

NEW YORK POST

October 15, 2018

[Link to Article](#)

New projects are offering free rent to court tenants



Near the High Line, Vornado is adding a modern addition to the industrial 260 11th Ave. to make new offices.

Vornado Realty Trust/Rogers Stirk Harbour + Partners

By [Lois Weiss](#)

As terrace-bedecked office towers with all the amenities spring up around Manhattan to attract millennial workaholics, building owners compete by offering free rent and work allowances to those who sign long-term leases.

Brokers say clients that sign long leases in Class A buildings are getting a jaw-dropping \$100 per foot in work allowances, as well as a month or more of free rent per year of lease term.

“There is a flight to quality,” explains Robert Emden of Newmark Knight Frank. “Almost any landlord will talk to you due to the competition from the Hudson Yards corridors.”

That makes it a great time to be a tenant in New York, as there are lots of options that didn’t exist in the past, says Evan Margolin of Savills Studley.

Lindsay Ornstein of Transwestern touts Midtown South, the neighborhood that includes Hudson Yards, as still being red hot.

“It’s maturing as a marketplace,” she says. Added incentives by some older buildings include cleaning services, an option not traditionally offered in the neighborhood.

“Everybody is refocusing,” explains Midtown South property owner Anthony Malkin, of Empire State Realty Trust. “Tenants are coming to the area for the convenience and transportation options but are moving to the better buildings.”

These days, tenants are also more likely to jump ship to avoid living through construction.

“Tenants can move without spending their own money,” says Margolin. Capital expenditure has been a stumbling block when tenants think about moving to a new space. But now building owners are laying out most of that money and even building out spaces to suit the tenants.

“You also gain efficiency in the move and build a space to fit the way more employees work today,” Margolin says. That means smaller spaces that can be used more efficiently and collaboratively. Even traditional law firms and real estate firms, which still use private offices, certainly aren’t the large spreads of the past.



WeWork

Katelyn Perry

WeWork and its enterprise competitors like Knotel are also scrambling to land entire companies, not just a few desks. “If you need 50,000 square feet, they will build it out for you,” says David Emden of Newmark.

A lot of corporations are also looking at co-working operations as an integral part of their occupancy strategy. “They are going to have a positive impact and a role in corporate real estate’s desire to be flexible and nimble and not have to commit for 20 years,” says John Maher of CBRE.

Amenity packages are also being created or planned in most large buildings throughout the city.

“They are looking to add amenities so when tenants go on space tours they see more than just the four walls,” says David Falk of Newmark Knight Frank.

Dozens of new boutique office buildings continue to solicit occupants that want a unique space.

“It becomes more than an office,” says Falk. “It continues to define the company.”



520 W. 20th St.
Morris Adjmi

For example, buildings reimagined along the High Line include The Warehouse at 520 W. 20th St., a Morris Adjmi-designed building represented by Newmark, and 260 11th Ave., to be redeveloped by Vornado Realty Trust and redesigned by Richard Rogers with an industrialized exoskeleton addition. In the Meatpacking District, an entirely new 40 10th Ave., designed by Studio Gang, is under development by Aurora Capital and William Gottlieb Real Estate, to open in 2019.

In Midtown, as JPMorgan empties its 270 Park headquarters in preparation for its redevelopment, the financial firm has shifted to new spaces in the neighborhood. “It has leased up and down Park Avenue in a ripple effect,” notes Todd Soloway, an attorney with Pryor Cashman.

These leases and the expectation of the new headquarters have buoyed Midtown, agrees Peter Riguardi of JLL. “Now the service industries are all engaged and active in looking for new space,” he says.

That’s good news for the latest newly developed and redeveloped Midtown buildings that include One Vanderbilt, 425 Park and 550 Madison.

As the reinvented 425 Park curtain wall is rising — live earthcams at 425ParkAve.com provide real-time views of construction — and tenant fit-outs can start in March of 2019, L&L Holding

is pitching the remaining portions of the building at rents ranging from \$185 to \$265 per foot for the highest floors.

The “diagrid” combo of 425 Park’s 14th floor — with a 38-foot-high ceiling, angled beams and two outdoor spaces totaling 33,700 square feet — is being touted as a unique office space, according to David Berkey of L&L. “This will be leased in a combination with one or more of the base floors and have a starting rent well over \$200 a foot.”

At 550 Madison Ave., the former Sony building will keep its iconic Chippendale top while getting an interior revamp to allow for plenty of amenities, as well as an expanded public outdoor space. Leased by CBRE, the building will be tenant-ready in 2019.

“People feel business is pretty good and that the market is trending in the right direction,” says Brian Waterman of Newmark Knight Frank. “You don’t feel this overhang to the market.”

Closing down open plans

Is it time for more private offices to make a comeback?

“There are signs that the swing was too far to the efficiency and open environment and we are starting to see a swing back,” says Evan Margolin of Savills Studley.

“Maybe the offices are getting smaller, but the companies are also providing communal space.”

With private areas at a premium, however, dangling the use of their own small office may be the carrot that keeps valued employees from leaving as they get older and aren’t thrilled about being on a bench with 10 others their junior.

“It is a perk that people looked at as a promotion,” Margolin explains.

Now, with companies desperately trying to keep and recruit senior-level employees, private offices could once again be used for retention and to lure others from competitors.