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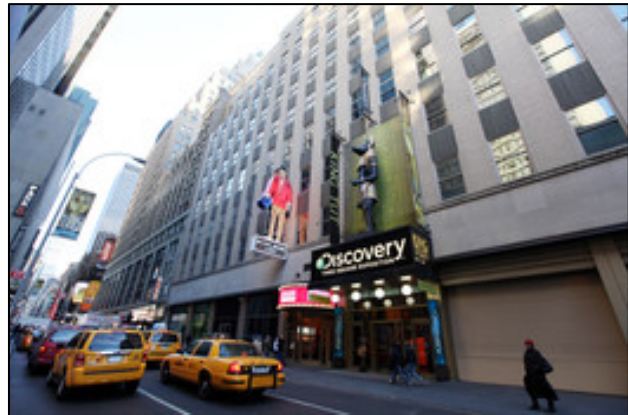
GREATER NEW YORK
NY REAL ESTATE COMMERCIAL

Daffy's in Times Square Debut

BY SHELLY BANJO

Daffy's has plans to open a Times Square outlet in the latest sign of the area's transformation into a center for low-priced fashion.

The national chain, whose slogan is "high fashion, low prices," has signed a lease for a 28,000-square-foot store in the old New York Times building on 44th Street, which was vacated when the newspaper moved to Eighth Avenue. Developer Africa Israel USA, which purchased the property in 2007, has been struggling to reposition it in a tough real-estate market.



The deal comes as Times Square, which has seen numerous changes over the decades, has taken on a new role in the shopping world. The area once known for hawkers of "I Love New York" T-shirts and imitation handbags, has become home to numerous fashion outlets catering to the cost-conscious.

Other retailers that have opened in Times Square in the past two years include Aeropostale, Forever 21 and American Eagle Outfitters. The new retailers are catering to tourists looking for New York fashion at middle-America prices and suburban teens flocking to the city for shopping sprees. Also helping is foot traffic from nearby office buildings and the thousands of new apartment units that have been developed in the area in recent years.

By creating flagship stores in the most-trafficked area in the city, companies can enhance their global brand awareness, retail experts say. "Times Square is second only to Fifth Avenue with the highest per-square-foot sales numbers in the city," says **Faith Consolo of Prudential Douglas Elliman Real Estate**. She says that annual retail sales for stores in the area can reach as much as \$2,500 to \$3,000 in sales per square foot.

Demand for the retail space in the old Times building isn't as keen as it is for stores fronting the famed "bow tie" where Seventh Avenue and Broadway intersect. Daffy's, which has nine other locations in the city, will be joining Bowlmor Lanes, a bowling alley, and Discovery Times Square Exposition, which is currently showing a King Tut Exhibit.

Developer Africa Israel also has faced challenges because it bought the 750,000-square-foot building at the top of the market for \$525 million—three times the price that the seller, Tishman Speyer Properties, paid for it in 2004. Originally, the developer planned to lease most of its space to office tenants.

Last year, Africa Israel completed a \$267 million refinancing of the property in which it gave up 50% of the equity. Afterwards, the new ownership group decided to convert 38% of the building into retail space and also develop part of it as a condominium and seven-floor hotel. "In the past 18 months the demand for large office space diminished and we decided the building needed to be repurposed to take advantage of Times Square's amazing foot traffic," says Tamir Kazaz, who took over as Africa Israel USA's chief executive officer after Richard Marin departed earlier this month.

Times Square, which has long been associated with Broadway theaters and night life, suffered a long decline over the decades until the city and the private sector launched a major revitalization effort in the 1990s. Since then it has become a tourist mecca, home to big-name office tenants and, now, a discount fashion center.

Retail space in the area now commands an average rent of \$1,600 per square foot, up from \$550 per square foot a decade ago, says Victor Canalog, director of research at Reis Inc., a real-estate research firm.

"It mirrors the development of the neighborhood as well as the willingness of retailers to have storefront space in the densest central business district in the country," he says.

Still, nearly 30 buildings are currently marketing available retail space, including 1472 Broadway, which ESPN Zone left vacant this summer, and up to 160,000 square feet of retail in new construction at 11 Times Square, according to the Times Square Alliance, a business-improvement group that tracks vacancies.

"You're close to a ton of foot traffic but there's a revolving door of retailers because not all shops are patronized equally," Mr. Canalog says. "Unless you earn enough to pay that rent, you'll close shop."