



Commercial Real Estate

PERKING UP!

Building owners court tenants with snazzy lobbies and hotel-like amenities

By LOIS WEISS

THOSE looking to lease office space have so many choices that building owners are rolling out red carpets to woo them.

"Rents aren't going to go up, and the rent concessions aren't getting smaller," says Peter Sabesan, managing principal of Cresa. "Concessions are juicier for the tenants as the landlords are giving more free rent and larger work letters." (A work letter lists all the interior elements a landlord promises to install for a tenant.)

So now there are perks, Sabesan says, that could include construction and base building work. In the past, those would have required extra dough from the tenant. These could be improvements to ductwork, air conditioning, technology risers or bathrooms.

In other cases, he says, a building owner could even cover the charges of operating a freight elevator. "They have to go up and down all day long. It could cost \$100 to \$200 an hour and require a four-hour minimum under the union contract," Sabesan adds.

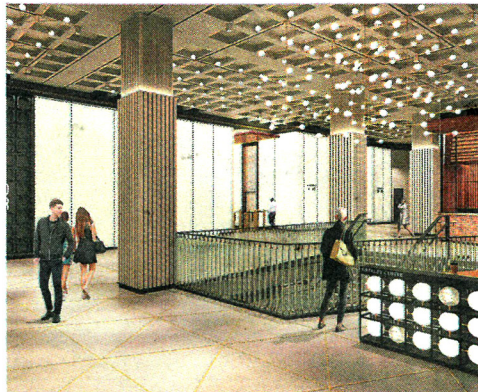
For a tenant, the decision is always, should I stay, or should I go?

But now, Jeffrey Peck, vice chairman at Savills Studley, says tenants are being lured to relocate where the building owner is willing to pay for the entire cost of the build-out, and even provide enough tenant improvement dollars to cover soft costs like legal and project management.

Sure, there are other costs, but Peck says those are often offset by fitting into 20 to 30 percent less space as tenants continue to do more with less.

Alexander Goldfarb, a real estate investment trust analyst with Sandler O'Neill, notes that sponsorship matters.

"Those owners that can contribute the capital expenditures for tenant build-outs will continue to have success," he says.



1250 Broadway, soon to be known as Nomad Tower, will have a grand lobby, an amphitheater and a fitness center.

But it's also about making a first impression. According to Ron Lo Russo, president of Cushman & Wakefield's agency consulting group, buildings are also focused on amenities that could belong in hotels. Larger lobbies, for instance, are becoming more lounge-like with comfy seating and even food and beverage offerings.

"You feel good coming into the lobby," says Lo Russo. "You are seeing people working on their laptops and drinking coffee."

Sabesan points to the enhancements at Empire State Realty Trust's (ESRT) 111 W. 33rd St., especially its sleek through-block lobby. "You don't recognize the building," Sabesan says. "They spent a fortune on the lobby and are getting great tenants."

ESRT has also created a new lobby at 250 W. 57th St. by Broadway that has a ceiling brightened by a full-length video screen with graphics. "The digital ceiling is incredible," says Lance Leighton of Savills Studley. "That building has always been a great value in the neighborhood, and [tenants] feel like they are walking into a modern office building."

Similarly, a tower at 1250 Broadway is getting more than \$50 million in upgrades,



Jeffrey Peck

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CATCH & RE-LEASE

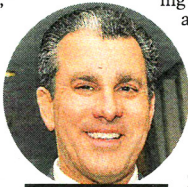
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a rechristening as Nomad Tower and a new lobby with a communal amphitheater, fitness center and a coffee bar. "They are really trying to attract [technology, advertising, media and information] tenants," says Peck.

Bill Edwards, senior vice president of the Rockefeller Group, says, "Existing buildings that are not re-investing are struggling to get lease transactions."

Edwards points to many reinvestments in Sixth Avenue buildings. "It's forced all of us to take another look at our assets," he says.

At the Rockefeller Group's 1221 Ave. of the Americas, two cozy coffee bars and pod seating with comfortable chairs and warm finishes in the



Peter Riguardi

lobby have created a quiet escape. "We increased the amount of air and light and removed columns," Edwards says. "We created an atmosphere that is more hotel."

The shift in workplace strategy is all about how tenants are working today, Edwards explains. "There is a focus on talent and individual employees and what inspires and motivates them on a day-to-day basis," Edwards says. "To attract and retain employees, all the tenants are focused on creating a [comfortable] environment in their space."

It's all about food, fitness and fun, Edwards adds. And the perks aren't solely limited to lobbies.

Leighton points to 400 Madison Ave., which has a hotel feel. There are food amenities, bookcases and conference centers.

Boston Properties is spending some \$100 million at 601 Lexington Ave. to give it more curb appeal, Goldfarb say. It is also putting in more extensive dining options.

Peck says amenity-rich conference centers that "aren't leftover space in

the basement" are important so his clients don't have to lease a 24-person conference room as part of their own space.

Reinvigorating properties to compete against new towers is another trend. That's why owners such as L&L Holding are completely rebuilding their tired Midtown properties like 425 Park Ave. and 390 Madison Ave., where Shiseido just leased 225,800 square feet for its area headquarters.

But leasing is also all about geography. Peter Riguardi, president of JLL, says, "People are still going to places that are accessible to their workforce. It's still the battle for talent."

That accessibility and flight to quality also benefits new office buildings such as those at the

World Trade Center, says Jeremy Moss, executive vice president of Silverstein Properties.

"New York reflects the fact that we have become the millennial generation, with an urbanized world and they want to live in a 24/7 live-work-play environment," says Bruce Mosler, chairman of global brokerage at Cushman & Wakefield. "The war for talent requires corporations to compete and secure that talent, and to do that they need to be in a good location and have a workplace environment that is attractive. That is here to stay."

There are numerous large financial tenants awaiting moves from Midtown's Plaza District to brand-new buildings in Hudson Yards. Myers Mermel, CEO of TenantWise, believes some companies will hang onto or lease new Midtown lairs for conference space or for senior executives.

"There is still weakness in the Plaza District," he says, noting that retaining such a central office may benefit some of the smaller area properties.



Japanese beauty brand Shiseido is leasing at revamped 390 Madison Ave. (above); 1221 Ave. of the America's affresco seating (right).

Moss adds that traditional neighborhoods are expanding. "Pockets are being filled in and the boundaries between submarkets are fading," he adds.

Geography now matters less than the ability to attract the workforce, Mosler says, and today's workforce loves the walk-to-work environment as well as good transportation.

"These are things that, five years ago, we wouldn't have been talking about," Mosler adds.

The influx of young, educated people coming to the city for job opportunities is not only influencing office



Photo: Messager; Tamara Beckwith/NYP Post

locations but also affecting residential choices.

"They come with no memory," says Moss. "They go to Brooklyn and Hoboken for what they have to offer today and not what they were. People are moving everywhere in search of affordable housing and transit connections."



L&L Holding is revamping 425 Park Ave., which is being rebuilt from its base to a dramatic new peak.