



## Specialty buildings find success despite the low market

May 07, 2012 - Design / Build

Office leasing in Manhattan trailed off in the first quarter of 2012, causing landlords to lose confidence and tenants to become overly cautious. Yet leasing activity so far this year has been brisk for Adams & Company, a testament to the strategy's long-term sustainability and niche market presence.

While the occupancy rate in Midtown fell to 90.1 percent last quarter, according to the Q1 Cushman & Wakefield market report, the occupancy rate for all 27 of Adams & Co.'s buildings neared 100 percent. In addition, Adams success in tenant representation exceeded any quarter in its over 90-year history.

Thirteen of the Adams properties are specialty buildings. Specialty buildings represent a safe strategy in a volatile market as they don't experience the highs and lows with the economy that other buildings do. Turnover rates are low, and rents steady.

While they are very difficult to create and brand, specialty buildings stand out in the marketplace, creating demand as a destination property. The buildings have a clear identity, and even help form an identity for tenants.

Particularly in uncertain economic times like these, tenants benefit from the traffic resulting from like-minded companies in the building. Buyers save time by visiting multiple vendors in the same location. For this reason, it's often an effective leasing strategy when starting a specialty building to give a big-name company an extra yard to move into the building. Smaller companies will follow.

Tenants in a specialty building are also better able to stay competitive in their industry during uncertain times. As a result, the ability to retain them is greater when their lease expires.

We have seen these tenets proven true again and again this year.

The Childrenswear Building at 34 W. 33rd St. has seen strong leasing activity so far in 2012. For example, Cutie Pie Baby, a Manhattan-based childrenswear fashion house, needed more space after two acquisitions. The company occupies a 9,000 s/f space on the ninth floor of the Childrenswear Building.

When the time came to lease a much larger space, Cutie Pie Baby decided that the building and the space aligned with their long-term goals. The company recently signed a 10-year, 17,000 s/f lease in the building, strong testimony to the strength and appeal of the specialty building.

The Contemporary Fashion Center at 231 W. 39th St. sees the same loyalty from its growing tenants. Stargate Apparel first moved into the building seven years ago, and it recently decided to renew its 7,300 s/f lease and take on an additional 1,800 s/f space for another seven years.

The Contemporary Fashion Center has focused on fashion industry tenants even as other landlords in its neighborhood brought in other industries. The building is now 95 percent occupied, with just one tenant from outside the industry. Stargate's decision to stay was strongly influenced by its desire to stay near other firms in its industry.

Specialty buildings are not for every landlord. They take years of planning to develop, as well as the will power to pass up high rents in a boom market.

In order to be able to withstand all market conditions it is critical to stick to what you know and do best. Riding the current market trend will certainly shorten your ability to stay competitive when that trend has ended. At Adams & Company we have a 90-plus-year history of doing what we do and doing it best.

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