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http://www.crainsnewyork.com/article/20160821/REAL_ESTATE/160829995/park-avenue-loses-big-tenants-citibank-major-league-baseball-as-2-million-square-feet-are-set-to-go-vacant

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Is Park Avenue losing its luster?

High-profile departures could spell change for the city's premiere business address



Photo: Buck Ennis

ROCKS OFF: If BlackRock follows through with relocation plans, 55 E. 52nd St. will have a large hole to fill.

By [Daniel Geiger](#)

Park Avenue has long been one of the city's most coveted and expensive office districts and the neighborhood of choice for deep-pocketed corporations and high-end investment firms.

But a series of upcoming departures by some of the avenue's largest office occupants could leave landlords with millions of square feet to fill.

[Citibank](#) and Major League Baseball are moving, and investment firm BlackRock is weighing an exit in the coming years. Those moves and several others could leave over 2 million square feet vacant. That's almost 10% of Park Avenue's office market, which spans East 45th to East 59th streets.



GROWING PAINS: MLB is moving out of 245 Park Ave. (pictured) as 399 Park Ave. gets ready for a \$50 million face-lift.

Landlords argue that many of the vacancies are years away, giving them time to lease the spaces and undertake renovations that will make their buildings more attractive to prospective tenants.

But the departures also signal how the city's changing office market has created challenges even for Manhattan's quintessential corporate stretch. The neighborhood's tenant base has contracted, and the area, which charges the city's highest rents on average, has been slow to transition into an appealing destination for fast-growing industries like tech.

"We've always looked at Park Avenue as the No. 1 location for office space in all of Manhattan," said Mary Ann Tighe, [CEO of CBRE's New York office](#). "But what you're seeing is a migration to newer product. The age of these buildings is catching up to them."

Park Avenue office towers are, on average, 55.6 years old, according to Cushman & Wakefield, and many have low ceilings and prodigious structural columns. New towers have open spaces with ample light and air.

That may explain why BlackRock may leave its two Park Avenue towers when its leases for 700,000 square feet expire in 2023. The company is reported to have narrowed its search for over 1 million square feet to newer offices at Hudson Yards or the World Trade Center.

The vacancies have also been driven by a desire to downsize. The financial sector occupies 70% of the avenue's 22 million square feet of space, according to Cushman, but has been shrinking as its profits have been squeezed. Since the market crash of 2008, the sector has shed about 13 million square feet citywide, according to a report from JLL.

JPMorgan Chase is in the process of negotiating an exit from about 300,000 square feet at 277 Park Ave., space it will consolidate in [nearby offices at 270 Park Ave.](#) and/or 383 Madison Ave.

[Bill Rudin](#), who owns 345 Park Ave. and 40 East 52nd St., where BlackRock may vacate, said the moves would give Park Avenue a chance to diversify away from financial services. He pointed to the office-sharing company WeWork's leasing of 300 Park Ave. as evidence that the area's tenant base is already becoming a bit more hip.

"What other central business district has the transit, hotels, restaurants, retail and residential all wrapped together the way that Park Avenue does?" Rudin said. "There's always an ebb and flow in the market and a neighborhood that becomes the flavor of the day, but Park Avenue is unique."

Several landlords have ambitious plans to renovate their towers to make them more appealing. John Powers, who heads Boston Properties' New York office, said over \$50 million is being spent on upgrades at 399 Park Ave.—the 1961 office tower where Citibank is planning to vacate 385,000 square feet next summer. The work

will include cladding the 39-story building's limestone exterior with a metal façade, upgrading the entranceway, creating a roof garden and building a new office floor on top of a large setback.



GLASS CANYON: A southward view down Park Avenue, which features some of the city's highest-priced commercial addresses.

The plans have caught the eye of the art and real estate brokerage Sotheby's, which is rumored to be weighing a move to the tower that would absorb all of the building's available square footage.

"Large tenants have left Park Avenue before, and the space always gets filled," Powers said.

Other projects are underway that could draw more tenants. L&L Holding Co. is in the process of building 425 Park Ave., a 670,000-square-foot ultra-luxury office tower between East 55th and East 56th streets that will be ready for occupancy by the end of 2018. L&L has already secured the [highest-priced lease ever in the city](#), a deal with the hedge fund Citadel for a 200,000-square-foot space with rents that reach \$300 per square foot.

With expectations that the city in the coming months will revive plans to rezone midtown east for taller office towers, landlords are taking steps to give them options should they want to demolish their buildings and start over. Vornado Realty Trust, for instance, is attaching clauses in its leases at 350 Park Ave. allowing it to clear out that building and replace it with a larger, state-of-the-art spire in the future.

The flip side of those new towers is that they will create more available space and heighten competition, even for renovated buildings.

"Would you buy a 20-year-old computer or a cellphone that is the size of a brick?" said David Levinson, the chairman and CEO of L&L. "When you're breathing filtered air and your electric and phone bills go down because of the better technology and the productivity of your workers goes up because they're happy, you realize you want to be in new space."