



Commercial Real Estate

WESTERN FRONT

Companies lease new and renovated West Side spaces

By LOIS WEISS

It is the best of times and the worst of times for both building owners and tenants.

Yes, it's a tale of two cities in the Big Apple, where tenants have the upper hand negotiating rents for millions of square feet in the new, technologically innovative towers of Manhattan's West Side, but where building owners can still command top dollar for new construction, in-demand addresses and attractive amenities.

"There are some contradictory trends," says Michael Cohen, president of the tri-state region for Colliers International. Generally speaking, he says the market ranges from landlord-favorable to tenant-favorable depending on submarkets and properties. "Yes, both phenomena at the same time," he laughs.

There's a migration to the areas most attractive to tech companies and startups, which he describes as loosely from Canal Street to 34th Street on the west side of the island.

For instance, trendy cycling fitness firm Peloton, represented by a Newmark Knight Frank team, leased a new flagship studio and retail store at Manhattan West. Pumped up by the area, they also signed a 312,000-square-foot office

lease at Hudson Commons at 441 Ninth Ave., which was repped by a CBRE team. The reinvented tower is owned by Cove Properties.

For its part, Google has taken over several buildings and is spreading out into Oxford Properties' site at St. John's Terminal at 550 Washington St. It has filed permits for a 688,000-square-foot tower designed by COOKFOX that will provide the tech giant with more elbow room when complete in 2021.

Along the West Side, established buildings are upping their games. RXR is renovating the Starrett-Lehigh Building at 601 W. 26th St. Across 27th Street, the Terminal Stores property at 271 11th Ave. was purchased by L&L Holding, along with Normandy Partners, for \$900 million and is also being renovated. Luxury goods e-tailer Istdibs recently signed a sublease here for 41,000 square feet. "There are multiple tenants bidding on the same spaces and an upward pressure on rents," Cohen says.

Partially complete megaproject Hudson Yards is an undeniable lure, though. "Hudson Yards proved there is an appetite for 21st-century construction," Cohen says. Were it not for Hudson Yards, the World Trade Center buildings would all be filled. But once the companies had a



RXR is making capital improvements to the historic Starrett-Lehigh Building at 601 W. 26th St. that will include a revamp of its retail space.

Starrett-Lehigh Building

Evan Joseph; Rockefeller Group (below)



1271 Avenue of the Americas

choice between the two, he adds, they preferred Hudson Yards.

"Every one of the tech companies is managing explosive growth and soaking up space in that sweet spot of Midtown South — and it will overflow the banks," Cohen says.

While the West Side is poaching its tenants, Midtown is adapting to changing marketplace demands. "In spite of many predictions, Midtown is not going over a cliff," Cohen says. Many legal, advertising, medical and financial firms continue to thrive there.

And as existing tenants exit, owners are seizing the opportunity to upgrade to attract new companies.

For instance, the Rockefeller Group is in the midst of updating 1271 Avenue of the Americas, the former Time & Life building, already attracting Major League Baseball, law firms Latham & Watkins and Blank Rome, the Bessemer Group investment bank and potentially insurance giant AIG, which has a lease out for over 150,000 square feet.

Most of Park Avenue's vacant spaces have already been gobbled up by JPMorgan Chase, which is demolishing 270 Park Ave. to build a taller and larger new headquarters. Meanwhile, One

Vanderbilt is on its way up next to Grand Central, attracting tenants such as TD Bank, which just added to its future occupancy. And when Pfizer moves to the Spiral at Hudson Yards, its East 42nd Street site will become another new tower.

With Amazon's HQ2 coming to Long Island City and the likely multiplier effect on jobs, Mark Weiss of Cushman & Wakefield says it's almost impossible to rationally predict and define leasing demand down the line.

"I don't know that Amazon in LIC will attract companies to the Bronx or Brooklyn," Cohen says, "but it will be a shot in the arm for Long Island City."

And despite the ongoing buzz about Brooklyn, not a lot of companies are actually relocating to the borough — in part because of transit woes.

"[To get to] the Brooklyn Navy Yard transportation is brutal; Dumbo is full; and if you live in Brooklyn, getting around there is harder," says Eric Ferriello of Colliers International.

But Ferriello also points to the REAP benefits — tax credits available in the outer boroughs — that shave roughly \$25 per foot off a \$60 rent. "You can't beat that," he says.

He also believes building owners in outlying 'hoods will offer Uber and Lyft credits to attract tenants.

While Gregg Schenker of ABS Real Estate acknowledges that net-effective office rents have fallen, they have steadied. Schenker worries, however, about the incentives being given to Amazon. "If I'm any other major employer, I'd be upset, and there could be a ricochet effect," he warns.

Says Weiss, "The next 12 months in New York City promise to be a wild ride."



Terminal Stores



Peloton at 441 Ninth Ave.

Max Toulney; Peloton (2)