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Peeling the Big Apple

The Submarkets of New York City

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When you walk in New York City, you quickly realize that each neighborhood has a different vibe, style, and architecture. This is the beauty of Manhattan. Go ten blocks, and suddenly it's a new experience.



The same is true with the office space. When you decide to open an office in NYC, the first thing you need to do is understand that your NYC might not have anything to do with someone else's NYC. If you are a premier hedge fund in London and you want to dip a toe into the Manhattan water, you'll probably end up in the Plaza District paying somewhere between \$80 — \$200/SF. On the other hand, if you're a hot tech company coming out of Palo Alto and want to be part of the up-and-coming tech scene in NYC, you probably should avoid the Plaza District and those steep rents.

So, when tasked with opening an office in Manhattan, the thing to realize is that the Big Apple is really many apples, and the most important apple is clearly the one that makes

sense for you. So, we'll give an overview of the key submarkets of Manhattan from an office leasing perspective as well as insights for each:

Plaza District: This is the area directly south of Central Park, from 3rd to 7th Avenue. This submarket features the crown jewel of the Plaza District, 9 West 57th Street, as well as the General Motors building. These are usually the two most expensive buildings in New York City. The views of Central Park are spectacular. The firms that occupy them trend toward financial services, hedge funds, and large corporate headquarters, and rents are not for the faint of heart. Park Avenue between 45th and 57th is known as Hedge Fund Alley, with iconic structures like the Seagram's Building, Lever House, and 450 Park among

the places you're likely to bump into this year's Masters of the Universe.

Wall Street: The downtown end of Manhattan is the polar opposite of the Plaza District. Believe it or not, if you're looking for the lowest rents in Manhattan, you'll find them downtown. Wall Street, often defined as south of Fulton Street, runs from the East River to the Hudson River and is home to many law firms, trading companies, and non-profit organizations. This is where one can find suitable office space, often with good water views for \$25 — \$50/SF or about half the cost of comparable space in midtown Manhattan. A big plus for the downtown market is transportation. Nearly every subway line runs through this area, proximity to Brooklyn is fantastic, commuter buses from the outer boroughs and New Jersey stop there, and the new transit hub to the Freedom Tower will be spectacular when it comes on-line.

Union Square: When General Assembly opened its doors at 902 Broadway, it was like sticking a flag in the earth and declaring Union Square as the tech epicenter of New York City. Tech companies large and small flock to Union Square. Firms here are young, hip, and smart. Union Square also boasts the lowest vacancy rate in Manhattan. Rents can be south of \$30/SF in older and smaller side street buildings. But if you're in better buildings on Broadway or Park Avenue South, expect to pay closer to \$40-\$50 or more. Office space that you will find there will be converted lofts and older, converted manufacturing facilities. Restaurants here rock—with "beautiful" people everywhere.

Grand Central: If you live in Westchester County or Connecticut, you travel by Metro North and land in Grand Central Station. Wouldn't it be nice if your office were a short walk from the train? This is why so many firms have set up shop between 40th Street and 45th Street and Third Avenue to Fifth Avenue. The buildings in and around Grand Central vary from trophy buildings to side street hovels and everything in between. There are several buildings that have direct access by tunnel to Grand Central. This means you don't get wet or cold going from

train to desk. Commuters enjoy the Lincoln Building, The Chain Building, 317 Madison, 230 Park, and the Graybar. These are solid Class "A" buildings well absorbed by smaller companies. The Chrysler Building and 450 Lexington are among the nicer and more expensive buildings in the area. The higher floors at 200 Park, right above Grand Central, feature incredible views of the rivers, the Statue of Liberty, and Central Park.

Penn Plaza/Times Square: If you live in New Jersey or Long Island and come into Penn Station or Port Authority, there are several Class "A" buildings near both transportation hubs. Without question, 1 Penn Plaza and the new *New York Times* building are best in class. Rents will range from \$50 to \$100/SF. This area was the original "Garment Center" in NYC, and other than a handful of Class "A" buildings, these "B" and "C" buildings are home to many fashion companies, manufacturing firms, non-profits, and a variety of retailers.

Hudson Square: This area, on the West Side of Manhattan above Tribeca, has emerged as an extremely hip area. Running from Canal up to Houston is an area that once was home to printers who needed big, cheap industrial spaces. But with the gentrification of New York, printers are now nearly extinct in this area and have been replaced by media and high fashion companies. Characteristics of this building stock are high ceilings, large windows, and a cool industrial feel, and typical prices are \$35-\$45/SF. You'll find some of the hippest clubs and restaurants in the city located here. New York City provides an exhilarating business environment not found elsewhere in America and offers a spectrum of exceptional office space choices. Therefore, it is critical to take your time to explore the varied office space options in NYC so you take the right bite of the Big Apple.

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