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Tourism Is Key to NYC Retail

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In general terms there is no question that retail rents in Manhattan have moderated somewhat over the last couple of years in response to the economic downturn. On the other hand, rents in certain high traffic retail corridors have not decreased all that much and in some cases have even risen during this period. Why is this happening? Why are all these stores flourishing? Have New Yorkers all of a sudden found spare cash in their pockets while the rest of the country is still struggling? Three questions, one answer: tourism.

For the past ten years New York has seen an unprecedented rise in tourism. According to NYC & Co. there were 49 million visitors to New York in 2010 compared to 36 million visitors in 2000. That's a 25 percent increase. During that same period visitor spending rose from \$36 billion to \$49 billion, roughly a 40 percent increase. That is a lot of money and a lot of spending. Foreign visitors in particular are flocking to the city, taking advantage of the weak dollar and having a ball spending their money in stores all over town.

In the years before the internet informed the country and the world of all the wonders New York City had to offer, visitors stuck to the basics: the museums, the Empire State Building, Rockefeller Center, Statue of Liberty, Central Park and so on. When it came to restaurants, visitors mostly dined at restaurants in Midtown that advertise in hotel magazines. Today, in our interconnected world we now see tourists holding street maps and subway maps in just about every neighborhood from Harlem to the Lower East Side and now, even Brooklyn. Tourists are now visiting local neighborhood restaurants in Williamsburg instead of the big name Zagat recommendations in Manhattan. I even see those double-decker tour buses cruising in the Bronx. In a macabre sort of way the former World Trade Center site has become a magnet for tourists. Imagine the popularity of Downtown once the Trade Center site, the Memorial and the Transit Hub are completed.



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We now see tourists shopping in virtually every neighborhood of the city, not just at Macy's or Bloomingdales. They are spreading the wealth all over town and many retail enclaves are thriving. Without out-of-town shoppers landlords would not be able to fetch \$600 per foot on Bleecker Street or \$2,000 per foot on Fifth Avenue. In SoHo, along the Broadway shopping corridor from Houston Street down to Broome Street, rents have shot up to over \$400 per foot. This is all pretty remarkable when you think about it.

There are those who say that retailers are more interested in branding, rather than sales volumes, which is why they pay these rents. Not so. Retailers want to make money and in order to do so at New York rents, they need pedestrian traffic and lots of it. Stand in front of Uniqlo in SoHo one day and try to identify some English amongst the eclectic array of foreign conversation. If you do recognize any, it will surely have a distinctly non-New York sounding twang.

So let's hear it for the weak dollar. Let's hear it for middle America. Let's take our hats off to the Business Improvement Districts that help make neighborhoods clean and safe. And let's hear it for those retailers who stuck it out during the difficult times and have committed big dollars in rent to a city that apparently keeps on giving them a bang for their buck.