

MANN REPORT

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Why Midtown South?

by John K. Lord, ATCO Property Services Corporation



Is Midtown South an area on a map defined by geographic boundaries physically located between New York City's other two primary districts, Midtown and Downtown? Is it a destination place to which many are drawn or perhaps even a state of mind? Others might ask: is it a place where old meets new, where creativity and synergistic forces abound in a river-to-river "Bohemia-meets-Gotham" eclectic and architecturally fascinating and distinctive commercial, retail and residential community? I contend that Midtown South is all of the above.

Midtown South, sometimes referred to as "Middle Earth" by those in the real estate community, is loosely defined by everything below 34th Street until you get Downtown. To be specific, Midtown South is comprised of submarkets including Chelsea, Gramercy Park, Hudson Square, Greenwich Village, SoHo, NoHo and the Flatiron District. The very names of these areas stir the imagination and take us on a "back to the future" journey through time where historic old-world charm meets modern innovation and cutting-edge technology head on.

For the most part, turn of the 20th century or older buildings, once home to various manufacturers, printers and other users from a bygone era, have resisted teardown to become home to an exceedingly diverse office tenant mix.

Attracting a wide variety of businesses both large and small, Midtown South has a particular allure for service and creative users looking for that special character and charm that simply cannot be found in either Midtown or Downtown addresses.

Traditionally appealing to artists, architects, designers and other creative types, Midtown South today continues to lure tenants of all industries from both Midtown and Downtown markets alike, resulting in the lowest office space vacancy rate (7.8%)* of all three markets. Not only is Midtown South the tightest market in terms of occupancy today, but it also is the smallest market (100,542,363 sq. ft. versus Midtown at 306,409,413 sq. ft. and Downtown at 109,277,011 sq. ft.)*.

On character and style, Midtown South clearly offers a workplace environment hard to beat in a majority of both Midtown and Downtown offerings for space. For the most part, steel and glass towers give way to buildings with wood floors, high ceilings and picture windows.

On rental pricing, Midtown South fares nicely as well. Although competing virtually toe-to-toe with most Downtown offerings priced in the mid-upper \$30's per square foot on average, Midtown South challenges Midtown rents, which presently are averaging in the mid-\$50's per square foot, in most instances.

Moreover, Midtown South seems to have fared the best of all

as a result of the recently improved office leasing market. Due to supply and demand factors, it has been extremely active as of late.

As broker/agent for Atco's two owner-managed Midtown South properties, 381 Park Avenue South and 373 Park Avenue South (both located in The Gramercy Park submarket), my leasing team has experienced a turnaround in rental activity within the past six months or so that has resulted in nearly 100% occupancy of 381 Park Avenue South and multiple offers on all available spaces at 373 Park Avenue South. Two of our most recent tenants have come to us from Midtown locations: Adkeepers, a web design company, and Allscope, an established advertising agency, for a combined total square footage in excess of 17,000 sq. ft.

If this trend continues, we should be fully rented in our Midtown South portfolio by year's end.

Amongst Midtown South's most notable and sizeable tenants, you will find media and advertising icons such as: Nielsen Media Research, Saatchi & Saatchi Worldwide, and Grey Global Group, Inc. as well as major publishers like Ziff Davis Media, Scholastic Corp. and Penguin Group Inc. Midtown South also hosts major players: financial giant Credit Suisse Group, major insurer New York Life Insurance Company as well as internet search engine powerhouse Google.

It should also be noted here that chic and upscale restaurants, and trendy eateries dot Midtown South's landscape. From Gramercy Tavern to Inoteca, Mesa Grill to 11 Madison Park and Dos Caminos to Shake Shack, there is something to please everyone's appetite, palate and budget.

Midtown South has reinvented itself in a big way by allowing the old to embrace the new, eagerly adopting innovation and today's technology to emerge as a destination with attitude and an indomitable "can do" spirit that is here to stay. Midtown South beckons with a persona that is powerful, timeless and virtually irresistible.

It is no wonder that Midtown South continues to attract a wide variety of entrepreneurs looking for that special cache and character that can be found in this vibrant, eclectic, and most inviting environment with heart, boundless energy and spunk — all attributes that are truly contagious.

Source Note: * = From CoStar Group, Inc.

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