

TIMES
SQUARE

B U S I N E S S
I M P R O V E M E N T
D I S T R I C T

RETAIL
and
MARKET
ANALYSIS
OCTOBER 1996

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INTRODUCTION

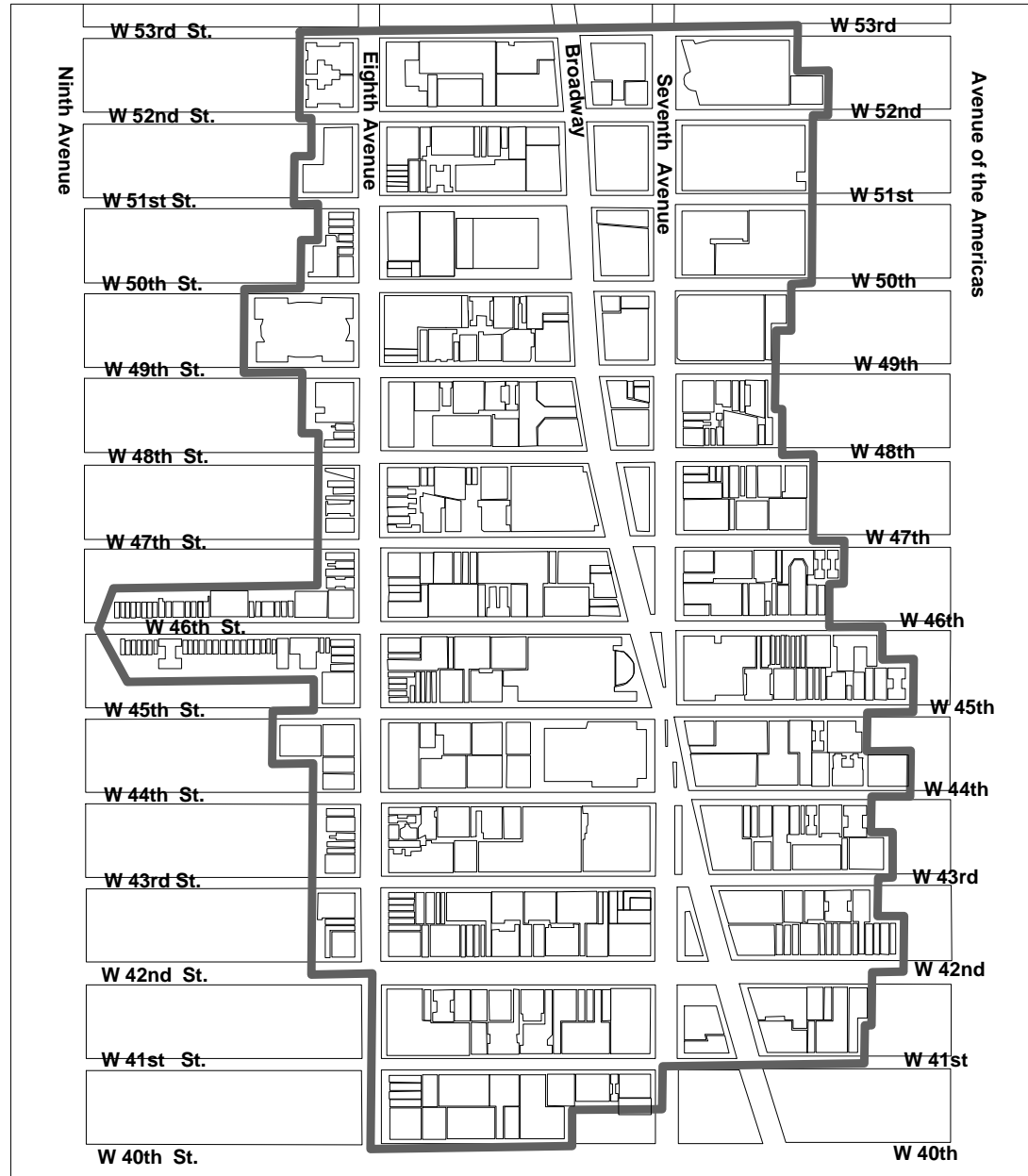
This report presents market data and a retail analysis of the Times Square Business Improvement District.

The BID's primary mission is to make the area clean, safe and friendly, but it has become progressively more involved in economic development and public policy issues. The BID, always working collaboratively with local organizations, conducts research, provides information, facilitates action, and tailors and implements strategies that will address common problems.

This report is part of this ongoing effort and supplements an earlier report,

*An Economic Snapshot
1992-1996.*

For a copy of that compilation of comparative data, please call the BID's office.



KEY ASSUMPTIONS AND DEFINITION OF TERMS

KEY ASSUMPTIONS

- All data from published governmental or private sources are deemed sufficiently reliable for planning purposes.
- There will not be a recession in the economy of New York nor accelerated inflationary pressures in the short term.
- All dollar figures are in “constant 1996” dollars except where otherwise noted.
- Future inflationary factors have not been factored into these statistics, although a conservative annual increase of 1.5 percent to represent real income and expenditure growth has been included.

DEFINITION OF TERMS

GAFO refers to a combination of United States Department of Commerce categories for retail outlets comprised of general merchandise stores (including department stores), apparel stores, furniture and home furnishings stores, and the “other” shopper goods retail stores.

Eating & Drinking refers to the retail sales or retail potential for restaurants, cafes, coffee shops, taverns, and specialty take - out places. It does not include supermarkets or grocery stores.

Convenience/Service includes establishments which serve the daily needs of their customers, such as drug, health & beauty aids and hardware stores, opticians, dry cleaners, newsstands, shoe repair and other personal service businesses.

Food at Home includes items bought in supermarkets, grocery stores, delicatessens, bodegas and such, primarily for consumption at home.

Constant Dollars refers to the value of the dollar in 1995 base year used in this report. An annual increase of 1.5% has been included in the statistics for future retail spending potential to reflect increases in real spending power, exclusive of inflation.

Square Feet refers to gross leasable area, unless clarified as another type of space measurement.



HIGHLIGHTS OF THE RETAIL POTENTIAL EIGHTH AVENUE

- Total 1996 retail sales are estimated to be \$85-\$95 million.
- Total 1996 market potential is estimated at \$1.3 billion with a potential rise to over \$1.5 billion in 2004:
 - The potential residential market is approximately 45,067 people with per capita income of \$32,000 in 1990.
 - There are approximately 109,000 employees close enough to Eighth Avenue to shop there. The total spending potential of the local employees is approximately \$277 million today and should increase to about \$329 million by 2004.
 - An estimated \$700 million in potential spending from the visitor market in Times Square is available to Eighth Avenue. This should increase to approximately \$826 million by 2004.
- The current market share is estimated to be 5% of the \$1.3 billion total.
- Natural growth in the market will create demand for an additional 25,000 square feet of retail area and an additional 26,000 SF of retail space can be supported for each additional 1% increase in market share.
- The overall vacancy rate is 13.4%, up from 9.6% in 1994; however, much of this is located in future development sites.
- Rents range between \$45 and \$95 per square foot depending on size and location, an increase of 10%-15% from 1994.
- Pedestrian counts average between 650 to 1,250 per hour along Eighth Avenue; and from 4:00 to 7:00 PM pedestrian traffic increases to between 1,100 to 1,500 per hour.

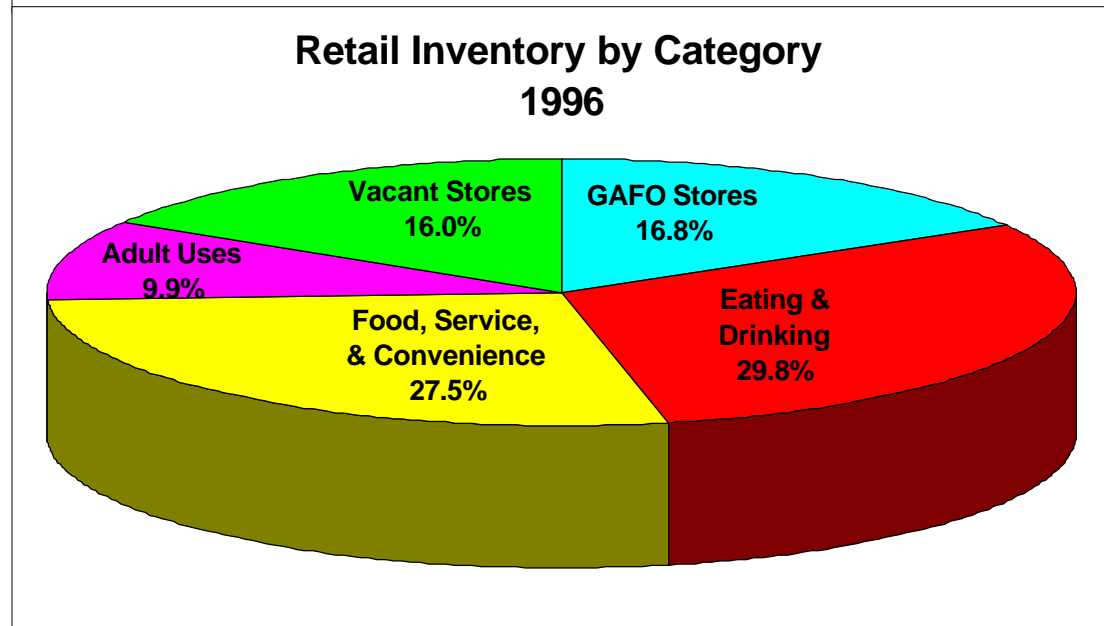
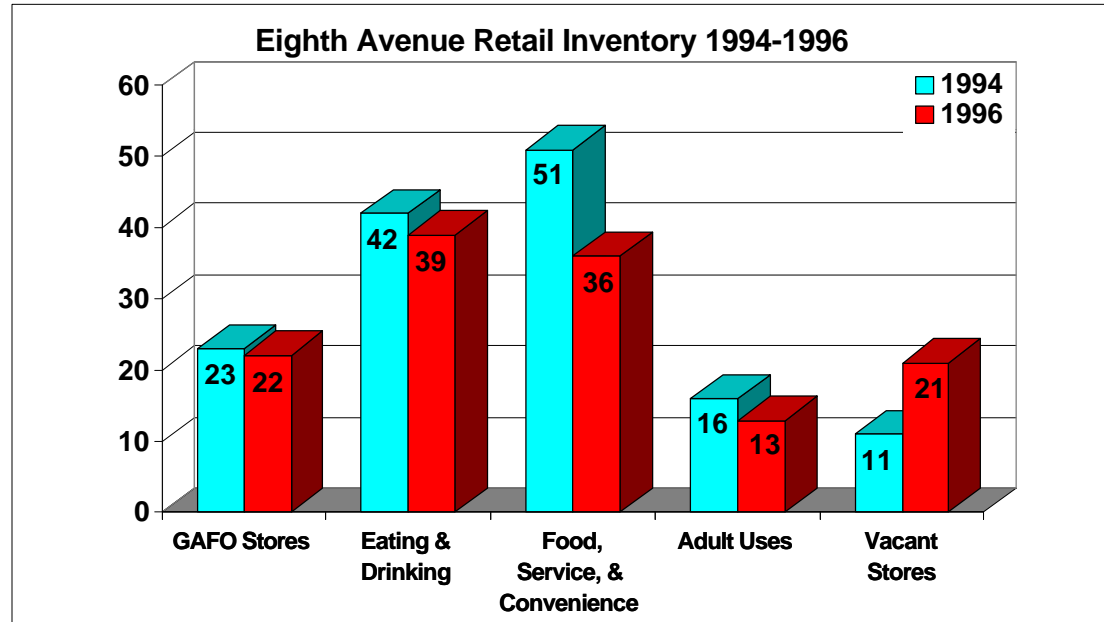
HIGHLIGHTS OF THE RETAIL POTENTIAL SEVENTH AVENUE/BROADWAY



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- 1996 retail sales are estimated to total between \$750-\$800 million.
 - Total 1996 market potential is estimated at \$4.2 billion with a potential rise to \$4.9 billion by 2004:
 - The potential residential market is approximately 16,500 with per capita annual income of \$38,388 in 1990.
 - Approximately 213,000 employees work close enough to shop here, with a total spending potential of \$542 million which should increase to approximately \$644 million by 2004.
 - An estimated \$3.5 billion in potential spending from the visitor market in Times Square is also available.
 - The current market share is estimated to be 12.5% of the \$4.2 billion total.
 - Natural growth in the market will create demand for an additional 160,000 square feet of retail area and an increase in market share to 20% would support an additional 630,000 SF of retail space.
 - The overall retail vacancy rate is 8.5%, much of it located within future development sites.
 - Rents range between \$125 and \$175 per square foot for the most part, although leases in the \$200 range are being signed. This is double that of only a few years ago.
 - Pedestrian counts range between 1,250 - 4,200 per hour along both avenues; and between 4:00 and 7:00 PM pedestrian traffic increases to between 1,600 to 5,575 per hour. These are some of the highest pedestrian traffic flows in the City.
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RETAIL INVENTORY AND MIX EIGHTH AVENUE

- The decrease in the number of stores is primarily the result of the demolition of a major block front between 50th and 51st Street on the west side of Eighth Avenue, which will be developed as a major residential and retail use.

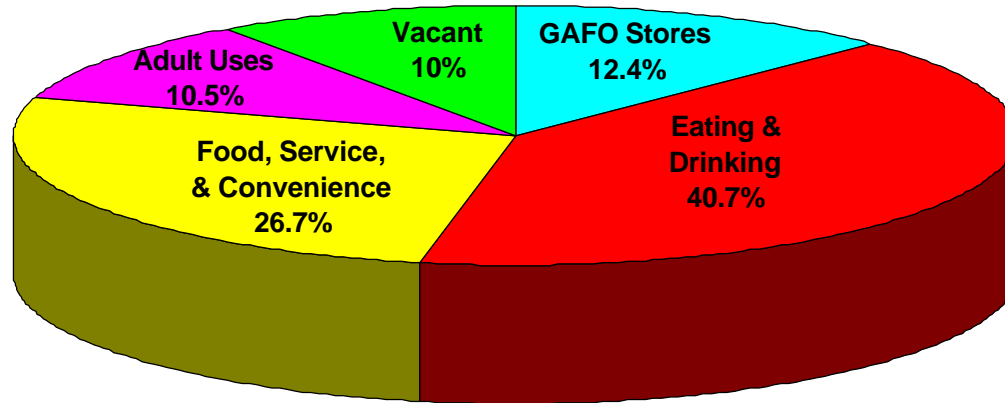


RETAIL INVENTORY AND MIX EIGHTH AVENUE

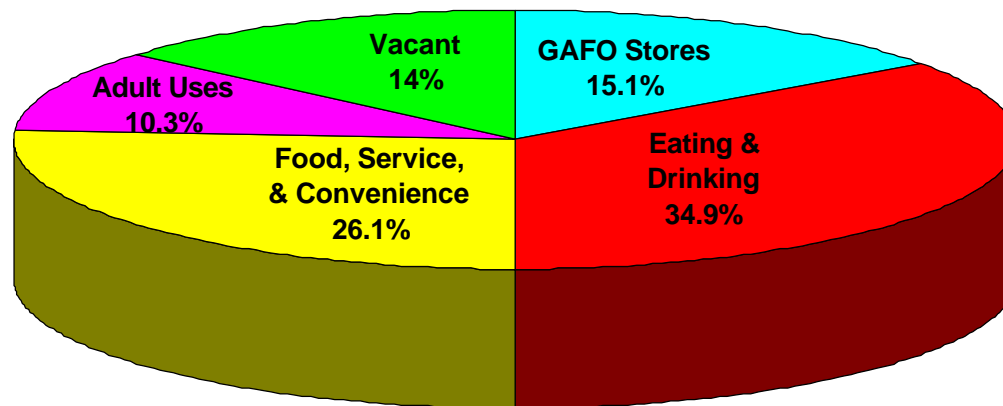


- While the actual vacancy rate has risen from 9.6% in 1994 to 13.6% in 1996, it presents a great opportunity to further bolster the mix and quality of the retail character along the Avenue.
- Several bars and adult uses have closed recently and the more conventional uses have remained.

Retail Square Footage 1994



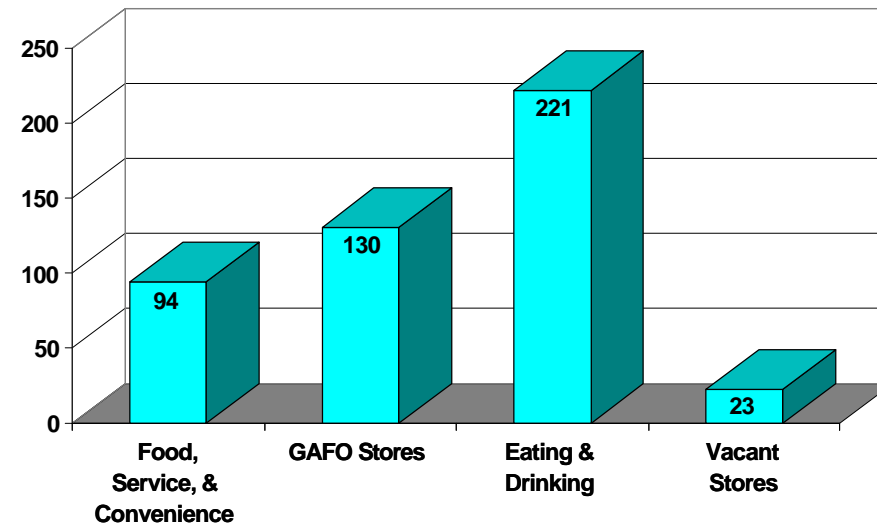
Retail Square Footage 1996



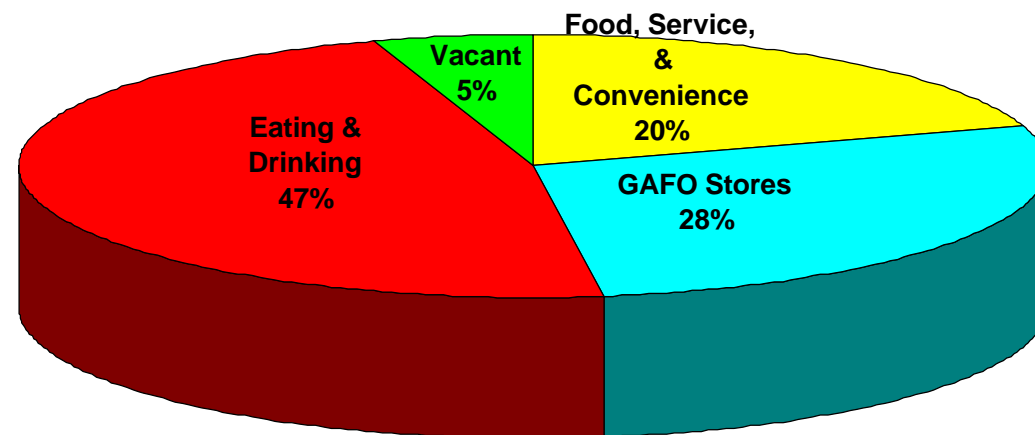
RETAIL INVENTORY AND MIX SEVENTH AVENUE/BROADWAY

- The overall retail vacancy rate is 8.5%, much of it located within future development sites.
- The relative lack of GAFO stores is unusual, especially in light of the fact that the recently opened Virgin Megastore represents over 20% of the total GAFO sector.
- Given the large amount of office population and the vast tourist market, this is a significant under-representation of apparel, specialty, and general merchandise stores that make up the GAFO category.

Seventh Avenue/Broadway Retail Inventory 1996



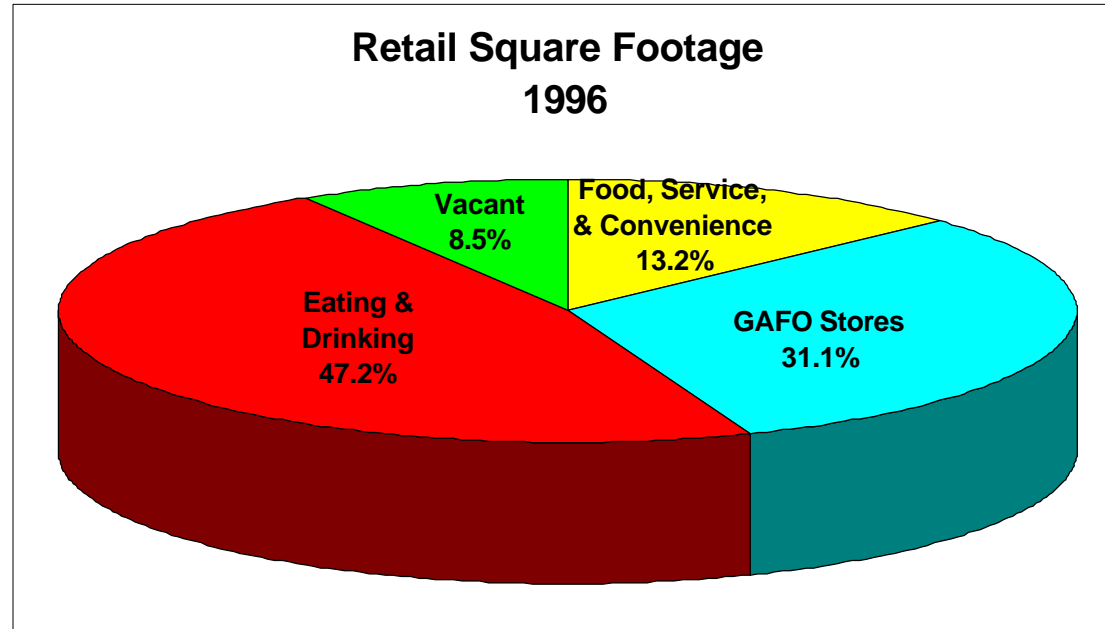
**Retail Inventory by Category
1996**



RETAIL INVENTORY AND MIX SEVENTH AVENUE/BROADWAY

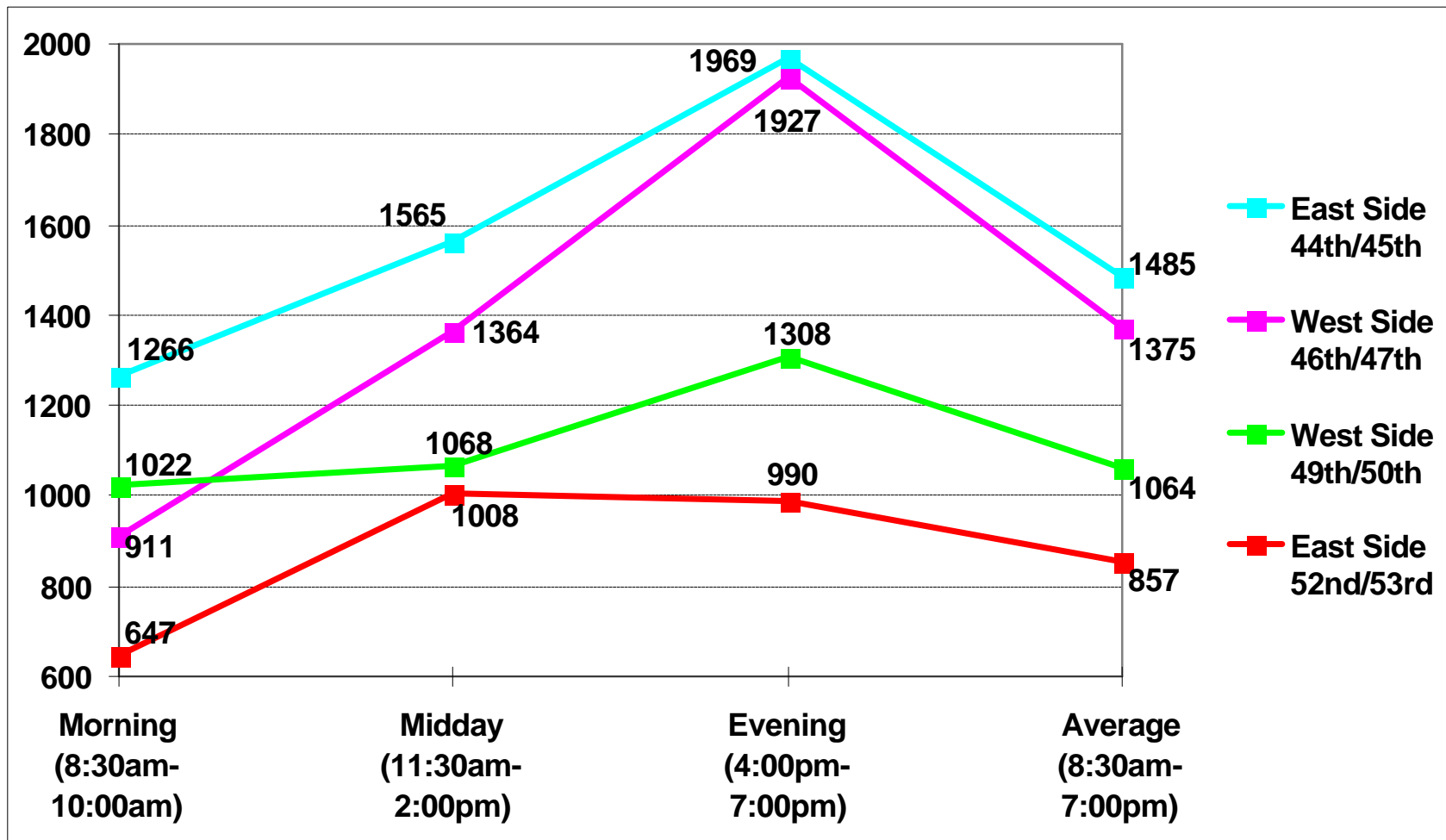


- This distribution does not take into account the bars and restaurants that are within the many hotels in the area, which would further increase the dominance of the food category.



PEDESTRIAN COUNTS EIGHTH AVENUE STUDY AREA

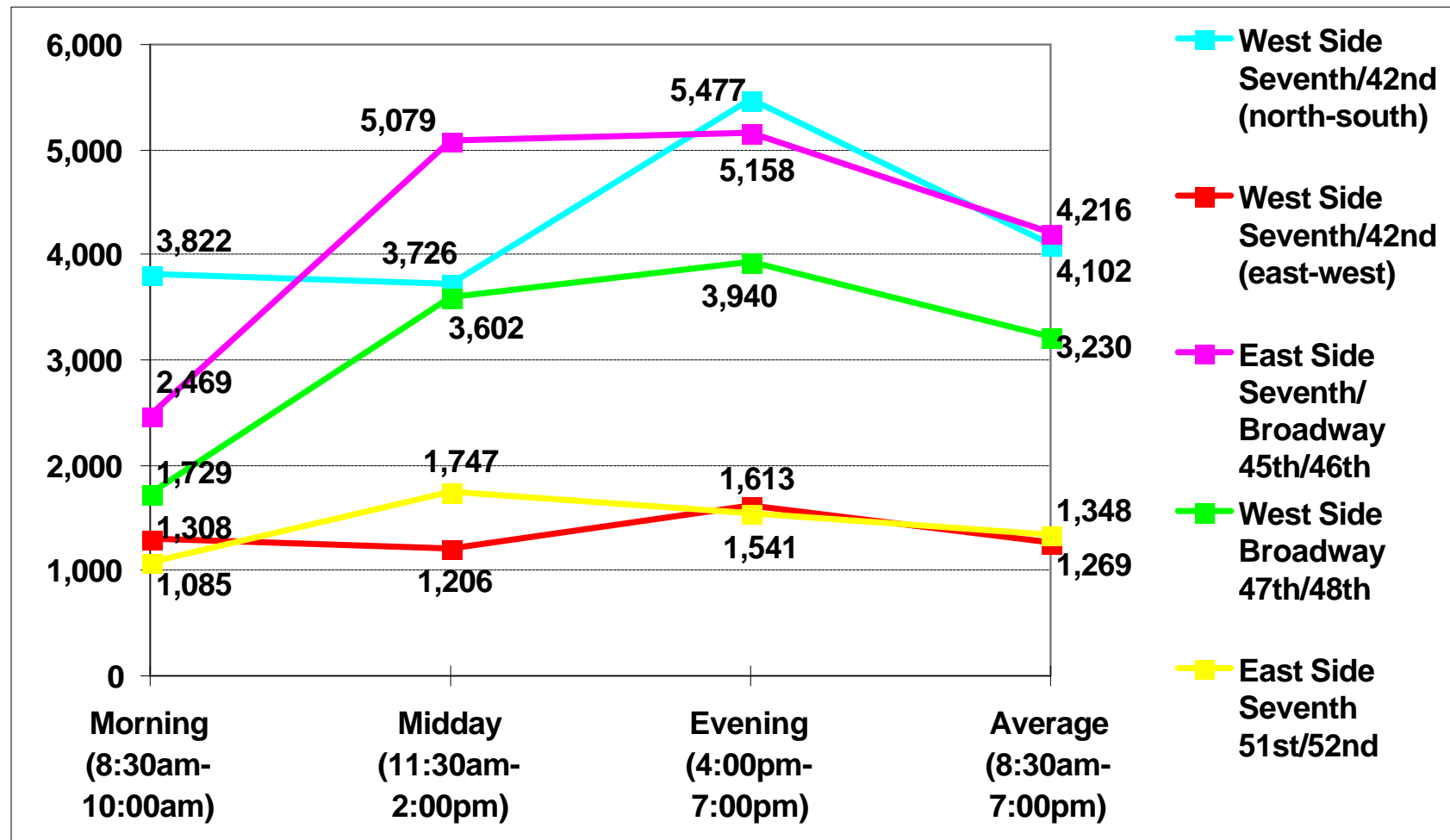
- Pedestrian counts, taken in September 1996, are relatively high on Eighth Avenue and are similar to those along Broadway in the 50's. They are, however, considerably lower than on Broadway and Seventh Avenue within the "bow tie."
- Heaviest traffic is along the east side of the avenue nearer to 42nd Street, and on the west side near Worldwide Plaza.
- Evening traffic was greater than morning or midday, primarily a result of restaurant, theater and subway traffic in the 4pm - 7pm time frame.



PEDESTRIAN COUNTS SEVENTH AVENUE/BROADWAY STUDY AREA



- The pedestrian counts, taken in August 1996, exceed virtually all of the pedestrian counts for other areas of Manhattan.
- The heaviest traffic was traveling north-south in front of the Virgin Megastore at 1540 Broadway, the Morgan Stanley Building at 1585 Broadway, and in front of Ferrara's on 42nd Street.
- Once the 42nd Street retail strip is fully open and operating, these counts will undoubtedly approach the higher levels along 7th Avenue and Broadway.



RENT LEVELS

EIGHTH AVENUE

- Depending on the size and terms of the lease, most rents range between \$45 to \$95 per square foot.
- Rents nearer 53rd Street have increased slightly over the past several years to between \$50-\$60 per square foot, and are about 10%-15% higher than in 1994. There are still virtually no vacancies at these higher levels except for sites scheduled for redevelopment.
- Closer to 42nd Street rents range from \$65-\$95 per square foot, and the Port Authority has made deals in the \$125 per square foot range.
- The removal of adult uses has not diminished rent levels, as many predicted, and has made the Eighth Avenue strip more desirable. Recent deals as far north as 46th Street have been made in the \$65-\$80 range.

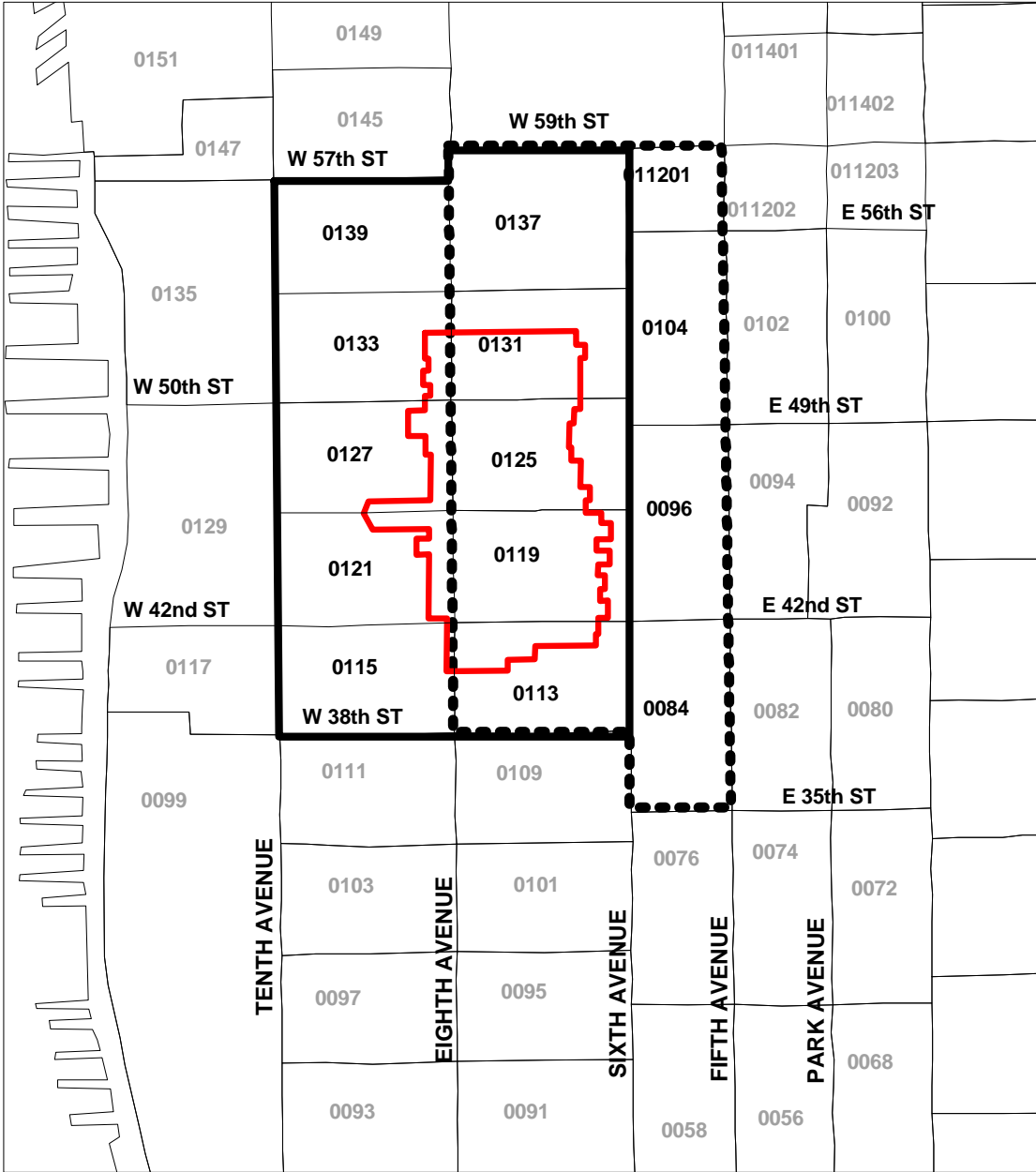
SEVENTH AVENUE/BROADWAY

- According to brokers in the area, rents have skyrocketed in the past few years. Many think that they have at least doubled, and some say the increase has been greater than twofold.
- In the study area, rents average between \$125-\$175 for prime locations and some deals have been made for more than \$200 per square foot.
- Rents in the northern portion of the district typically range between \$70-\$110 per square foot.
- Between 46th and 49th Streets, rents average between \$125 and \$200 per square foot. Asking rents in some of the new projects along 42nd Street are in the \$200-\$225 per square foot range.
- Rents along the side streets are more modest and typically range between \$60-\$90 per square foot depending on size and location.

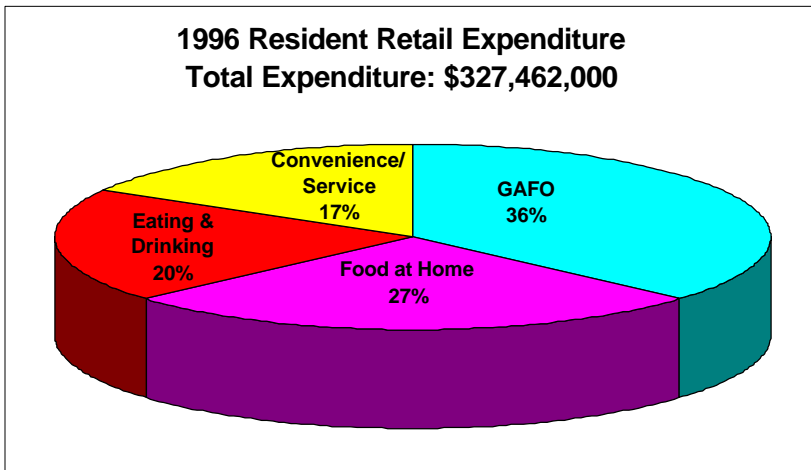
RETAIL MARKET ANALYSIS RESIDENT MARKETS



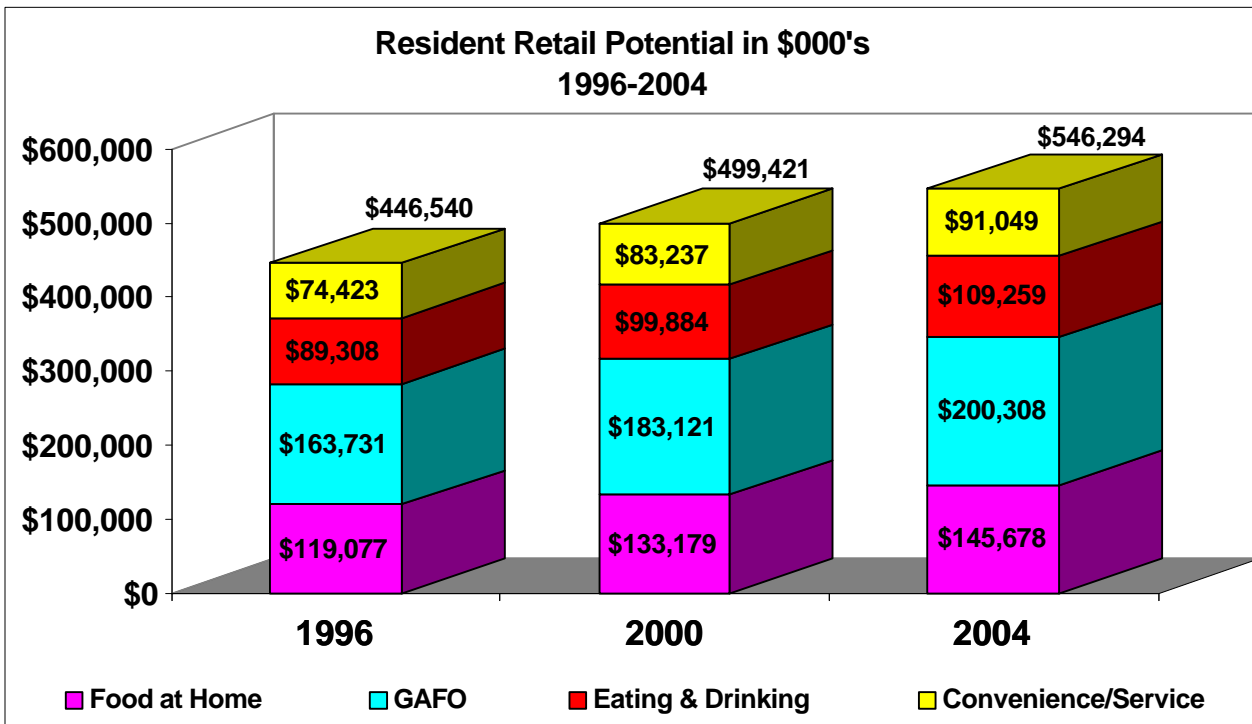
- There are three natural market segments available to both the Eighth Avenue and Seventh Avenue/Broadway retail corridors: area residents, area employees, and the tourists and visitors. Each of these market segments spends money on different types of goods and services, and each impacts the study areas in different ways.
- The three market segments analyzed overlap each retail corridor. Therefore, they cannot be added together without double counting. This does not affect the potential available to each retail corridor, but will ultimately impact the market share that each retail corridor can attain from each market segment.
- The residential trade area for the Seventh Avenue/Broadway retail corridor contains nine census tracts that extend from 34th Street to 59th Street, Fifth to Eighth Avenues. The Eighth Avenue retail corridor contains ten census tracts that extend from 38th Street to 57th Street, Sixth to Tenth Avenues.



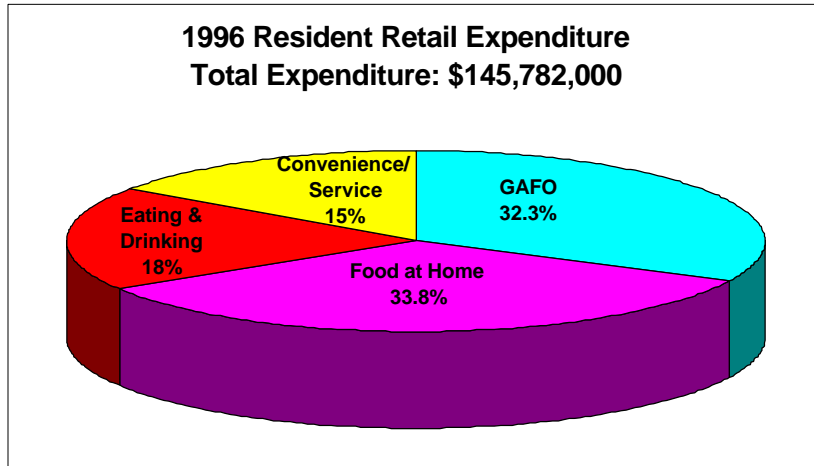
RESIDENT MARKET EIGHTH AVENUE



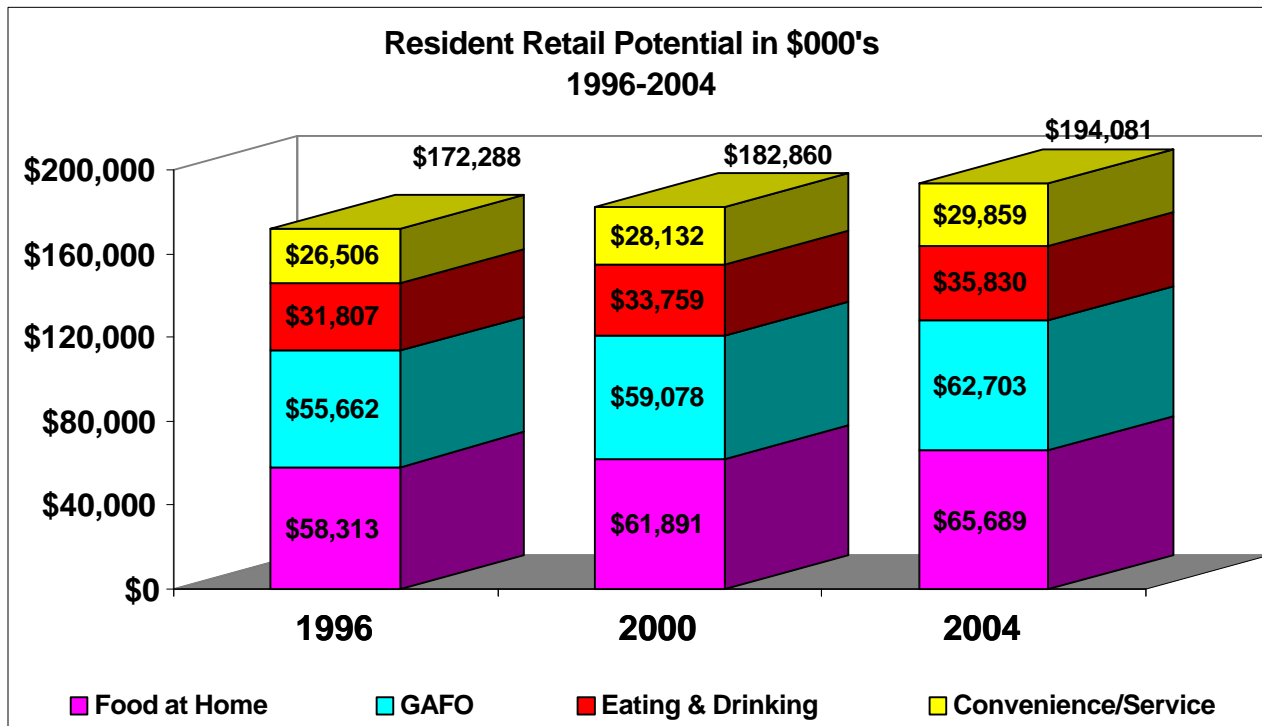
- Total retail potential is estimated at \$446.5 million in 1996, and should rise to over \$546.2 million by 2004. This potential represents the total amount of money available from trade area residents for the goods specified, no matter where they may be spent.
- Realistically, Eighth Avenue will be able to capture only a small share of these dollars, depending on the category. The large majority of the GAFO potential will flow to the many destination shopping districts in the City while much of the convenience/services and food at home dollars will be spent locally.



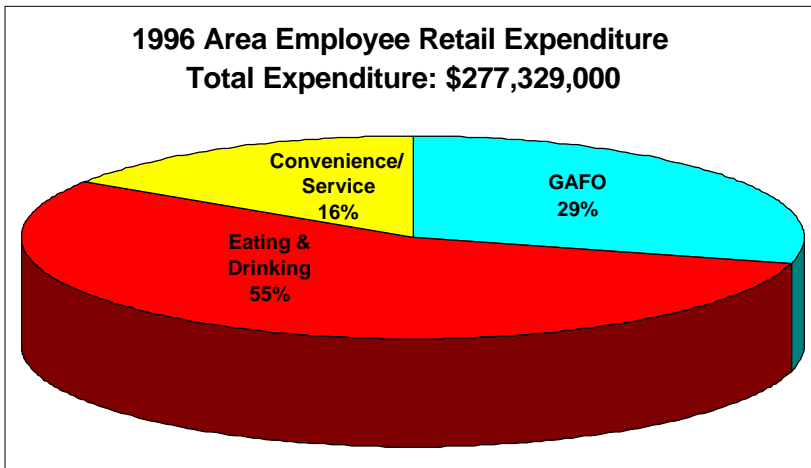
RESIDENT MARKET SEVENTH AVENUE/BROADWAY



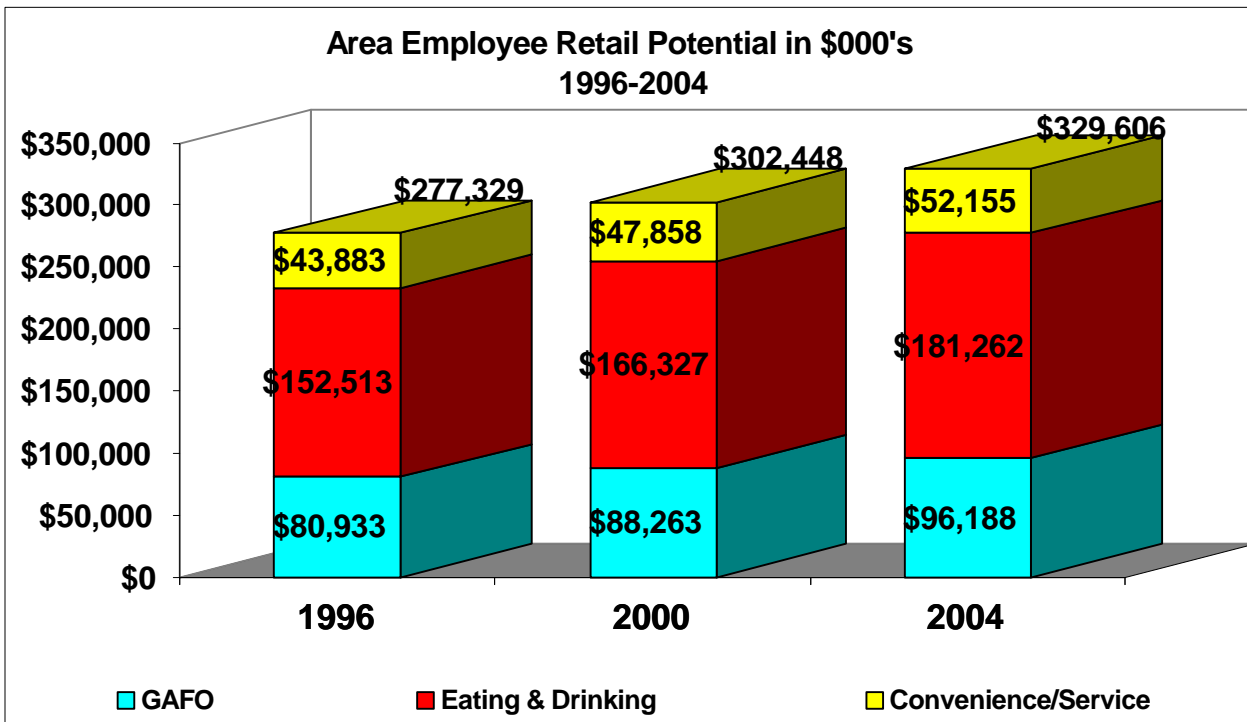
- Total retail potential from the resident market is estimated at \$172.3 million in 1996, and will rise to over \$194 million by 2004.
- Realistically, the Seventh Avenue/Broadway corridor will be able to capture only a share of these dollars, depending on the category. Some of the GAFO potential will flow to the many destination shopping districts in the City, while much of the convenience/services and food at home dollars will be spent locally.



EMPLOYEE MARKET EIGHTH AVENUE



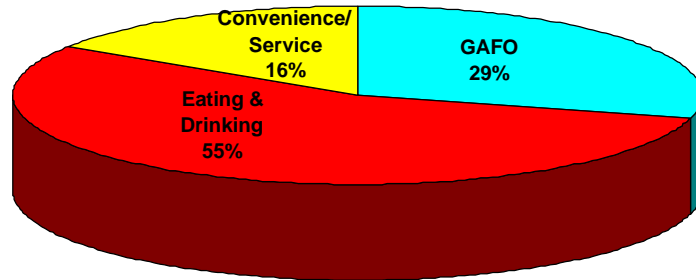
- Area employees consistently travel 600 to 800 feet -- one avenue or four north/south blocks -- from their place of work for retail goods and services.
- The Eighth Avenue trade area is roughly defined by 38th Street to 57th Street, and from Seventh Avenue/Broadway to Ninth Avenue.
- A total of 108,500 area employees work close enough to Eighth Avenue to shop there.
- The retail potential of the local employees is estimated to be almost \$277 million today and should increase to over \$329 million by 2004.



EMPLOYEE MARKET SEVENTH AVENUE/BROADWAY

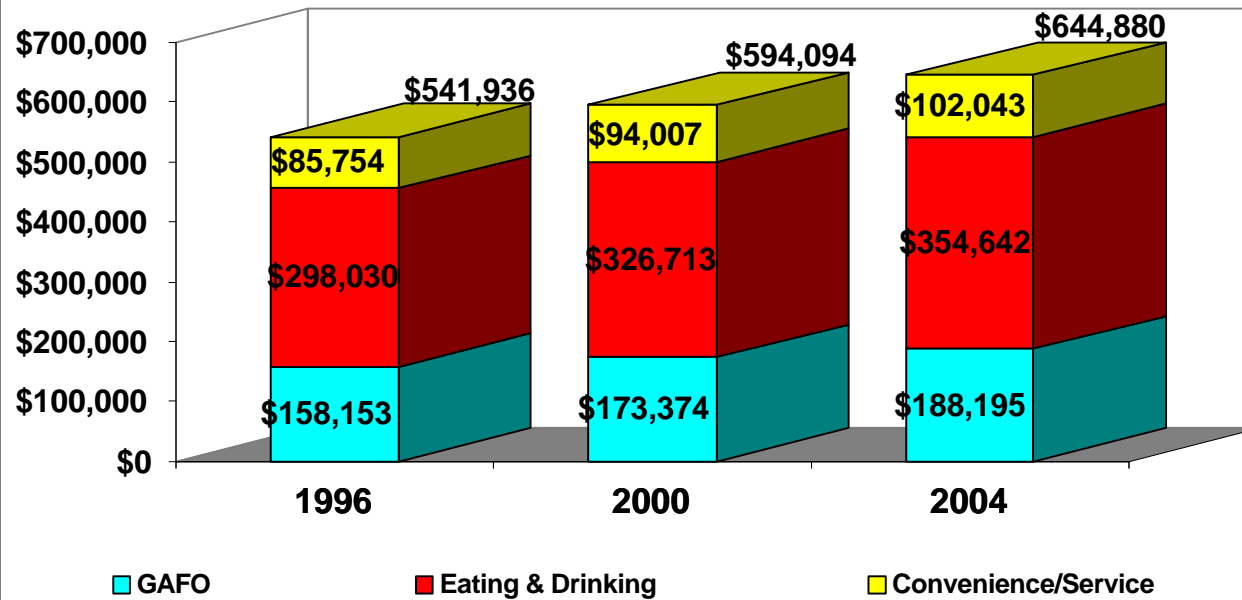


1996 Area Employee Retail Expenditure
Total Expenditure: \$541,936,000

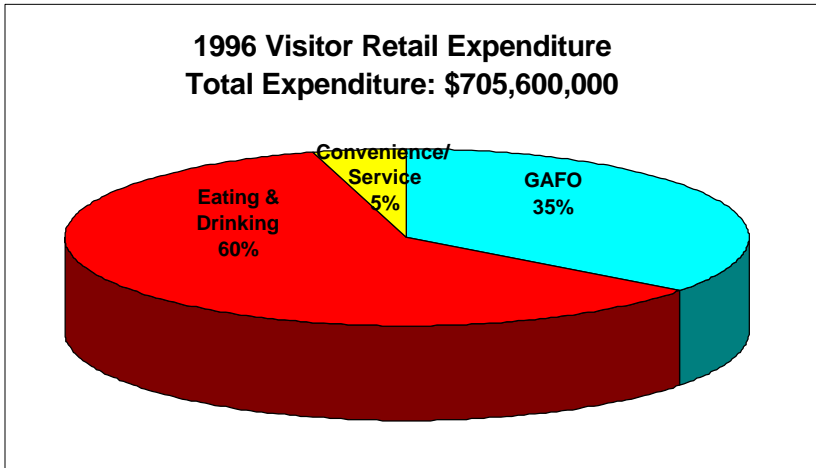


- The Seventh Avenue/Broadway employment area is roughly defined by 36th Street to 59th Street and from Sixth to Eighth Avenue.
- A total of approximately 213,000 area employees work close enough to the Seventh Avenue/Broadway corridor to shop there.
- The retail potential of the local employees is estimated to be almost \$542 million today and will increase to over \$644 million by 2004.
- 55% of the total is in the eating and drinking category.

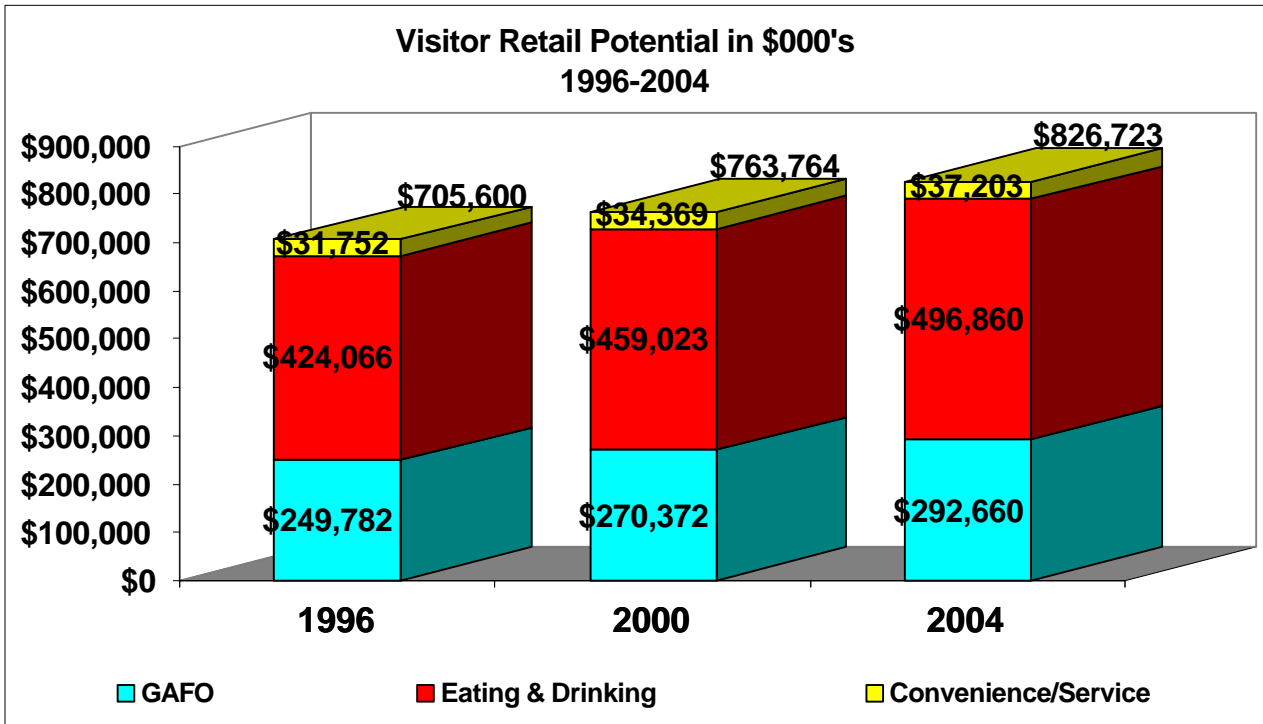
Area Employee Retail Potential in \$000's
1996-2004



VISITOR MARKET EIGHTH AVENUE

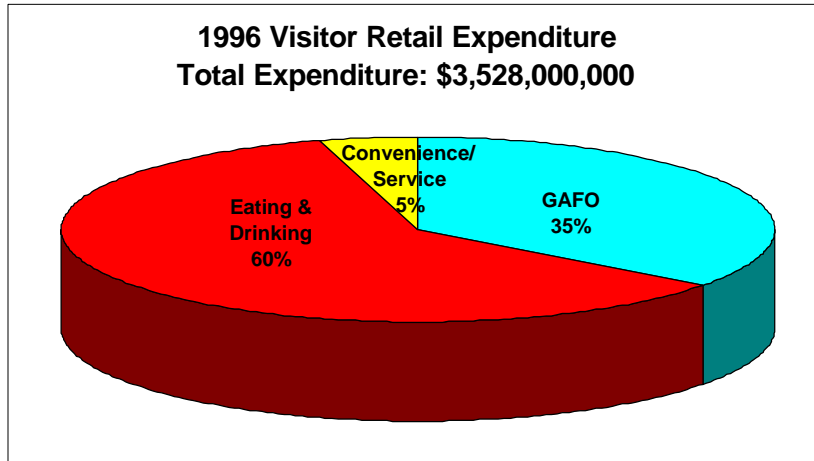


- Potential visitor spending in New York City comes from a variety of sources including foreign and domestic tourists, theater-goers, hotel guests and business travelers.
- Visitors spent a total of \$11.3 billion in 1994, of which \$4 billion was spent on retail goods, eating, and drinking. Increasing this by 5% per year, total visitor spending should be approximately \$4.4 billion in 1996.
- Because there is far less retail space and strength along Eighth Avenue relative to the entire Times Square area, this retail strip competes for no more than 20% of the total tourist market available to the Times Square area.

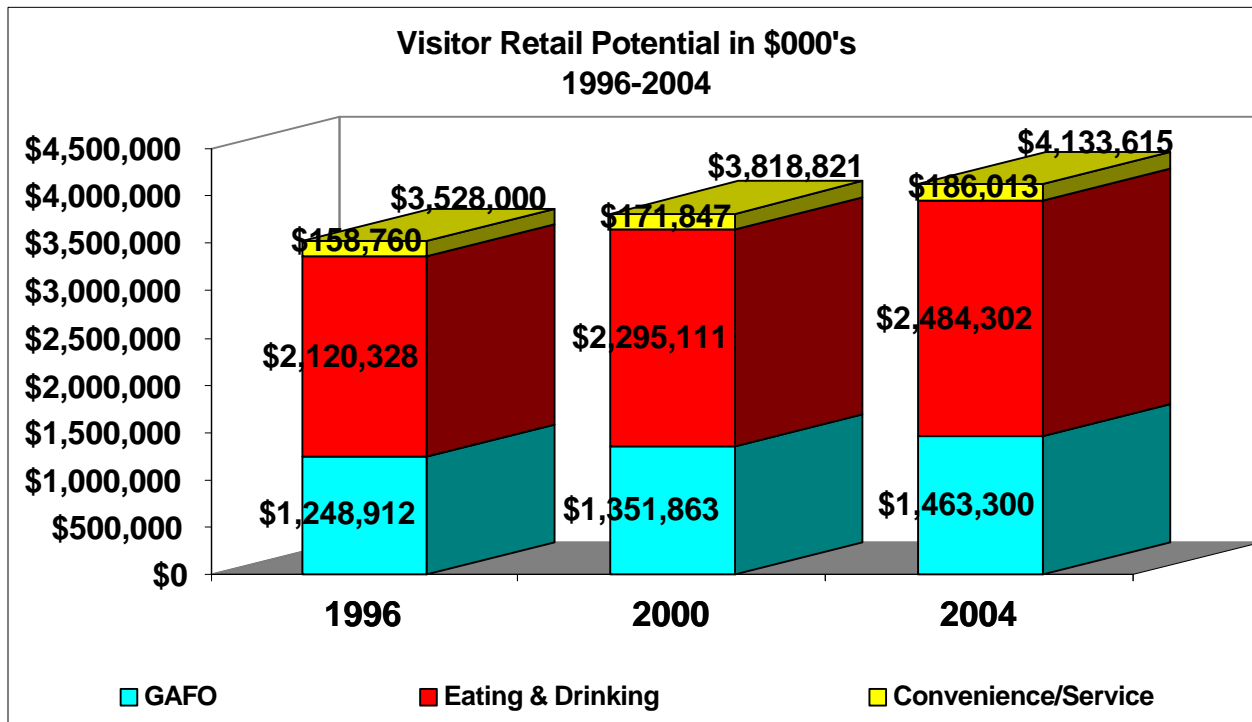


- \$705 million in retail potential would be available from the visitor market today. This should rise to over \$826 million by 2004.

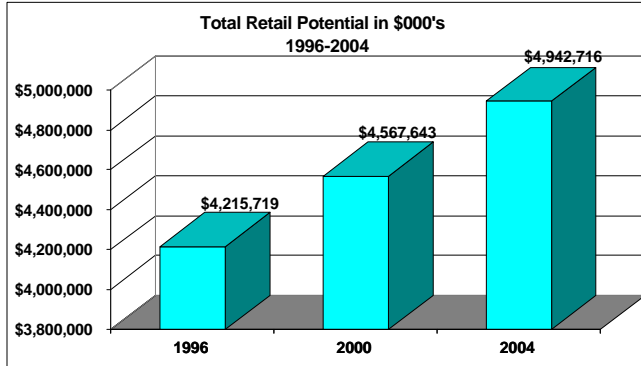
SEVENTH AVENUE/BROADWAY VISITOR MARKET



- Because this area is an active entertainment and retail corridor, Seventh Avenue/Broadway can compete for all of the dollars spent by the percentage of tourists that visit Times Square.
- Therefore, as much as \$3.52 billion in retail potential would be available from the visitor market today, rising to \$4.13 billion by 2004.



TOTAL POTENTIAL SEVENTH AVENUE/BROADWAY



- The Seventh Avenue/Broadway retail corridor has access to a total potential of over \$4.2 billion today rising to over \$4.9 billion by 2004.
- Today, it produces an estimated \$650 and \$750 million in sales volume in these retail categories.
- Based on these estimated sales levels, the current market share for this retail area is about 12.5% of the total potential.
- Natural growth in the market by 2004 will provide the need for 140,000 square feet of additional space in the Seventh Avenue/Broadway area.

Resident	1996	2000	2004	Growth 1996-2004
GAFO	\$55,662	\$59,078	\$62,703	\$7,041
Eating & Drinking	\$58,313	\$61,891	\$65,689	\$7,376
Convenience/Service	\$31,807	\$33,759	\$35,830	\$4,023
Resident Retail Potential	\$145,782	\$154,728	\$164,222	\$18,440

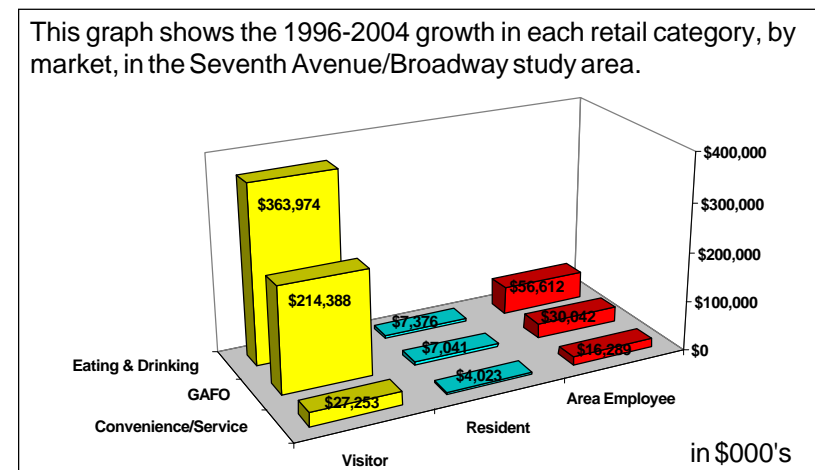
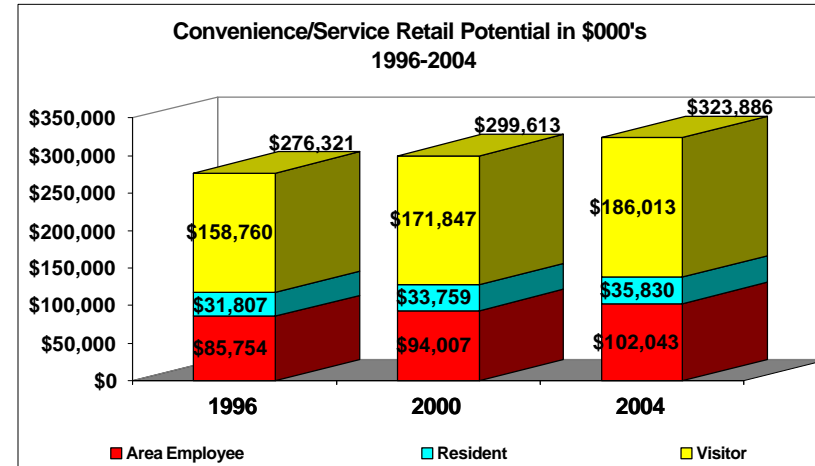
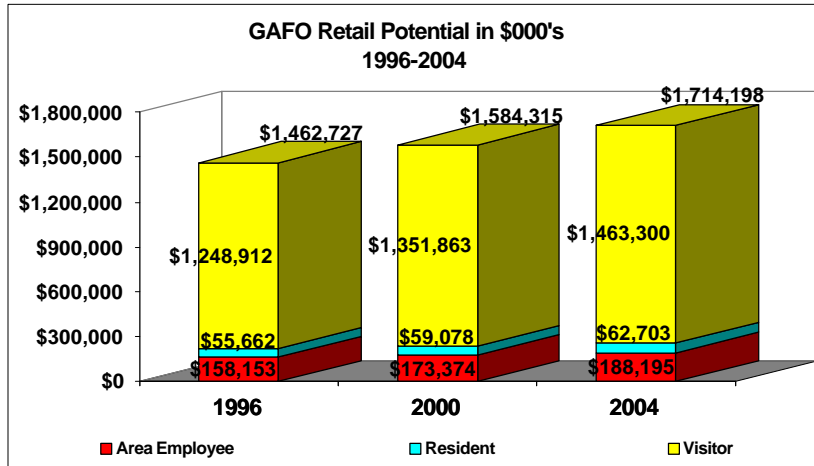
Area Employee	1996	2000	2004	Growth 1996-2004
GAFO	\$158,153	\$173,374	\$188,195	\$30,042
Eating & Drinking	\$298,030	\$326,713	\$354,642	\$56,612
Convenience/Service	\$85,754	\$94,007	\$102,043	\$16,289
Area Employee Retail Potential	\$541,937	\$594,094	\$644,880	\$102,943

Visitor	1996	2000	2004	Growth 1996-2004
GAFO	\$1,248,912	\$1,351,863	\$1,463,300	\$214,388
Eating & Drinking	\$2,120,328	\$2,295,111	\$2,484,302	\$363,974
Convenience/Service	\$158,760	\$171,847	\$186,013	\$27,253
Visitor Retail Potential	\$3,528,000	\$3,818,821	\$4,133,615	\$605,615

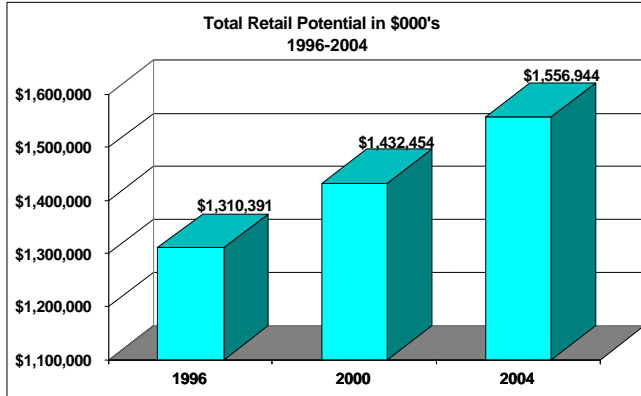
Total	1996	2000	2004	Growth 1996-2004
GAFO	\$1,462,727	\$1,584,315	\$1,714,197	\$251,470
Eating & Drinking	\$2,476,671	\$2,683,715	\$2,904,633	\$427,962
Convenience/Service	\$276,321	\$299,613	\$323,886	\$47,565
Total Retail Potential	\$4,215,719	\$4,567,643	\$4,942,716	\$726,997

- The Seventh Avenue/Broadway corridor, however, presents an almost unlimited opportunity. If market penetration was to increase to 20%, a relatively modest market share, almost 630,000 square feet of retail can be added.

SEVENTH AVENUE/BROADWAY



TOTAL POTENTIAL EIGHTH AVENUE



- Total potential for the Eighth Avenue retail corridor is estimated to be approximately \$1.3 billion in 1996 and over \$1.5 billion by 2004.
- The Eighth Avenue retail corridor produces an estimated sales volume of \$85 to \$95 million.
- Current market share for this retail area is about 5%.
- Natural growth in the market by 2004 will provide the need for 25,000 square feet along Eighth Avenue.

Resident	1996	2000	2004	Growth 1996-2004
GAFO	\$163,731	\$183,121	\$200,308	\$36,577
Eating & Drinking	\$89,308	\$99,884	\$109,259	\$19,951
Convenience/Service	\$74,423	\$83,237	\$91,049	\$16,626
Resident Retail Potential	\$327,462	\$366,242	\$400,616	\$73,154

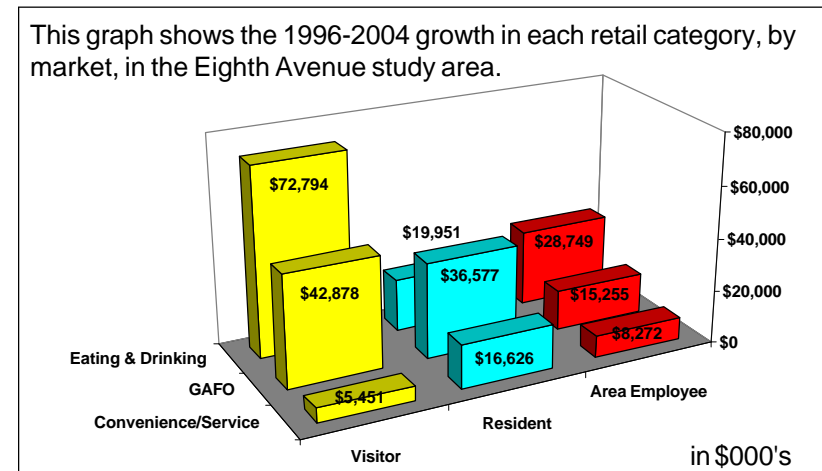
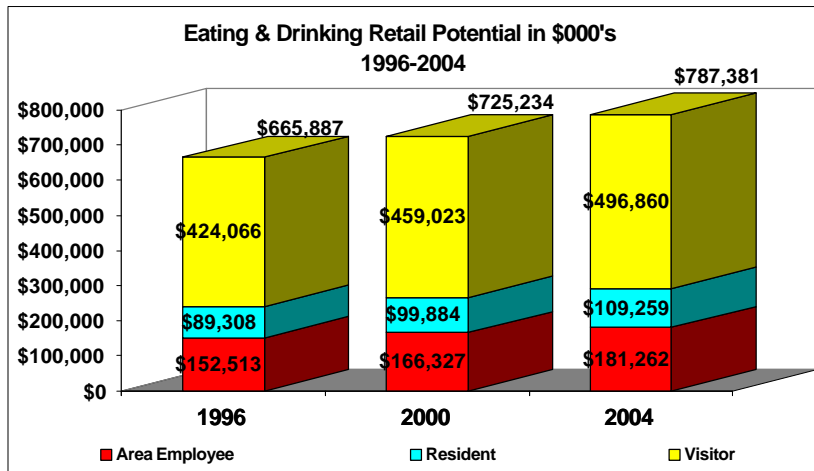
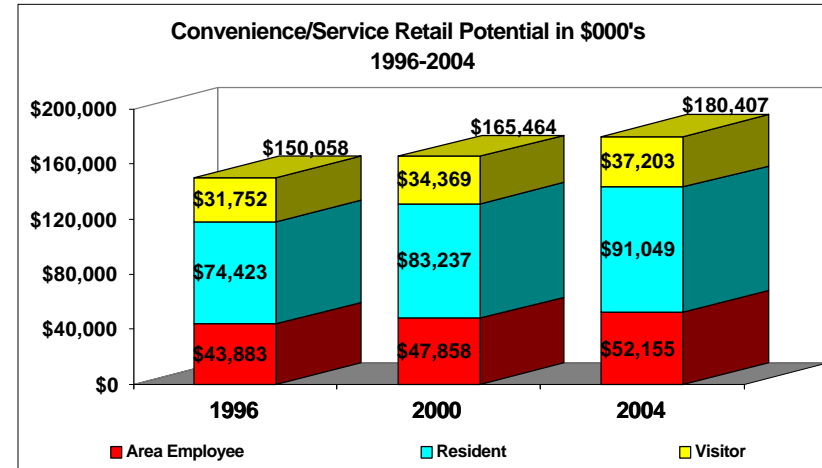
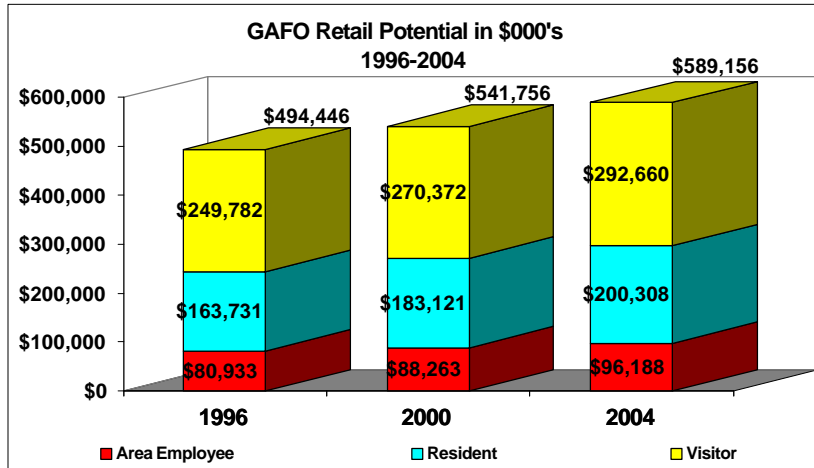
Area Employee	1996	2000	2004	Growth 1996-2004
GAFO	\$80,933	\$88,263	\$96,188	\$15,255
Eating & Drinking	\$152,513	\$166,327	\$181,262	\$28,749
Convenience/Service	\$43,883	\$47,858	\$52,155	\$8,272
Area Employee Retail Potential	\$277,329	\$302,448	\$329,605	\$52,276

Visitor	1996	2000	2004	Growth 1996-2004
GAFO	\$249,782	\$270,372	\$292,660	\$42,878
Eating & Drinking	\$424,066	\$459,023	\$496,860	\$72,794
Convenience/Service	\$31,752	\$34,369	\$37,203	\$5,451
Visitor Retail Potential	\$705,600	\$763,764	\$826,723	\$121,123

Total	1996	2000	2004	Growth 1996-2004
GAFO	\$494,446	\$541,756	\$589,156	\$94,710
Eating & Drinking	\$665,887	\$725,234	\$787,381	\$121,494
Convenience/Service	\$150,058	\$165,464	\$180,407	\$30,349
Total Retail Potential	\$1,310,391	\$1,432,454	\$1,556,944	\$246,553

Again, it must be noted that these figures cannot be added to the Seventh Avenue/Broadway numbers without double counting, and that they only represent the potential available for those three market segments and not the actual sales that will flow to the area.

TOTAL POTENTIAL EIGHTH AVENUE



PARKING IN TIMES SQUARE

For your convenience, we have included a map of parking lots in the Times Square area which are available to the public.

Our last count found over 6,500 spaces for automobiles!

- Surface Parking Lot ■
- Garage Parking Lot ■
- Hotel Parking Lot ■
- Lot Entrance ▲

