



FOCUS ON MANHATTAN

Amid Post-COVID and Social Unrest, Are People Still Moving into Manhattan?

By Mary T. Prenon

Since early spring, when the coronavirus hit the New York metro area hard, headlines have been screeching about the residential flight from Manhattan and other parts of New York City.

Newspapers, online publications, blogs, and broadcast media are continuously touting the mass exodus from The Big Apple.

High-end luxury condo owners to students and young professionals sharing moderate apartments have fled the area in search of temporary or permanent housing in suburban New York or

even out of state. Many also fear the recent rash of rioting and calls to defund the New York City Police Department have only added to the migration elsewhere.

However, Manhattan real estate broker Michael Shapot of Compass, believes the flight will be temporary and that buyers and renters will be coming back. "Yes, the virus did create a situation where people were stuck at home in close quarters and many did make

a move to the suburbs or other parts of the country," he said. "But, New Yorkers as a rule are a resilient bunch and I think

me about finding an apartment for her daughter who wants to attend college here," he said.

His Compass team has also experienced a lot of Manhattan residents looking to upgrade to larger apartments. "Since so many are still working from home, they're starting to look for extra space like an office or a washer/dryer in the apartment, or some outdoor space like a ter-

we're going to see a change in people's appetite for housing here in the city."

Shapot said a typical one-bedroom apartment can start at about \$3,500 a month, while two-bedrooms can rent for up to \$5,000 a month. On average, one-bedroom co-ops can start at around \$600,000, as compared to one-bedroom condos, at about \$900,000.

"Very often young people just starting out will share a one-bedroom apartment," he added. While some college students have temporarily moved back in with their parents in the suburbs,



An apartment in Bryant Park

people recognize there there's only one New York City. Manhattan is the financial center of the country, we have the best medical and educational facilities and culturally, we're second to none."

Shapot and his team deal mostly with condo and co-op sales, but do handle some rentals as well. Shapot is not worried about what he calls a "knee-jerk" reaction to the recent wave of transitions from Manhattan. "In fact, a woman from France recently contacted



An apartment in the Financial District

race or patio," he explained. "The luxury rental market is strong now and I think

Shapot is confident they will eventually

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PHOTOS COURTESY OF COMPASS

AIG to Relocate Global Headquarters to Rockefeller Center in 2021

NEW YORK—American International Group, Inc. announced on July 21 that it will relocate its global headquarters in New York City to 1271 Avenue of the Americas, where it will occupy eight floors totaling 325,000 square feet.

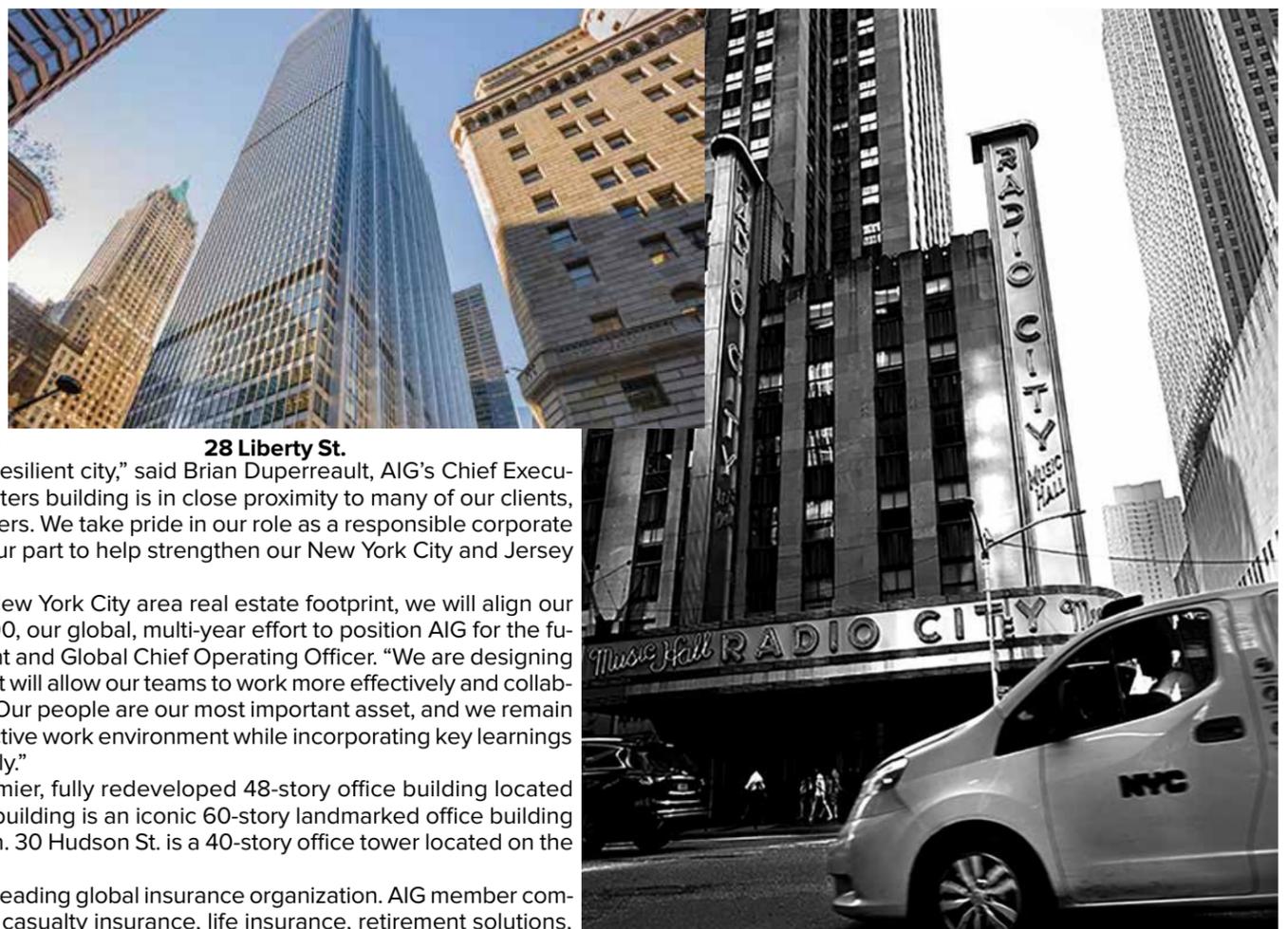
The firm also reported it will consolidate its remaining New York City area footprint into approximately 450,000 square feet divided between two new locations at 28 Liberty St. in Manhattan and 30 Hudson St. in Jersey City, NJ. The company, which is currently headquartered at 175 Water St. in Manhattan, plans to move into the three new offices in 2021.

"New York City has played an important part in AIG's history and we are proud to be headquartered in this unique and resilient city," said Brian Duperreault, AIG's Chief Executive Officer. "Our new Midtown headquarters building is in close proximity to many of our clients, distribution partners and other stakeholders. We take pride in our role as a responsible corporate citizen and remain committed to doing our part to help strengthen our New York City and Jersey City communities."

"By optimizing and modernizing our New York City area real estate footprint, we will align our workplaces with the objectives of AIG 200, our global, multi-year effort to position AIG for the future," added Peter Zaffino, AIG's President and Global Chief Operating Officer. "We are designing offices in these three class A buildings that will allow our teams to work more effectively and collaboratively with high-quality infrastructure. Our people are our most important asset, and we remain committed to providing a safe and productive work environment while incorporating key learnings that have emerged while working remotely."

1271 Avenue of the Americas is a premier, fully redeveloped 48-story office building located in Rockefeller Center. The 28 Liberty St. building is an iconic 60-story landmarked office building situated in the center of Lower Manhattan. 30 Hudson St. is a 40-story office tower located on the waterfront of Jersey City.

American International Group, Inc. is a leading global insurance organization. AIG member companies provide a wide range of property casualty insurance, life insurance, retirement solutions, and other financial services to customers in more than 80 countries and jurisdictions.



28 Liberty St.

1271 Avenue of the Americas

Tishman Speyer Establishes Affordable Housing Platform; Adds Two NYC Studio Co-Working Locations

NEW YORK—Tishman Speyer President and CEO Rob Speyer announced on July 20 that the firm has hired Gary Rodney to help establish and manage a new



Gary Rodney, managing director, Tishman Speyer

affordable housing platform that will initially focus on the New York City region.

Rodney will help Tishman Speyer source opportunities to acquire, redevelop and engage in ground-up construction of quality housing that is affordable to low- and middle-income New Yorkers throughout the five boroughs.

Rodney brings more than two decades of experience related to the development and financing of affordable housing to his newly-created Managing Director role at Tishman Speyer. For the past four years, Rodney served as Chairman of CREA, LLC, where he worked with the senior management team and

its partners to help finance quality affordable housing in cities throughout the country.

Immediately prior to CREA, Rodney served as President of the New York City Housing Development Corporation, one of the nation's most active housing finance agencies and the largest municipal issuer of mortgage revenue bonds for affordable multi-family housing. During his tenure at HDC, Rodney oversaw approximately \$14 billion of assets, including a multifamily portfolio of more than 190,000 units and approximately \$10 billion in mortgage loans.

"Now more than ever, our public and private sectors must work together to create a new generation of quality affordable housing for New Yorkers of all income levels," Speyer said. "We all must do our part in addressing an affordability gap that affects thousands of people, including those who perform vital tasks in our hospitals, schools, construction sites and other essential institutions. I am thrilled that Gary Rodney will help lead this charge within Tishman Speyer."

"I am honored to join the deep, experienced and ever-growing team of design, finance, construction and development professionals at Tishman Speyer," Rodney said. "Tishman Speyer combines unparalleled placemaking and attention to detail with an innate ability to take on complex challenges. I am looking forward to seeing these skills brought to bear in the affordable housing space."

Prior to HDC and CREA, Rodney served as Executive Vice President for Development at Omni New York, LLC, a real estate development company that focused heavily on the preservation

and development of affordable housing properties, and as Director of Development at BFC Partners.

Rodney received his B.A. from the University of Rochester and a Masters of Urban Planning from New York University's Robert F. Wagner Graduate School of Public Service. He currently serves on the Board of Directors for the NYU Furman Center for Real Estate and Urban Policy, the Community Preservation Corporation, the New York State Association for Affordable Housing and the New York Housing Conference.

Studio Expands to Two Additional NYC Locations

Tishman Speyer also announced an expansion of its Studio co-working brand to more than 140,000 square feet at two new locations in New York City—1230 Avenue of the Americas and 300 Park Ave.

Studio offers flexible workspace, offices and meeting rooms outfitted with the newest technology, tenant amenities and highly-curated programming through Tishman Speyer's amenity platform ZO.

Studio was developed for organizations and individuals seeking Tishman Speyer amenities and services with a focus on improving employee productivity and well-being, allowing companies to focus on their business and what they do best. As tenants and employees prepare for and return to office working in a post-Covid-19 landscape, the company stated that Studio has developed best-in-class operational standards to ensure its members' health and safety, and offers short- and long-term leasing that can be scaled up or down as companies reevaluate their office needs.

First introduced in 2018 at Rockefeller Center in New York City, Studio, at nearly 35,000 square feet, achieved 100% occupancy in five months. Studio at 1230 Avenue of the Americas utilizes four floors and 110,000 square feet, while Studio at 300 Park Ave. totals 32,000 square feet of new co-working space.

Keller Williams Signs 20,000 SF Sublease Near Grand Central

NEW YORK—Helmsley Spear, LLC, reported recently it had brokered a 20,000-square-foot sublease with Keller Williams for the 10th floor of 99 Park Ave.

Gould Paper Corp., the current tenant, will continue to occupy 8,718 square feet of the space. The sublease term runs through December, 2023.

The Helmsley Spear leasing agents for this sublease were Kent M. Swig, president, Andrew G. Simon, executive vice president, and Brett Zelner, vice president. Edward N. Kalisvaart of Keller Williams NYC represented the tenant.

"This is a wonderful opportunity for a prominent national tenant to take immediate occupancy for their New York offices at a prime Grand Central location," said Zelner of Helmsley Spear.

The space offers four sides of light with 25 windowed offices, three conference rooms, three large bullpen areas, two wet pantries with eat-in kitchens, storage and filing space, and a reception area. The entire space was built out for immediate occupancy. The building has a 24/7 attended lobby and an in-building 100 car-garage.

"The 10th Floor of 99 Park offered this corporate tenant unique immediate occupancy enabling them to establish a prominent presence in a Class A building with unrivaled transportation access in Midtown Manhattan," said Simon.

The Class A office building is located between 39th and 40th streets with direct views of Grand Central Station and One Vanderbilt.

"Studio's flexible and highly curated options are ideal for those looking for a flexible, ready to move-in space, without having to compromise on its quality. We have seen companies use it as their



Studio location at 300 Park Ave.

HQ as they grow, to enter a new market, expand their footprint in a market but with flexibility, current tenants that are retrofitting their offices to meet the newly established social distancing guidelines and temporarily require additional space, and also those considering a transition to a larger office footprint, looking for a mix of traditional and flexible terms," said Thais Galli, a Tishman Speyer managing director and head of Studio. "The need for flexible office workspace has grown tremendously, and we are pleased that the new space at Rockefeller Center already is nearly 50% leased despite the launch during the current situation."

Tishman Speyer is a leading owner, developer, operator and fund manager of first-class real estate in 27 key markets across the United States, Europe, Asia and Latin America. Founded in 1978, Tishman Speyer develops, builds and manages premier office, residential and retail spaces for industry-leading tenants, as well as state-of-the-art life science centers through its Breakthrough Properties venture. Tishman Speyer has acquired, developed, and operated a portfolio, valued at approximately \$97 billion and totaling 184 million square feet across 420 properties, that incorporates such iconic projects as Rockefeller Center in New York City, The Springs in Shanghai, TaunusTurm in Frankfurt, and the Mission Rock neighborhood currently being realized in San Francisco.



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come back to Manhattan.

Landlords, he said, are also more willing to negotiate because they don't want to have any property sitting empty. "Rental prices are down about 10% to 15% now, and often landlords will throw in a free month or some other incentive," he said. "I think sellers are also a lot more flexible now."

D'Anzica believes he will probably try to get out of his lease.

A small Morningside Heights luxury building he manages has a total of six apartments—with four of them vacant. "People don't like being in such close quarters and they're also nervous about getting into the elevator with others," he said.



A homeless camp in Midtown Manhattan.

Shapot said Manhattan's current "hot areas" are Midtown and the Financial District. "People also like to be able to walk to work and to grocery stores and restaurants," he added.

Tony D'Anzica, broker-owner of Dynamax Realty in Manhattan, has not had quite the same experience as Shapot. Also, a property manager, D'Anzica has had many tenants who temporarily fled Manhattan, and several of them have not yet returned.

"In fact, I had a tenant who postponed moving into an apartment I rented to him several months ago, and recently he just informed me that he is not coming to back to the city at all," he said. "Now the owner of that condo unit wants to sell it instead of renting it out again."

Another potential tenant was a Facebook employee being transferred to Manhattan. That deal also went south when Facebook announced it was allowing all employees to work from home. "Now that apartment is still sitting empty and the landlord is not getting any rent," added D'Anzica. Still another tenant rented a one-bedroom Chelsea apartment for \$4,500 a month and left in mid-March. While he's still paying rent,

D'Anzica also worries about the city's post-rioting climate and calls to defund the New York City Police Department. Published reports indicate 64 people were shot in the city over the Fourth of July weekend, leaving 10 dead. New York City also surpassed 400 shootings in the first half of the year for the first time since 2016. In the meantime, headlines continue to blame New York's Bail Reform program for putting dangerous criminals back on the streets.

One of the buildings D'Anzica manages in northern Manhattan was experiencing continuous theft of packages. "The person suspected of stealing was arrested three times and let out on bail each time, until finally he was caught in the act," explained D'Anzica. "The homeless problem is also getting out of hand. There are people camping out in front of one of our buildings, and using the area as a bathroom!"

As a result, building owners are now forced to invest more in security measures such as gates and cameras. "Calls to defund the police are making things worse and I don't see as many cops as before. Tenants are afraid and politicians are not reacting," he added.

Manhattan Borough President Gale

Brewer wants to reassure real estate brokers that the New York City Police Department is not going anywhere. "People want police protection and those who are calling for defunding the police are not living in New York," she said. "I would never call for cutting out the police—that's insane!"

Brewer recently met with the tenant leaders of the New York City Housing Authority to discuss police protection. "They want cops, good cops," she added. "We need police to get to know neighborhoods again—the shopkeepers and the people who live there. When you work with the local community, you do very well."

Brewer is also working with the New York City Mayor's office to plan who will handle the homeless situation, which in many cases overwhelms the police department. "Yes, there are too many homeless out there on the streets and we have to determine who will be taking care of those quality of life issues," he said.

Acknowledging that the city's recent rash of rioting and destruction of property was "terrible," Brewer said she is working with local Business Improvement Districts to help them get up and running again. Despite the virus and recent rise in crime, Brewer believes Manhattan property values are still the greatest investment anyone can make. "Where else do you have Broadway, Lin-

coln Center, the Metropolitan Symphony and Opera, Greenwich Village, Soho, the best museums and the best food in the world," she said. "I've been here 60 years and I think people will always want to the opportunity to live in Manhattan."

In an effort to recover from all of the recent statue and monument vandalism, New York City will dedicate the first Women's Suffrage Statue on the mall at Central Park on August 26.

"From all that's happened recently, I know people's fears are real, and my office is working hard to address this," Brewer added. "I would also suggest that new residents here get involved with their local community boards, so they can help to make a difference in their neighborhoods."

D'Anzica, however, remains concerned. "I'm really nervous about the future, and I don't see the city coming out of this any time soon and being where it was," he admitted. "I still think New York is the greatest city in the world and I've always loved it. I'm generally an optimistic person, so I do hope that it will someday bounce back."

"I know there has been a spike in crime, but we haven't been experiencing a lot of fear and anxiety with our clients," said Shapot. "My crystal ball is a little cloudy now and it's a "big unknown" for the fall, but I always believe that the glass is half full and we'll have a strong market going into next year."



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NYC Comptroller Urges City Act Now To Bridge Future Budget Shortfalls

NEW YORK—New York City Comptroller Scott M. Stringer released a report on Aug. 3 on New York City's Fiscal Year 2021 Adopted Budget that found an overreliance on one-time actions in the adopted budget to close the \$8.33-billion shortfall brought about by the economic crisis caused by the COVID-19 pandemic.

With significant budget gaps looming next year and beyond, and numerous risks and unknowns to contend with, Comptroller Stringer urged the de Blasio Administration to begin now to take steps to bring the city's budget into sustainable balance.

Comptroller Stringer's report shows:

- The Fiscal Year (FY) 2021 Adopted Budget totals \$88.19 billion, which is \$9.57 billion less than the modified FY 2020 budget, a drop of almost 10 percent.
- Revenues are \$7.1 billion less than forecasted in the Preliminary Budget released in January, which, along with state budget actions, City Council initiatives, and additional agency expenditures, opened an \$8.33-billion shortfall in the FY 2021 budget.
- To bridge the shortfall, the city put forward \$2.83 billion in savings proposals, less than half of which have recurring outyear value.

The city is drawing down \$2.75 billion of reserves to close the FY 2021 gap. The city will draw down \$1.6 billion from the Retiree Health Benefits Trust to partially pay for FY 2021 retiree health benefits, and reduced budgeted reserves by \$1.15 billion—leaving just \$100 million in budgeted reserves for the year, the statutory minimum.

The city is also relying on yet-to-be-determined labor savings of \$1 billion annually starting this fiscal year, as well as assuming no increases in the first two years of the next round of labor contracts.

The Comptroller's Office's analysis of the Budget and Financial Plan shows a budget risk of \$543 million in FY 2021 and larger gaps in FY 2022 through FY 2024.

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Facebook Inks Major Lease Deal at Vornado's Farley Bldg.

By John Jordan

NEW YORK—Vornado Realty Trust announced on Aug. 3 that Facebook has leased all of the office space at The Farley Building totaling 730,000 square feet

creative office space, while retaining the rich history of the building's original design. The full complex will include Facebook's office space; the majestic

5% by The Related Companies.

COVID 19's Impact on Vornado's Finances

Vornado Realty Trust also released its second quarter financial results on Aug. 3. The firm reported a net loss attributable to common shareholders for the quarter ended June 30, 2020 at \$197,750,000, or \$1.03 per diluted share, compared to net income attributable to common shareholders of \$2.400 billion, or \$12.56 per diluted share, for the prior year's quarter. Adjusting for the items that impact period-to-period comparability listed in the table on the following page, net loss attributable to common shareholders, as adjusted (non-GAAP) for the quarter ended June 30, 2020 was \$8,599,000, or \$0.04 per share, and net income attributable to common shareholders, as adjusted for the quarter ended June 30, 2019 was \$42,552,000, or \$0.22 per diluted share.

The REIT noted in its financial disclosures that its properties, concentrated in New York City, Chicago and San Francisco, have been adversely affected as a result of the COVID-19 pandemic and the preventive measures taken to curb the spread of the virus.

Some of the effects of the pandemic delineated in its report included:

- With the exception of grocery stores and other "essential" businesses, many of its retail tenants closed their stores in March 2020 and began reopening when New York City entered phase two of its state-mandated reopening plan on June 22, 2020.

- While its buildings remain open, many of its office tenants are working remotely.

- It has temporarily closed the Hotel Pennsylvania and has cancelled trade shows at the MART for the remainder of 2020.

- As of April 30, 2020, Vornado placed 1,803 employees on temporary furlough, which included 1,293 employees of Building Maintenance Services LLC, a wholly owned subsidiary, which provides cleaning, security and engineering services primarily to its New York properties, 414 employees at the Hotel Pennsylvania and 96 corporate staff employees. As of July 31, 2020, 542 employees have been taken off furlough and returned to work, which included 503 employees of BMS and 39 corporate staff employees.

In terms of its tenant lease obligations, Vornado stated, "While we believe our tenants are required to pay rent under their leases, in limited circumstances, we have agreed to and may continue to agree to rent deferrals and rent abatements for certain of our tenants."

For the quarter ended June 30, 2020, Vornado collected 88% (94% including rent deferrals) of rent due from its tenants, comprised of 93% (98% including rent deferrals) from its office tenants and 72% (78% including rent deferrals) from its retail tenants. Rent deferrals generally require repayment in monthly installments over a period not to exceed 12 months.

Based on its assessment of the probability of rent collection of its lease receivables, Vornado has written off \$36,297,000 of receivables arising from the straight-lining of rents, primarily for the JCPenney lease at Manhattan Mall and the New York & Company, Inc. lease at 330 West 34th Street, both tenants have filed for Chapter 11 bankruptcy, and \$8,822,000 of tenant receivables deemed uncollectible, resulting in a reduction of lease revenues and its share of income from partially owned entities for the three and six months ended June 30, 2020. Prospectively, revenue recognition for these tenants will be based on actual amounts received.



Facebook will be occupying all of the office space at Vornado Realty Trust's Farley Building in the Penn District.

in Vornado's Penn District.

Vornado also released its second quarter financial results and the tremendous impacts caused by the coronavirus pandemic on its operations and finances.

The Farley Building is a cornerstone of Vornado's new Penn District, where Vornado owns 10 million square feet and is in the midst of a more than \$2-billion district-wide transformation of the neighborhood alongside government infrastructure and transportation improvements of more than \$3 billion.

The Farley Building occupies a double-wide block between 31st and 33rd streets and stretches from 8th to 9th avenues and is adjacent to Penn Station and across the street from Madison Square Garden.

Farley is an iconic Beaux Arts New York City landmark designed by McKim, Mead & White that Vornado is converting into a state-of-the-art, mixed-use development featuring best-in-class

Moynihan Train Hall; and 120,000 square feet of retail space with food and beverage, full-service restaurants and curated lifestyle brands. The project is expected to be completed in phases beginning by year-end 2020.

Steven Roth, chairman and chief executive officer of Vornado, said, "We are delighted to welcome Facebook to The Farley Building, a property like no other in New York City. Facebook's commitment to Farley expands our long-standing relationship and advances our vision for the Penn District, the new epicenter of Manhattan. Facebook's commitment is a further testament to New York City's extraordinary talent and reinforces New York's position as the nation's second tech hub."

In New York City, in addition to The Farley Building, Facebook leases office space at Vornado's 770 Broadway and in nearby Hudson Yards. The Farley development is owned 95% by Vornado and

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