

Can't Keep a Good Neighborhood Down: Midtown's Surge in Popularity



From right to left: Darcy Stacom, New York City Capital Markets; Granit Gjonbalaj, The We Company; Stephen Meringoff, Himmel + Meringof Properties; Tommy Craig, Hines; Michael Zetlin, Zetlin and DeChiara.

Optimism was in the air at Commercial Observer's 4th Annual Midtown Forum. Michael Zetlin, Senior Partner at Zetlin & De Chiara LLP, led a spirited discussion on Midtown development at a panel entitled "Midtown in Demand" on June 28, 2019.

Joining him on the panel were Tommy Craig, Senior Managing Director, Hines; Granit Gjonbalaj, Chief Real Estate Development Officer, The We Company; Stephen Meringoff, Managing Partner, Himmel + Meringof Properties; and Darcy Stacom, Chairman and Head of New York City Capital Markets, CBRE.

Zetlin began the panel by speaking to Midtown's evolution, its challenges and its promise, saying "over 16 million square feet of Midtown office space either has been demolished or converted to alternate uses in the past 12 years. There is much more on the way for New York City's premier business district."

With the rise of new office towers in vibrant neighborhoods such as Hudson Yards and Downtown in the last several years, one of Midtown's greatest challenges is the age of its office stock and a perceived staleness associated with the neighborhood. However, some of the panelists believe this was actually a strength. Stacom noted that Millennials have begun to behave the same as Baby Boomers, and as they settle their families in the suburbs or on the Upper East Side, Midtown cannot be beat for access to transportation. "What's old is new again," she proclaimed.

Gjonbalaj, whose company has disrupted commercial real estate with its WeWork concept, also values the older buildings and the status of the neighborhood. "In Midtown, you don't have to work as hard to create a community within a building. Old assets just need a bit of additional investment."



"Midtown no longer has the singularity preeminence it held in our father's generation," Craig added. He went on to comment that due to evolving architectural trends, Midtown has a different physical product than many of its competing neighborhoods.

Despite this, one area in Midtown does have the type of office stock prized by the creative and tech industries – South Midtown. Through adaptive reuse, the industrial buildings in the southern part of the neighborhood can provide the open and flexible floor spaces Meringoff termed "the darling" of this tenant base.

Gjonbalaj observed that today's workers want to feel fulfilled by their jobs and are willing to sacrifice private offices – status symbols in the working world for previous generations – for an open floor plan that will provide their whole team with natural light.

Craig noted that a generation ago, a CEO could relocate a company to the suburbs just because of the proximity to their home, but today this hierarchical approach has been inverted. Location is of the utmost importance for the recruitment of talent, particularly for creative and tech companies. Whatever the state of its office stock, Midtown is still a prime location with its enviable position in Manhattan and proximity to transportation.

Not all of Midtown has the flexibility of South Midtown, however, and the rest of the neighborhood will need to keep up. Refreshing post-war buildings is not always the best option for many owners, but now a complete overhaul is possible thanks to the sweeping Midtown rezoning and a crop of expiring ground leases. "Midtown rezoning allows us to wake up and refresh our building stock," said Stacom.



Zetlin ended the panel on another optimistic note, remarking that despite evolving industry trends, the neighborhood still has much to offer and will likely remain competitive for decades to come.