

REAL ESTATE WEEKLY

August 26, 2015

<http://rew-online.com/2015/08/26/19-new-office-towers-rising-in-city/>

19 new office towers rising in city

By Dan Orlando



Buoyed by increasing employment, low interest rates, and a large supply of shovel-ready development sites at Hudson Yards and the World Trade Center, office construction in New York City is at its highest level since 1990, according to the New York Building Congress.

In 2015 and 2016, a total of 9.7 million square feet of new office space will be constructed in 19 separate buildings across Manhattan, including 7.4 million square feet combined in Midtown West and the World Trade Center.

This newly-constructed space will gradually come on line as the buildings are completed. The biggest wave of openings will occur in 2018, when six different towers are projected to be fully or substantially complete.

“Office development in New York City always runs in cycles,” New York Building Congress president Richard T. Anderson told Real Estate Weekly.

“We’ve had times when we’ve had just a surge in office development. It’s tied more than anything else to the growth of jobs and industries that occupy office buildings.”

Of those industries, Anderson said that the strength of tech entities has played a pivotal role in the surge.

“Growth in some of the technological organizations, like Google, has been very reassuring and one of the strong points, but a lot of it is a trading up,” said Anderson.

“New York City has evolved over the years, it continues to evolve,” said Sean Black, an executive director at Cushman & Wakefield during a recent interview with Real Estate Weekly.

“If you look at tech companies, what’s most interesting about them and why they are shaping the landscape of New York City is because when they grow, it’s not like a manufacturing company. If I want to build something, they need more people. With more people, they need a place to put those people, so I’m going to put them in office space.”

Black added, “We thought that one day the office sector might be hurt by technology because people could work everywhere.”

“As it turns out, the opposite is true because people want to be together and they want to be able to collaborate and collaboration fosters innovation. You need to have that intellectual discourse occurring.”

Anderson agreed, noting, “It appears that owners of existing office properties are upping their games in anticipation of the new wave of modern offices that are coming on line over the next five years.

“In order to remain competitive, they recognize the need to modernize their existing spaces to make them more efficient, technologically-advanced, and appealing to both traditional and new economy tenants.”

Anderson said that while the growth is promising, especially at sites such as the Hudson Yards and the redeveloped World Trade Center, New York is in need of more than just two new commercial hubs.

“We need another development area. Too much of New York city’s office development is confined to just two locations,” said Anderson.

“A city as large, as dynamic and as economically important as New York needs more than just two [big construction] locations.”

The Congress president pointed to the Second Avenue Subway extension and Midtown East rezoning as areas that could help the construction surge continue well into the future.

He also pointed to the possible addition of one or more sub-Hudson River tunnels as both a catalyst for more development and a necessary move to ensure the health of the current office market.

“That’s very important to open up further the labor market to the west,” said Anderson.

Recent log jams in the current sub-Hudson infrastructure have led to a frustrating summer for many commuters as the tunnels’ age and other factors have led to delay-causing technical difficulties.

“The new tunnel, or tunnels, would provide time to close down and repair the exiting tunnels,” continued Anderson. “That’s every important. They’re 100 years old and they were damaged by the flood waters of Sandy. You can’t just do this over weekends. They need to be closed down and over-hauled.”

The Building Congress forecasts construction of 4.3 million square feet of new office space this year, up from 2.4 million in 2014. The Building Congress further estimates 5.4 million square feet of new office space will be built in 2016, followed by 4.9 million square feet in 2017 and 4.0 million in 2018.

For the 10 years between 2010 and 2019, the Building Congress forecasts a total of 29.5 million square feet of new office space will be built.

In the period between 2000 and 2009, New York City added 22.3 million square feet of newly-built office space, which was offset by the loss of more than 10 million square feet in the terrorist attacks on 9/11.

While the pace of new office construction is at its greatest level in a quarter of a century, the numbers still pale in comparison to the period between 1968 and 1973, when 72 million square feet of new office space was delivered; or the 51 million square feet that were added in the nine-years between 1956 and 1965, and again between 1982 and 1990.

Anderson said there may be room to get closer to those levels.

“No-one knows how long this will last,” Anderson said. “I think we’re at the beginning rather than at the end of a cycle though.”