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Lower Manhattan a bright spot in tough real estate landscape

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Anthropologie and Nobu, which opened in 195 Broadway, are two newcomers to a vibrant area.

More than 15 years since 9/11, the southernmost tip of Manhattan has blossomed into the city's most cohesive commercial, residential and recreational district. Unlike master-planned Hudson Yards, on the rise atop a Far West Side rail yard, this transformed neighborhood — the anachronistically named "Financial District" — has evolved and grown organically on the old Dutch and English bones of Lower Manhattan.

It seems like a miracle after the carnage and devastation of Sept. 11, 2001.

But can the stirring reversal of commercial fortune continue on an upward trajectory, even as some companies plan to leave behind large blocks of space?

"Absolutely," says Bruce Surry, executive vice president at CBRE. "The market is healthy," Surry adds. "We continue to see tenants from Midtown and Midtown South relocating Downtown for economic and qualitative reasons." Among them: McKinsey & Company, which, as The Post first reported, plans to leave its current East 52nd Street headquarters for 200,000 square feet at 3 World Trade Center.

New and refurbished buildings continue to draw both the TAMI (technology, advertising, media and information) sector and more traditional tenants. Demand for prime real estate is so strong that the rent gap between office space in Downtown and Midtown has fallen from 37 percent in 2013 to 25 percent today, the Downtown Alliance reports.

Even so, vulnerabilities lurk in the market. Despite current low vacancy rates below 9 percent, according to both CBRE and Cushman & Wakefield, availability — a metric that takes into account space that'll be empty within 12 months — looms between 12 and 13 percent.

Nearly 2 million square feet have yet to be leased at 1 and 3 World Trade Center. Upcoming major departures from Downtown, Surry says, include 440,000 square feet at 55 Water St., which Emblem Health plans to put up for sublease.

An even larger block will come to market at 7 Hanover Square, which Guardian Insurance plans to vacate and sell. (The firm is moving to Hudson Yards and other locations outside the city.) "That will mean a vacant 900,000-square-foot building a year from now," Surry says.

Meanwhile, Citigroup is in consolidation mode and is expected to vacate all of 111 Wall St. by early 2020.

There's no pause, however, in the residential boom. More than 62,000 residents — triple the number of Downtown's population in the year 2000 — share its historic streets with workers in 96 million square feet of offices below Chambers Street and the Brooklyn Bridge. The once 9-to-5 "Wall Street" area is now a day-and-night urban playground, bracketed by proliferating waterfront amenities and newly dense with hotels, stores, restaurants and cinemas from river to river.

At the same time, like everywhere else in Manhattan, retail malaise is evident. Just look for the ubiquitous "Prime Retail Space" signs mounted in the windows of properties for lease. A blight of large vacancies in the blocks just west of Broadway got worse when Dean & DeLuca backed out of a lease at the Trump Organization's 40 Wall St.

Yet single examples don't always tell the whole story. Cushman found overall Downtown retail availability holding steady since last year at 10.2 percent — a rate that's not only lower, but much lower, than in any major Manhattan submarket.

Another boon for the nabe: McKinsey nabbed 200,000 feet at 3 World Trade Center.
3 World Trade Center

That figure is consistent despite the fact that retail inventory has swelled to 7.28 million square feet, an astounding 2.92 million-square-foot jump since the end of 2014, according to the Downtown Alliance.

As expected, some of that space is at two major new shopping centers: the Westfield mall at the World Trade Center and Brookfield Place at the former World Financial Center. But tens of thousands of square feet have also come to market within Howard Hughes Corp.'s redesigned South Street Seaport — as well as in hotels and apartment buildings.

The latter group includes 1 Wall St., which Harry Macklowe is converting from offices to luxury condos. Whole Foods signed for 44,000 square feet on the landmark's Broadway side.

New street-level shops and entertainment outposts are cropping up at office addresses, too. Take L&L Holding Co.'s 195 Broadway, home to Anthropologie and restaurant Nobu, and Fosun's 28 Liberty St., which snared cinema Alamo Drafthouse.

The Real Estate Board of New York reported this past summer that while retail asking rents have plunged all over Manhattan, the “ask” on Broadway between the Battery and Chambers Street actually rose 11 percent, to $362 per square foot, between May 2016 to May 2017.

A recent survey by Ackman-Ziff Real Estate Capital Advisors similarly found lower Broadway bucking the trend — citing a 10 percent year-over-year hike in asking rents to $414 per square foot. The Zara store at L&L’s 222 Broadway “really gave the corridor a lift,” says Douglas Elliman’s Faith Hope Consolo. “Finally, some fashion!”

The Untuckit shop at Brookfield Place is another welcome addition.
Untuckit

While retail space languishes in Tribeca and Soho to the north, a Cushman & Wakefield report found overall Downtown asking rents averaged $427 per square foot in the third quarter, up 2.2 percent from the same quarter in 2016. Much of the jump can be attributed to the launch of expensive space at the World Trade Center and Brookfield Place.

Consolo notes that the area, lovingly nicknamed FiDi, “has embraced the live-work-play trend. It’s now a full-service area with no need to ever leave.”

She adds that while rents are high at marquee and waterfront locations, smaller businesses — like fast-casual food chains and dry cleaners — “can still find deals south of $200 a square foot” on parts of Fulton, Ann, Pearl and Gold streets.

Many new retailers have recently opened downtown: Sneakeasy at 30 Wall St., Untuckit at 230 Vesey St. and Indochino at 25 Broad St.

Prime FiDi locations waiting to be filled include the former J&R storefronts along Park Row as well as cavernous 23 Wall St., which real estate broker and acquisition pro Jack Terzi has a contract to buy (if he can first sign Uniqlo as a tenant for the former bank).

But in spite of a few shadows, the big picture remains bright — at least as long as tenants continue to grasp that the Downtown of dark streets after 5 p.m. and on weekends is long gone.