

Park Avenue braces for 2M sf of empty office space

Citibank, Major League Baseball plan to move in next few years

August 22, 2016

<http://therealdeal.com/2016/08/22/park-avenue-braces-for-2m-sf-of-empty-office-space/>



From left: 277 Park Avenue, 270 Park Avenue, 299 Park Avenue and 425 Park Avenue

It may get a whole lot easier to find office space on Park Avenue pretty soon, as a series of upcoming departures is set to leave landlords with roughly 2 million square feet to fill.

The vacancies — courtesy of tenants like Citibank, Major League Baseball and others — could impact 10 percent of the office submarket, which stretches from East 45th to East 59th streets, Crain's reported.

In addition to Citibank and MLB, other major tenants are weighing their options, including investment firm BlackRock, which could leave its 700,000 square foot digs at 345 Park and 40 East 52nd Avenue and move to Hudson Yards or the World Trade Center when its lease expires in 2023. JPMorgan Chase, meanwhile, is planning to leave its 300,000-square-foot digs at 277 Park in order to consolidate at 270 Park and 383 Madison Avenue. "What you're seeing is a migration to newer product," said CBRE's Mary Ann Tighe. "The age of these buildings is catching up to them."

According to data from Cushman & Wakefield, Park Avenue offices have an average age of 55.6 years, and many have lower ceilings and structural columns. Meanwhile, many finance companies — which currently occupy roughly 70 percent of Park Avenue's 22 million square feet of space — are weighing smaller spaces in light of shrinking profits.

Landlords say the vacancies are a number of years away, giving them ample time to find new tenants. And some are looking at the impending vacancies as an opportunity to upgrade their properties or diversify their tenant base.

At 299 Park, Boston Properties is spending \$50 million to upgrade the building after Citibank vacates 385,000 square feet next year. "Large tenants have left Park Avenue before, and the space always gets filled," said John Powers, who heads Boston Properties' New York office.

Meanwhile, L&L Holding Co. is currently building 425 Park, a 670,000-square-foot tower where hedge fund Citadel has already committed to 200,000 square feet at an average of \$175 per foot, including a penthouse space that rents for roughly \$300 per square foot.

And Vornado Realty Trust — responding to expectations that the city could rezone part of Midtown East — is attaching clauses to its leases at 350 Park to allow it to clear out the building and replace it with a state-of-the-art spire. [Crain's] —*E.B. Solomont*

Correction: An earlier of this version mischaracterized the average per square foot rent at 425 Park Avenue; though rents reach as high as \$300 per square foot at the penthouse, the overall price per square foot averages around \$175.