The Revitalization of the Financial District

Ariel Property Advisors Presents

The Revitalization of the Financial District
COMPILED BY:

ANALYST:
Brett Campbell
212.544.9500 ext. 27
bcampbell@arielpa.com

MANHATTAN SALES TEAM:
Shimon Shkury
212.544.9500 ext. 11
sshkury@arielpa.com

Victor Sozio
212.544.9500 ext. 12
vsozio@arielpa.com

Michael A. Tortorici
212.544.9500 ext. 13
mtortorici@arielpa.com

Randy Modell
212.544.9500 ext. 17
rmodell@arielpa.com

Howard Raber
212.544.9500 ext. 23
hraber@arielpa.com

Jesse Deutch
212.544.9500 ext. 18
jdeutch@arielpa.com
INTRODUCTION
The Revitalization of the Financial District

The Financial District has historically been the heart of New York’s economic engine, supported by the booming financial sector, which was the city’s most prevalent industry.

Today, while the neighborhood’s office sector remains dominant, driven by creative tenants seeking space downtown, the residential market has been growing in prominence.

This, coupled with a strong tourism sector propelled by the opening of 1 World Trade Center, has driven a retail market previously unseen in the area. In addition, some of the city’s best restaurants are moving downtown, establishing a renewed nightlife in the neighborhood.

This report will explore the changing landscape of the Financial District, including the rising residential market, expanding retail destinations, and changing office environment. All of these factors are combining to transform the Financial District from a neighborhood dominated by the office sector, to a complete live/work community with amenities that rival the most desirable neighborhoods in Manhattan.
TRANSPORTATION IMPROVEMENTS

Project to Improve Fulton Street Subway Station

With the completion of Fulton Center, transportation in the Financial District has never been more accessible. Nine subway lines and the PATH Train are connected in a modern and convenient subway station, serving 300,000 daily commuters and supporting a new retail hub managed by the Westfield Group.

PROJECTED TO SERVE

300,000 COMMUTERS DAILY

THE COMPLEX IS PART OF A

$1.4 Billion DEVELOPMENT PROJECT

RETAIL HUB BY

Westfield
DOMINANT OFFICE MARKET
TAMI (Technology, Advertising, Media, Information.)

The Financial District has seen a shift in office tenancy in recent years from the traditional finance and banking tenants to the emerging TAMI tenants. These tenants generally have sought sub-prime office space (Class B or C), but now are seeking more Class A office space, driving demand for office units in a neighborhood with no shortage of office supply. From Q1 2011 to Q1 2015, 47% of relocations to the Financial District were TAMI tenants, showing a growing prevalence of creative tenants in a traditionally finance-driven office market.

LOWER MANHATTAN RELOCATIONS BY INDUSTRY SECTOR, Q1 2011 - Q1 2015

- 5% Education
- 7% Professional
- 8% Law
- 10% Consumer Products
- 11% Other
- 12% FIRE*
- 47% TAMI

*Finance, Insurance, and Real Estate
Source: “Lower Manhattan Real Estate Market Overview, Q1 2015,” Alliance for Downtown New York

20+ AD AGENCIES RELOCATED TO FIDI
TOP 10 RELOCATIONS (BY SQ. FT.) WERE NONTRADITIONAL TENANTS
47% OF RELOCATIONS SINCE 2011 WERE TAMI TENANTS
A RETAIL DESTINATION

2 million Square Feet of retail space planned in the near future

$234/SF retail rent along major corridors

4% increase vs. 2H 2014

$2.1 billion estimated retail spending potential of Lower Manhattan employees

Tenants Coming to FiDi:

lululemon, Athleta, Club Monaco, Salvatore Ferragamo, Burberry

The neighborhood’s retail, including Westfield’s Fulton Center and the nearby Brookfield Place, benefits from the newly-completed One World Trade Center, a growing residential presence, and a booming tourism sector.
of retail space planned in the near future

retail rent along major corridors

estimated retail spending potential

of lower Manhattan employees
AN EMERGING RESIDENTIAL COMMUNITY

The Financial District is transforming into a residential destination, as numerous developments near completion and several others are commencing. With a relative cost advantage to other areas of downtown Manhattan, such as TriBeCa and SoHo, FiDi is poised to experience a residential revolution. With a growing appeal, shops and restaurants are slated to move to the neighborhood, including Le District at Brookfield Place, Eataly, and Nobu.

16 New Residential Buildings planned for Financial District

2,446 Units Planned

760 of which are condos

Proximity to TriBeCa makes FiDi relatively less expensive, which has driven price-conscious buyers to the neighborhood

$1,905 TriBeCa CONDO AVERAGE

VS.

$1,260 FiDi CONDO AVERAGE

Change in residential appeal of the neighborhood (restaurants, bars and shops arriving)

LE DISTRICT
·EST. 2015·

EATALY
www.eataly.it

NOBU
AN EMERGING RESIDENTIAL COMMUNITY
NEW CONSTRUCTION

THE BEEKMAN (5 BEEKMAN STREET)
- GFI & GB Lodging
- 68-unit condo tower attached to Thompson Hotel
- Price range from $1,600,000 to $15,300,000 (averaging $2,400/SF)

50 WEST STREET
- Time Equities
- 191-unit condo tower designed by Helmut Jahn
- Price range from $1,800,000 to $22,600,000 (averaging $2,600/SF)

30 PARK PLACE
- Silverstein Properties
- 157 units on top of the Four Seasons Hotel
- Designed by A.M. Stern
- Price range from $2,600,000 to $60,000,000 (averaging $3,200/SF)

125 GREENWICH STREET
- Michael Shvo / Bizzi & Partners
- 1,356 foot-tall tower
- 128 units designed by Rafael Vinoly
CONVERSION PROJECTS

In addition to new constructions, developers have been taking advantage of the existing building stock that FiDi has to offer for residential conversion projects. Iconic office buildings such as the Woolworth Building and 70 Pine Street are undergoing conversions to luxury apartments, a sign of the neighborhood’s shifting appeal from an office and business hub to a residential destination.

WOOLWORTH BUILDING
- Conversion by Alchemy Properties
- Price range from $3,400,000 to $110,000,000 (Averaging $3,200/SF)

70 PINE STREET
- Conversion by Rose Associates
- Former home of AIG
- 644 rental units and a 132-unit extended stay hotel

180 WATER STREET
- Metro Loft Management is adding 7 stories and 9,000 sq. ft. of outdoor space
- Former office building
- 555 units
- Expected completion in Spring 2016
Financial District Reborn
south street seaport development
SOUTH STREET SEAPORT DEVELOPMENT

$1.5 billion development

Plans include Pier 17, a 4-story retail development - completion set for 2017

Mix of retail, office, residential, with a multipurpose space for concerts, films and special events.

Residential condominium tower planned as well, but no plans have been approved by the city yet

Infrastructure improvements, as well as a new school and an improved Maritime Museum

Developed by:

Howard Hughes
THE HOWARD HUGHES CORPORATION
Plans include Pier 17, a 4-story retail development - completion set for 2017. Mix of retail, office, residential, with a multipurpose space for concerts, films and special events. Infrastructure improvements, as well as a new school and an improved Maritime Museum.
neighborhood Report | The Revitalization of the financial District

What's neXt
WHAT’S NEXT
The Revitalization of the Financial District

Conversions and developments are just the tip of the iceberg, as the area completes its transformation into a prime residential neighborhood.

TRANSFORMING SKYLINE
Residential developments will push the skyline to new heights

BOOMING POPULATION  +170%

62,000 people today

VS

22,900 people in 2000

While the Financial District has traditionally been a strong office hub, the neighborhood has recently diversified to include a desirable residential community as well. With the area’s recent developments, such as Brookfield Place and Fulton Center, along with some of the city’s most recognizable restaurants, the neighborhood’s growing residential appeal cannot be denied. As these projects move to completion in the coming months, and more details are revealed about the South Street Seaport mega-development, the Financial District will continue to develop into a true live-work community.
The information contained herein has either been given to us by the owner of the property or obtained from sources that we deem reliable. We have no reason to doubt its accuracy but we do not guarantee the accuracy of any information provided herein. As an example, all zoning information, buildable footage estimates, and indicated uses must be independently verified. Vacancy factors used herein are an arbitrary percentage used only as an example, and does not necessarily relate to actual vacancy, if any. The value of this prospective investment is dependent upon these estimates and assumptions made above, as well as the investment income, the tax bracket, and other factors which your tax advisor and/or legal counsel should evaluate. The prospective buyer should carefully verify each item of income, and all other information contained herein.