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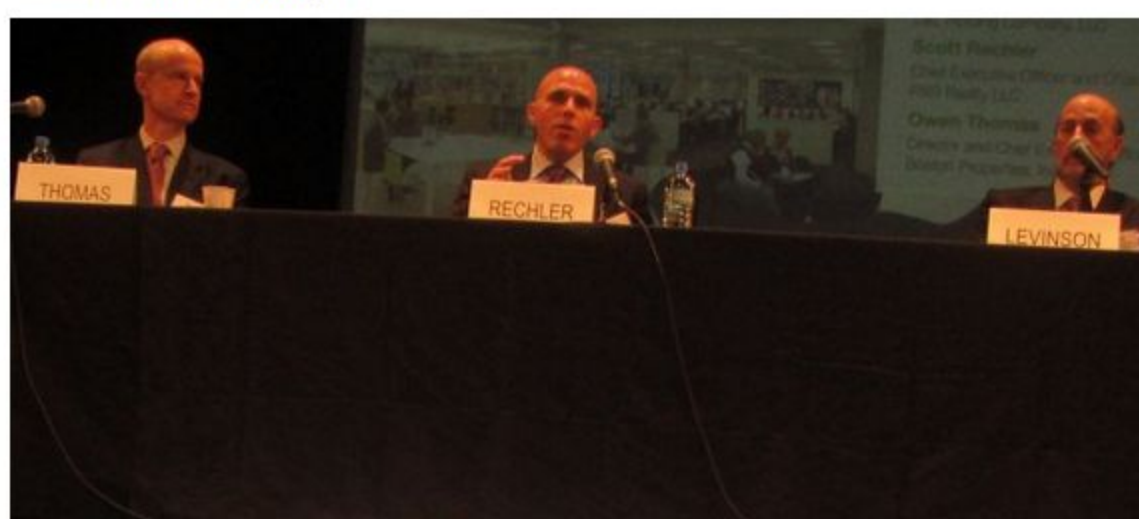
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ULI: 2014 Holds Great Deal Of Promise

By Rayna Katz | New York

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Who is your company's rising star? The February/March issue of Real Estate Forum will profile New York professionals on track to take leadership positions in the commercial real estate industry. Be sure to submit your nomination before the February 18.



"It's no longer 'location, location, location, it's now location, location, design," declared David Levinson, L&L Holding Co. (right), in a discussion of the office market. He's joined, on the far left, by Owen Thomas, Boston Properties and, in the middle, Scott Rechler, RXR Realty.

Credit: Rayna Katz

NEW YORK CITY-Discussing everything from economic trends and affordable housing to new trends in retail and fundamental shifts in the office sector, the local CRE industry elite gathered in Midtown Thursday for the **Urban Land Institute's** annual Real Estate Outlook conference.

"The recovery was slow at the beginning but, as we moved into 2013, there were changes," declared **Randy Anderson**, Americas' head of research, **CBRE**. "Housing prices are back, consumer trends are strong, and the business sector's profit margins are double their average so companies' confidence is back. That's a precursor to economic growth that will mean improved fundamentals, more real estate transactions and higher prices."

What areas will come on strong? Predicted **Robert Knakal**, chairman and founding partner, **Massey Knakal Realty Services**, "areas that are around transportation hubs in the outer boroughs. Most of the growth for the next 10 to 20 years will be predicated on transportation."

Of course, much of the development in those areas will be of apartments, with construction of units in urban centers likely leading the way, said **MaryAnne Gilmartin**, president and CEO, **Forest City Ratner Cos**. "Multifamily continues to be the darling of the development industry, and that will continue through 2014.

"Urban is in," she continued, "and cities will continue to draw human capital, including both Generation Y and Baby Boomers. In New York, we see both strong rental and condominium markets. In rentals, the center of gravity has moved outside of Manhattan because of land costs."

Gilmartin pointed up Brooklyn's strength and said Queens "may be the next frontier." Of the condo market, she added "it will drive Manhattan and it's still under \$1,000 a foot in the boroughs but I see that changing."

New pockets of interest are emerging in the boroughs too, added **Ron Moelis**, CEO and chairman, **L+M Development Partners**. "In the boroughs, places like Williamsburg and Long Island City are priced pretty close to Manhattan levels, while places like Ridgewood and Bed-Stuy are moving to levels we wouldn't have thought even a year ago."

The apartment champions weren't entirely vexed by Mayor Bill de Blasio's emphasis on affordable housing. "The city has a great infrastructure for affordable units, both in terms of support services within the administration and in the development world. There is institutional money that wants to participate; our hope is that the mayor will put a lot of resources behind this. I don't even think a mandatory inclusion program is a bad idea but it's probably not going to make a big dent in the Mayor's 200,000 units goal."

Gilmartin spoke about the need for changes to developer incentives to build affordable housing. "Subsidy programs are based on the number of units and not the size of units. The land and development costs are going to force developers to build condos, so that needs to be figured out."

Of course, a key factor in an area's appeal is its retail offerings, and, according to sector experts, much growth is ahead—though it may look different than previous cycles.

"There's a tremendous amount of new concepts coming from overseas," declared **Laura Pomerantz**, principal and CEO, **Laura Pomerantz Real Estate**. "More people are looking at New York because the volume [of retail business here] is two to three times what stores can do elsewhere."

Added **Robert Futterman**, founder, chairman and CEO, **RKF**, speaking about the country at large, "The demand for retail space has never been higher in some markets," And he's not phased by the impact of the internet on brick-and-mortar stores.

"Stores are getting smaller, the term big box isn't so common in cities anymore," continued Futterman. "But shopping in person delivers service and the experience of searching for that one-of-a-kind item."

For landlords, retail today is about much more than items for sale, asserted **Edward Hogan**, national director of retail leasing, **Brookfield Office Properties**. "We're at the end of right-sizing so now we're merchandising. It's more important for the tenants that the landlord understands the business. People can shop anywhere but the same can't be said of them getting a New York experience. It's about creating environments where customers want to shop."

Meanwhile office building investors and sectors are looking to the future. "Twenty-first century companies that want to have an impact on the corporate culture are relocating and we're designing for high-density with significant amenity spaces," such as areas for collaboration, recreation and outdoor patios, said **David Levinson**, chairman and CEO, **L&L Holding Co**.

"Tenants pay a premium for character," added **Scott Rechler**, chairman and CEO of **RXR Realty**, talking about his plans for a "gut renovation" of 75 Rockefeller Plaza that will include a restoration of the landmarked tower's facade.

"We're going to add roof gardens, create new cores to make the floor more efficient and we're looking to attract asset management and law firms."

Appearance is so important, in fact, that today it dictates real estate's more basic tenet, Levinson contended. "'Location, location, location' has changed. Now it's 'location, location, design.'

And slightly lagging results in Manhattan office performance still, ultimately, won't keep investors away, noted **Owen Thomas**, director and CEO, **Boston Properties**. "San Francisco and Boston are more vibrant right now in terms of rental growth and absorption. But for any global investor thinking of deploying capital on a worldwide basis, New York—and a handful of other cities—always rises to the top. I don't think that will end."