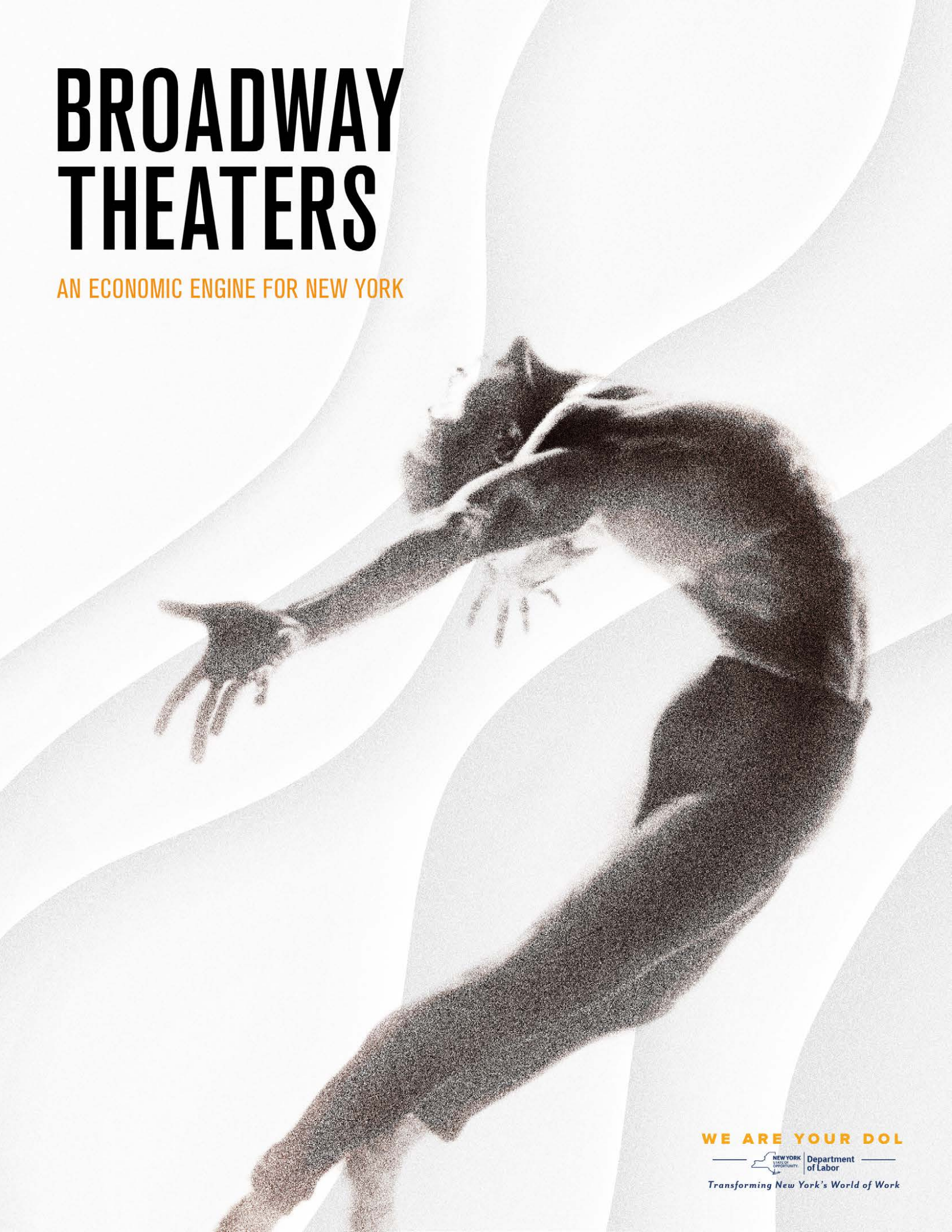
BROADWAY THEATERS

AN ECONOMIC ENGINE FOR NEW YORK



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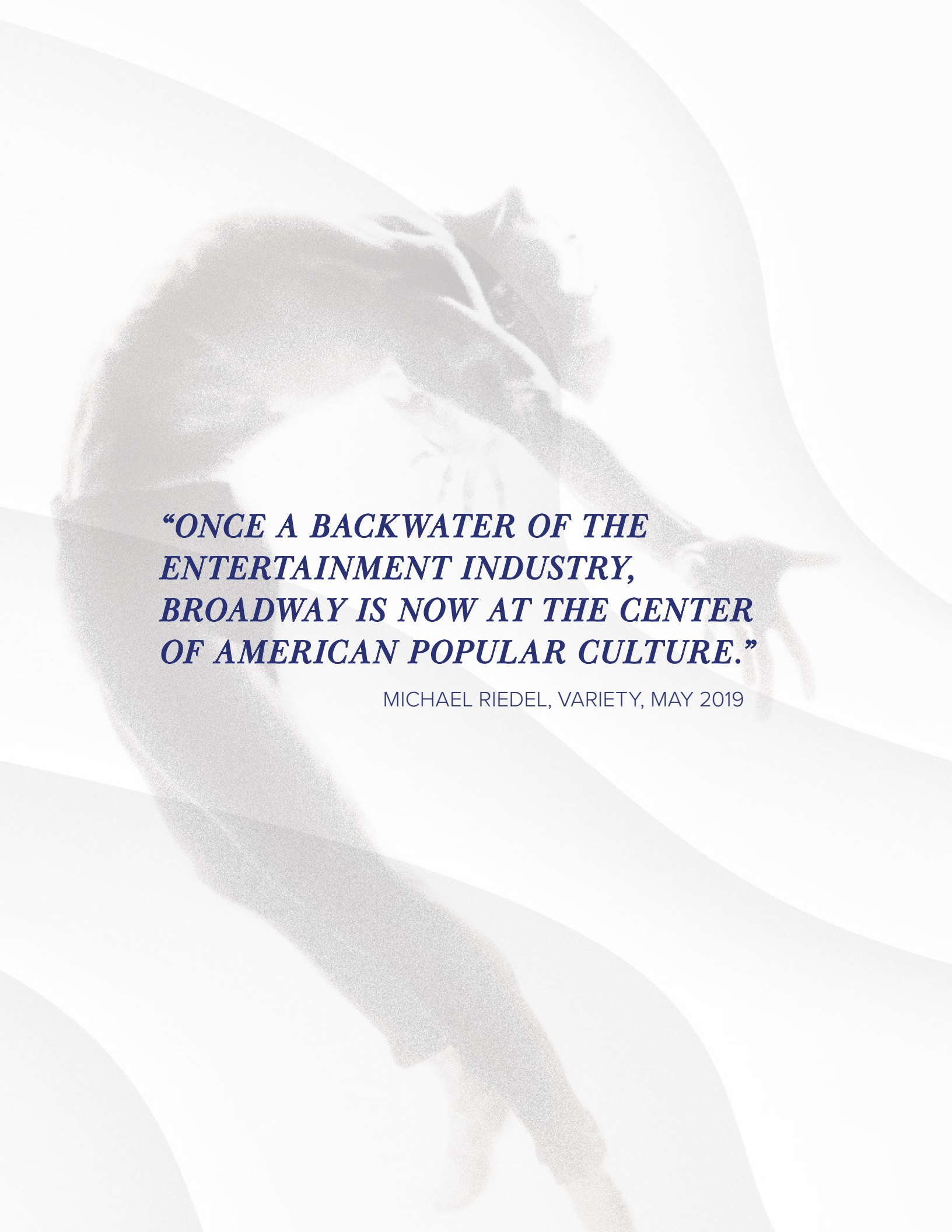


"ONCE A BACKWATER OF THE ENTERTAINMENT INDUSTRY, BROADWAY IS NOW AT THE CENTER OF AMERICAN POPULAR CULTURE."

MICHAEL RIEDEL, VARIETY, MAY 2019

BROADWAY THEATERS: AN ECONOMIC ENGINE FOR NEW YORK

INTRODUCTION

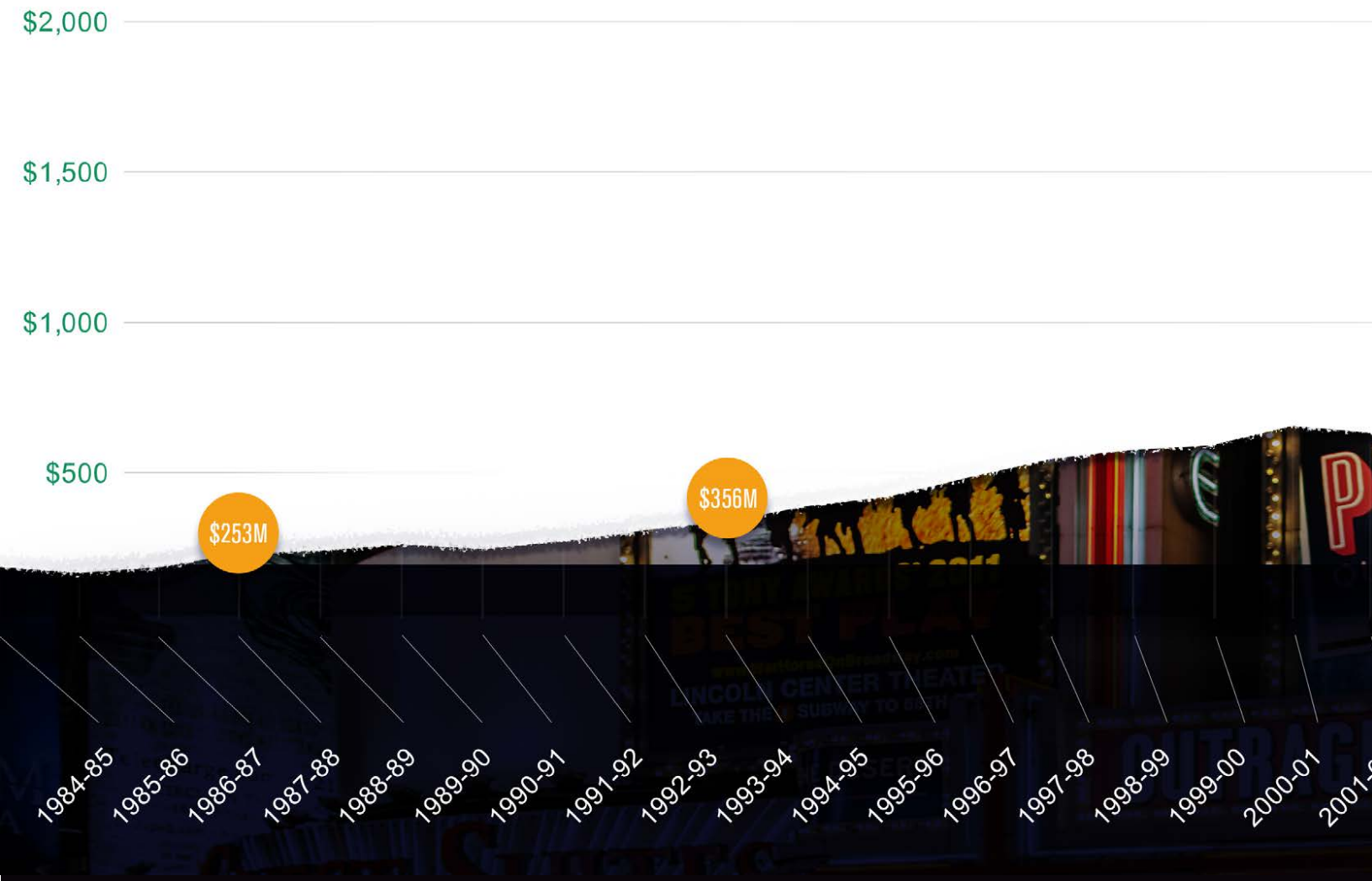
The recently concluded 2018-19 Broadway season, which started May 28, 2018 and ended May 26, 2019, was the highest-grossing and best-attended season of all time, according to the Broadway League. The Broadway League represents the interests of show producers, theater owners and general managers.

$1.83 BILLION

During the 2018-19 season, Broadway productions grossed $1.83 billion in ticket sales, up 7.8% over 2017-18's levels. In addition, total attendance reached 14.8 million, up 7.1% over the prior season. To put this latter statistic in perspective, Broadway attendance for the 2018-19 season topped the combined attendance of the 10 professional major league sports teams in New York City and New Jersey.

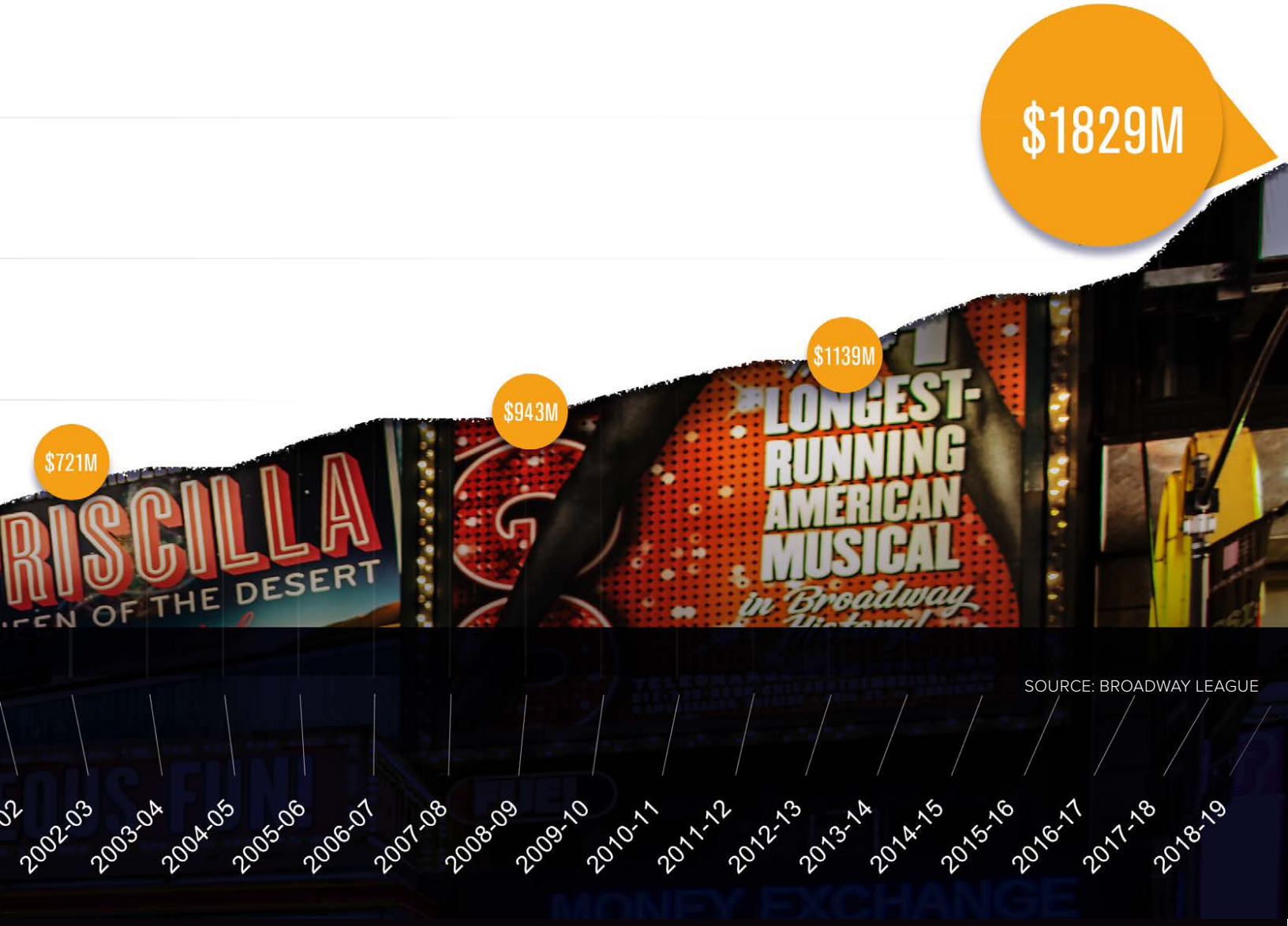
It is important to note that the gross sales and attendance figures cited below do not reflect any of the Broadway shows currently touring across North America. In this paper, we define "Broadway," look at some recent trends in Broadway's gross revenues and attendance, and examine some of the factors that contributed to Broadway's recent record-breaking season. We also examine some not-so-ancient history as well as Broadway's contribution to New York City's economy.

NEW YORK CITY BROADWAY GROSS SALES ($MILLIONS)



WHAT EXACTLY IS MEANT BY “BROADWAY”?

“Broadway” is the heart of New York City’s Theater District. It refers to 41 theaters located in Midtown Manhattan in an area running from 42nd to 53rd streets between 6th and 8th avenues. The Theater District includes Times Square. The Great White Way is the name given to the section of Broadway that runs through the Theater District. Dozens of new musicals and long-running, beloved hits are available every night of the week at numerous venues in the Theater District.



SOURCE: BROADWAY LEAGUE

RECENT TRENDS

Ticket sales to Broadway shows have, for the most part, increased every year since the 2008-09 season, with a total increase of $809 million, or 79.3%. Similarly, attendance at Broadway shows has increased in six of the last 10 seasons, for a total increase of 2.9 million, or 24.2%. The graph above shows the trend in ticket sales, which have increased more than five-fold over the past quarter century.

The industry has not always been this prosperous. Broadway attendance plummeted approximately 50% from nearly 10 million in 1968 to five million in 1972, a record low. A contemporary New York Times article cited high ticket costs, poor productions and the “fear of entering the midtown area” (Times Square) as the main reasons behind the drop.

The redevelopment and rezoning of Times Square in the 1990s helped to transform the area into the tourist-friendly place we know today. Many of the changes were due in large part to the actions of the Disney Company, which bought and restored the New Amsterdam Theater. As part of the transition to a more family friendly destination, Madame Tussauds and AMC Theaters moved to 42nd Street. This, in turn, spurred the construction of new office towers, hotels and tourist attractions in the area, such as ABC’s Times Square Studios and a large number of chain restaurants, such as Ruby Foo’s and the Bubba Gump Shrimp Company.

12,600 Direct+ 74,500 Indirect JOBS

BROADWAY'S EMPLOYMENT AND ECONOMIC IMPACT

According to a recent report from the Broadway League, Broadway theaters of all sizes contributed over $12.6 billion on top of ticket sales to the New York City economy. The same report found that Broadway supported more than 12,600 direct jobs and an estimated 74,500 indirect jobs in New York City.

All Broadway productions in New York City are unionized, and those who work in the profession usually join one or more of the various theatrical unions. The Broadway League negotiates contracts with multiple labor organizations on behalf of its members. Of the 17 unions that are currently active, the three largest are:

International Alliance of Theatrical Stage Employees

This union represents technicians, artisans and crafts people employed backstage, as well as ushers, ticket collectors, press agents and house managers.

Actors' Equity Association

This union represents professional actors and stage managers, including those in Broadway productions in New York City.

Associated Musicians of Greater New York

This union represents instrumentalists, vocalists, arrangers, conductors, librarians, proofreaders, editors, teachers and coaches.

12,600 DIRECT

74,500 INDIRECT

$12.6
BILLION

$1.83
BILLION

TICKET SALES

KEYS TO A RECORD-BREAKING SEASON

Industry analysts cite several important factors that have helped boost Broadway ticket sales in recent years. In this section, we briefly review them.

GROWING TOURISM

An increase in the number of tourists in New York City is a key contributor to Broadway's recent growth. As reported by NYC & Company, the city's tourism promotion agency, New York City welcomed a record 65.1 million visitors in 2018, the ninth consecutive year of tourism growth. It is also likely that Broadway's recent strength has served to draw visitors to New York City, thereby bolstering local tourism levels.

Most visitors (79%) to the city are from the U.S., but the number of travelers from other countries also continues to grow. In fact, New York City, with a 25.9% market share, remains the #1 city destination for overseas visitors (i.e., excluding visitors from Mexico and Canada) to the U.S., according to the U.S. Department of Commerce's National Travel & Tourism Office. Its market share puts it well ahead of #2 Miami, which has a 13.1% market share. Rounding out the list of Top 5 city destinations for overseas visitors to the U.S. are: #3 Los Angeles (12.3%); #4 Orlando (12.0%); and #5 San Francisco (8.9%).

PRICING STRATEGIES

Innovative pricing strategies have also contributed to Broadway's sales growth in recent years. "Premium pricing" has found large numbers of people willing to pay high prices for the best seats at the hottest shows. In fact, the average paid admission to a Broadway show rose by 59% between the 2008-09 and 2018-19 seasons (i.e., from $78 in 2008-09 to $124 in 2018-19). Looked at another way, the average paid admission to a Broadway show increased more than three times faster than the Consumer Price Index (All Urban Consumers), which increased by about 18% over this 10-year timespan, according to data published by the U.S. Bureau of Labor Statistics.

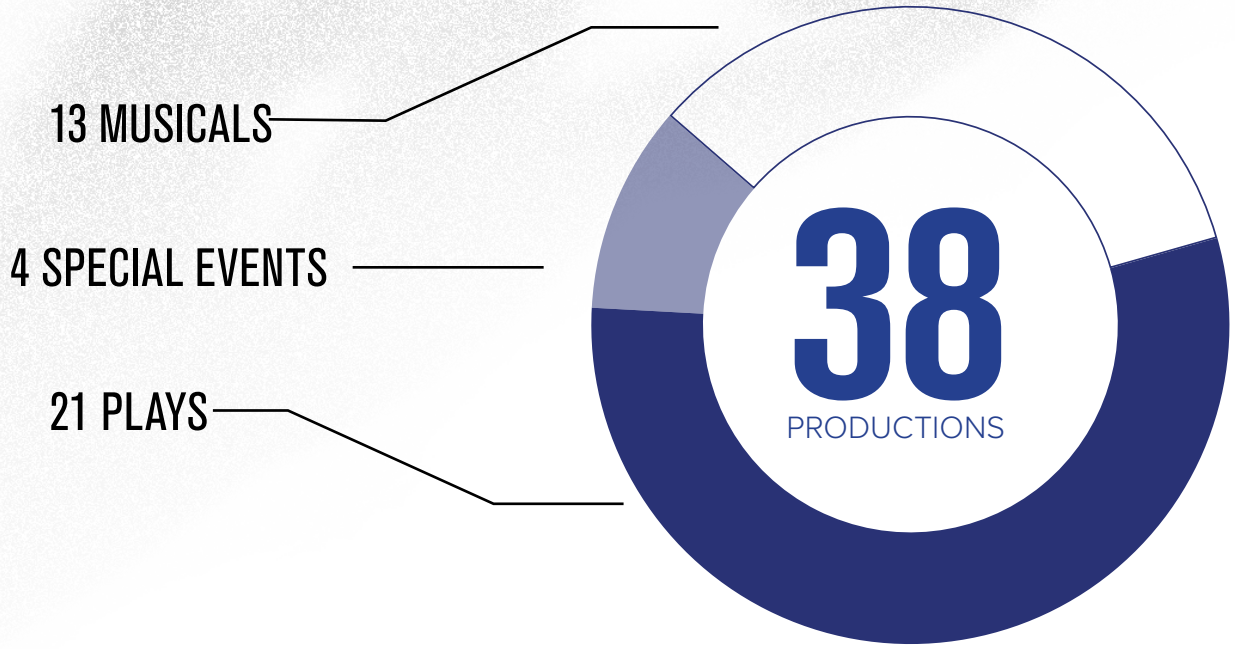
Drawing from lessons learned from their counterparts in the hotel and airline industries, the producers of some Broadway shows use "dynamic pricing" (aka "surge pricing") to adjust their ticket prices hourly, depending on demand. Although the overall average paid admission is $124, price can vary greatly, depending on the show, seating, and day of the week or month of the year. The price for the most popular musicals, like *Hamilton*, can go as high as $850 for orchestra seating, even though it has been playing for over four years.

DIVERSE SHOW OFFERINGS

A wider array of shows has also helped to boost ticket sales. Spectators have a wide variety of entertainment options to choose from and can select based on genre, age-appropriateness and ticket price. The list of the 10 best-selling shows from the recently concluded season, which are shown in the following table, helps to illustrate their diversity.

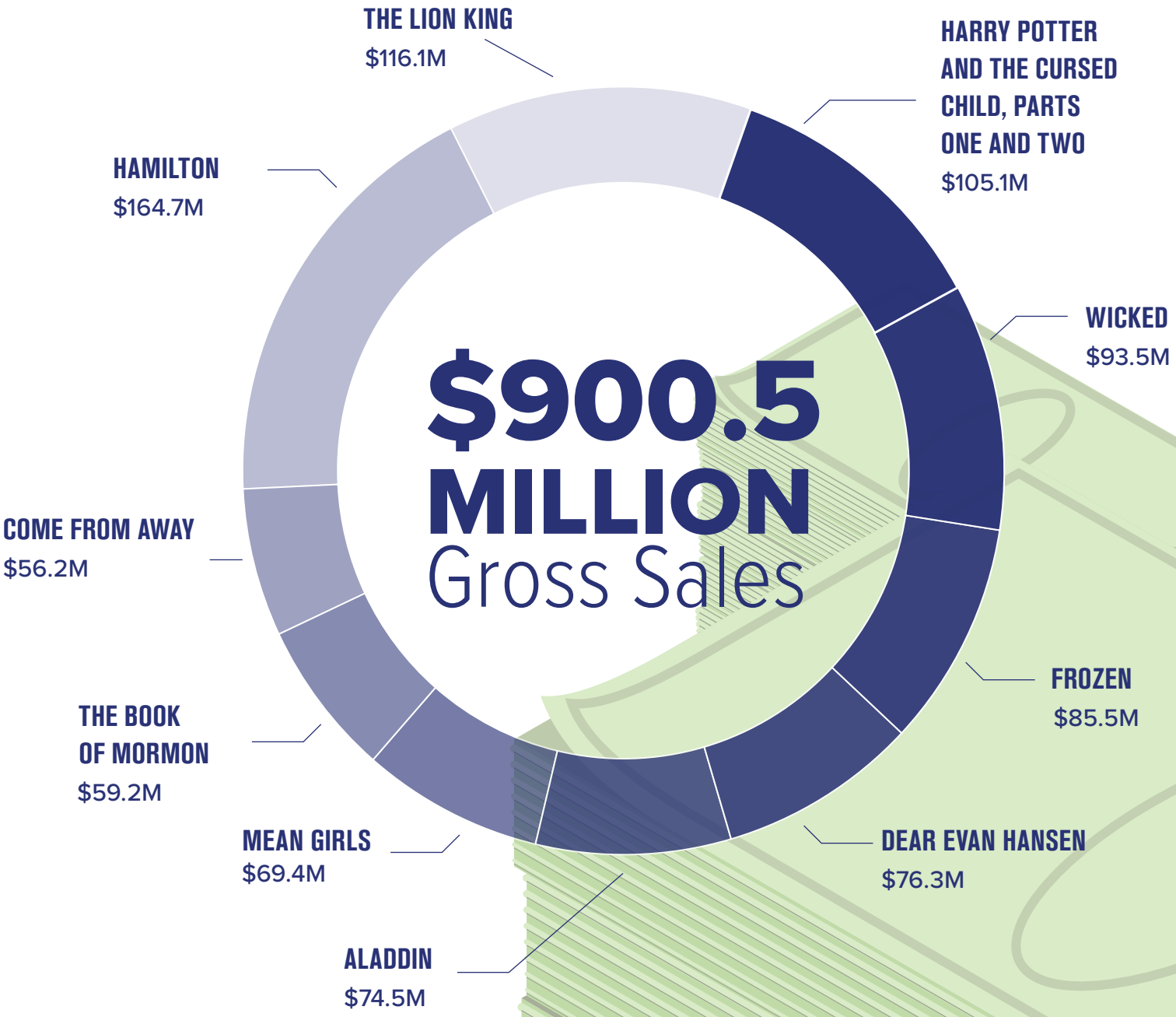
During the 2018-19 season, 38 productions opened. New shows included 13 musicals, 21 plays and four special engagements. Some of the new openings were short-lived, like *Gettin' The Band Back Together*, while others are ongoing, such as *To Kill a Mockingbird*.

SOURCE: BROADWAY LEAGUE



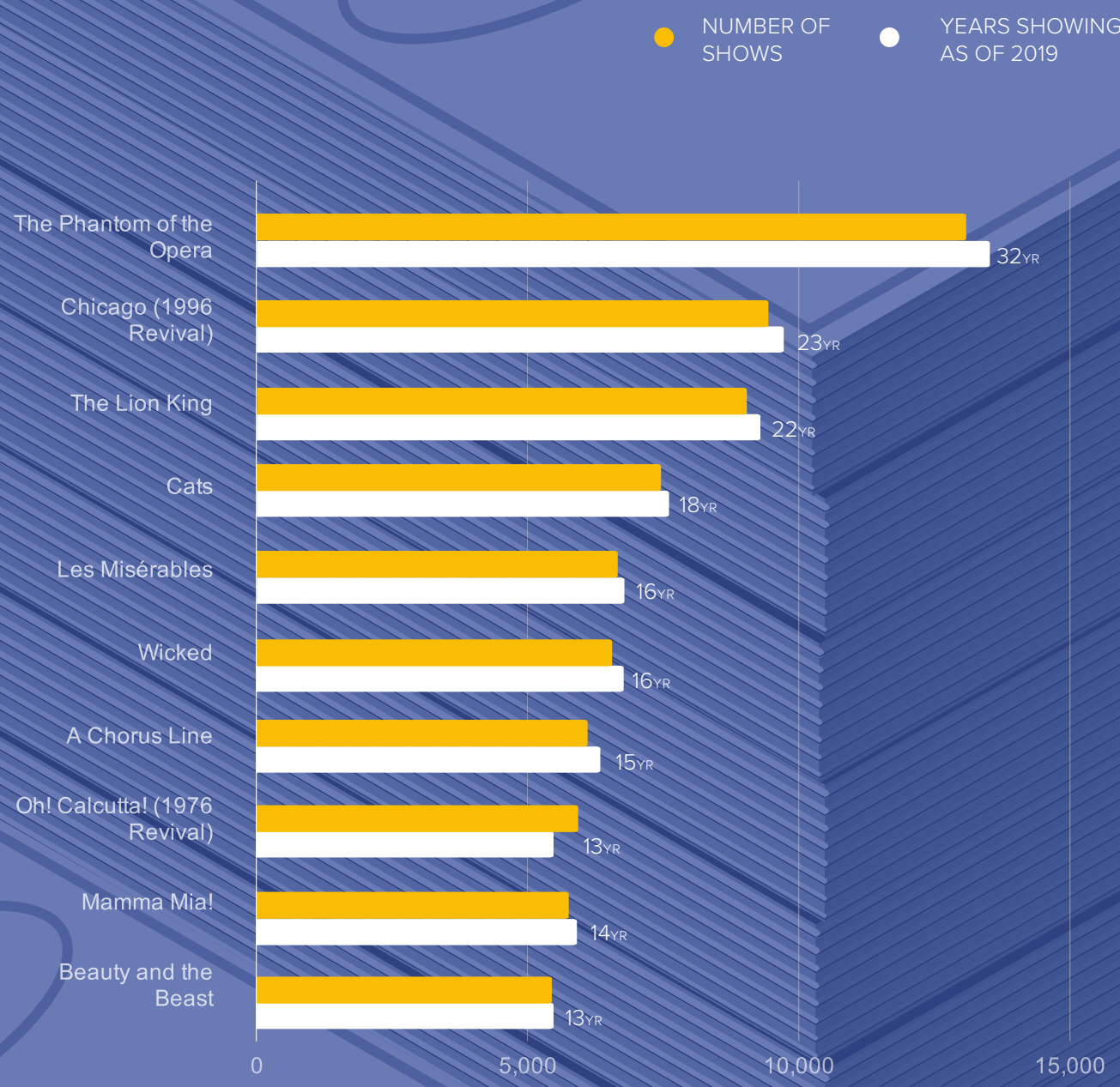
TOP 10 HIGHEST GROSSING BROADWAY SHOWS

2018-19 SEASON



SOURCE: BROADWAY LEAGUE

TOP 10 LONGEST RUNNING BROADWAY SHOWS



BROADWAY AUDIENCE

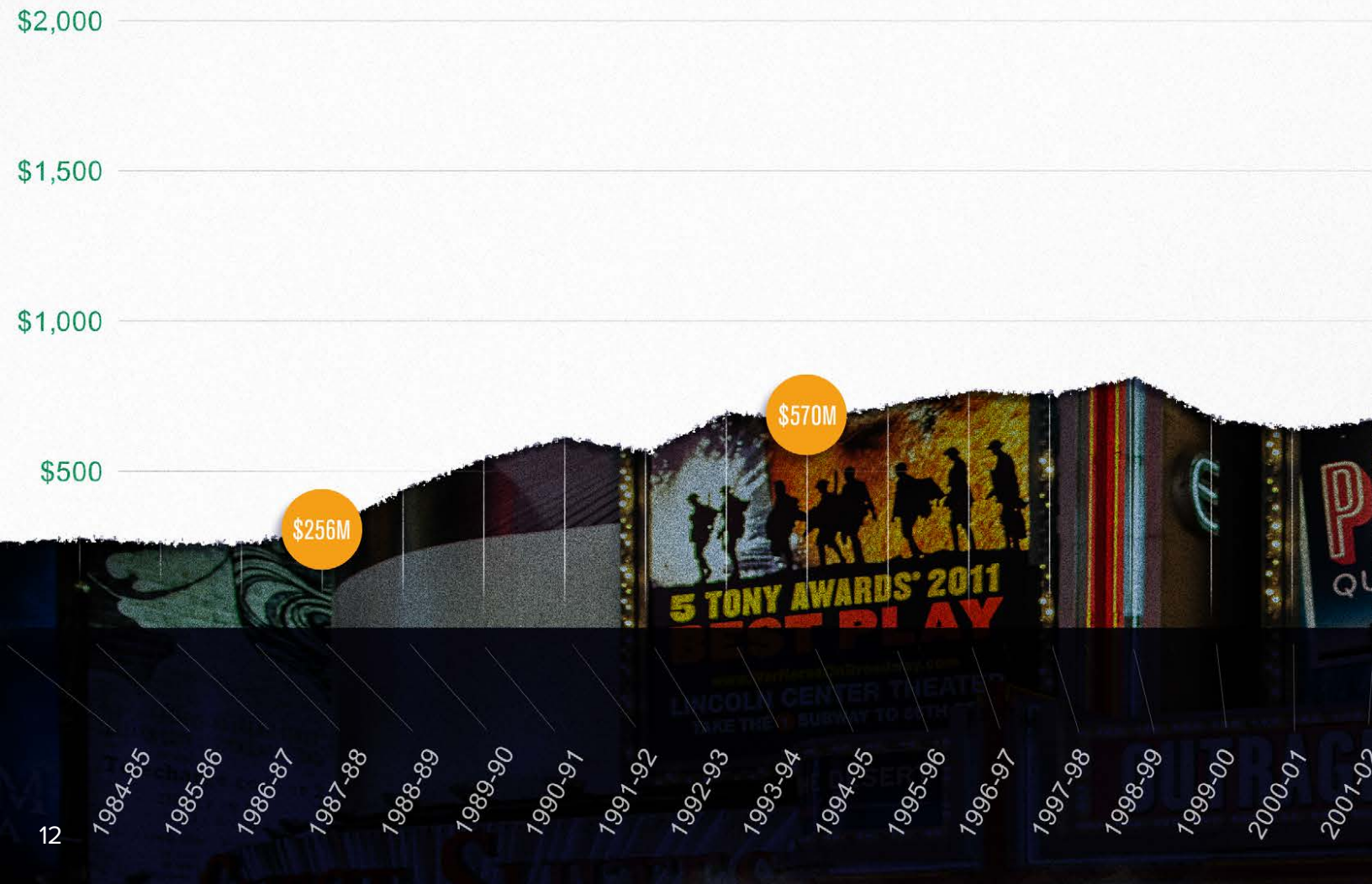
While tourists purchased two out of every three Broadway tickets sold, the share of the audience made up of New York City area residents continues to rise. Last season, 38% of Broadway patrons were from the greater New York metro area (i.e., the New York–Newark–Jersey City, NY–NJ–PA Metropolitan Statistical Area), including 20% from the five boroughs of New York City. It is important for theaters to attract locals since they are more likely than tourists to attend non-musical plays. New York City residents also help provide a stabilizing base for Broadway during lull periods.

In another encouraging sign, the average age of a typical theatergoer last season – at a bit over 40 years – hit its lowest mark since 2000. Fifteen percent of all theatergoers were under 18, which reflects the large number of family-friendly shows on Broadway last season. This fall's program, according to an industry executive, will feature 17 shows that are acceptable for 16-year-olds. Just 10 years ago, that number was approximately five.

TOURING BROADWAY SHOWS GROSSED $1.6 BILLION LAST SEASON

TOURING BROADWAY GROSS SALES ($MILLIONS)

SOURCE: BROADWAY LEAGUE



TOURING BROADWAY SHOWS

The statistics for the record-breaking 2018-19 Broadway season do not account for touring Broadway shows. According to the Broadway League, attendance at touring shows across North America during the 2018-19 season reached 18.5 million, or 25% more than the attendance at Broadway shows. Touring shows visited about 200 cities during the 2018-19 season. These statistics do not include attendance at "off-Broadway" productions.

In addition, touring Broadway shows grossed $1.6 billion last season. This is about $230 million less than the total gross revenues from "on Broadway" shows during 2018-19. The greater attendance levels and lower gross revenues at touring Broadway shows compared to "on Broadway" shows reflect, in large part, overall ticket prices. More specifically, the average paid admission at a touring show in 2018-19 was about $88, or roughly 30% less than the average price for an "on Broadway" show ($124).

Over the past decade, ticket sales to touring Broadway shows have increased by a total of $752 million, or 85.4%. Similarly, attendance at touring Broadway shows has increased 4.2 million, or 29.4%, over the same time frame.

According to the Broadway League, New York City-based touring Broadway shows have a significant economic impact on their host communities. For example, they contributed a cumulative $3.8 billion to the metropolitan areas that hosted the shows. In addition, Broadway tours generate an economic impact of 3.28 times the gross ticket sales to a local metropolitan area's economy.

$1633M

SOURCE: BROADWAY LEAGUE

SUMMARY

In 1995, *City Journal* magazine asked the question, “Who Killed Broadway?” That article described live theater as undergoing a crisis of relevance in the world of more “lifelike” entertainment and cost savings brought by the movies and TV.

The industry still faces several challenges to its survival. These include rising production and marketing expenses, concerns about high ticket prices, competition from more easily accessible forms of entertainment and an increasing reluctance to buy tickets in advance.

But we can also say that Broadway seems to be defying the cultural odds: as an ancient art form in the digital age, it is strengthening, thanks to an ever-increasing influx of tourists and a resurgent enthusiasm for musical theater.

FOR FURTHER INFORMATION

Questions regarding this report should be directed to Jeffrey Sorensen, Chief of the Bureau of Labor Market Information. He can be reached via email at **Jeffrey.Sorensen@labor.ny.gov** or by phone at **518-457-3800**.

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JULY 2019

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