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Major Companies Still Won't Leave Manhattan For Brooklyn

By Miriam Hall

Brooklyn is an international brand, there is no doubt about it. But getting a major company to throw its weight behind the borough and set up headquarters there is still a hard sell.



“The reality is we still haven’t had a big signature company come to Brooklyn,” Two Trees principal [Jed Walentas](#) said at TerraCRG’s “Only Brooklyn” conference Wednesday. “Do I think

the Condé Nast of the world ... are really thinking about Brooklyn in a serious way yet? Not really.”

Walentas, whose company’s developments are credited for kick-starting the borough’s famed DUMBO neighborhood, is developing the \$3B mixed-used project at the Domino Sugar Factory Site in Williamsburg. Walentas said the firm pushed to include office at that development because it is not “healthy” for areas to be dominated by residential space.

When it comes to economics, Brooklyn is still a far cheaper option than Manhattan. Last quarter, the average asking rent in the borough was \$36.07 per SF, according to Colliers International, a 5% decrease from the year before. The availability rate was at 13.4%.

Deals like Etsy’s 200K SF lease at Kushner Cos.’ Dumbo Heights complex in 2014 and Bjarke Ingles Group’s 50K SF lease at Two Trees’ 45 Main St. last year support many people’s view that the borough has the power to lure high-profile tenants.

But the fact is that the borough has yet to really score a major firm since Etsy. That deal was viewed at the time as [a sign of things to come](#). As more time passes, the more it seems like an outlier.

“There is still a barrier of crossing the bridge if you are a large company,” L&L MAG founder [MaryAnne Gilmartin](#) said, although she believes it will take just one company with the “vision and guts” to move out to the borough and others will follow.

Gilmartin, who [left Forest City Ratner](#) in January to strike out on her own, said she has a “duty” to see the Pacific Park project through. The development in Prospect Heights is still likely to feature a 1M SF tower with a large amount of office space.

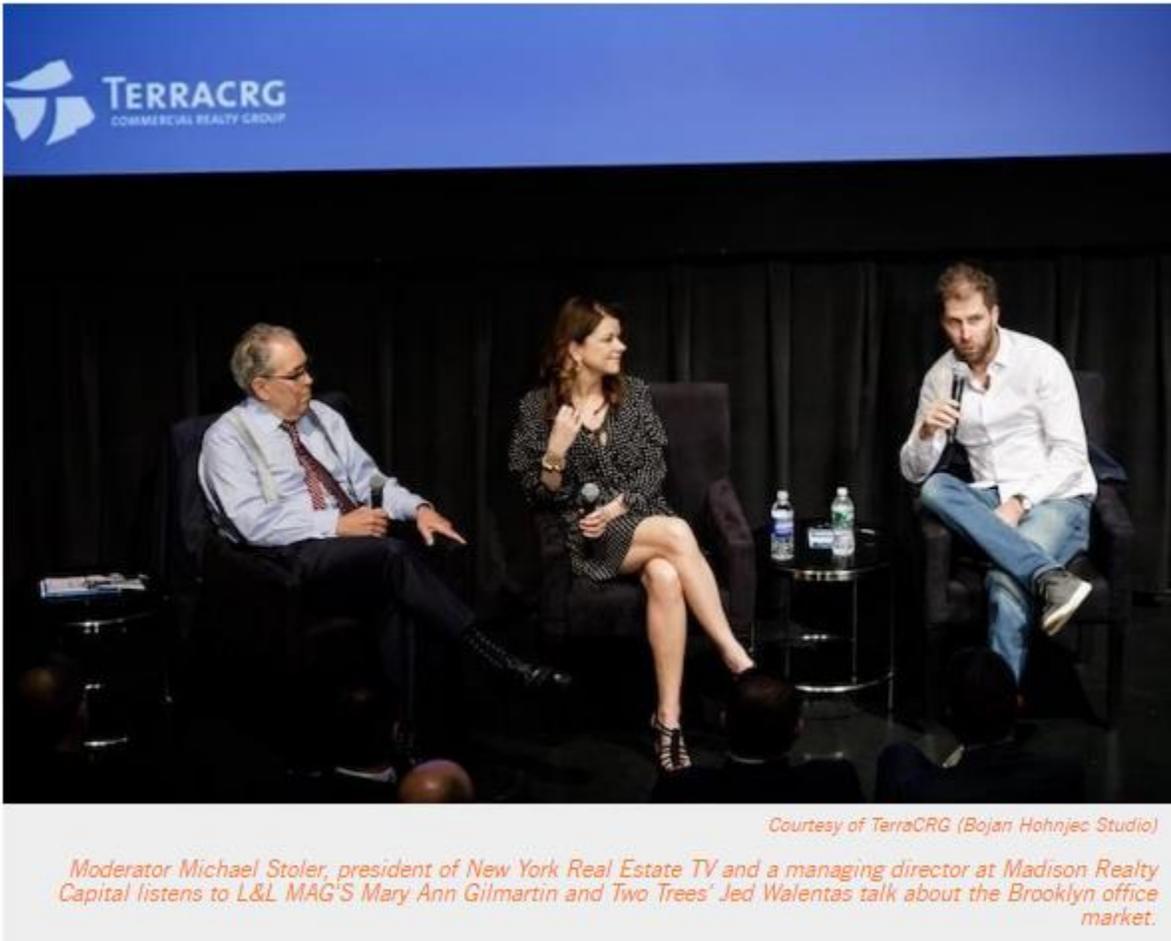
The company sold 70% of the project to Greenland Group subsidiary Greenland USA in 2013. Earlier this year, Greenland picked up another 25% stake in the project, bringing Forest City’s ownership down to just 5%.

Gilmartin said that Brooklyn, with tax incentives and a cheaper price per SF, is an attractive proposition.

"Why wouldn't want to save millions over the course of your lease?" she asked.

Walentas said the decision is less about cost, countering that Brooklyn will benefit from entrepreneurial tenants taking smaller leases.

“Having your employees be productive every day is what having a company is about ... If you pay \$10 less in rent it absolutely does not matter," he said. “So I think that’s part of the problem. They have a perception that they are going to be less productive, and their employees are going to be less happy ... we haven’t transcended that.”



Many developers have banked on coming demand from office tenants in the borough. Heritage Equity Partners, for example, is joining [with Rubenstein Partners](#) to build 25 Kent Ave., an office/retail and light industrial building spanning 500K SF.

Boston Properties and Rudin Development are [together building Dock 72](#), a 675K SF office building in the Navy Yards.

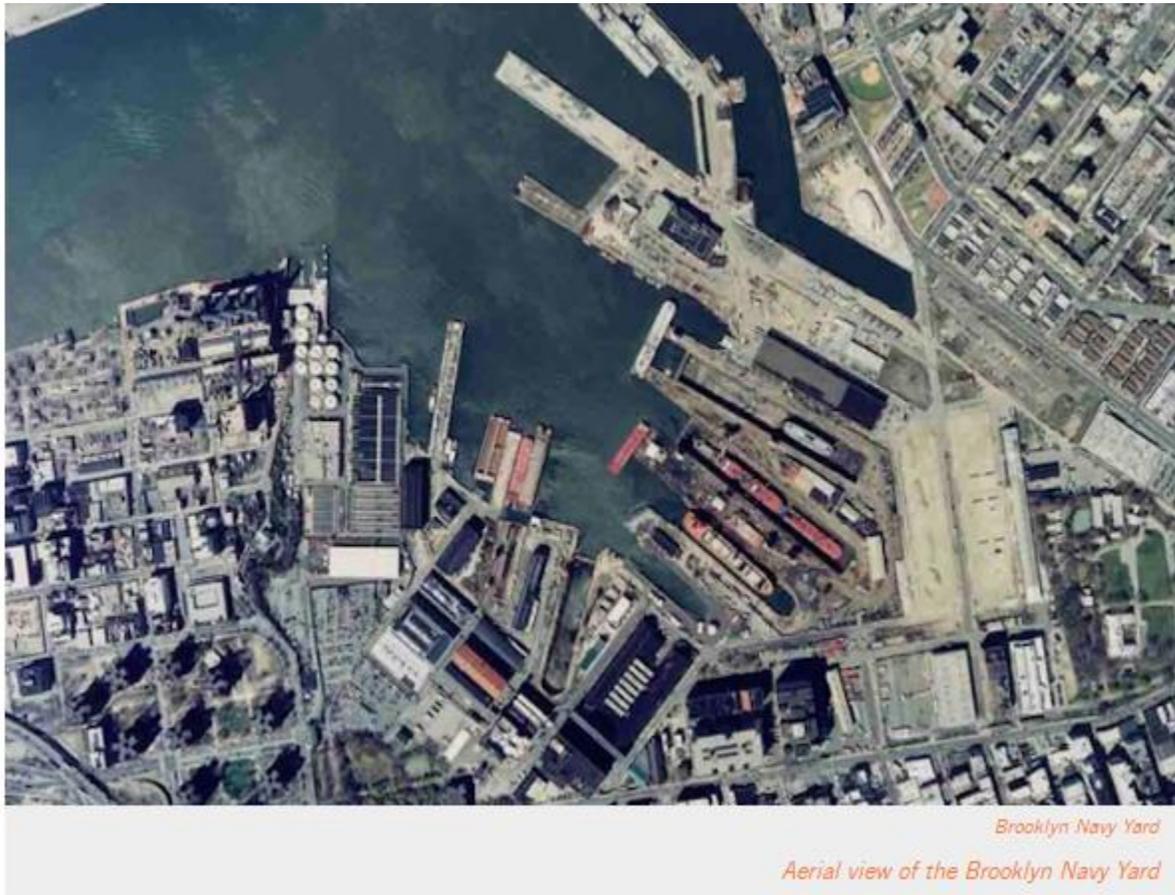
Heritage Equity Partners CEO Toby Moskovits said the way companies are leasing space is changing; real estate is viewed as a service now, and there are increasingly companies looking for flexibility and smaller space.

“You can’t just hold out for the 100K SF tenant,” she said.

At Dock 72, WeWork is the anchor tenant, [having leased 222K SF](#) in the building it is helping to co-develop, where rents [reportedly](#) range between \$60 and \$70 per SF.

"It's a bit of learning process with both us and WeWork ... I don't think either of us have been in the position where we're both leasing jointly a new development," Rudin's Michael Rudin said. "Companies are going to have certain requirements and criteria that are more towards to what

WeWork will offer, and if they skew more to what we can offer, we handle it. WeWork is treating it the same way.”



This year, Wasserman Media Group has taken space at Empire Stores and female-only coworking company We Are the XX opened a 15K SF space called The XX House at 61 North 11th St. in the borough.

Brooklyn developers said it is companies such as those — creative, pioneering and small — that will drive demand for Brooklyn’s office space. But not all of those employers stay in Brooklyn, and some are lured by Manhattan.

Coworking company Industrious, for example, has just left Brooklyn after several years in the borough.

“Our star has risen and our profile has risen, our partnerships with landlords has grown it has had to become a more external company, people have to take meetings in Manhattan two to three times a week,” Industrious CEO Jamie Hodari told Bisnow after the panel.

“We love Brooklyn, in fact the majority of the executive team and the majority of the national team more broadly actually live in Brooklyn, so for some of us it was painful.”