



## **Future of Times Square West - Eighth Avenue as hospitality destination**

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For decades the retail corridor along Times Sq.'s Eighth Ave. has been transforming away from its seedy "Red Light District" past. This year, two of the buildings that house two of the last handful of adult video stores in the district have come on the market and two major development sites have been slated for luxury hotel development. This, along with the rebirth of Icon, the massive Nomura lease at Worldwide Plaza and Microsoft's landmark lease at 11 Times Sq. has firmly secured the corridor's future as a premier global destination for dining and hospitality.

During the 90's, as the Giuliani administration scoured New York, legislation was passed that decentralized the adult entertainment shops that had previously lined Eighth Ave. for years, forcing no more than 1 to operate every 500 ft. With extraordinarily heavy foot traffic counts, rents were already peaking at over \$200 per s/f. At the same time, fortunes had been made in the neighborhood as major landlords like the Durst family had assembled development sites. None of the smaller landlords would lease without a demolition clause. No quality tenants were willing to sign leases with a demo clause. Combining this with extraordinarily high rents attracted a tenant mix of low quality, high risk, and high margin businesses. Stores selling electronics, souvenirs, fast food, cheap alcohol, and luggage rushed in to fill the void left by the mass exodus of adult entertainment shops.

Two decades later, these aging relics have expiring leases and are steadily being replaced by a strong selection of eating and drinking establishments. Both 725 and 781 Eighth Ave. have come on the market recently. They are both four-story retail buildings that are currently adult entertainment complexes and will most likely become restaurant or nightlife destinations.

In 2010, Intercontinental Hotel Group opened the Intercontinental Times Sq. as the largest new hotel in Manhattan in over a decade and signed deals with two world renowned chefs to open restaurants as anchor tenants. The mouth watering smell of burgers emanating from Danny Meyer's Shake Shack draws enormous crowds, and Todd English opened his French bistro concept *À la Vie* to critical acclaim.

Across the street, the Milford Plaza was purchased in 2010 for approximately \$200 million and has spent the last couple years undergoing a massive renovation of its common areas and guest rooms. The block long retail component has undergone a stunning redevelopment and will undoubtedly attract world class tenants at its asking price of \$350 per s/f. Apparently, the strategy has been extraordinarily successful and the owners have recently put the 1,331 room hotel and its related components on the market in three separate pieces: the ground lease, the hotel itself, and the building's retail spaces. According to Crain's, in March, the ground lease alone was purchased for \$325 million and the entire project is expected to garner a healthy \$650 million.

For years the abandoned storefronts and neglected lots at the northwest corner of West 46th St.

and Eighth Ave. have been both an eyesore and a blight to the foot traffic on historic Restaurant Row. Last summer, Glenwood Management sold the development site to hospitality firm Riu Hotels & Resorts for a reported \$111 million. The Spanish hospitality group is building a 600-room tower which will have a gym, spa, and restaurant. The project, the Riu Plaza New York Times Sq., will become part of the prestigious Riu Plaza line of hotels, which has another location opening in Berlin anticipated for December 2013. When the New York hotel opens in 2015, it will be positioned as the gateway to Restaurant Row along West 46th St. between Eighth and Ninth Aves. This will make the selection of a top notch restaurant concept even more crucial.

Recently, another long ignored development site at 259-267 West 45th St. has come on the market and is expected to command immediate attention from the world's top hotel groups. The site had been purchased in 2006 by a joint venture between Boston Properties and the Related Companies for a reported \$15.25 million. With the current ensuing land rush the pricing has been pushed up to roughly \$400 per buildable s/f and could command up to \$50 million. This includes the right to purchase the northeast corner of Eighth Ave. from the Shubert Organization.

Despite the growing supply and price of hotel rooms in the district, the Times Square Alliance reports that 2012 occupancy of 88.4% is the highest since at least 1995. However, the foot traffic generated by hotel projects along the avenue only make up part of the picture as there is strong growth in both residential and office development. The TSA predicts 19.7 million s/f of office space along the corridor by 2020, and nearby residential projects continue to come online.

"The heralded revitalization of the Times Sq. bowtie and 42nd St. is a story well-known to the real estate community, while the recent growth along Eighth Ave. - in commercial offices, retail locations, and restaurants - has occurred in relative quiet. No longer just the site of Port Authority and some porn shops, Eighth Ave. now serves as a unique gateway between the midtown business district and residential Hell's Kitchen. Its growth spurts have been uneven over the past decade, but it is beginning to find its identity - and it still contains much untapped potential for workers and residents looking for a place to shop and eat out," said Marianne Vernetson, director of economic development, Times Sq. Alliance.

The most notable of these buildings is Icon at 306 West 48th St. This 23' wide building stands 43 stories tall with 122 luxury rentals. Originally built as a condo in 2007, this uber-thin architectural achievement lay dormant for years after the market dropped in 2008. Brought back to life in 2012 by First Dominion Developments, the rental has seen incredibly strong leasing activity at rents that may break records along the strip. Designed by architect Ismael Leyva, the residential units are known for their incredible views, open layouts, and airy feel right in the heart of the Theater District. The ground floor retail space, which is being marketed by Massey Knakal Retail Leasing Services, is seeing strong interest from a wide variety of local and international eateries.

In 2009 George Comfort and Sons purchased Worldwide Plaza at West 50th St. and Eighth Ave. Buying the property at the very depths of the recession in 2009, they paid a reported \$600 million. After a tremendous leasing effort, the building has several new upscale retail tenants as well as key office tenants that have transformed the building's tenancy. Unquestionably the greatest leasing achievement in the building is the 900,000 s/f lease to Nomura Holding America Inc. The Japanese financial giant is expected to move from its offices at 2 World Financial Center this summer. A slew of Japanese business owners have rushed to take advantage, with the renowned Japanese noodle house Ippudo signing a lease just off Eighth Ave. at 321-323 West 51st St. Japanese businesses of every type have been looking for space nearby, from karaoke, to Japanese BBQ, to Sake Bars.

Regardless, it is safe to bet that there will be an ever increasing Japanese influence along the Northern section of the Eighth Ave. retail corridor.

Continuing with the Asian influence along the avenue, Satya Eastern Kitchen opened in 2012 at 750 Eighth Ave. in a 2,700 s/f space on the corner of West 46th St. with 120' of frontage, incredibly high ceilings, and a flashing logo that gives it an unmistakable presence along the avenue. With few exotic options, the menu serves familiar Thai/Asian cuisine in a fresh way. In contrast, world renowned chef Pichet Ong opened his Qi Bangkok Eatery directly next door to the infamous Show World by West 43rd Street in 2011. Serving a more esoteric selection such as braised beef cheeks and fish mousse in pandan leaf, Qi draws some very strong crowds. It has been suggested that the adult entertainment next door only adds to the authentic Bangkok experience.

At the southern tip of the district along Eighth Ave., the biggest new impact on the street traffic is definitely 11 Times Sq. The 400,000 s/f lease by law firm Proskauer Rose in 2011 added to the already robust legal presence in the district. Last year, they were joined by Microsoft who signed a lease for 200,000 s/f, which is a huge vote of confidence by the tech industry. Several other tech players are expected to follow Microsoft to the neighborhood. A perfect example of this is E-marketer's 2013 lease of 53,573 s/f. Either way we can expect a stronger techie presence in the neighborhood's businesses.

In terms of retail tenants at 11 Times Sq., while leases have been signed by Global Foods International, Bank of America, and Off the Wall Frozen Yogurt, the tenant that will arrive with the greatest fanfare is definitely Señor Frogs. This spring break standard will be the first of its kind in the Northeast.

Last but not least, Cake Boss has finally come to Times Sq. In the most expensive lease ever written at Port Authority, Buddy Velasco (The Cake Boss) leased 2,774 s/f for three and a half years at over \$400 per s/f for the corner of West 42nd St. and Eighth Ave. The deal also requires that the tenant spend at least \$2 million building out the future store. The store has received an incredible amount of media coverage and pulls traffic from both the surrounding area as well as bus commuters from Port Authority.

From first class hotels to outrageous cakes, Eighth Ave. Times Sq. 2013 is barely recognizable from the Eighth Avenue of even ten years ago. As the last few adult video stores shut their gates and move to side streets, a clear vision of Eighth Ave. Times Sq. 2020 begins to emerge. With a climbing key count, international tourist demand, expanding office populations and upscale residential development that continue to grow the corridor's foot traffic, Eighth Ave. is primed to become one of the world's finest hotel and restaurant destination.

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