



Commercial Real Estate

TECH TIME

Facebook, Apple, Amazon, Netflix and Google eye unique workspaces to lure the best employees



L&L is nearly done with its revamp of Midtown's 425 Park Ave., which is commanding \$300/foot rents.

L&L Holding/Neulohouse; Real Estate Ads; Vornado Realty Trust; Evan Joseph

By LOIS WEISS

TITANIC-sized tenants are circling the newest office buildings in anticipation of what may be a leasing feeding frenzy among the “FAANGs”: Facebook, Apple, Amazon, Netflix and Google. The tech titans have been hovering around the Hudson Yards area, where targeted buildings include the megaproject’s 30 and 50 Hudson Yards, the Spiral, Manhattan West, Vornado’s reimagined Farley Building and Tishman Speyer’s Morgan North Post Office redevelopment.

“We are creating spaces where tenants want to come and want to stay,” Vornado’s Glen Weiss said during a Real Estate Board of New York panel discussion on Oct. 22.

Among the Farley Building’s lures is a 70,000-square-foot rooftop terrace. Similar green spaces are planned for Morgan North as well as St. John’s Terminal at 550 Washington St., where the roof will span 5 acres, said Kate

Bicknell of developer Oxford Properties, also at the REBNY event. “These are spaces that engage the five senses,” she said.

A different full-block project along the West Side Highway, Terminal Warehouse, is luring tech tenants as it is redeveloped by L&L Holding and Columbia Property Trust — which just purchased Normandy Real Estate’s assets. Both Terminal Warehouse

and RXR’s Starrett-Lehigh Building (inset left) across West 27th Street are activating their street-level retail. Some of the FAANG firms are already in the area. Google is

spending billions to buy and lease buildings in both Chelsea and its new hub in Hudson Square. It already owns 41 Eighth Ave. and paid \$2.4 billion for Chelsea Market in 2018. This year, Google purchased the Milk Studios building at 450 W. 15th St. for \$600 million. It is also leasing at Pier 57 and in a gaggle of buildings in Hudson Square near Disney/ABC’s new headquarters. Google has also leased (with the option to buy) a

new 1.3 million-square-foot tower at the north end of St. John’s Terminal.

Netflix, meanwhile, will spend \$100 million to lease 100,000 square feet at 888 Broadway in Noho and develop a film production hub in Brooklyn.

But tech tenants aren’t the only game in town — nor is the only area in play Manhattan’s West Side.

“There is a reorientation to the West Side and definitely a demand there from tenants,” says Brian Waterman of Newmark Knight Frank. “But there are opportunities for tenants in each of these markets.”

In Midtown, for example, RXR is redeveloping the former Sony building at 550 Madison Ave. with the

Olayan Group.

“Everyone is looking for new construction and wants to be in a trophy asset that is special and unique in the marketplace,” says RXR’s Andrew Ackerman. Asking rents are “over \$100” per foot and may hit \$200 for top spots.

“It’s a world-class location and a generational asset — a great quality asset,” says David Goldstein of Savills, which only represents tenants. Goldstein also points to L&L’s extraordinary 425 Park redevelopment courtesy of architect Norman Foster, which is now nearing completion. “It’s a very innovative development and design,” Goldstein says. Rents there are hitting well over

\$300 per foot.

One reason for the wave of redeveloped properties is owners’ desires to give the companies that lease in their buildings the choicest amenities so they can, in turn, lure the best talent. “Smart tenants are making better-informed decisions based on their workforce,” adds Goldstein.

But not every building is getting top-tier rents. Michael Cohen of Colliers International says there are deals in Midtown with \$60 to \$70-per-foot rents and \$100 per foot or more in tenant improvement (TI) packages. “That is an indication of some softening of rents,” Cohen explains. “But when I see \$100 in TI with a triple-digit rent, that

doesn’t necessarily mean the market is soft.”

WeWork’s woes have yet to affect owners as its less desirable spaces will be absorbed by nonprofits and cost-conscious companies.

Micro-markets downtown and on the far West Side of Manhattan are also being targeted by tenants.

“Tenants want interesting-looking spaces that look cool and young,” says Leslie Himmel of Himmel + Meringoff Properties. She is revamping 525 W. 57th St. with a new lobby designed by architecture firm MdeAS. The building’s 12- to 16-foot ceilings are also a draw, she adds. Full and partial floors run to 50,000 square feet, with asking rents in the \$60s per foot.



Tech companies are drawn to buildings’ modern lobbies (left, at 525 W. 57th St.) and rooftop space (right, at the Farley Building).