



## **What tenants really want: A launch pad, not a cocoon - Peter Tong**

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It's no secret that the hybrid work revolution has upended the office real estate industry. In the hopes of attracting new tenants, some landlords have tried to make their buildings stand out by taking vacant spaces and building out new amenities. An alternate approach that has built momentum is to instead focus on how their buildings integrate with their surroundings. Increasingly, the neighborhood is becoming the most important amenity of all.

We saw this firsthand in our renovation of 122 Fifth Ave., a 300,000 s/f mixed-use loft building in Manhattan's Flatiron District. The building, like New York City's other turn-of-the-century loft buildings, is an architectural remnant of the city's industrial past, now a commercial office building with ground-floor retail. When we were deciding how to invest the \$100 million to renovate it, a primary driver was how well it integrated into the surrounding Union Square neighborhood. We believed that the neighborhood would further appeal to potential tenants if it accompanied a modern and comfortable building that would allow their operations to excel.

From the beginning, we took care to understand how special the area surrounding 122 Fifth was: home to numerous top-quality fitness studios, health centers, restaurants, and shops, and just steps from Union Square Park one block away. The quality and variety of the built environment surrounding our building was highly activated, accessible and vibrant. Our goal was not to overshadow it but to complement it.

The new amenities at 122 Fifth accomplished this goal. Robust biking infrastructure, including a top-notch bicycle storage room, not only enabled diverse commuting options, but also facilitated expeditions into the surrounding neighborhood. Premium shower facilities, soon to be supplemented by a top-shelf spa, make it easier to utilize nearby fitness centers or freshen up after work or workout before grabbing a bite nearby. The building's ground-floor retail, like pastry sensation Levain Bakery, doesn't directly compete with the wealth of nearby dine-in restaurants but instead supplies tenants with a coffee or croissant on their way out to or from their office.

Tenants have responded well to this approach: consistently, we're told they appreciate not just the modernizing touches our restoration brought to 122 Fifth, but the way in which it sets up their employees to take full advantage of the neighborhood. It was this line of reasoning that brought prestigious global tenants to occupy the building post-restoration, and as we continue to speak with brokers and potential tenants about the remaining floors, it's one of the first things to come up as a competitive advantage.

Our experience with 122 Fifth confirmed the belief we had going into its restoration: there is value not in creating a space that tenants spend their entire lives in, but instead one that grants them the freedom to live their lives as they please outside the building as much as within it. Buildings that integrate seamlessly with the neighborhood and community that already exists around it will, in most cases, be more appealing to tenants and workers alike. Post-pandemic, these groups think far more about what's beyond the four walls of their office and us, as developers must do the same.

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