

**REPORT on:**

**THE GROWTH POTENTIAL FOR QUEEN'S PLAZA'S RESTAURANT NICHE**

**Major Findings and Recommendations**

**Presented to:**

**The Long Island City  
Business Development Corporation**

**prepared by**

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## **MAJOR FINDINGS AND RECOMMENDATIONS**

### **Long Island City Rising**

- The area's previously hard to shake, grimy industrial image is quickly being demolished. Emerging in its place is an image of strong residential and commercial revitalization joined with an appealing measure of artistic hipness.
- Restaurants and watering holes are often pioneers in revitalizing neighborhoods and commercial centers. Clusters of eateries have emerged or been strengthened along Vernon Boulevard, Jackson Avenue and on the waterfront by the new high-rise residential buildings in Hunters Point.
- While the Queens Plaza commercial area has a number of eateries, it has been slower than other parts of Long Island City to see its restaurant niche feel the improvements that can result from large influxes of office workers, residents and/or hotel guests.
- But, now, with most of the residential units reportedly occupied, the first phase of Gotham Center completed and about to be filled with 3,000 employees of the NYC Dept. of Health, Jet Blue moving about 1,000 of its top managers into the MetLife Building, and the national and regional economies slowly improving, the time seems propitious for better quality eateries and watering holes to be attracted to the Queens Plaza commercial area.

### **The Residential Market**

- The basic demographics available from commercial sources like ESRI to most restaurant tenant prospects about Queens Plaza's potential residential trade areas show that on all the variables related to income – median and average household incomes, the percentage of households with incomes of \$100,00+-- and household consumer spending, those closest to Queens Plaza are the lowest.
- The data available from popular commercial sources suggest that the money spent for food away from home by the people living within a reasonable walking distance of Queens Plaza alone cannot even support many of these local, modest sales volume eateries.
- However, the occupants of the new market rate residential units are bringing in additional consumer spending power and a fresh set of consumer tastes and behaviors. Because of their proximity, they are potentially the most frequent diners of restaurants that will be open when they are in the area.
- Based on information provided by the LICBDC, DANTH estimates that there are now about 500 occupied new market rate residential units within 0.50 miles of the Queens Plaza Centroid, with 406 additional units under construction that will result in 386 additional occupied units. Given the costs of renting or buying their units, DANTH has calculated that their household incomes would have to be \$100,000+/yr to afford them.

- Many of these new residents are in the Trendsetter lifestyle segment. They are mainly young singles and may live with a roommate. Well-educated professionals, they are on the cutting edge of urban style, into high tech gadgets and electronic communications. Their median age is 34.7. They are spenders, fashion conscious, concerned about their health and exercise regularly. This is the pivotal lifestyle segment for Queens Plaza's new restaurants.
- DANTH estimates that the total spending potential in 2010 for the occupied new residential units was \$979,860 for full restaurants and \$1,263,193 for limited restaurants. Most of these dollars are likely to go to eateries outside of Queens Plaza.
- The new residents are not likely, by themselves, to support a bevy of new high quality eateries, whether they be full or limited service, unless they are very small independent operations. But, the new residents can be a meaningful part of a group of market segments that high quality new restaurants might target.

### **The Office Worker Market**

- The office worker market is the prime potential driver of restaurant growth in Queens Plaza.
- DANTH estimates that there are about 9,625 office workers in the Queens Plaza commercial node.
- The \$16,624,335 that Queens Plaza's office workers have to spend will be spent in Queens Plaza, with about \$15,268,620 being for lunch and 75% of it being spent in eateries that are within three blocks of their office buildings.
- Though the estimated office worker dinner expenditures of \$1,355,715 are only 8.9% of their lunchtime expenditures, they are certainly far larger than what the local residential market can now provide to restaurants open for this meal.
- The average office worker in Queens Plaza can be expected to buy lunch about three days a week and pay about \$9.00 per lunch. About 75% of the lunch destinations will be within a three-block walk of their office buildings. About 50% will brown bag their lunches sometime during the workweek. Only 31% will eat in a formal sit down restaurant during the workweek. The average time away from their offices will be around 44 minutes.
- Queens Plaza's office worker market can be expected to attract a lot of delis, sandwich shops, coffee shops, urban diners, burger joints, pizzerias and fast food chain operations. Also attracted will be ethnic eateries where patrons can sit down, but the food is quickly served and eaten. Take-outs and deliveries will be an important component of successful new operations.

### **The Hotel Guest Market**

- Tapping the hotel guest market is essential if Queens Plaza is to develop a significant evening dining presence.
- DANTH mapped out the 12 recently completed hotels in LIC that were within a 0.50 mile ring of the Queens Plaza centroid as well as a hotel in that geography

that was under construction. Information about the number of rooms in each hotel was obtained. The completed hotels have a total of 1,094 rooms.

- DANTH computed the number of guests per day and per year for each hotel and a total for those in the .05-mile ring. The completed hotels have an estimated 598,965 guest days per year. The uncompleted hotel will add 54,750 guest days per year.
- At a spending rate of \$40 per day for food per hotel guest and a 10% capture rate DANTH estimates that Queens Plaza eateries could get a little over \$2 million in their cash registers from hotel guests.
- The hotel guests are most probably in NYC to visit all the sights or on business. Most likely they will spend most of their days in Manhattan and many of their evenings there as well. The best time of day for Queens Plaza eating places to capture their attention and dollars is probably in the evening: they are likely to eat breakfast in their hotels, especially if they are gratis and be away in Manhattan for the rest of the day.
- When they return to their hotels they may want a quick meal in an eatery very close to their hotel or delivered. But they may also look for restaurants that:
  - provide an alternative to chain restaurants
  - create an interesting social ambiance, and
  - have a certain uniqueness and local authenticity. Gastropubs, brewpubs, barbeque joints, authentic ethnic restaurants, and child-friendly restaurants would do well.
- Day-trippers constitute another important segment in the tourist market. P.S.1, for example, has reported drawing 110,000 visitors a year, with as many as 5,000 on peak summer weekend days.

### **The Supply Side: The Existing Eating Places In The Queens Plaza Area**

- Of the eating-places within a 10-minute walk of the Queens Plaza centroid, those within a 5-minute walk account for only about 30%. This means that these eating-places are not densely clustered on the Plaza, but are relatively dispersed in the immediate vicinity.
- The eateries within a mile of the Queens Plaza centroid have annual sales that are substantially lower than those within a three or five mile radius. Comparatively, the eating-places in and close to Queens Plaza do not appear to be very strong.
- While Queens Plaza is in transition, many of the eateries occupying its prime locations are hold overs from the past and not focused on the district's new and more affluent market segments. In its recent past, when many of the retail leases in the area were signed, Queens Plaza had an in-close residential population that was lower income, with few if any more affluent households. Its retail was weak and did not draw from wide market areas.
- Overall, there does not appear to be a lot of storefront locations in the area and the rents in the newer spaces only can be afforded by strong national chains. Retail rents are reportedly \$60/SF in Gotham Center, \$50 on the rest of Queens Plaza and \$40 on Jackson Avenue.

- The Plaza does not have any real sit-down, full-service, tablecloth restaurants. Nor any with a primary focus on the dinner meal. There now is really no dinnertime place close by for Queens Plaza's new affluent residents to go to, while they abound on Vernon Blvd. and Jackson Avenue. Finding a Queens Plaza location for a 5,000 SF sit down, upscale restaurant will be difficult, because of the size of its space requirement, its probable desire for parking so it can penetrate a wide customer market, and the high rents access to parking may entail. Such parking would preferably be onsite or very nearby, and it might be valeted.
- Smaller, neighborhood sit-down formats, being reliant on walk-in local patrons, would not require the parking. Operations of this kind often are happy with spaces in the 2,000 SF to 3,500 SF range. They do not have to be on the Plaza, though locations across from the new public space might work very effectively, both because of the new attractive ambience and because of the locations' proximity to hotel guests, office workers and residents.
- The area also is lacking the kind of places where people in their 20s and 30s who are professionals or managers can find the nightlife they like, such as specialty coffee houses, pubs, brewpubs, clubs and restaurants with active bar scenes.
- On numerous visits to Queens Plaza since 2009 DANTH has never seen a lot of office workers either walking on the Plaza or frequenting the existing eateries at lunchtime. If they are patronizing these eateries at all it must be through delivered meals. Most of the customers in the Plaza's eateries appear to be blue collar and uniformed workers.
- The ability of Queens Plaza's eateries to penetrate non-local market areas will be strongest for the dinner meal and be very dependent on the availability of safe parking near the eateries.
- Consistent with reports by local observers, DANTH's two lunchtime tours of local parking lots in 2009 and 2011 showed few available spaces. Many now shut down by 6:00 p.m. or 7:00 p.m. According to information obtained by the LICBDC, the lots have plenty of available parking spaces on Saturdays and weekdays between 5:00 p.m. and 7:00 p.m. It is reasonable to surmise that the lot operators would be willing to stay open if restaurants could provide a sufficient stream of customers after the office workers leave at 5:00 p.m. For a restaurant prospect this situation presents an opportunity, but also uncertainty and risk. Only prospects with a strong interest in a Queens Plaza location will likely make the effort required to negotiate such a parking arrangement.
- Modern office buildings often have large attached garages that are highly occupied during the day, but are largely empty after 5:00 p.m. They are good locations for eateries that want to tap the local office worker market during the day and the residential market, both those who can walk and those who need to drive, in the evening. In these situations, there is a de facto shared parking program. However, the restaurant rents in such instances will be higher, reflecting the building's locational advantages. Consequently, only chains and very successful independent operators usually take these spaces.
- In many other parts of Queens, where customer parking is very hard to find, restaurants have used valet parking services for many years, some for decades.

## **The New Eateries That Queens Plaza's New Local Consumer Markets Can Support And Attract?**

### Full Service Restaurants

- DANTH estimates that Queens Plaza's new residents and office workers currently could spend about \$1.5 million in local full service restaurants. Adding the hotel guests, brings that total up to about \$2.5 million.
- DANTH estimates that the combined local residential, office worker, hotel guest market segments plus a modicum of non-local diners could support:
  - About four neighborhood full service restaurants that are about 2,800 SF and these eateries could afford rents of \$40/SF. If they paid rents of \$50/SF or \$60/SF the number of viable new full service restaurants falls to around three. Without the support of the hotel guest market segment only one of these 2,800 SF full service restaurants would have sufficient remaining market support to afford a \$60/SF rent
  - Or at the \$40/SF rent, about three 5,000 SF type restaurants are feasible, but their feasibility again declines without the hotel guest market segment support and rising rents to about one
  - Or one combination of two of the 2,800 SF neighborhood restaurants and one of the 5,000 SF types, with the estimates ranging from 0.7 to 1.3.
- Tapping the hotel guest market will be critical to the attraction and success of full service restaurants in the Queens Plaza commercial node.

### Limited Service Eateries

- DANTH used limited service eateries of 1,500 SF and 3,000 SF in its calculations. The preferred GLAs of AuBon Pain, Baja Fresh, Burger King, Chipotle, Cosi, McDonalds, Pret- A-Manager, Europa Cafe and Starbucks all include locations of those sizes.
- The potential consumer demand for limited service eateries comes overwhelmingly from Queens Plaza's office workers (83%) and it will be manifested overwhelmingly at lunchtime and possibly also at breakfast.
- The estimated total demand is quite large: about \$18.6 million. Putting that in perspective, a demand of that amount is equivalent to the average annual sales of 7.6 McDonald's eateries.
- That demand could alternatively support about 15 eateries with annual sales of \$1.2 million that pay \$60/SF in rent and many more of them if they pay less rent and have more modest sales.
- The in-close, walk-in new consumer markets, notably the office workers, have a high level of demand that can drive a lot improvement and growth. The challenge now is to tap that growth. One question that quickly emerges is: Where are the spaces for these new eateries? Sufficient and appropriate demand is certainly not a barrier. Many of the existing street-level retail and hospitality locations may have to be vacated, combined and rehabilitated to provide the appropriate spaces.

## **The Types of Eateries That Might Be Attracted**

### Strongly Social.

- If Queens Plaza is to build pedestrian traffic and a feeling of being a 24-hour neighborhood, it will need to attract eateries and watering holes that are strong both at lunchtime as well as at dinner, and can serve as social gathering places mid-morning, afternoons after school and or after dinner.
- Specialty coffee houses often have these characteristics and Queens Plaza's new consumer markets can support them. Starbucks is in Astoria, but not yet in LIC. Queens Plaza's cluster of office buildings should be attractive to this chain.
- In other "hip" neighborhoods – such as Williamsburg, Carroll Gardens, Park Slope, Greenwich Village, Chelsea, etc. -- independent barista coffee bars perform comparable functions. The independent barista operations definitely have the better coffees because they will have the hard to get, best quality, small production coffee beans that Starbucks no longer buys due to its need to buy beans in such large quantities. The independent baristas also have led in the use of the latest and best espresso machines. But, Starbucks has a name recognition that approaches Coca Cola and an ability to draw higher sales. Most importantly, in other commercial centers its presence has helped legitimate the area as a desirable location in the eyes of other eatery and retail operators.
- DANTH believes the specialty coffee market in Queens Plaza is now so underserved that consumers there could support both a Starbucks and a barista operation.
- Any competent commercial broker knows how to contact Starbucks. A good list of barista coffee houses can be found on the New York Times iPhone app called The Scoop.
- Another restaurant format that would do well in Queens Plaza and be good for it in turn is the neighborhood pub. This format has a relatively large formal bar area, but also a strong distinct dining area that features good to very good food offered at comparatively reasonable prices. While the 79 Irish pubs in Queens fall under this format, so do many other neighborhood eateries such as J.G Melon in Manhattan, St. James in Forest Hills and Austin's in Kew Gardens.
- A Google search will produce a list of all the Irish pubs in New York City. For the plain neighborhood pubs, touring neighborhoods that are far enough away to avoid cannibalization, but close enough to facilitate management control can identify prospects.
- A "hail Mary" possibility is a brewpub. Some chains not only go into older industrial buildings, but also into more recently constructed, higher rent buildings. They will go into spaces 5,000SF to 7,000SF in size. In Queens Plaza, a brewpub will need a location with sufficient visibility and ample parking that can be easily accessed.

### What Has Gone In Around Court Square?

- Court Square is the other major cluster of office buildings in LIC and the eateries it has recently attracted nearby on Jackson can be a good indicator of what Queens Plaza might also attract. The recently arrived Burger Garage, created by

the owners of the Palm chain, is definitely a model for a type of eatery that also might be attracted to Queens Plaza. Because of proximity, it is doubtful that it will be another Burger Garage. But, NYC abounds in independent and small chain hamburger places. Queens Plaza might recruit those that are located in hip neighborhoods in the outer boroughs as well as Manhattan. Some examples that have received high ratings in Zagat are:

- BareBurger, 31st Ave in Astoria (also in Manhattan)
- DuMont, Bedford Ave in Williamsburg
- Back Forty, Ave. B in Manhattan's "alphabet city".
- There are also some small burger chains that might do well in Queens Plaza. Cheeburger, Cheeburger, for example, is doing well on Queens Blvd in Forest Hills. It is also located in Brooklyn, has six other locations in New York State, and is in 27 other states.
- McDonald's is everywhere, very often in dense, urban environments, and its format adapts to smaller, mid-block spaces with no designated parking. These can be found all over New York, e.g. 1651 Broadway in Manhattan, on Continental Ave. in Forest Hills and Jerome Ave. in The Bronx. Queens Plaza might also attract a similar McD's. The new local markets can support both an inline urban McDonald's and an "artisanal" hamburger joint.
- Sage General Store is another eatery that arrived in the Court Square area in the past few years. It's sandwiches reportedly attract lunchtime office workers and, from web reviews, it's weekend 'bacon brunches" and dinners attract residents from a wide geographic area. It offers a great formula of good food, authenticity and uniqueness: "home made regional cuisine"; "artisanal food products" and "vintage American folk art and quirky objects." An eatery with a format akin to Sage would do well on Queens Plaza, but unfortunately, it probably will be difficult to find another operator having the same sort of vision.

### Sandwiches!

- Even with the openings of Panini Tozt and Packard Square, DANTH doubts that the typically strong lunchtime office worker demand for sandwiches to be eaten back at the office or in a local park is being met in Queens Plaza.
- Perhaps what is also needed is one of the chains such as Cosi, Pret a Manger, and Europa Café that have name recognition and the association of product quality that often attaches to a chain's name. DANTH could not find any locations of these chains in Queens. A smaller chain, European Bakery & Café has opened in Forest Hills. Au Bon Pain is another possibility. It has a location at MetroTech, the office complex in Downtown Brooklyn. But, its parent corporation has stated a preference for investing its resources in new Panera Bread locations and their intent to open more Au Bon Pains is uncertain.

### Ethnic Eateries.

- Queens is probably the most culturally diverse county in the United States, if not the world. It abounds with ethnic restaurants. Ethnic restaurant operators are also often early entrants into revitalizing commercial centers.

- One of the fastest growing chains is Chipotle. It features Mexican food and has a space requirement of between 1,200 and 2,800 SF. While it has many locations in Manhattan and the region's suburbs, none are in an outer borough. Baja Fresh, also features Mexican food, has many fewer locations in the region and is not in any outer borough. Telcingo is the name of a chain of Mexican restaurants in Manhattan, Astoria and Corona. All are popular and reasonably priced.
- Another Hispanic possibility is Pio Pio, which started in Rego Park and specializes in Peruvian rotisserie chicken. It has four locations in Queens, four in Manhattan and one in The Bronx. A smaller, single location operation of this sort is El Polo Inka Peru on Queens Boulevard in Forest Hills.
- Queens Plaza lacks a really good Chinese eatery. One that has limited seating, but a strong orientation for providing take-out and delivered meals to both office workers and local residents is likely to succeed on the Plaza. There is certainly sufficient potential demand to attract an operator. One way of finding a viable prospect is to identify some of the entrepreneurs within the Chinese community who own several restaurants –the eateries often may have different names – and who are continually looking for new investment opportunities.
- Pizza is always popular with office workers and residents across all income groups. Domino is already on the Plaza. There is room in the Plaza's new consumer markets for new and stronger entrants. The artisanal pizza places are mostly located in neighborhood, residentially dominated, shopping districts. They seldom sell pizza by the slice and their whole pies cost more than the average office worker expenditure for lunch. This means that office worker purchases of artisanal pizza will likely be in groups of two or more, not solo activities. This, combined with the limited amount of residential expenditure potential means that conditions now are probably not conducive for artisanal pizza establishments.
- A no "bells and whistles" Greek seafood restaurant, such as Elias Corner in Astoria, might also find the local hotel guest, office worker and residential markets congenial.