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September 12, 2012

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A Retail-Eye View on the NYU Expansion Plan

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After multiple setbacks and a years long negotiation between New York University and its opponents, the New York City Council recently approved a modified plan for NYU's expansion that includes a series of zoning amendments, map changes and permits allowing NYU to construct four buildings with a total of about 1.9 million square feet in Greenwich Village. Although this project has stirred some controversy in the neighborhood and will take nearly 20 years to complete, the long-term net effect on retail rents, occupancy, and sales in the area is expected to be a positive one. We anticipate that the expansion will begin to drive up retail rents in the near future as the first phases of construction get underway. This will be a direct effect of retailers' anticipation of increased foot traffic, generated by the new buildings and their eventual occupants.

According to the Greenwich Village-Chelsea Chamber of Commerce, as construction commences in 2014, an average of 2,400 jobs will be created each year for the next 20 years. Once the project is completed, the four newly constructed buildings will consist of residential units for faculty and students, an athletic facility, classrooms, research labs, office space and stores. NYU is seeking to accommodate thousands more students than its current enrollment of 41,000 by 2031. It has yet to release the number of people who will be housed in the new facilities, but it may be substantial, including both undergraduate and graduate students as well as teaching and administrative staff.

Through its expansion, NYU will directly increase the number of consumers in the area surrounding it and thus help drive growth for local businesses. There are approximately 735 retail stores within the 5-block radius of the planned construction site (north of Houston Street). This group is among the most likely beneficiaries as the project progresses, however some landlords and tenants in the area have expressed trepidation in the interim, as large construction projects are liable to disrupt foot traffic to a block, even if only temporarily. In the long-term, however, they should feel heartened. According to a study by Appleaseed, a New York City-based economic development consulting firm, in fiscal year 2009, off-campus spending by NYU students totaled about \$250 million. The



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expansion of the state of art facilities and research labs will undoubtedly drive this figure further upwards.

As with any major new construction project, some members of the community voiced concerns about NYU's plan. While the impact of the new buildings on the aesthetics and "feel" of the Village may be open for debate, it is clear that from the perspective of retail economics, the new facilities will be a boon in the long run. NYU is already one of the largest employers in the city, employing approximately 17,967 people according to the university's 2011 employee demographics, but according to the Appleseed study, when this project is completed, the new facilities will support the creation of more than 6,900 permanent new jobs at NYU and in associated retail, restaurant, and hotel businesses.

Again, while some have criticized the NYU expansion for their perception of its aesthetics and how it may affect their quality of life, the effect it will have on the retail market is undeniable. Now that the full plans have been green-lighted, we are looking forward to tracking an upward march in retail lease rates as we eventually get closer and closer to the first of the new buildings' completion.