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Tech Territory: Landlords trying to draw digital Clients to Lower Manhattan

By Dan Rivoli

The Union Square area has been dubbed “Silicon Alley” and Brooklyn has its own tech hub in its naval yards. But now lower Manhattan is getting in on the digital action.

With about 600 tech firms in lower Manhattan, startups and creative businesses are heading south of Canal Street while the finance sector recedes in the area it has historically dominated, as detailed in a Bloomberg News report Wednesday.

The report said job losses and the shrinking footprint of lower Manhattan's commercial real estate market have left 6.3 million square feet of available office space. “It used to be ... like 60% FIRE — finance, insurance, real estate — and everything else. Now, it’s the other way around,” said Bill Rudin, chair of the Association for a Better New York and board member of the Downtown Alliance. “The other part of the pie has grown, where we’re not so reliant on financial service anymore.”

The city has been dangling incentives to help digital and creative companies migrate. The city’s Economic Development Corporation this fall will announce winners of its second Take the H.E.L.M. competition, which will award four companies \$250,000 each to move into lower Manhattan.

“We hadn’t seriously considered lower Manhattan before we started applying to H.E.L.M.,” said Alexa Hirschfeld, co-founder of Paperless Post, a winner of the first competition.

As the city hypes the area, companies are finding that lower Manhattan has more space, and lower costs, than northern neighborhoods. Downtown has a nearly 15% vacancy rate, with the cost of a square foot about \$45. That makes the area attractive to companies based in midtown south, where space goes for \$54 a square foot with a tight vacancy rate at 9.3%, according to a real estate report from Avison Young.

Ted Sullivan, CEO of GameChanger, a statistic-management software firm, said his 6,700-square-foot office was cheaper per square foot than his company’s 2,200-square foot Union Square digs. He added that his downtown office on Chambers Street, between Broadway and Church Street, is convenient for his employees who live in New Jersey, Manhattan and Brooklyn. Plus, it was already set up with a large, open space.



Photo credit: One World Trade Center and the lower New York City skyline, including the Brooklyn Bridge. (Getty)

“That’s the way a lot of tech companies like to work,” said Sullivan, whose business made the Downtown Alliance’s list of top 15 relocations in the first quarter of the year.

Keith Lipstein, senior managing director of ABS Partners, said five units of 44 Wall St. were filled between its February opening and June.

The space, in a “cool, old building with great bones,” Lipstein said, was designed to look industrial with exposed ducts and brick, as well as modern amenities like polished concrete floors, open ceilings and space for bicycles.

“They don’t want the classic office space you think about that’s fairly homogeneous,” Lipstein said of startups and creative firms. “We projected the look people were looking for and it was extremely well received.”

Though a building’s insides are important, the neighborhood matters too. Lower Manhattan is no longer abandoned as financial services employees flee to Long Island or New Jersey at night.

The residential population is about 60,000 residents, with about 2,000 more expected to move in next year, according to the Downtown Alliance. Last year, there were 11.5 million tourist visits, the group said.

Further, firms are trying to grab big anchor tenants downtown — Condé Nast is taking space in One World Trade Center.

“Who you rub elbows with is important,” said **Ash Zandieh, director of real estate at ABS**.

“That social interaction is unquantifiable.”

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