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SQUARE FEET

## Union Square Booming Despite Soft Economy

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Twenty-five years ago, fresh from a stint cooking in France and Italy, [Danny Meyer](#) searched the streets around Union Square for a site to open his first restaurant. He was drawn to the area's cheap rents and proximity to one of the city's best farmers' markets, but the neighborhood left something to be desired.

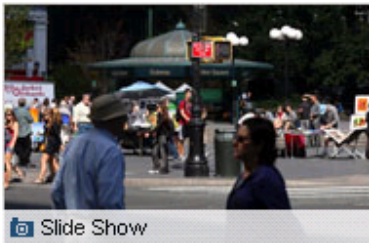
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A pedestrian promenade, above, along Broadway from 18th Street to 17th Street.

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“By day, you’d see men pushing racks of clothing up and down the streets,” Mr. Meyer said recently. “At nighttime, the neighborhood was less savory. The park was overridden with drug sales at night.”

Undeterred, in 1985 he opened the Union Square Cafe just off the park on 16th Street, paying \$12 a square foot for his first lease. Rents in the area now average \$40 a square foot, commercial real estate brokers say.

As Mr. Meyer’s restaurant prepares to celebrate its 25th anniversary, [Union Square is on something of a roll](#). A \$20 million project has reshaped the once-barren north end, and even on the heels of a recession more than two dozen stores, restaurants and bars have opened this year alone on and around the square.

The latest big name to take up residence on the square is [Nordstrom](#), which opened a 32,000-square-foot branch of its Nordstrom Rack discount clothing store on the south end, at 60 East 14th Street.

“Union Square has really emerged as one of the top retail areas in the city, so when an opportunity came available to open a Rack there, we took it,” Colin Johnson, a spokesman for Nordstrom, said. “The number of pedestrians that pass through that area on a daily basis is really more significant than we see at any other Rack location.”

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A 25-year effort to rehabilitate the square and its park, now in its final stage, has made life easier for those pedestrians — about 150,000 on a typical day, according to the Union Square Partnership. The [North End project](#) has brought an innovative new playground, a refurbished plaza, and new lighting and landscaping. This month the city Department of Transportation began reconfiguring traffic patterns on nearby streets and added pedestrian plazas like those installed last year in Times Square.

A promenade now runs along Broadway from 18th to 17th Streets and extends along East 17th Street on the north side of Union Square Park, reducing congestion on sidewalks.

The Greenmarket, which is open Monday, Wednesday, Friday and Saturday, is the square's No. 1 draw, said Jennifer E. Falk, the executive Director of the Union Square Partnership, a business group. "The Greenmarket has been a huge part of the reason why the neighborhood has fared as well as it did during the economic downturn in the last couple years," she said.

Ms. Falk and real estate professionals attribute Union Square's resilience to several factors that attract businesses: high pedestrian traffic, a public transportation hub and a confluence of residents, office workers and students.

The opening of a [Whole Foods Market](#) at 4 Union Square South in 2003, followed by a string of popular stores including Filene's Basement, Forever 21 and Trader Joe's, was a turning point. The partnership's surveys show foot traffic on area sidewalks increased 59 percent between 2003 and 2008 to 150,000 daily. Pedestrian traffic swings between 120,000 on non-Greenmarket weekdays to 200,000 on Saturdays. Some 35.5 million subway riders passed through Union Square turnstiles in 2008. "We estimate that our ground-floor vacancy rate is a little less than 3 percent right now, and office space vacancy is a little less than 7 percent," Ms. Falk said. "That's remained steady for the last two years; we are really amazed."

Union Square was established on a former potter's field at the intersection of what is now Broadway and Fourth Avenue, according to [a history](#) on the Department of Parks and Recreation Web site, and opened to the public in 1839. In the late 19th century the area grew rapidly into a prosperous retail destination. Booms and busts have followed.

Like Mr. Meyer, Jeff T. Blau, the president of Related Companies, which developed One Union Square South in the mid-1990s, remembers when Union Square was less desirable. "Twenty years ago the whole neighborhood was a little iffy," Mr. Blau said, citing dilapidated and abandoned buildings.

"The southern end of the park was difficult; we went through a lot of retailers before we were able to lease it all up, and many lasted there 15 plus years," he said. He added that circumstances that had little to do with the location were behind the 2009 closings of a Virgin Megastore and a Circuit City, both in One Union Square South.

When long-term tenants left this time around, “it was much easier to re-lease than to originally lease, and at obviously much higher rents,” Mr. Blau said. He estimated that rates per square foot are two to three times higher than in the early 1990s. Replacing Virgin and Circuit City were the Nordstrom Rack, a Duane Reade drugstore, a Citibank branch and a [Best Buy](#).

“As soon as anything comes up, there is a lot of competition,” he added.

Union Square’s smaller scale, compared with other commercial areas like Midtown, and its high pedestrian traffic have made the difference, commercial real estate experts said. “Although every neighborhood in the city was affected by the recession,” said Robert Silver, executive managing director of Newmark Knight Frank, “Union Square was not as greatly affected only because you don’t have the massive corporations with the hundreds of thousands of square feet there.”

“Back in the early 1990s,” Mr. Silver said, “Union Square was a neighborhood you went to because you couldn’t afford Midtown; it wasn’t an area that was cool to go to at that time. It didn’t have the hotels, the shopping and the restaurants you have today. Now it’s mecca for all those things, and it’s really sought after. Creative companies really want to be there,” he said.

“The great thing about that neighborhood is that if you want to go to a side street, a no-doorman, smaller building you can still probably find rents today in the high \$20s to low \$30s per square foot,” he said. Similar spaces in Midtown are about \$53 a square foot, Newmark Knight Frank said.

The leasing market is hard to assess, he said, because “a lot of space has been subleased, not a lot of new deals are being done; but that will change once the subleases have been absorbed.”

But not everyone is greeting the physical changes to Union Square with enthusiasm. The Union Square Partnership’s wish to turn the classical-style pavilion at the north end into a seasonal restaurant has met stiff opposition from the Union Square Community Coalition, a neighborhood group formed in 1980.

“We are just outraged that the city would even think about handing this public property over to a business improvement group,” said Geoffrey Croft, a board member for the coalition. He said the group planned to sue to require the city to pass legislation to allow for a nonpark use of public property.

In May, the parks department began fielding bids for a seasonal cafe.

Mr. Croft said there was no dearth of eateries in the area. In a two-block radius of Union Square, he said his group had counted 153 places to buy food including restaurants, bars, markets and delis.

He said the group would like to see the pavilion become a community space.