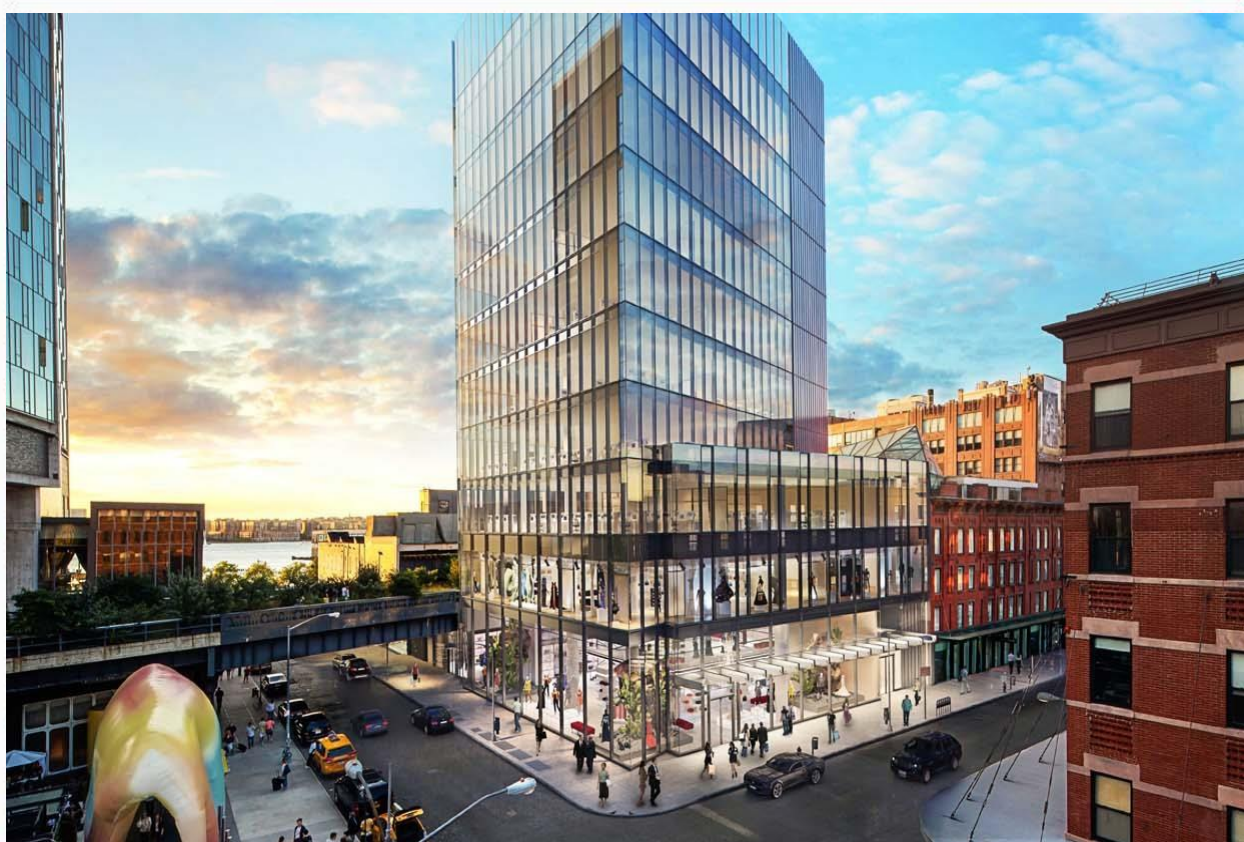


REAL ESTATE

Leased as punch: Manhattan rents are booming

By Lois Weiss

May 18, 2015 | 7:46pm



Romanoff Equities and Property Group Partners are developing 860 Washington, where rents could fetch up to \$190 per square foot.

Photo: Evan Joseph Images

Once the market passed through the January doldrums, leasing activity took off like a rocket.

“It is unbelievably active, and the only question is, if there are issues in the future that will impact it,” said Bruce Mosler, head of global brokerage at Cushman & Wakefield.

“We are now driven by corporate growth, and it’s hard to find quality space, so tenants that find it are grabbing it.”

While 2014 was all about the tech, advertising, media and Internet TAMI tenants focusing on Midtown South and Downtown, Frank Doyle, vice chairman of JLL, says the first quarter of 2015 has been about the financial and legal tenants with an eye on the values in Midtown.

“We are as busy from a velocity point of view, but we haven’t seen the spike in rents that happened in 2007 when it got overheated,” noted Doyle.



Bruce Mosler of Cushman & Wakefield.

Photo: John Filo

According to Cushman & Wakefield, average asking rents in Manhattan rose during the first quarter from the same period last year to an overall rate of \$69.39 psf — the highest rate since December 2008. Midtown asking rents rose to \$75.44 psf, while Midtown South asking rents were up year-over-year to \$63.28 psf.

Downtown, availabilities at 28 Liberty St., the former One Chase Manhattan Plaza, sent average asking rents to \$57.58 psf — a 17.2 percent increase from the first quarter of 2014. Meanwhile, vacancy rates are dropping from 10.5 percent a year ago to 9.2 percent at the end of the first quarter of 2015.

“If we see the vacancy rates come down to 8.5 percent, we could see a rapid rise in rents to double-digit rent growth,” said Peter Hennessy, president of DTZ’s New York Tri-State Region. “Our models show as much as 15

to 20 percent growth.”

That’s because the financial service firms and other large users are finally gobbling up large spaces or making expansion or long-term moves to new locations.

To service the small TAMI tenants, Grant Greenspan, principal of the Kaufman Organization, is currently renovating several of the neglected Ring buildings in Midtown South, including 13 W. 27th St., 19 W. 24th St. and 45 W. 27th St.



In Midtown South, at 45 W. 27th St., floors average 5,000 square feet and asking rent is around \$65 per foot.

Photo: Handout

The buildings have around 5,000-square-foot floors and the asking rent for the lower and middle floors of the 12-story buildings is \$65 a foot.

Greenspan says he is also taking three-year leases for some of the full-floor pre-builts in order to give the fast growing tenants flexibility.

Garment Center and Flatiron owner David Levy, a principal at Adams & Co., noted: “We are not the new type of owner with a three-to-five-year horizon; we have a forever plan.”

To keep buildings forever, they also have construction that is ongoing, including a new curtain wall and lighting scheme being installed at 4 Bryant Park, the former 1071 Ave. of the Americas.

They are also redoing the lobby at 463 Seventh Ave., which has a block of 120,000 square feet available that comes with a private elevator and roof space — with a rent in the high \$40s to mid-\$50s, depending on the needed interior work.

Future rents are being watched by building buyers like Chris Conlon, executive vice president and COO of Acadia Realty Trust. “We are trying to see where the rents are settling out, because if you are going to be buying these urban buildings, you have to understand the residential and office returns.” For instance, he noted, rents in the Meatpacking District have “ignited” much faster.

There, Taconic Partners and Thor Equities obtained a blended \$130 per foot rent from Samsung for the offices and \$450 per foot for the retail space in a deal for the entire boutique 827 Washington St., which is now being sold to TIAA-CREF.

Up the block at 860 Washington St., Romanoff Equities and Property Group Partners — the developers of the new office and retail tower that is now under construction adjacent to the High Line — are expecting to get the same or even higher rents for their higher and more sweeping views.

Washington Street is also projected to become the grand thoroughfare from W. 14th Street to the entrance of the new Whitney Museum that has finally opened and is expected to generate millions of visitors from all over the world.



A new curtain wall being installed at 4 Bryant Park will improve the building and should boost rents.

Photo: Handout

LARGE RENEWALS, EXPANSIONS AND MOVES



Bank of America may move into the under-renovation 75 Rockefeller Plaza.

Photo: Anne Wermiel/NY Post

Nike agreed to move its offices from Google's 111 Eighth Ave. to 147,000 feet at the Durst Organization's 855 Sixth Ave.

Bank of America may take 200,000 square feet in RXR's under-renovation 75 Rockefeller Plaza.

MetLife agreed to move from 1095 Ave. of the Americas to 200 Park Ave., where it will expand its current 100,000 square feet to 550,000 feet.

Skadden Arps signed a lease to move from 4 Times Square to 550,000 square feet in what will become Brookfield's new 1 Manhattan West tower.

Bloomberg is expanding with a new 150,000-square-foot lease at 919 Third Ave. near its 731 Lexington headquarters.

Fortress Investment Group renewed and expanded by 22 percent, for a total of 200,030 square feet, at 1345 Ave. of the Americas.

Publicis Groupe renewed and expanded to 506,009 square feet at 1675 Broadway.

Morgan Stanley is renewing 400,000 feet at 750 Seventh Ave. near its 1585 Broadway headquarters.