



## Mid-Century Office Struggles to Compete with Pre-War and New Construction

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Mid-century office properties in Midtown Manhattan are struggling to find a place with tenants as TAMI tenants increasingly opt for pre-war or new construction office properties in Midtown South and Downtown, according to research by **CBRE**. “We’re already seeing the market struggling to find the solution,” **Mary Ann Tighe, CEO**, said. “A lot of these mid-century buildings have many setbacks. It’s not that they’re undesirable, but that people haven’t figured out what to do with them yet.”

Many companies are downsizing on space per employee to encourage interaction and collaboration within common areas, and floor plans within office buildings are being designed to allow for the feeling of more space to increase employee productivity and morale. “People got smarter about density in 2014,” said **Peter Turchin**, vice chairman of CBRE. “It’s not just about packing as many people into an office as you can, but building an environment to accommodate all of those people. If there is more density, you want the feeling of openness to make up for the lack of square footage.”

One example is the repositioning of New York’s 280 Park Avenue, a 1.2 million-square-foot, 1960s office building on 48th Street. The property, owned by **Vornado Realty Trust** and **SL Green Realty**, was constrained by large convectors cutting off windows and restricting light, and it did not offer the large common areas that modern tenants seek, Tighe said. “At 280 Park, they solved the problem by retrofitting the property and trying to work in common amenity space, as well as dropping down the convector to allow more light in,” she stated. “The addition of light and the feeling of more space made it more modern.”

However, this success story is one of a few so far. Although some renovation projects for mid-century properties are in the works, such as **L&L Holding Co.**’s plans to renovate 380 Madison Avenue into a 21st century building, most property owners haven’t really figured out how to make these buildings work. “It’s a big segment of the market, and no one has really attacked the issue yet,” Tighe said. “They have to come up with a strategy to define the product in a way that says it is more than just an older office property.”

Although mid-century properties come with some structural obstacles, bringing them up to today's standards is about more than just the structure or location of the building, **Bruce Batkin, CEO of Terra Capital Partners** explained. "It's ironic that mid-century modern has become fashionable in hospitality and residential design, but not in office space," he said. "I suspect that will change. Although one can't change the location or structure of mid-century office buildings, landlords can change the image in order to attract younger, tech-oriented tenants and create a vibrant, downtown feel. This should help them compete with pre-war and new, high-tech properties."

Owners and developers are encouraged to keep 21st century tenants in mind with their plans to retrofit properties by including features such as exposed ceilings and utilities, and amenities packages that include fitness centers, coffee shops and restaurants, and ample outdoor spaces, Batkin said.

Despite the current challenges to find a place for mid-century office stock in Midtown Manhattan, the first to discover an effective strategy for repositioning these properties in the market today will see widespread success, Tighe said. "Something will be done. Somebody will get the right program down and people will love it," she said. "Once someone comes up with the right solution, I think its impact on the market will be huge."