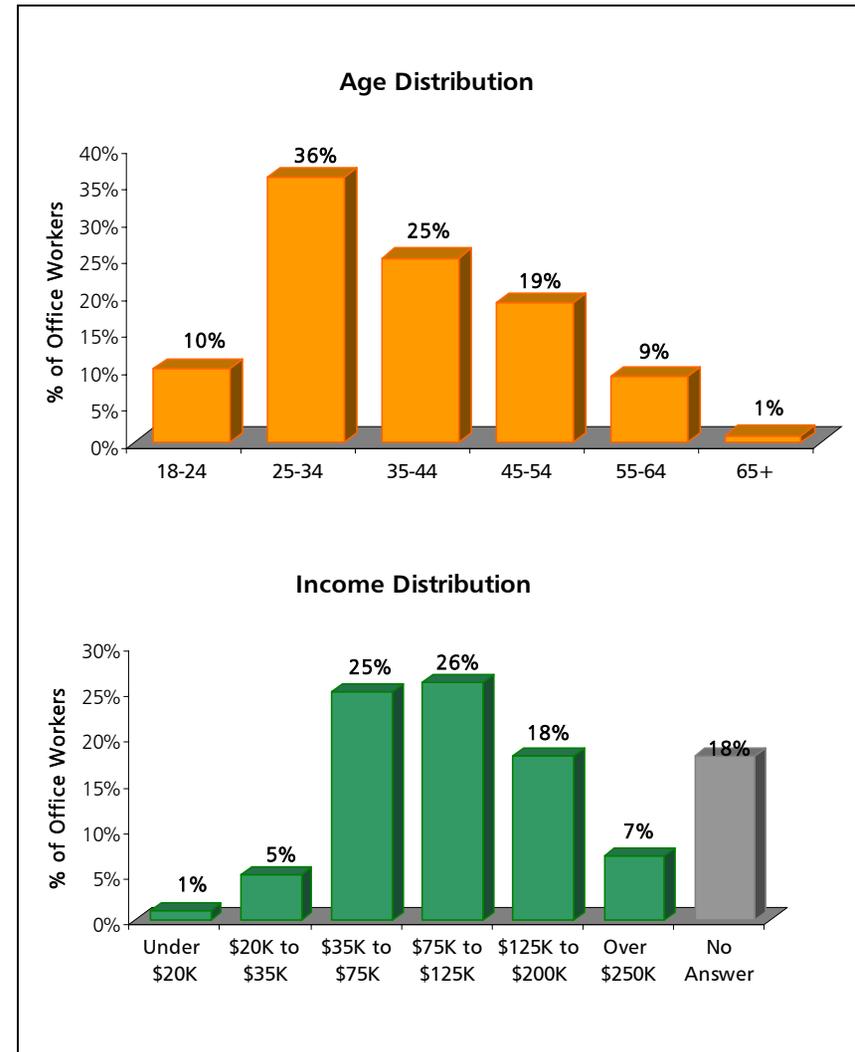
In 2003, the Times Square Alliance retained Global Strategy Group (GSG) to conduct a survey of area office workers in order to gain insight about existing spending behavior and the desire for retail in Times Square. The demographic profile of the survey’s respondents reveals striking similarities to the resident market in that the office workers are mostly young (71 percent under the age 44), without children (73 percent), and highly paid (51 percent report an annual income over \$75,000). This suggests that retailers that cater to the preferences of area residents have the opportunity to capture spending from the exact same demographic almost 24-hours a day.

However, the results of the survey demonstrate that despite the large pool of affluent office workers, the disposable income is not being spent on retail goods and services in Times Square area. Key tabulations from the survey reveal the following:

**Clothing & Shoes:** Given the age and income levels of the office workers surveyed, the retail opportunities for apparel retailers in Times Square is quite compelling. 41 percent of employees spend over \$50 on clothing each time they go shopping and 51 percent spend the same when buying shoes. However, the survey indicates that 75 percent of area employees are unhappy with existing shoe and clothing stores. The level of dissatisfaction is so high that 90 percent of the office workers report that they currently prefer to go outside the area to purchase such items.

**Food & Beverage:** Studies conducted by ICSC and subsequent ERA market research suggest that office workers allocate most of their daytime spending to lunch, entertaining clients at restaurants, and after work drinks.

Figure 11: Times Square Office Worker Demographics



Source: Global Strategy Group; Economics Research Associates

According to the GSG survey, almost 30 percent of office workers surveyed indicated that they spend \$10 or more when they purchase lunch anywhere, and 75 percent spend the same amount for sit-down lunches. Much like the apparel category, the current mix of bars and restaurants does not appeal to the Times Square employee. As a result, 60 percent of workers surveyed report being dissatisfied with current lunch venues and 55 percent express a similar sentiment toward area bars. Despite their dissatisfaction with the selection, three out of four employees purchase lunch “to go” at least once a week in Times Square and almost half of them have a sit-down lunch once a week in the area. However, they would like to see better choices.

While 60 percent of office workers indicated that they spend over \$25 when going out to dinner and 74 percent spend more than \$10 when visiting bars, these activities rarely happen in Times Square. Only 12 percent of those surveyed remain in Times Square after work for dinner and approximately 18 percent stay for drinks. Considering their reported disdain for tourists and crowded sidewalks, office workers are far more likely to enjoy a meal or socialize over drinks elsewhere in the City.

**Figure 12: Office Worker Spending Behavior**

Retail Category	% of respondents whom prefer to spend elsewhere
Clothing	90%
Shoes	89%
Dinner	67%
Drinks	55%

**If employees prefer to spend outside Times Square, where do they like to go?**

**For Clothing & Shoes:**

- “Near Home”
- Downtown
- 34<sup>th</sup> Street Herald Square
- 5<sup>th</sup> Avenue

**For Dinner & Drinks:**

- “Near Home”
- Downtown
- Hell’s Kitchen

Source: Global Strategy Group; Economics Research Associates



## Office Worker Spending Potential

Research conducted by ICSC suggests that the typical New York office worker will spend on average \$4,560 annually on retail goods and services while on the job (including dinner and drinks after work). Recalling that Times Square employs over 158,000 such workers, this translates into approximately \$723.4 million in total annual expenditure potential.

The area’s internationally renowned companies not only employ high-spending workers, they also receive a significant amount of corporate visitors that are likely to eat lunch or have a drink while spending time in Manhattan. As a result, ERA estimates that in a given year there are over 4.1 million visitors to these firms, spending a total of \$20.6 million primarily on food and drink. The Times Square office market therefore generates a combined \$744 million in annual retail expenditure potential.

Given the nature of the businesses in the Times Square area, it is no wonder that the majority of office worker spending is allocated to food and beverage. Based on findings from an ICSC survey of office worker spending behavior and ERA’s experience in similar markets, it is estimated that approximately 70 percent of annual expenditure is spent in bars, restaurants, and quick service lunch establishments. Including corporate visitor expenditure, this translates into \$526.7 million. The remaining \$217.3 million of total expenditure is spent on general retail goods (mainly apparel and accessories).

Office workers should be a highly “captive” market, and therefore a valued consumer segment, based on their proximity to Times Square shops and restaurants for over ten hours during the typical workday. However, as previously indicated with the current mix of tenants, Times Square is losing a significant share of this business to Downtown, 34<sup>th</sup> Street, and other parts of the City.

**Figure 13: Office Worker Spending Potential (\$’s 2003)**

<b>Times Square Office Employees</b>	
Total Estimated Office Employees <sup>10</sup>	158,645
<b>Average Annual Retail Spending per Employee<sup>11</sup></b>	
Food & Beverage	\$3,190
General Retail	1,370
<b>Combined Average Expenditure</b>	<b>\$4,560</b>
<b>Total Annual Expenditure Potential</b>	
Food & Beverage	\$506,078,829
General Retail	217,344,199
<b>Subtotal Employee Expenditure Potential</b>	<b>\$723,423,028</b>
<b>Corporate Visitors</b>	
Daily Office Visitors (@ 10% of total employment)	15,865
<b>Total Annual Expenditure Potential</b>	
Annual Visitation (assumes 260 days)	4,124,780
Average per Capita Expenditure	\$5.00
<b>Subtotal Office Visitor Expenditure Potential</b>	<b>\$20,623,902</b>
<b>TOTAL OFFICE MARKET SPENDING POTENTIAL</b>	<b>\$744,046,930</b>

Source: ICSC; Colliers ABR; Economics Research Associates

<sup>10</sup> Estimate based on total office space in the Times Square Alliance boundaries.

<sup>11</sup> Office worker spending is based on the most recent ICSC survey, which reflects office worker spending in Downtown Indianapolis. Spending patterns for food and general retail have been inflated to reflect the higher cost of living associated with New York City.

## Visitors

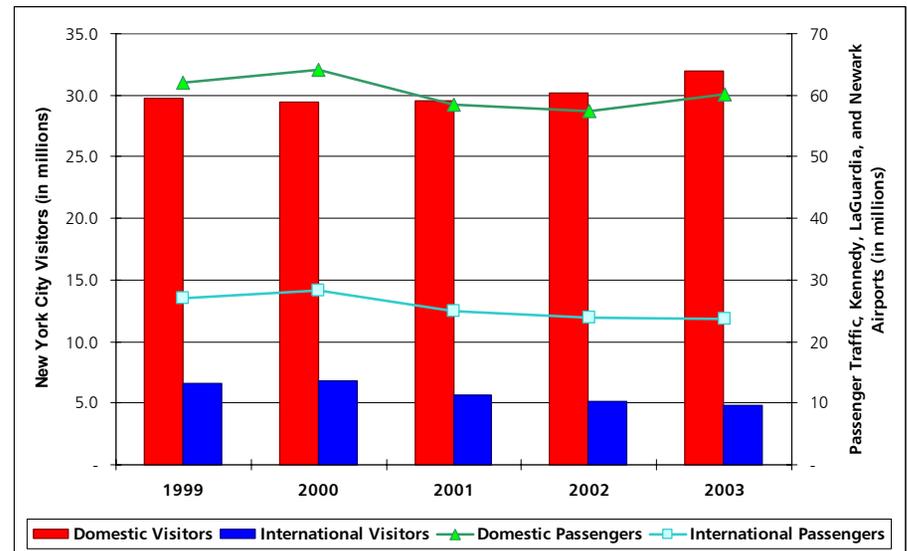
From New Years Eve to major network studios to Broadway shows, Times Square is the first stop in Manhattan for many of the City’s visitors. Regardless of where they come from (domestic and abroad), the vast majority of foot traffic at the intersection of Broadway and Seventh Avenue is attributable to this consumer segment. With the bright lights and larger than life billboards that define the skyline of the “Bowtie”, Times Square is a beacon for travelers to New York City. As the City attracts a growing volume of visitors from across the globe, it can be expected that throngs of tourists will continue to pass through Times Square.

Key indicators of the area’s appeal to visitors include:

- 24,600 hotel rooms in West Midtown, or 35 percent of the total New York City Inventory (*PricewaterhouseCoopers*);
- 40 theaters including all 22 landmark Broadway theaters (*Times Square Alliance*);
- 11.9 million tickets sold to Broadway shows for 2002-2003 season (*League of American Theaters and Producers*) and;
- 500,000 people in Times Square for New Year’s Eve (*Times Square Alliance*).

Data provided by NYC & Company (the Convention and Visitors Bureau) indicate that there was 35.9 million total visits to New York City in 2003. Based on historic visitation patterns, it can be assumed that 55 percent of the total visits were attributable to overnight visitors (19.7 million), with the remaining 45 percent (16.2 million) attributable to day-trippers from nearby regions outside the City.

**Figure 14: New York City Domestic and International Air Passenger Traffic vs. Total Visitors (in millions), 1999 to 2003**



Source: NYC & Company; Port Authority of NY & NJ; Economics Research Associates

## Visitor Spending Potential

Considering the iconic status of Times Square and a concentration of hotels unmatched anywhere else in Manhattan, it is assumed that at least 80 percent of the overnight visitors to New York City are likely to pass through the area. Based on NYC & Company’s estimate of annual visits to the City, this translates to approximately 15.8 million overnight visitors that pass through Times Square. Regional day-trippers are more likely to be repeat visitors, and therefore, there is a greater chance that they have been to Times Square on a previous trip. As such, the share of day visitors to New York City that pass through the area is believed to be slightly lower, estimated at 65 percent of total daytrip visitation, or 10.5 million annual visitors.

In order to better understand the economic impact of tourism on the City, NYC & Company also tracks the spending patterns of visitors to New York. In 2002, it estimated that on a daily basis overnight visitors spend approximately \$34 on food and \$25 on retail items. Similarly, day-trippers are estimated to spend \$43 per day on food and \$46 per day on other types of retail. Assuming that visitor-spending behavior will remain relatively constant over time, it is estimated that Times Square visitors generate in excess of \$2.7 billion in expenditure potential.

The opportunity to capture the spending power of this consumer segment has already been realized by many of the establishments that comprise the entertainment/retail destination that is at the heart of Times Square – including Toys R’ Us, Madame Tussauds, Virgin Records, etc. This is the type of retail that most people associate with Times Square; and this broad tourist appeal is also one of the reasons why most office workers and residents tend to shy away from area shops and restaurants. However, visitors do represent an extremely lucrative market and should not be overlooked in future retail planning.

**Figure 15: Visitor Spending Potential (2003 \$’s)**

<b>Times Square Overnight Visitors</b>	
Annual NYC Overnight Visits <sup>12</sup>	19,745,000
% Passing through Times Square	80%
<b>Times Square Overnight Visits</b>	<b>15,796,000</b>
<b>Average Daily Spending per Visitor<sup>13</sup></b>	
Food & Beverage	\$34.00
General Retail	25.00
<b>Combined Average Expenditure</b>	<b>\$59.00</b>
<b>Average Length of Stay (days)</b>	<b>2.0</b>
<b>Total Annual Expenditure Potential</b>	
Food & Beverage	\$1,074,128,000
General Retail	789,800,000
<b>Subtotal Overnight Visitor Expenditure Potential</b>	<b>\$1,863,928,000</b>

Source: NYC & Company; Economics Research Associates

*(Continued on following page)*

<sup>12</sup> NYC & Co. estimates that 55% of annual visits (35.9 million) to the City are attributable to overnight travelers.

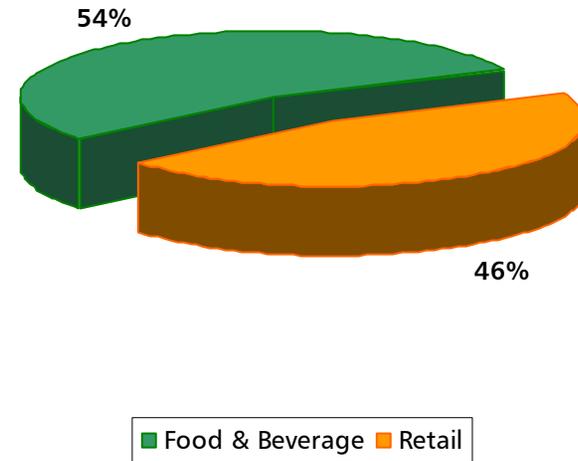
<sup>13</sup> Assumes that overnight visitors spend on average 2 days in NYC.

**Figure 15 (cont.): Visitor Spending Potential (2003 \$'s)**

<b>Times Square Day Visitors</b>	
Annual NYC Overnight Visits <sup>14</sup>	16,155,000
% Passing through Times Square	65%
<b>Times Square Overnight Visits</b>	<b>10,500,750</b>
<b>Average Daily Spending per Visitor</b>	
Food & Beverage	\$43.00
General Retail	46.00
<b>Combined Average Expenditure</b>	<b>\$89.00</b>
<b>Average Length of Stay (days)</b>	<b>1.0</b>
<b>Total Annual Expenditure Potential</b>	
Food & Beverage	\$448,907,063
General Retail	484,819,628
<b>Subtotal Day Visitor Expenditure Potential</b>	<b>\$933,726,690</b>
<b>TOTAL VISITOR EXPENDITURE POTENTIAL</b>	<b>\$2,797,654,690</b>

Source: NYC & Company; Economics Research Associates

**Figure 16: Distribution of Times Square Visitor Spending Potential**



Source: Economics Research Associates

<sup>14</sup> NYC & Co. estimates that 45% of annual visits (35.9 million) to the City are attributable to day-trippers.

### III. Lost Sales Potential

Taking into consideration the magnitude of spending potential available to existing and potential retailers – over \$3.9 billion annually – ERA utilized baseline and optimistic capture rate assumptions (appropriate to the characteristics of each consumer segment) to derive a range of the potential available dollars to be spent in the Times Square area. Key assumptions that drive this analysis are as follows:

- Capture rates are similar to those observed in Lower Manhattan and ERA’s experience in other markets.
- Capture rates were derived based on the expected spending behavior for each consumer market— e.g. office workers are more likely to spend a greater share of their food & beverage expenditure in Times Square due to time constraints and proximity to their place of employment, whereas visitors are free to spend anywhere in the City, and therefore, are a less “captive” market.
- In addition to the captured sales estimates, a 5-percent inflow factor is applied to the captured spending of the combined consumer-based expenditure. This assumes that additional sales are attributable to consumers outside Times Square (which could be residents from other neighborhoods or workers from bordering office submarkets).

The baseline scenario indicates that the total captured sales potential in Times Square is slightly more than \$1.1 billion. Under the more optimistic scenario, ERA assumes a better tenant mix, storefront and façade improvements and an increased synergy generated by projects such as the NY Times Building and the redevelopment of the Port Authority Bus Terminal. As a result, under this scenario captured sales increase to over \$1.2 billion.

Figure 17: Times Square Captured Sales Estimates<sup>15</sup>

Consumer Market	Annual Expenditure Potential (million \$'s)	Capture Rate		Captured Sales (million \$'s)	
		Baseline	Optimistic	Baseline	Optimistic
<b>Residents</b>					
GAFO	\$265.8	35%	40%	\$93.0	\$106.3
F & B	\$122.9	50%	55%	\$61.4	\$67.6
<b>Subtotal</b>	<b>\$388.7</b>			<b>\$154.4</b>	<b>\$173.9</b>
<b>Office Workers</b>					
GAFO	\$238.0	50%	55%	\$119.0	\$130.9
F & B	\$506.1	60%	65%	\$303.6	\$329.0
<b>Subtotal</b>	<b>\$744.1</b>			<b>\$422.6</b>	<b>\$459.9</b>
<b>Visitors</b>					
GAFO	\$1,274.6	18%	20%	\$229.4	\$254.9
F & B	\$1,523.0	18%	20%	\$274.1	\$304.6
<b>Subtotal</b>	<b>\$2,797.6</b>			<b>\$503.5</b>	<b>\$559.5</b>
<b>Combined Markets</b>					
GAFO	\$1,778.4	--	--	\$441.5	\$492.1
F & B	\$2,152.0	--	--	\$639.2	\$701.1
<b>TOTAL</b>	<b>\$3,930.4</b>			<b>\$1,080.7</b>	<b>\$1,193.2</b>
<b>Plus Inflow @ 5%</b>					
<b>Total Captured Sales</b>					
GAFO				\$463.5	\$516.7
F & B				\$671.2	\$736.2
<b>TOTAL</b>				<b>\$1,134.7</b>	<b>\$1,252.9</b>

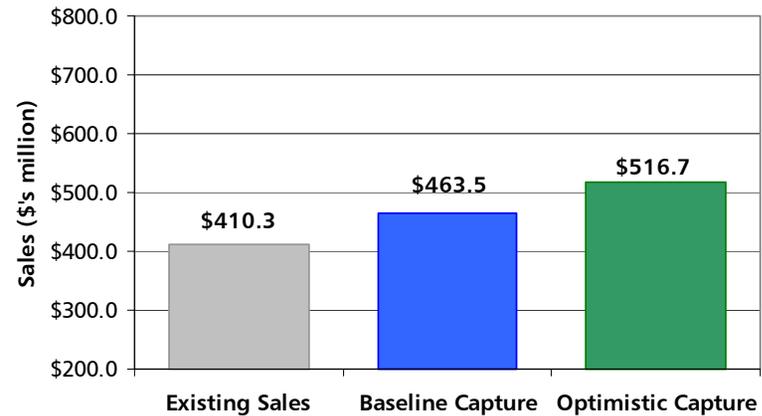
Source: Economics Research Associates

<sup>15</sup> Numbers may not sum due to rounding.

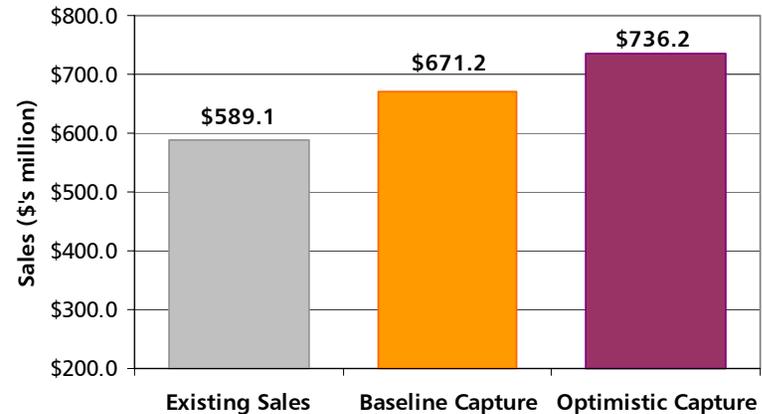
In order to determine sales leakage, or the amount of money that is currently being spent in places other than Times Square, the captured sales potential estimates were then compared to existing retail sales in the Times Square area<sup>16</sup> estimated for the GAFO and food and beverage categories. Data provided by Claritas, Inc. indicate that, in 2003, Times Square generated approximately \$410.3 million in GAFO sales and \$598.1 million in food and beverage sales, respectively. Compared to the range of captured sales potential shown above, this suggests that on an annual basis Times Square loses between \$53 million to \$106 million in GAFO sales. The area also loses between \$82 million to \$147 million in food and beverage sales. The combined retail categories represent between \$135 million to \$254 million is lost sales potential.

ERA believes that much of the lost sales in Times Square are largely attributable to office worker and resident expenditures leaking to other retail concentrations. Therefore, the most significant retail opportunities in Times Square are found in these markets—representing between \$577 million to \$633.7 million in total sales.

**Figure 18: Lost Sales Potential, GAFO**



**Figure 19: Lost Sales Potential, Food & Beverage**



Source: Claritas, Inc.; Economics Research Associates

<sup>16</sup> Existing 2003 sales estimates are based on data provided by Claritas, Inc. for the area south of 53<sup>rd</sup> Street to 40<sup>th</sup> Street, from Avenue of the Americas to the Hudson River.

#### IV. Vision Plan for Retail Development

As part of formulating a strategy to attract new tenants to the Times Square area, ERA spoke with a number of real estate brokers that specialize in finding space for retail tenants. On February 19, 2004, the Times Square Alliance hosted a breakfast, which half a dozen brokers attended. Subsequently, ERA spoke with other brokers who work closely with restaurants and retailers seeking space in Midtown. Among those that the ERA team spoke with include:

- Jeff Roseman, Senior Vice President, Newmark/New Spectrum
- Warren Newcorn, President, Newcorn Real Estate
- Edward Reilly, Senior Director, Butler-Kane Realty
- Gary Trock, Senior Managing Director, CBRE
- Robert Futterman, President, RKF Associates
- Ben Fox, Newmark/New Spectrum
- Gary Alterman, Newmark/New Spectrum
- Mark Finkelstein, President, Retail Strategies
- Andy Kahn, Cushman & Wakefield
- Joanne Podell, Senior Managing Director, Cushman & Wakefield
- David Firestein, President, Northwest Atlantic Properties
- Andrea Stetian, Madison HGCD
- Cheryl Cohen, Vice President, DG Hart

Figure 20: Key Findings from Broker Outreach Process:

- “The biggest issue is rent”
  - Most restaurants cannot afford to pay the high rents that are asked for space on Broadway and Seventh Avenue.
  - Eighth Avenue would be a good alternate location if the rents were affordable. This would be particularly true for restaurants.
- Demographics are critical
  - There is a perception that residents on 9<sup>th</sup> Avenue are poor.
  - Need to tell the story of the area and show that it is as viable as many other areas in Manhattan, i.e. Chelsea or Columbus Avenue
- There is a perception that X-rated stores dominate Eighth Avenue below 45<sup>th</sup> Street and, as a result, restaurateurs and retailers are not willing to locate there.
  - Lower 8<sup>th</sup> Avenue is “still the wild west”
  - Focus on getting restaurants to change the perception
- There is not enough office or residential density to attract national tenants such as Filene’s Basement and TJ Maxx.
- The opening of Time Warner Center has had a positive impact on leasing efforts, particularly above 49<sup>th</sup> Street.

### ***Changing the Dynamic of Times Square***

A key component to maximizing the potential of the Times Square consumer market is to attract retailers and restaurateurs that area employees and residents will embrace as “their own.”

With the character of Broadway and 7<sup>th</sup> Avenue firmly shaped by entertainment and visitor-related retail venues, 8<sup>th</sup> Avenue from 42<sup>nd</sup> Street to 53<sup>rd</sup> Streets and 7<sup>th</sup> Avenue/Broadway from 48<sup>th</sup> to 53<sup>rd</sup> Streets presents the best opportunity to create this alternative shopping and dining district.

The following pages detail a vision for key sectors within the overall district and suggest those tenants that could be catalysts for change. Restaurants, particularly chef-lead and New York-based operating groups, will be critical in changing the area, as they have been in other parts of Manhattan. A large destination retailer, with a strong visual presence and new-to-the-market product offerings, will be important in attracting office workers west to 8<sup>th</sup> Avenue.

**Figure 21: Existing Retail Tenants, 8<sup>th</sup> Avenue**



*42<sup>nd</sup> to 43<sup>rd</sup> Street, west side of 8<sup>th</sup> Avenue*



*44<sup>th</sup> to 45<sup>th</sup> Street, west side of 8<sup>th</sup> Avenue*

### **8th Avenue- 42<sup>nd</sup> Street to 45<sup>th</sup> Street**

The 42<sup>nd</sup> Street corridor has in recent years emerged as one of Times Square's most vibrant and active locations. The 863-room Westin Hotel opened in October 2002 on the corner of 43<sup>rd</sup> and 8<sup>th</sup> Avenue to international acclaim. Along with the cluster of entertainment tenants found in the E Walk development, the hotel attracted visitors west from the heart of Times Square, further advancing the renaissance of the once blighted area.

ERA expects that the momentum in this area will be perpetuated by future projects, including the development of an extended stay hotel at the Milstein site on 42<sup>nd</sup> Street; the completion of the NY Times Tower between 40<sup>th</sup> and 41<sup>st</sup> Streets; future development of office space over the Port Authority Bus Terminal (PABT); and, the potential redevelopment between 43<sup>rd</sup> and 44<sup>th</sup> Streets at the Witkoff/Harwood site.

High pedestrian and PABT commuter traffic, as well as recent retail, hotel, office and residential development on 42nd Street all suggest that the corridor between 42nd and 45th Streets on 8th Avenue can become a lively mix of retail, restaurants and entertainment venues with broad appeal.

Anchored by a large destination retailer, such as a bookstore or national apparel chain, and surrounded by specialty retail and tablecloth restaurants (some with outdoor dining), office workers and residents will find a welcome alternative to the visitor-oriented offerings currently in the marketplace. A list of suggested tenants can be found in Appendix I.

**Figure 22: Vision Plan- 8<sup>th</sup> Avenue, 42<sup>nd</sup> Street to 45<sup>th</sup> Street**

- Lively mix of restaurants and entertainment venues; strong retail anchor
- Captures tourists, office workers, commuters and residents
- Capitalizes on E-Walk, Westin Hotel, Port Authority Bus Terminal

**Figure 23: Potential Sites for Anchor Retail**

- Port Authority Bus Terminal (20,000 sq ft)
- Milstein Site (150,000 sq ft, on 5 levels)
- NY Times Building (12,000 sq ft, & cultural tenant)
- 42<sup>nd</sup> Street and 8<sup>th</sup> Avenue (duplex retail space)

Figure 24: Existing Retail Tenants- 8<sup>th</sup> Avenue, 42<sup>nd</sup> Street to 45<sup>th</sup> Street



Existing Tenant, 42<sup>nd</sup> to 43<sup>rd</sup> Streets- West Side of 8<sup>th</sup> Avenue



Existing Tenant, 44<sup>th</sup> to 45<sup>th</sup>- West Side of 8<sup>th</sup> Avenue

Figure 25: Examples of Proposed Tenants- 8<sup>th</sup> Avenue, 42<sup>nd</sup> Street to 45<sup>th</sup> Street



Retail Category: Food & Beverage  
 Name: City Bakery  
 Location: 9 West 18<sup>th</sup> Street  
 Estimated Size: 4,000 sf



Retail Category: Food & Beverage  
 Name: City Crab  
 Location: 235 Park Avenue South  
 Estimated Size: 7,500 – 9,000 sf

### **8th Avenue- 46<sup>th</sup> Street to 48<sup>th</sup> Street**

Tapping into the strong employee consumer market to the east, including Morgan Stanley and Lehman Brothers, and capitalizing on the existing Restaurant Row on 46th Street, the area between 46th and 48th Streets is envisioned as a mix of food, fashion and gift retailers.

Tablecloth restaurants, as well as casual dining and upscale take-out venues, would have a seven-day-a week market, serving area office workers, visitors and nearby residents. Building on the strength of the proposed retail anchor for 42nd Street, complimentary uses such as jewelry, shoes, cards and gifts, and casual apparel would draw consumers to this area. A list of suggested tenants can be found in Appendix I.

**Figure 26: Vision Plan- 8th Avenue, 46th Street to 48th Street**

- Where area residents meet tourists and office workers
- Restaurants, bars, fashion, and gift retailers

Figure 27: Existing Retail Tenants- 8<sup>th</sup> Avenue, 46<sup>th</sup> Street to 48<sup>th</sup> Street



Existing Tenant, 46<sup>th</sup> to 48<sup>th</sup> Streets- West Side of 8<sup>th</sup> Avenue



Existing Tenant, 46<sup>th</sup> to 48<sup>th</sup> Streets- West Side of 8<sup>th</sup> Avenue

Figure 28: Examples of Proposed Tenants- 8<sup>th</sup> Avenue, 46<sup>th</sup> Street to 48<sup>th</sup> Street



**Retail Category:** Gifts & Accessories  
**Name:** Fish's Eddy  
**Location:** 889 Broadway  
**Estimated Size:** 1,500 sf

**Retail Category:** Florists, Apparel, & Art  
**Name:** UTOWA  
**Location:** 17 West 18<sup>th</sup> Street  
**Estimated Size:** 1,700 – 2,000 sf

### **8th Avenue- 49th Street to 53rd Street**

The growing residential community from 42<sup>nd</sup> Street to 53<sup>rd</sup> Street (and beyond) is a key consumer market for new shops and restaurants along 8<sup>th</sup> Avenue from 49<sup>th</sup> to 53<sup>rd</sup> Streets. Furniture, home furnishing and accessories as well as gifts would give the area a distinct image, serving the influx of affluent, new householders moving to Clinton. National and local in nature, these stores would also appeal to area office workers. In addition, casual dining restaurants with outdoor cafes, gourmet markets and small boutiques would help to create a “neighborhood” feel to this area, similar to that of Ninth Avenue. A list of suggested tenants can be found in Appendix I.

**Figure 29: Vision Plan- 8<sup>th</sup> Avenue, 49<sup>th</sup> Street to 53<sup>rd</sup> Street**

- Mix of local and national retailers, catering to both residents and office workers
- Strong home furnishings orientation
- Most neighborhood oriented stretch of 8<sup>th</sup> Avenue

Figure 30: Existing Retail Tenants- 8<sup>th</sup> Avenue, 49<sup>th</sup> Street to 53<sup>rd</sup> Street



Existing Tenant, 49<sup>th</sup> to 53<sup>rd</sup> Streets- West Side of 8<sup>th</sup> Avenue



Existing Tenant, 49th to 53rd Streets- West Side of 8th Avenue

Figure 31: Examples of Proposed Tenants- 8<sup>th</sup> Avenue, 49<sup>th</sup> Street to 53<sup>rd</sup> Street



**Retail Category:** Personal Care & Home Accessories  
**Name:** Details  
**Location:** 57 Price Street  
**Estimated Size:** 1,500 sf



**Retail Category:** Groceries  
**Name:** Garden of Eden  
**Location:** 310 3<sup>rd</sup> Avenue  
**Estimated Size:** 3,500 sf

### ***Upper 7<sup>th</sup> Avenue and Broadway***

Upper 7<sup>th</sup> Avenue and Broadway are poised for change. A number of buildings in the area were built within the last 20 years, prior to the renaissance of Times Square. From a retail point of view, this was an untested market and, as such, was not successful in attracting strong regional and national tenants. With the turnaround of Times Square, as well as the opening of the Time Warner Center at Columbus Circle, there is great potential to “re-tenant” this area when current leases expire. Modern storefronts with attractive display windows will be an asset in attracting new tenants, particularly those that sell apparel and accessories, eyewear and gifts. A list of suggested tenants can be found in Appendix I.

**Figure 32: Vision Plan- Upper 7<sup>th</sup> Avenue and Broadway**

- Capitalize on activity generated by Time Warner Center in Columbus Circle
- Mix of entertainment venues and dining, catering to all markets
- Increase presence of national tenants

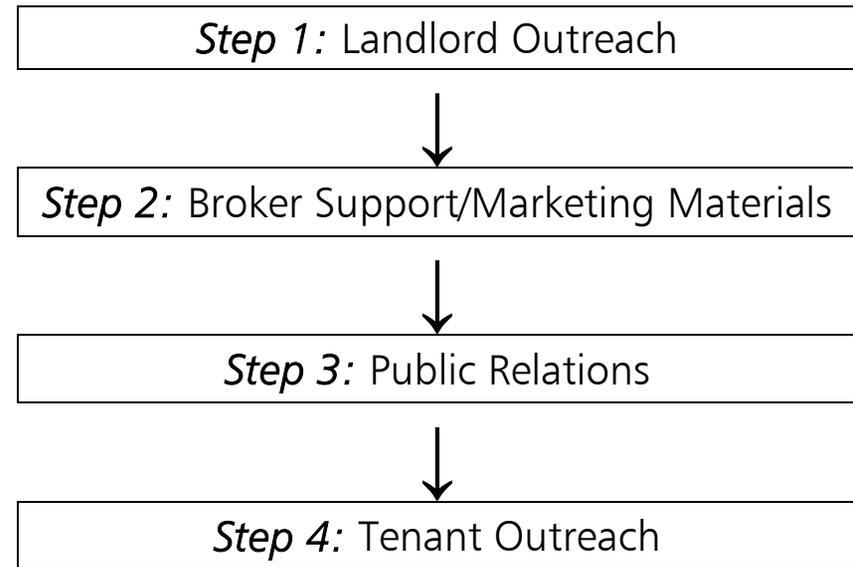
## V. Action/Implementation Plan

ERA has identified four key components that are critical to implementing change and attracting retailers to the Times Square area. This includes a commitment by the Times Square Alliance to engage in landlord and tenant outreach, an enhanced public relations campaign, and dedicated support to the brokerage community. These necessary steps are outlined below.

### ***Step 1: Landlord Outreach***

Gaining the cooperation of Times Square landlords is critical in meeting the objectives of a retail redevelopment strategy. While several buildings with multiple storefronts under control of single owner have been identified (see Appendix I), a disparate group of property owners makes the implementation of a large-scale plan difficult. The Times Square Alliance must forge strong relationships with these key landlords and clearly communicate the goals of the retail vision plan in order to create potential space for new tenants. In addition, understanding the lease terms at specific sites will facilitate the identification of a potential location for an anchor tenant.

Figure 33: Action/Implementation Plan



## Step 2: Broker Support/Marketing Materials

The Times Square Alliance should continue and enhance its strategic role as a clearinghouse of information for the retail and brokerage communities. This should include development of an available space listing (in hard copy and online) that is flexible and easy to update. The database should include key contact information, asking rents, and space specifications—i.e. square footage, floor level(s), and service access. Ideally, vacancies would also be shown on a map detailing the specific block and parcel of the building where the space is located. Terms of completed lease transactions where known, should also be made available. (See Appendix II for a list of recent lease transactions in Times Square.)

The Alliance should also create a printed marketing brochure about the “New West Side Story” that summarizes the data provided in this report. The brochure should include photos of the improved built environment around Times Square (shops on 9<sup>th</sup> Avenue, the Westin Hotel, Off Broadway theater) as well as those that demonstrate a high level of street activity (dining, shopping, coming out of their apartment, etc.). These photos should be supplemented with the demographic characteristics and spending patterns of area residents and office workers. To further demonstrate the success of the market to date, include quotes from some of the area’s high profile retailers should be included. Marketing and broker support is an ongoing process, and therefore it is important to update this information as often as possible.

Figure 34: Actual Quote for Proposed Marketing Materials

*“Being in Times Square, there's really nothing like it! It truly is the center of it all. Opening Blue Fin and Ruby Foo's in this amazing neighborhood have been two of the best business decisions I have made. Over the past five years, I have seen Times Square evolve into a destination for New Yorkers seeking the best of everything - entertainment, dining, culture and nightlife. Times Square - it's not just for tourists anymore!”*

- **Stephen Hanson**  
President, B. R. Guest Restaurants

### Step 3: Public Relations

The power of the press, especially in New York real estate circles, cannot be underestimated and must be a critical element in redefining the retail image of the Times Square area. The Times Square Alliance needs to create “a buzz about the New West Side Story” by writing articles for industry-specific publications and participating in professional organization events. This is a key component in getting the business community thinking about Times Square as a preferred Midtown location for retailing.

Articles can be published in *Nation’s Restaurant News*, highlighting the fact that many of New York’s biggest names in the food business have found a lucrative market in the residents and office workers in the Times Square/Hell’s Kitchen area—Steve Hanson, Simon Oren, Joe Bastavich, etc. Similar articles that raise the profile of 8<sup>th</sup> Avenue and Upper 7<sup>th</sup> Avenue and Broadway can also appear in publications such as *Real Estate Weekly* and *Crain’s*. The theme should focus on this part of Times Square becoming the next “it” place in Midtown. This can be achieved by profiling the potential of area residents and office workers, the assemblages occurring on 8<sup>th</sup> Avenue, and the start of the NY Times and Milstein projects.

Industry events such as the ULI Fall meeting and the upcoming ICSC Fall Deal Making conference present similar opportunities for public outreach. Participating in these events by taking a booth, writing articles, or arranging speaking opportunities will get the word out about Times Square to hundreds of retailers and their leasing representatives.

Figure 35: Potential Public Outreach Opportunities

<p><b>Publications</b></p> <ul style="list-style-type: none"> <li>▪ Nation’s Restaurant News</li> <li>▪ Real Estate Weekly</li> <li>▪ Crain’s New York Business</li> </ul>
<p><b>Meetings &amp; Events</b></p> <ul style="list-style-type: none"> <li>▪ International Council of Shopping Centers             <ul style="list-style-type: none"> <li>○ ICSC New York Conference &amp; Deal Making (New York, December 6-8, 2004)</li> <li>○ ICSC Spring Convention (Las Vegas, May 22-25, 2004)</li> </ul> </li> <li>▪ Urban Land Institute             <ul style="list-style-type: none"> <li>○ ULI Fall Meeting (New York, November 1-5, 2004)</li> </ul> </li> </ul>



#### ***Step 4: Tenant Outreach***

Once potential available space has been identified, marketing materials produced, and a PR campaign has been launched, the Times Square Alliance will have the tools to effectively approach potential tenants. As previously mentioned, finding an anchor tenant and noteworthy restaurants should be a priority, as they have the ability to attract other retailers and a broad consumer base.

Merchandising and retail recruitment efforts should build upon existing success and functional relationships within the vision plan segments— a national apparel or bookstore anchor leading the way for specialty shops and restaurants between 42<sup>nd</sup> and 45<sup>th</sup> Streets; a mix of food, fashion, and gift retailers between 46<sup>th</sup> and 48<sup>th</sup> Streets; neighborhood oriented retail between 49<sup>th</sup> and 53<sup>rd</sup> Streets; and a mix of national and regional tenants in Upper 7<sup>th</sup> and Broadway. This requires the Times Square Alliance to identify and contact suitable tenants that meet these criteria, such as those listed in Appendix II.



## Appendix 1 - Summary of Store Location, Size and Contact Details by Retail Category

Category	Address	Size (sq ft)	Phone
<b>Cosmetics, Accessories, Personal Care</b>			
Ling Skin Care	191 Prince St	1,000	212 982 8833
Details	57 Prince St	1,500	212 366 9498
Bloomie Nails	132 7th Ave	1,500	212 366 4545
<b>Fashion</b>			
A UNO	198 Spring St	500	212 343 2040
Calypso	654 Hudson St	700	212 219 8900
Express	584 Broadway	12,000	212 625 0313
J Lindberg Stockholm	126 Spring St	3,000	212 625 8600
Lilith	227 Mulberry St	2,350	212 925 0080
Little W 12th	12 w 12th St	700	212 206 7686
Loehmanns	101 7th Ave	30,000	212 352 0856
Mexx	19 Union Sq	12,000	646 486 7405
Stockholm Face	110 Prince	1,000	518 828 6600
<b>Fashion and Other</b>			
Be Seated	66 Greenwich Ave	1,200	212 924 8444
UTOWA Florist	17 W 18th St	1,700	212 929 4800
Artsee	863 Washinton St	2,000	212 414 0900
Peter Herman	118 Thompson St	600	212-966-9050
<b>Shoes</b>			
Clientelle	267 Lafayette St	500	212 219 0538
Scarpediem	2286 1/2 Broadway	750	212 362 5070
<b>Food &amp; Beverage</b>			
City Bakery	9 w 18th St	4,000	212 366 1414
City Crab	235 Park Ave Sth	9,000	212 529 3800
Garden of Eden	310 Third Ave	4,000	212 228 4681
Heartland Brewery	Union Sq W @ 17th St	5,000	212 645 3400
Pastis	9th Ave & Little W 12th St	2,500	212 929 4844
Republic	37 Union Sq	5,000	212 627 7172
<b>Gallery</b>			
Original Vintage Posters	138 w 18th St	1,000	212 242 0710



## Appendix 1 – Continued

Category	Address	Size (sq ft)	Phone
<b>Furniture &amp; accessories</b>			
Pier 1	71 5th Ave	10,000	212 206 1911
<b>Gifts &amp; Cards</b>			
Alphabets	47 Greenwich Ave	700	1800 419 3989
Cat Fish Greetings	219 A Mulberry St	2,000	212 625 1800
Flight 001	96 Greenwich Ave	1,000	212 691 1001
MXYPZYK	125 Greenwich Ave	2,500	212 989 4300
<b>Stationary &amp; Misc</b>			
Paper Presentation	23 w 18th St	4,000	212 463 7035
<b>Hardware &amp; bath</b>			
Simons Hardware & Bath	421 3rd Ave	6,000	212 378 4144
<b>Home accessories</b>			
Aventura	463 Amsterdam Ave	3,000	1888 640 9177
Bodum	413-415 W. 14th Street	3,500	212 367 9125
C.I.T.E.	120b Wooster St	1,500	212 431 7272
Fish's Eddy	889 Broadway	1,500	212 420 9020
Global Table	107 Sullivan St	1000 (+storage)	212 431 5839
Laytner Linen & Home	237 East 86th St	3,500	212-996-4439
Nancy Koltcs	31 Spring St	1,000	212 219 2271
Portico	903 Broadway	1,500	617 965 0565
Saigoniste	186 Spring St	600	212 925 4610
Simon Pierce	122 Wooster St	2,000	212 334 2393
Straight From The Crate	50 w 23rd	4,000	212 243 1844
Style by Annick deLorne	124 Wooster St	2,000	212 219 0447
Lightforms	168 8th Ave	1,000	212 255 4664
<b>Jewelry</b>			
TinTang	Greenwich Ave	700	212-645-6890



## Appendix 2 – Recently Completed Retail Transactions in the Times Square Area

Tenant	Address	Size (sq ft)	Rent (per sq ft)	Owners Work
Red Lobster	5 Times Square (7th and 41st)	3,000 Street level 11,200 2 <sup>nd</sup>	\$225 \$50	
Champs Sports	5 Times Square (7th and 42nd)	5,000 Street level 5,000 2 <sup>nd</sup>	\$400 \$100	n/a
Quicksilver	3 Times Square	3,200	\$250 + %	Vanilla Box Free rent to build
Skechers USA	3 Times Square (42nd west of 7th)	4,200	\$190 + %	Vanilla box Free rent to build
Foot Locker	1530 Broadway (Bet. 44th and 45th)	10,380	\$150	4-5 months free Demised space, allowance for storefront, brought utilities to premises
Swatch	1530 Broadway	3,000	\$700	n/a
Rite Aid**	771 8 <sup>th</sup> Avenue (NWC 47th St.)	5,000 Street level 3,500 2 <sup>nd</sup>	\$120 \$35	Full demo, new storefront, elevator and escalator
Rite Aid**	601 8 <sup>th</sup> Avenue (Corner 39th St.)	4,500 Street level 9,000 2 <sup>nd</sup>	\$110 \$40	New electric and HVAC
Staples		2,500 Street level 10-12,000 2 <sup>nd</sup>	\$50	Blended
Starbucks	825 8 <sup>th</sup> Avenue (SWC 50th St.)	1,700 Street level	\$162	
Starbucks	1500 Broadway	1,000 Street level	\$450	
Bubba Gumps	1501 Broadway (Bet. 43rd and 44th)	1,500 Street level 10,000 2nd	\$400 \$50	\$96 Blended



## Appendix 2 - Continued

Tenant	Address	Size (sq ft)	Rent (per sq ft)	Owners Work
Fleet Bank	1515 Broadway	5,100 Street level	\$550	
Restaurant	1515 Broadway	8,000 Street level	\$100	Former Charlie O's
Yankee Clubhouse	745 Seventh (Bet. 49th and 50th)	2,000 Street level	\$125-\$150	On 49 <sup>th</sup> Street
Hale & Hearty Soup	745 Seventh (Bet. 49th and 50th)	2,000 Street level	\$125-\$150	On 49 <sup>th</sup> Street
Cold Stone Creamery	243 W. 42 <sup>nd</sup>	1,600 Street level	\$210	
		900 Bsmt	\$40	
Bank	810 Seventh (Bet. 52nd and 53rd)	6,400 Street level	\$200	

\* Will approach \$1 million in rent payment this year because of percentage rent

\*\* Lease pending

Source: REBNY, ERA, CBRE, Rudin Management, Northwest Atlantic Properties, Newmark/New Spectrum



### Appendix 3- Buildings With Multiple Ground Floor Tenants on 8<sup>th</sup> Avenue

Block	Lot	Owner	Address	Contact Details	Phone
1034	34	44 St Development LLC	693 8th Ave, New York, NY 10036	Steve Wikoff, 220 E 42nd St, New York, NY 10017	212 912 3204
1035	29	Hacels Inc	701 8th Ave, New York, NY 10036	James Marley c/- NY Hotel Trades, 707 8th Avenue, New York, NY , 10036	212 245 8100
1036	29	301 West 45th Street	717 8th Ave, New York, NY 10036	Alfonse Melchin, 1995 Broadway, New York, NY, 10023	212 767 2500
1036	36	Clinton Housing West	727 8th Ave, New York, NY 10036	Joe Restuccio, 403 W 40th St, New York, NY,10016	212 967 1644
1017	61	740 Eighth Avenue	740 8th Ave, New York, NY 10036	Shubert Org, 234 W 44th St, New York, NY, 10036	212 325 1000
1018	1	G & C Realty CO	750 8th Ave, New York, NY 10036	Sam Domb, 515 W 42nd St, New York, NY, 10036	212 695 7171
1039	32	300 W 49th Street	799 8th Ave, New York, NY 10019	Abrham Schiff, 77 Spruce Street, Cedarhurst, NY, 11516	718 327 9640
1022	61	51st Capitol Associates	834 8th Ave, New York, NY 10019	Ben Rosen, C/- Rosen & Sons, 247 W 67th St, New York, NY, 10024	212 590 7200
1015	1	Rosanne Haggerty	680 8th Ave, New York, NY 10019	Rosanne Haggerty, 255 W 43rd St, New York, NY, 10036	212 354 7300
1015	61	Dee Cee Associates LP	694 8th Ave, New York, NY 10019	Robert Cohen, 60 E 42nd St, New York, NY, 10165	212 972 5900

Source: Economics Research Associates, NYC Property