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Times Square Holds Steady in Retail Storm

The area has added attractions such as amusement park rides to lure shoppers

By KEIKO MORRIS

Times Square has weathered the bricks-and-mortar retail storm better than most Manhattan neighborhoods, relying on a playbook since embraced by many mall owners to survive.

The Midtown neighborhood attracts bus loads of tourists, a Broadway show crowd and visitors in search of entertainment like the Madame Tussauds wax museum or the wall of candy at the M&M's World store.

On average, more than 360,000 people walked through the area each day in October, according to the Times Square Alliance, the district's business-advocacy group.

"Times Square is like having stores in the middle of Disney World," said Jeffrey Katz, chief executive of Sherwood Equities, which owns the property with the M&M's store.

The five-block area is an inspiration to mall landlords and shopping-center owners across the U.S., which have been adding attractions such as amusement park rides and drag shows to lure people away from online shopping.

The concept reached a new high last month when the American Dream mall opened in East Rutherford, N.J. The property will have a 16-story indoor ski hill, a roller coaster and a wave pool.

The Times Square district hasn't been immune to the drag on retail as shoppers shifted their buying online. Its availability rate, which reflects space that is vacant or soon to be available, rose 8.9 percentage points in the third quarter from the previous year, according to real-estate firm Cushman & Wakefield PLC, though some brokers note that a few spaces opening up can skew statistics.

The NFL Experience, a collaboration of Cirque du Soleil and the National Football League—which had interactive football drills, moving stadium seats and artificial snow—closed in 2018, not long after it opened.

The bankruptcy of Forever 21 is forcing Vornado Realty Trust to accept a rent cut for the company's Times Square store. The real-estate company could, however, take back the prime retail space after a year, it said during a call with analysts.

"Stores have to do more than set up shop," said C. Bradley Mendelson, vice chairman at Colliers International. "They have to make you feel like you had a New York experience."

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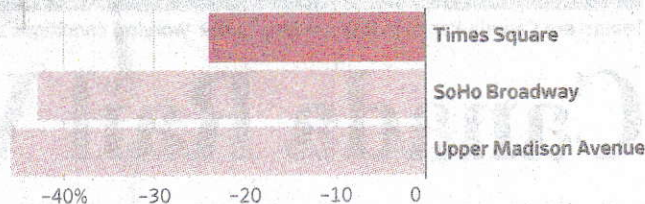
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Asking rents in the tourist area were \$1,820 a square foot in the third quarter, down about 24% from the same quarter five years ago.

Percentage change in store asking rents between 3Q 2014 and 3Q 2019



Source: CBRE Group

Asking rents also have softened in Times Square. They stood at \$1,820 a square foot in the third quarter, according to CBRE Group Inc. That is down about 24% from the same quarter five years ago, reflecting how most retail has been hurting.

But Manhattan retail rents overall are down 32% from the third quarter of 2014. Rent declines on high-price luxury corridors such as upper Madi-

son Avenue and SoHo's Broadway have been even steeper. Over the last five years, asking rent on Broadway fell 43% to \$486 a square foot. On upper Madison Avenue, prices have dropped 46% to \$954 a square foot.

Times Square has come a long way from the 1960s and '70s, when its crime and concentration of porn shops and peep shows were a symbol of urban decay. State and city re-

development efforts starting in fits and starts in the '80s later brought in a Disney Store, ABC's studios, glitzy neon advertising and other family-friendly attractions. Recent improvements have widened pedestrian walkways and added places for people to sit.

Today, Times Square's robust pedestrian traffic makes it one of the prime spots for restaurants and retailers, especially with New York City's tourism growing for nine straight years through 2018. About 65 million people visited in 2018, according to NYC & Co., the city's visitors bureau and marketing organization.

Times Square tenants are still signing leases for as long as 15 years, even as shorter lease terms have become common in other shopping dis-

tricts.

Mars Inc. recently renewed a 15-year lease for its M&M's World store in Times Square with a 2.5% annual rent increase, said Darcy Stacom, chairman of CBRE's New York City capital markets group, which is marketing the retail property for sale.

The Hard Rock Cafe said it had signed a lease renewal for 17 years and an expansion of its shop on Broadway, where it has been for more than a decade, the company said.

Longer hours of operation in Times Square—where many stores stay open until 2 a.m.—also encourage tenants to stay put. "Even with the last three years of a challenging retail market in terms of pricing, many are paying as much or more as they were," said Steve Soutendijk, executive managing director at Cushman.