

ULI NY: How To Court Creative Office, Industrial Tenants

<http://www.globest.com/sites/raynakatz/2016/04/08/uli-ny-how-to-court-creative-office-industrial-tenants/?channel=contributors&slreturn=20160311093703>

APRIL 8, 2016 | BY RAYNA KATZ

NEW YORK CITY—For much of the industry, the meteoric rise of the TAMI sector—and the cropping up of office space in surprising places to address that new segment—came as a surprise.

But others saw it coming because they were looking out on the horizon of the city's potential, and now they're reaping the rewards of that visionary approach, while looking forward toward what's next.

Brooklyn now boasts 46.1 million square feet of office space, spread out across the borough, and that figure is expected to grow by 30% in the next few years, reported Miriam Harris, EVP, Trinity Place Holdings and the moderator of "Non-Core is Core: How TAMI and New Manufacturing are Shaking Up NYC's Traditional Commercial Office Market."

Presented by ULI New York's Women's Leadership Initiative earlier this week in Midtown, panelists included Clare Newman, chief of staff, Brooklyn Navy Yard; Toby Moskovits, CEO, Heritage Equity Partners and Carolee Fink, EVP and chief development partner, NYC Economic Development Corp.

"The growth of the residential market in Brooklyn and parts of Queens—combined with the urban movement of everyone wanting to be near where they live—and then the cultural explosion of Brooklyn, has allowed the growth of the Brooklyn office market to happen," declared Moskovits.

"Vacancy in Brooklyn is in the low single digits. The ongoing stability of the growth there, and people wanting to live in Williamsburg is a key component.

She continued, "When I got involved in real estate in 2008, everyone knew a world of 90% financing but I didn't know that. We had a network of families, no comps and no tenants, we had one tenant and we managed to convince them of the potential.

“Being a pioneer in real estate and thinking about the next 50 years requires that it not be a one off. We have to think about how to make this kind of development more systematic,” Moskovits advised. “I drive on the Jackie Robinson all the time from Queens to Bushwick—which is an easy commute. There is amazing commercial potential in East New York and the potential to both deal with overcrowding on the E and F train and create a strong economic corridor by getting people from Queens to work in that area. We have to think about how the public sector and the private sector work hand in hand to foster this kind of growth and development.”

The EDC is looking to do creative projects, Fink adds. For example, the city has put out an RFP for a live/work development on Spofford Avenue in the Hunts Point section of the Bronx. The site features an existing building of approximately 600,000 square feet but “we wanted a live/work component, and manufacturing too.”

For another project in Long Island City, she said, “We had real estate on the waterfront and the easiest thing to do would be to build a mixed use development. But it’s a growing office market so we include significant office space in the RFP. It’s a 1.2-million-square-foot development and about 350,000 square feet of that is office.”

Fink noted, “We forecast about 60 million square feet of office space needs to be constructed in next 10 years, and about 25 million of that will be in the outer boroughs, so we’re working to incentivize as much office space as we can.”

Creative financing also is key to moving projects along, asserted Newman. “When Steiner Studios came to the Navy Yard, we did the first several phases of the deal in equity, when no one knew there was a film market in New York. Our studio is now doubling in size and Silvercup Studios is expanding to the Bronx. That vision is important.”

Of another project at the Navy Yard, Building 77, she continued, “The city put in a lot of equity and an anchor tenant put in some but we’re doing the rest. As a non-profit organization we often have a complex capital stack, which also is because we price for affordability for manufacturing versus what the market will bear.”

Agreed Moskovits, “As the industry and the city, we need to think about spaces for all types of companies, whether there’s money available or we need to ask for government subsidies to build up the spaces. It’s about working to create places for all types of companies and then educating the work force.”

