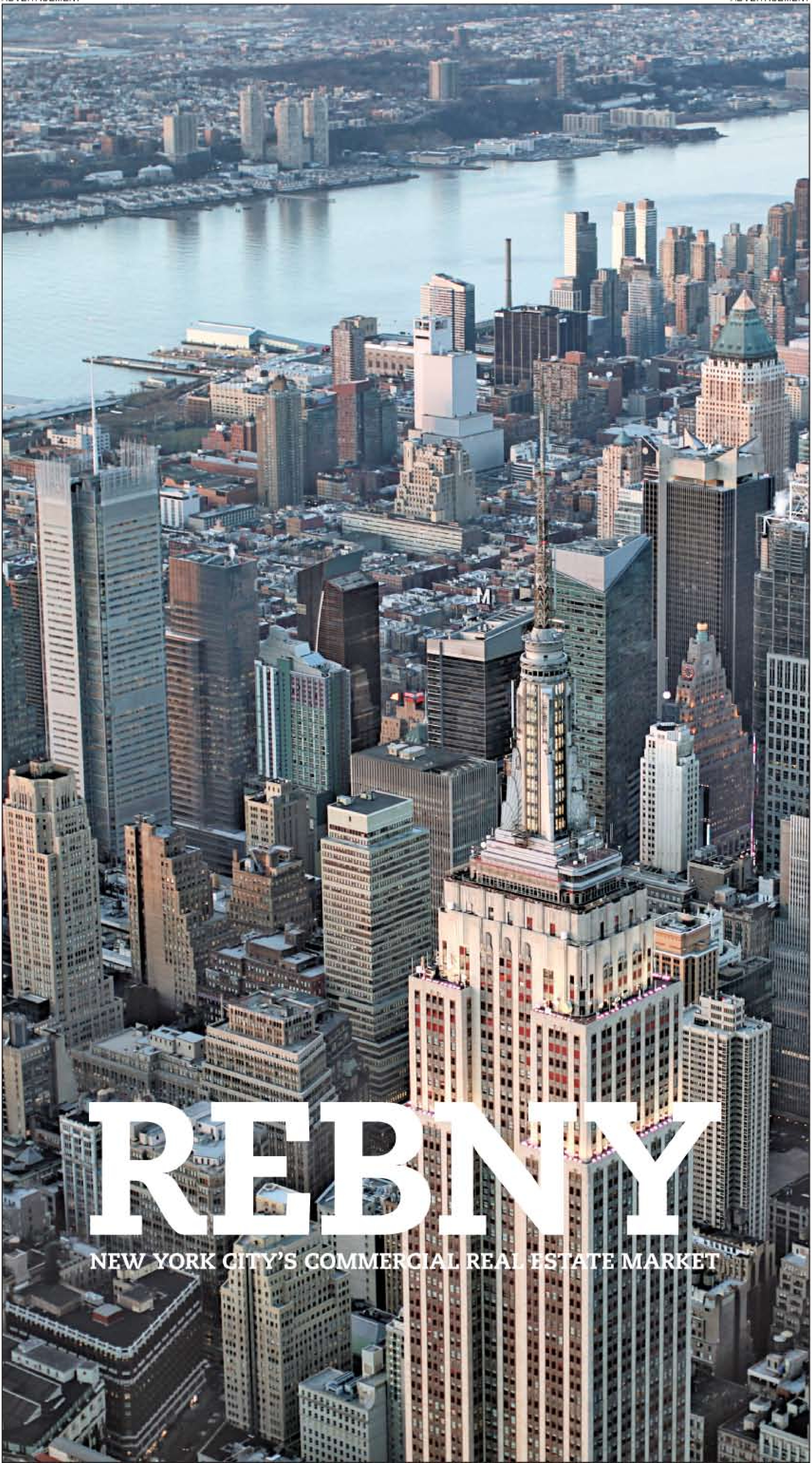
 ADVERTISEMENT



 ADVERTISEMENT

the development of the tech center on Roosevelt Island by Cornell and Technion-Israel Institute of Technology.

The Chelsea Market expansion is another project Rebny supported. The opening of Chelsea Market was instrumental in the revitalization of this section of Chelsea, in the vicinity of the High Line and the Meatpacking District. As a lure for retailers of all types, the West Chelsea rezoning spurred new residential development and launched significant new capital investment in the area including the purchase of the Port Authority building by Google. The expansion of the Chelsea Market was a natural evolution in the growth and continuing transformation of West Chelsea.

Rebny has also been a longtime supporter of the Atlantic Yards project, which it sees as a catalyst for even greater economic activity in downtown Brooklyn. The opening this year of the Barclays Center is a clear sign that this large and important project will become an engine for jobs as the remainder of the development is built.

POSITIVE OUTLOOK FOR NEW YORK REAL ESTATE

Although most major real estate companies in New York City were satisfied overall with 2012 results, there was general agreement that 2013 should be better as job growth and office space demand picks up — with the caveat that Washington needs to agree on a plan to move the country forward. On the investment side, there was a sense that with many economies around the world unstable, New York City continued to be the "gold standard" for investment in real estate — be it office buildings, multifamily rental buildings or even high-end condos.

Jeffrey Gural, chairman of Newmark Grubb Knight Frank, is concerned about the stalemate in Washington, D.C. "If the politicians cannot show the public that they are capable of governing the country, it is a serious problem for everyone. We need certainty in our business plan, and I for one assumed after the election that the American public made it clear that they wanted the politicians to work together and get something done."

Even with uncertainty in Washington, however, Gural said that from a landlord's perspective, "We are all benefitting from these historically low interest rates today. From a cash-flow perspective, I think most landlords are in pretty good shape, especially landlords that owned buildings for a long time and were able to refinance them."

James D. Kuhn, president of Newmark Grubb Knight Frank, noted, "Investing in New York City real estate today is the equivalent of investing in the 'Nifty Fifty' blue chip stocks of the 1960s and 1970s." Because of the questionable economic climate and instability of so many regions of the world, according to Kuhn, many sovereign wealth funds will invest in either London or New York, and the price of real estate in these cities will continue to appreciate.

"Another part of the equation is the individual investor," he continued. "When people outside of the U.S. become wealthy, they look for a safe haven to preserve their capital and to achieve a return on investment. Many of them believe that New York City real estate will let them do both.

"In areas like China and Latin America, wealthy individuals are exporting capital to the U.S. While these investors do not have enough money to play in the investment world, they do have money to buy a top-quality apartment in New York City, and they believe that this is an excellent strategy to stabilize their investment portfolio. This is fueling demand for top-quality apartments and in turn is boosting demand for the development community to build both condos and high-end rentals. Sovereign wealth funds and institutional investors, of course, want New York City office buildings."

Kevin R. Hackett, president and C.E.O. of The Rockefeller Group, agreed that demand for New York City properties on the part of investors and tenants will stay strong. "Domestic and global investors are allocating more assets to alternative investment strategies, including real estate, and markets like New York are at the top of their wish list," Hackett said. "In an uncertain market environment like we've had, particularly in Europe, investors target quality, stability and liquidity. New York property owners and investors will continue to benefit from this investment strategy.

"From a leasing perspective, there's pent up demand from tenants who delayed decisions ahead of the U.S. elections as well as resolution of the 'fiscal cliff.' If you keep in mind that the city has replaced all the jobs lost during the recession, and that employment growth is projected to continue, however modestly, we're optimistic that 2013 will be a year [in which] strategy decisions will be made by proactive companies and leasing will pick up significantly."

Peter Hennessy, president, New York tristate region of Cassidy Turley, is positive about 2013 as well, but he continues to have some worry about the ability of the politicians in Washington to "get out of their own way."

Business needs more certainty than it is getting from Washington, he said: "All of us in the industry hope that 2013 will be better than 2012. A number of our clients have put off decision making to see what happens at the beginning of 2013. Companies have proverbially 'kicked the can down the road,' done short-term lease extensions and short-term expansions until they get more clarity on what Washington's fiscal, economic and tax policies will be."

Hennessy said that in the second half of 2012, a number of the company's clients started looking strategically at the long-term occupancy plans that they would implement in 2013 and 2014, which he considered a positive sign. "These are larger-scale occupiers," he said. "What it is suggesting to me is that they are gathering information, they are trying to understand their business and the implications that real estate can have for their business."

ABOVE: Built in 1963, the 14-story commercial office building at 75 Park Place is home to many prominent tenants, and is managed by Jack Resnick & Sons, Inc.

BELOW LEFT: Trinity Real Estate's 200 Hudson Street, between Vestry and Grand streets, is a notable property in the thriving Hudson Square neighborhood.

THREE SUBMARKETS LOOK STRONG

Matt Van Buren, president, New York tristate region of CB Richard Ellis, sees positive movement and is enthusiastic about all three office submarkets — Midtown, Midtown South and the Downtown market — in New York City for 2013.

"The Midtown South market is obviously coming off of a very strong 2012," he said. "It has the lowest space availability in the city of the three submarkets, and that availability is anticipated to go even lower."

He sees strong velocity in the Midtown South market and strong leasing activity. Midtown South has experienced a technology boom, but it is not just technology companies that want space. There are numerous service companies such as advertising, architectural and engineering firms that are all competing for space, as well. The Meatpacking District is extremely hot and the High Line — the new park atop an old, elevated rail structure on Manhattan's West Side — has been a great addition, which has caused a spate of residential development in the area. That is the place where young people want to live and work.

"The story of 2013 in the Downtown market will be the availability of high-quality space," he continued. "This year, space will come on the market at One World Trade Center, Four World Trade Center and the World Financial Center. Investment continues to be strong in the Downtown market. For the first time ever in a submarket, we will see the rapidly increasing availability of space and increasing prices because the quality of the new space is so high. Brookfield is also investing tremendously in the retail space at the World Financial Center. That space is moving well, and that also bodes well for their office availability. The Downtown market is no longer the inexpensive alternative for those leaving Midtown because of pricing. In 2013, Downtown is becoming a market on its own with very high-quality availability and lots of new buildings."

Van Buren said that the Midtown market is quite interesting because of the three submarkets in the city; it relies most heavily on both financial services and the law firms that operate in the wake of the financial service business. "There has been a fair amount of uncertainty in the financial services industry, but if you look at the last couple of months, the uncertainty is gone," he explained. "There is real demand in Midtown. I would also say that there is real activity in Hudson Yards and that bodes well for the market. Slowly but surely, new construction is becoming a big part of the picture in New York, and it will become a big part of the 2013 picture."

CITY JOB GROWTH PLEASANTLY SURPRISING

While job growth at the national level continues to look spotty, in New York City it is doing quite well. Cushman and Wakefield's C.E.O., Glenn Rufrano, said that his firm has been "pleasantly surprised" at the job growth and strength in New York City compared with much of the rest of the U.S. "If you look at the first two years of the recovery, 2010 and 2011, we added about 129,000 jobs," he said. "In 2011, we added 71,900 jobs. The real key number is that for the first 10 months of 2012, we added 76,000 jobs — so we actually beat 2011 in the first 10 months of 2012. This is a phenomenal improvement and, frankly, one that people often do not perceive in New York."

Rufrano estimated that a big piece of the job growth is in professional services. Typically, professional services accounts for about 31 percent of jobs, but in 2012, it accounted for 41 percent of the total. "We have also been helped by the hospitality and health care industries," he continued. "The area that is down is financial services, which has accounted for only 3 percent of job growth instead of the typical 10 percent. What we care about a lot in New York City is filling our office space; if job growth continues, office space occupancy will grow."

With the good job growth numbers in New York City, why aren't office vacancy rates lower — at least lower than today's roughly 10 percent vacancy rate? Rufrano said that office tenants are utilizing space much more efficiently than in the past. "The world has to do more with less," he said. "We have tenants who are using less space per person. The old index was 250 square feet per person. Now we are talking to tenants who want about 150 or 175 square feet per person. That has a significant impact on the amount of space that is needed."

UPTICK IN 4TH QUARTER ACTIVITY IN NEW YORK

The Durst Organization has seen an uptick in activity in the market in the fourth quarter of 2012, and the firm is quite bullish for next year. "The election being resolved and hopefully the 'fiscal cliff' being resolved in a meaningful way will add some stability to the market and provide the stability that a lot of tenants are looking for," said Jordon Barowitz, director of external affairs for The Durst Organization.

Tom Bow, senior vice president and director of leasing for the company, noted that its portfolio has only about a 5 percent vacancy rate. "We always have a few interesting pockets," he said. "One of those is One World Trade Center downtown. We are approximately 55 percent preleased and the building will open in January 2015. Last year, we leased 400,000 square feet. We leased 270,000 square feet to the General Services Administration (G.S.A.) and 130,000 square feet to Condé Nast. It was a very good year for One World Trade Center."

Bow said that the building contains a total of 3 million square feet, so The Durst Organization has about 1.5 million square feet that it still needs to lease. He is optimistic that the company will see similar leasing activity of about the 450,000 to 500,000 square foot range in 2013.

"We are seeing a lot of tenants from Midtown looking at the Downtown market with the thought of making a major relocation there," said Bow. "Companies are considering the Downtown option today, and that was not always the case. Condé Nast obviously was attracted in part for the proximity to their labor pool. They have a young, educated labor pool and basically they draw heavily from Brooklyn and Hoboken, N.J., and also from Greenwich Village and south in Manhattan. Demographically, that move made a lot of sense for them."

Bow estimated that for people looking for new space, there are not a lot of options in Midtown. Their best option may be to go Downtown, where there is a 24/7 neighborhood with substantial residential development already in place. "If you look downtown," he said, "you are looking at a complete, desirable area that is a magnet for tenants coming into the city."

A PLACE FOR NONPROFITS IN MIDTOWN

In addition to its Downtown properties, The Durst Organization continues to aggressively market its Midtown properties and has set up a unique financial structure for its 205 East 42nd Street building to help nonprofits lower their real estate costs. "We have a prewar building that was constructed in 1927," said Bow. "This year, we signed a 160,000-square-foot transaction with the City University of New York (CUNY) for the Office of the Chancellor to relocate from East End Avenue to our building."

Durst has set up a structure at that building where CUNY purchased a leasehold condominium interest, which gives it occupancy for 30 years. As a tax-exempt organization, it will be able to save on New York City real estate taxes. "At 205 East 42nd Street," continued Bow, "we are targeting qualified 501(c)3s and other entities that would be tax exempt. A 30-year leasehold qualifies as a purchase, and that type of a tenant can save on real estate taxes. We have an older building that we have made very competitive in this marketplace. These types of tenants are interested in space like this because they are probably being priced out of the Midtown South market because of the tech boom there." Durst also has space available in the building for other tenants, as well.

Trinity Real Estate sees a strong Midtown South market. Jason D. Pizer, president of Trinity Real Estate, said that the Midtown South market will remain tight and desirable in 2013. The types of tenants that it is seeing on space tours and inquiring about space tend to be the creative types of companies, including publishing, radio, television, audio-video postproduction, social networking as well as pure tech firms. Said Pizer, "The demographic and the people out there looking for space want that sort of cool, high-ceiling, wide-column spacing — like the old loft-style buildings."

Pizer said that residential will remain hot in the city as well. "There is not enough rental housing and money is still available for people who want to do multifamily developments," he explained. "There is less money for spec office development because there is a lot of office coming online downtown."

Trinity has been very fortunate the last couple of years in that it has had only a 3 percent vacancy rate on its commercial buildings and a 100 percent occupancy of its retail space. "We will not have a lot of turnover for the next couple of years," said its president.

MARKET FAVORS TENANTS

Mitchell S. Steir, chairman and C.E.O. of Studley, sees a space market in 2013 that continues to favor the tenant. "There is less-than-robust demand coupled with increasing supply," Steir said. "This will obviously put downward pricing pressure on real estate, and suggests an attractive deal-making environment for tenants that have leases coming due in the foreseeable future. I cannot recall a time when tenants had the ability to buy or lease significant amounts of space in new construction for less money than the cost of 50-year-old stock. It is too compelling an opportunity to ignore."

Steir said that pricing and qualitative dynamics are such that large corporate users, as well as professional firms, will take note of the unprecedented opportunities that exist in the market. "Yes, it may be a nontraditional location, but we have seen nontraditional locations morph into neighborhoods of choice in just a few years in Manhattan.

"2013 will be the year where we see large-scale corporate Midtown tenants migrate to lower Manhattan. There will also be more Hudson Yards news. Much has been written about the area in the last couple of years, but 2013 could be a year of more meaningful announcements."

Dennis Brady, executive managing director, Jack Resnick & Sons, Inc., is positive about New York City in the coming year. After working in real estate for 40 years and going through numerous up and down cycles, he sees strong times ahead. He likes the number of people he is seeing on the streets and the high energy of the city today. "We have approximately 5 million square feet of space in Manhattan, and our entire portfolio is 99.9 percent rented. We have always had a strong group of tenants and we don't fluctuate much, even with fluctuations in the marketplace."

Over the past five years, Resnick has been greening its buildings. Brady said that it is good for the company, good for its tenants and good for the planet. "Green is good business," he asserted. "By going green, we have been able to reduce our energy costs in a number of buildings. In our residential buildings, we have gone from oil burners to natural gas. We have done this in our commercial buildings as well. We have also switched from 99-cent incandescent bulbs to energy-saving bulbs that last for a great deal of time. It is not just the energy saving; the incandescent bulbs burn out once a month and just the manpower to go around and replace those bulbs was tremendous."

The Downtown market is exciting for Resnick. Hurricane Sandy affected Downtown, but the area is getting better by the day. "Sandy is a challenge," said Brady. "Between Hudson Square and lower Manhattan, we probably have about 3 million square feet of space. Fortunately, besides the lack of electric for several days, all of the buildings except 199 Water were not affected long term. Everyone has worked hard and we have reopened the building. We will recover from Sandy; every day, every week the Downtown market gets better."

ABOVE: Cassidy Turley recently secured a 15-year lease agreement for People's United Bank for retail space at 250 Park Avenue.
Photo: Cassidy Turley

BELOW: Tishman Speyer spearheaded the redevelopment of the area surrounding the iconic Chrysler Building, one of New York City's most recognizable landmarks.

HUDSON YARDS

Brookfield Office Properties' senior vice president, Philip Wharton, sees strong prospects for the office market. The reason is that a substantial portion of the office building stock in New York City today is obsolete. Newly constructed office buildings are more efficient and more appealing to tenants that are either expanding or consolidating space. Brookfield also sees the multifamily market — both rentals and condominiums — continuing to be strong.

Brookfield has an exciting new project underway called Manhattan West at the

Behind every successful Building Owner there is a host of incredibly talented Brokers and steadfast Tenants.

Jack Resnick & Sons thanks the following Firms and the Brokers who represented them, as well as our existing Tenants who renewed their commitment to New York City in 2012.

The City of New York
255 GREENWICH STREET

Univision Radio New York, Inc.
485 MADISON AVENUE
represented by:
Michael Gottleib & Martin Cunningham
of Avison Young

Stephen R. Harris & Associates Media Co., Inc.
110 EAST 59TH STREET

Mount Sinai School of Medicine
485 MADISON AVENUE

Fieldman Gahr & Levy, Inc.
133 EAST 58TH STREET
represented by:
Stanley Piesh of Prime Manhattan Realty

Maal 52, Inc. d/b/a Dino Baldini
485 MADISON AVENUE

Willow Management of NYC, Inc.
133 EAST 58TH STREET

Waxing by Grace, Inc.
133 EAST 58TH STREET

Moda Operandi, Inc.
315 HUDSON STREET
represented by:
Owen Hane of Cushman & Wakefield, Inc.

Robert Marston Corporate Communications, Inc., Robert Marston Marketing Communications, Inc. and Robert Marston Associates, Inc.
485 MADISON AVENUE
represented by:
Moshe Sukenik & Barry Goodman of
Newmark Grubb Knight Frank

The Fashion Group International, Inc.
8 WEST 40TH STREET
represented by:
Kenneth Kronstadt & Rick A. Kramer
of Newmark Grubb Knight Frank

TED Conferences, LLC
250 HUDSON STREET
represented by:
Kim Skarvelis of Cast Iron Real Estate

O.M.G., Inc.
301 EAST 45TH STREET

8 West Bakery LLC d/b/a Maison Kayser
8 WEST 40TH STREET
represented by:
Matt Cohen of The Lansco Corporation

String Advisors, Inc.
133 EAST 58TH STREET

United States of America
315 HUDSON STREET

SD Daniels & Co., C.P.A., P.C.
485 MADISON AVENUE

TED Conferences, LLC
315 HUDSON STREET
represented by:
Kim Skarvelis of Cast Iron Real Estate

Gracie Mews Restaurant Corp.
401 EAST 80TH STREET

Steven Myers, D.D.S.
133 EAST 58TH STREET

Alexandra Hara, DMD
133 EAST 58TH STREET

Andrew Resnick, Au.D., LLC
133 EAST 58TH STREET

Alla Belilovsky Internal Medicine, P.C.
133 EAST 58TH STREET
represented by:
Christian Arnold of Red Real Estate LLC

BK Belts W. 57th Street
205 WEST 57TH STREET
represented by:
Peter Levitan of
Lee & Associates, Inc.

Pembrooke Capital Management, LLC
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represented by:
Cory Borg of Newmark Grubb Knight Frank

Klein Zelman Rothermel LLP
485 MADISON AVENUE
represented by:
John T. Pavone, Jr.
of DTZ

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Microdot, L.L.C.
133 EAST 58TH STREET

The Interpublic Group of Companies, Inc.
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