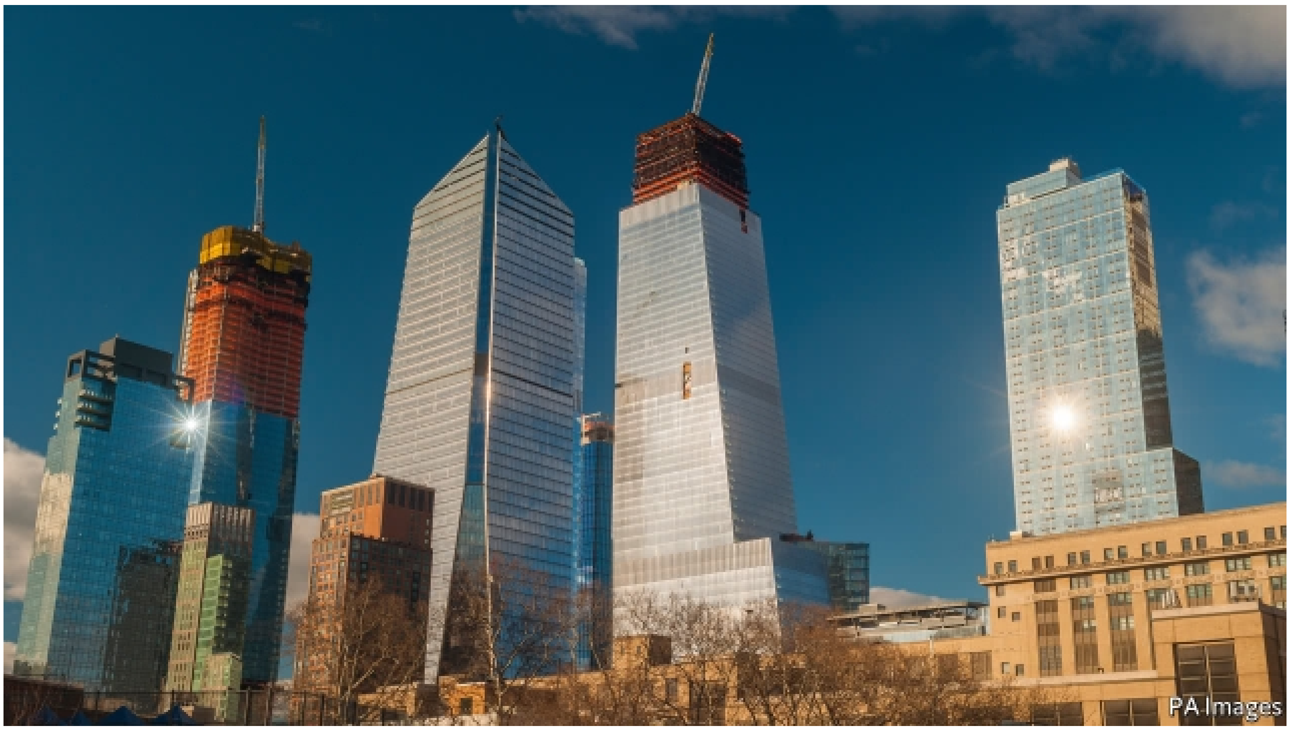
The Economist

Eastern promise

New York's gargantuan development is shifting its centre westward

The east side has plans to wrest it back

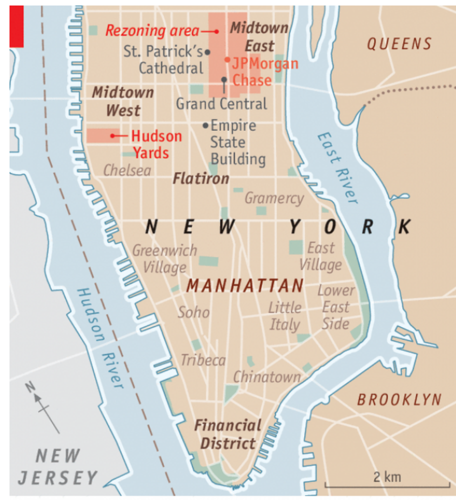


Print edition | United States Mar 8th 2018 | NEW YORK

THE far west side of Manhattan's midtown is a hive of activity. Lorries buzz in and out ferrying materials, cranes dot the skyline. Construction workers in hard hats shout instructions at each other and exchange cheerful gibes. Each week the cityscape changes as new high-rises get taller. New Yorkers, who once had little reason to go to the parcel of land called Hudson Yards, are starting to see a new glossy neighbourhood emerge.

For decades this part of Manhattan was not just on the wrong side of the tracks, it was the tracks. About 30 commuter train tracks pass though it. The surrounding area of decrepit warehouses was neglected for half a century. It took a 300-acre rezoning in 2005 by Michael Bloomberg, then the mayor, for things to change. The area stretching from 30th to 41st Street and from 8th to 11th Avenues had been zoned for manufacturing, which has all but disappeared from Manhattan. A failed Olympic bid served as a catalyst for development for Mr Bloomberg, who worried about white-collar jobs migrating to New Jersey. He persuaded the city to pay for an extension of a subway line, the first expansion of the transport system in three decades.

The result is Hudson Yards, the largest private property development by square footage in America's history. The 28-acre (11-hectare) site will be complete by 2025. By then, 125,000 people will work, visit or live in Hudson Yards, which includes five office high-rises, eight residential buildings and a retail complex with 100 shops and restaurants. The new district will have more office space than Palo Alto, California. One of the new towers will have an observation deck higher than the Empire State Building. A public school is in the works, as well as 14 acres of public open space. "It's a city within a city," says Stephen Ross, head of Related, the project's developer. Brookfield, another developer, is building its own eight-acre megaproject called Manhattan West. Its six buildings have attracted tenants like the National Hockey League and Skadden, Arps, a law firm. Boston Consulting Group, L'Oreal, a cosmetics company, KKR, a private equity firm and BlackRock, the world's biggest asset manager, are all heading west.



Economist.com

That means leaving behind thousands of square metres of empty floor space in Midtown East, once the most coveted site for offices and still the city's most expensive commercial space. More than 300 of the 400 buildings in the district were built before 1961. Their average age is 73. To keep up with other neighbourhoods, landlords will have to update their buildings and offer concessions, incentives and rent discounts to attract tenants keen to cater to the preferences of their employees.

The 73-block area got a boost last summer when the city council agreed to a re-zoning plan, allowing the development of 6.5m square feet of new office space. After considering moving to Hudson Yards, JPMorgan Chase, America's biggest bank, announced last month that it had decided to stay on the east side. It intends to demolish its 60-year old home and build a new 70-storey high-rise on Park Avenue. Other plans are sure to follow, but it will take time to build out the area, perhaps as long as two decades. In the meantime, JPMorgan and others will try to snap up the air rights of properties such as St. Patrick's Cathedral and Grand Central Station. (Air rights refer to the empty space above a property. Churches and landmark buildings generally cannot build up, but they can sell or transfer the right to build higher.)

Manhattan once had two main business districts, says Keith DeCoster of Savills Studley, a brokerage. Midtown East competed with the city's financial district for decades. Now, including Hudson Yards and the Flatiron district, it has four.

This article appeared in the United States section of the print edition under the headline "Eastern promise"