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<http://nypost.com/2017/06/27/why-manhattans-commercial-real-estate-bubble-could-easily-pop/>

## High-profile deals disguising commercial real estate market's anxiety

By Steve Cuzzo



Manhattan's office market could be headed for trouble despite today's solid-seeming condition and euphoria over big chunks of space being gobbled up by marquee tenants at glamorous new towers.

Commercial brokers with the jitters didn't want their names used, but one we spoke to worried about a "lack of depth" to the market beyond a handful of large-scale negotiations now going on.

Another noted that, while the high-profile deals believed to be in talks look impressive, most would result in tenants occupying less space than they do currently, due to "workplace strategies" that require fewer square feet per employee.

Last week, SL Green's One Vanderbilt began "going vertical" with the erection of its first steel beam on a huge site next to Grand Central Terminal. The 1401-foot-tall skyscraper to be completed by 2020, perhaps the most advanced of all the city's latest-generation office towers, reflects optimism for the future of Manhattan's 450-million-square-foot market.

At the same time, CBRE reports that overall Manhattan availability climbed to 11.7 percent in the first quarter, compared with 10.6 percent in the year-ago period. Meanwhile, JLL notes that 11.7 million square feet of new space will go online through 2020 — with half of it yet to be leased.

One clear-cut expansion being negotiated, we've learned, is for Shiseido Cosmetics at L&L Holding Co.'s all-new 390 Madison Ave., where it might take 200,000 square feet compared with its current 76,000 feet at 900 Third Ave.

Another major, unreported set of talks is between Pfizer and Brookfield for 600,000 square feet at Manhattan West. Pfizer plans to sell its East 42nd Street headquarters buildings, where it occupies 1 million square feet, by the end of the year.

Meanwhile, hedge fund Third Point is close to completing a lease for 75,000 square feet at Related's 55 Hudson Yards. Other, much larger potential moves involve Times Square-based E&Y, which is looking for 600,000 square feet at 1 Manhattan West or 1271 Sixth Ave.; Amazon at Brookfield's 5 Manhattan West; Apollo Investment Group searching beyond its current home at 9 W. 57th St.; and Thompson Reuters, looking to exit Times Square for 350,000 square feet elsewhere.

Those potential deals, as well as others at various locations for Scripps Networks, Accenture, McKinsey and Cahill Gordon, "illustrate that there's major activity in the market," one broker said.

"But the question is the lack of demand behind them. There have been a lot of rumors about some banks wanting a million square feet, but nothing concrete. And the truth is that there are not that many deals in the 30,000- to 100,000-square-foot range as landlords would like. For all the activity we see involving household-name tenants, it's a relatively thin market."