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## Premiums on the Park

**CBRE**

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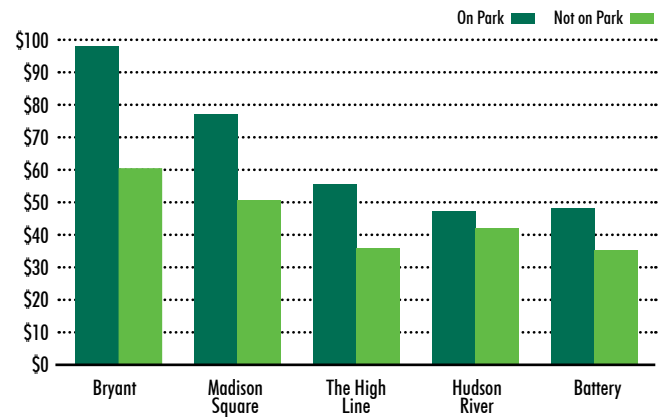
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Over the past 20 years, Manhattan has seen the restoration of several key public spaces including Bryant Park, Madison Square Park and the newly created High Line Park. Areas surrounding these revitalized parks have experienced a renaissance of commercial real estate development, with strong demand fueling significantly higher rents. A CBRE analysis of five city parks reveals that as of July 2012, on average, office properties adjacent to improved parks command approximately 44% higher rents than comparable properties located one block away.

The analysis shows that an office building’s location on the park has a significant effect on asking rents for office space. For example, average asking rents for office space located in buildings across from Bryant Park are approximately 63% higher than asking rents for comparable office space located just one block farther from the park, and 46% higher than Midtown’s average asking rent. The rent premium for office space on the park has incentivized landlords to develop high-quality new towers and renovate aging buildings directly on the park.

Similarly, asking rents in buildings directly across from Madison Square Park are, on average, 54% higher than rents in buildings one block away from the park, and

**Figure 1: Buildings on Park vs. Buildings Not on Park**



Source: CBRE Research.

45% higher than the Midtown South overall average. By comparison, prior to 2001, asking rents between the two groups of buildings were in the same range.

Asking rents in buildings adjacent to the new High Line Park are, on average, 51% higher than rents in comparable buildings one block away. As there is a limited supply of office space around the park, strong demand is driving rents higher and prompting new development activity.

Of the five parks in the study, buildings along Hudson River Park have the smallest pricing differential—only 14% higher than rents in buildings located in the vicinity of the park. However, new office development occurring over the next few years will likely increase rents both on and near the park.

Average asking rents in buildings across from Battery Park are, on average, 39% higher than rents in buildings one block away from the park, and 20% higher than the Downtown average. Although the buildings located one block away from the park are older than those on the park, the majority of buildings in the sample have recently undergone major renovations, making them comparable in quality to the newer buildings located on the park.

**BRYANT PARK**

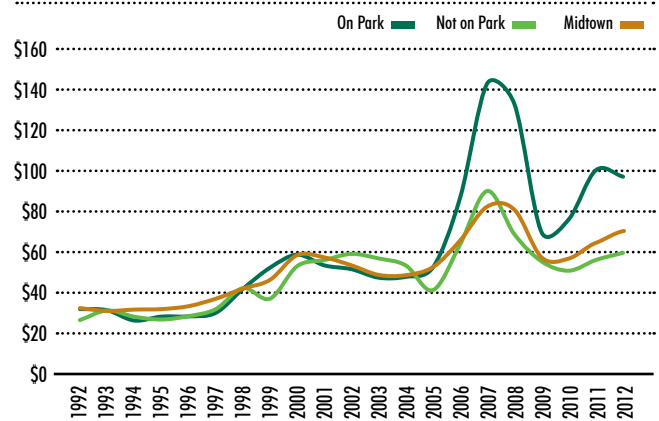
Bryant Park, located in the heart of Midtown, was a haven for drug dealers and the homeless until the late 1970s. Most tourists and New York residents avoided visiting the area. Quality commercial real estate adjacent to the park was limited, with the Grace Building as the only prime office building on the park. In the early 1980s, the Bryant Park Restoration Corporation rehabilitated the park, which revived the surrounding area significantly. Bryant Park reopened to the public in 1992, and quickly became one of the busiest outdoor public spaces in the world.

The park’s rebirth increased investor confidence and spurred new trophy development along the park, including One Bryant Park, completed in 2009, and Seven Bryant Park, scheduled for completion by 2015. Other major post-1992 Class A office developments in close proximity to Bryant Park include Four Times Square (1999), 505 Fifth Avenue (2006) and 425 Fifth Avenue (2002).

Furthermore, several skyscrapers built before the 1970s were upgraded as owners realized the attraction of Bryant Park. Of the 18 high-quality buildings located on or within a one-block radius of the park, eight have undergone massive renovations after the park’s reopening, including The Grace Building and 1095 Avenue of the Americas.

Landlords of buildings located on or close to the park have benefited significantly from the park’s caché. The

**Figure 2: Bryant Park**



Source: CBRE Research.

strong demand for high-quality office space with park views has considerably tightened the market for available space on the park. Since the park reopened to the public in 1992, the availability rate for buildings bordering the park has dropped by approximately 620 basis points to 5% as of July 2012. By comparison, the availability rate for buildings located one block away was 12%, the same as Midtown’s overall availability rate. One example, 452 Fifth Avenue, recently leased approximately 80% of the 350,000 sq. ft. of space that became available within a six-month period, as the building’s Bryant Park views helped attract legal and financial firms from the Plaza District.



Bryant Park Fountain – 1983 Courtesy of Bryant Park Corporation



Bryant Park Fountain – 2007 Courtesy of Bryant Park Corporation

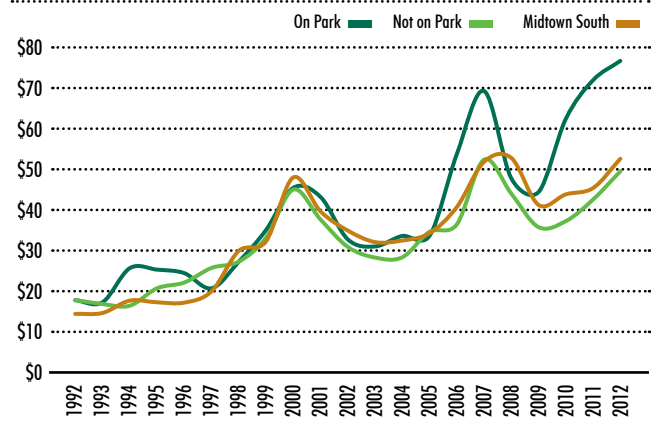
## MADISON SQUARE PARK

Despite its prime location and easy access to public transit, Madison Square Park was in a state of disrepair during the 1990s. In 2001, the park underwent a \$6 million renovation,<sup>1</sup> dramatically increasing development and office leasing activity in surrounding buildings. The availability rate for buildings bordering Madison Square Park was 46% in 1994. In July 2012, that rate was a mere 7%, compared with a 12% rate for buildings one block away and an 8% rate for Midtown South overall.

The park was a key factor in the successful redevelopment of 200 Fifth Avenue, just north of 23rd Street. In part due to its ideal location facing the park, the building was able to achieve rents that were significantly greater than the submarket average. The building attracted prominent companies such as Tiffany & Co., IMG Worldwide and Grey Group, all three of which relocated their headquarters from Midtown.

In addition to the renovation of existing commercial buildings, the park's revival has spurred new residential developments, restaurants, retail and hotels—creating a completely new neighborhood called NoMad.

Figure 3: Madison Square Park



Source: CBRE Research.

Numerous new condominium developments, along with redevelopment and conversions of older properties, have occurred around Madison Square Park, including the Western Union Telegraph condo conversion, the Toy Center North Building conversion at 1107 Broadway and the new condo development at One Madison Park.<sup>2</sup>

1. Madison Square Park Conservancy. <http://madisonsquarepark.org>.  
 2. "A Square Comes Full Circle", New York Times, 05/11/2012



Madison Square Park South Gravel – Before  
 Courtesy of Madison Square Park Conservancy



Madison Square Park South Gravel – After  
 Courtesy of Madison Square Park Conservancy



Madison Square Park Fountain – Before  
 Courtesy of Madison Square Park Conservancy



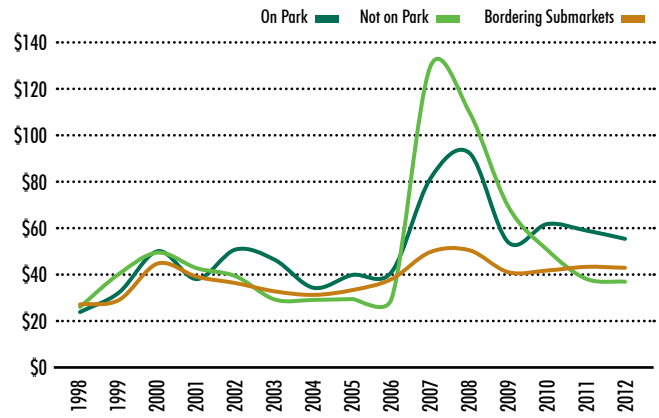
Madison Square Park Fountain – After  
 Courtesy of Madison Square Park Conservancy

### THE HIGH LINE PARK

The High Line is a one-mile elevated park developed on abandoned freight rail tracks that stretch from Gansevoort Street to 30th Street in Chelsea. The first and second sections of the park opened in 2009 and 2011, respectively, and the third and final section is expected to open in the spring of 2014. This one-of-a-kind park has revitalized the neighborhood and increased investor confidence, with at least 30 new projects either planned or underway as of 2009.<sup>3</sup> Recent commercial developments include the High Line Building at 450 West 14th Street, completed in 2011; a proposed 12-story office building at 437 West 13th Street; and a recently completed 80,000-sq.-ft. building at 15 Little West 12th Street. In addition, there are plans to develop office buildings at 837 Washington Street,<sup>4</sup> 510 West 22nd Street, and a proposed 240,000-sq.-ft. expansion of Chelsea Market.<sup>5</sup>

With available office space on the High Line Park limited, tenants have demonstrated a willingness to pay above-average rents—even for older stock. Older buildings such as 75 Ninth Avenue and 414 West 14th Street—part of Chelsea Market—have achieved rents in the low-\$70s per-sq.-ft., compared to the market average of mid-\$50s. As of July 2012, commercial buildings

Figure 4: High Line Park



Bordering submarkets include: Hudson Square/Tribeca & Chelsea.  
Source: CBRE Research.

located along the High Line had an availability rate of 4%, compared to a 21% rate for buildings one block away. Before the park opened, the availability rate was high for both groups of buildings, peaking at about 40% in 2002. It was only after plans were announced for the High Line Park that the availability rate differential began to widen.

3. "First Phase of High Line Is Ready for Strolling", New York Times, 6/8/2009.  
4. gbNYC Real Estate Group. <http://www.greenbuildingsnyc.com/properties/837-washington-street/>  
5. Proposed Chelsea Market Expansion. <http://www.chelseamarketnext.com>



High Line – Before

Photo by Jonathan Flaum | [www.jonathanflaum.com](http://www.jonathanflaum.com)

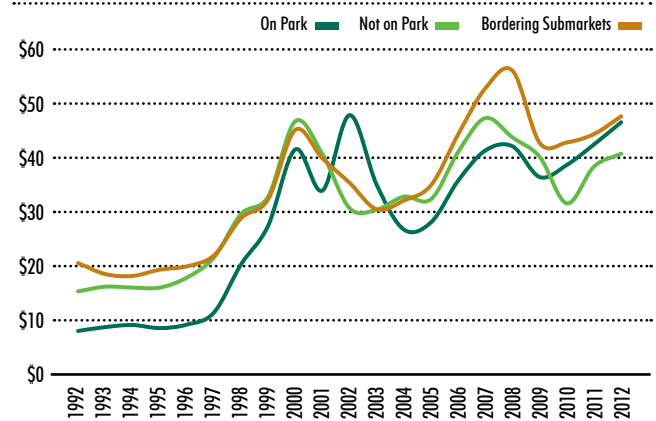


High Line – After

**HUDSON RIVER PARK**

Over the past 15 years, the five-mile Hudson River Park, which runs along the West Side Highway from Battery Place to West 59th Street, has evolved from warehouses and piers into large amenity-filled green spaces. According to the Hudson River Park Trust, over \$3 billion in private capital has been invested in buildings located across from the park during the past 10 years. The revitalization of Manhattan’s far west side is resulting in several major new developments in the area. The eastern portion of the Hudson Rail Yards development project alone will ultimately add approximately 4.5 million sq. ft. of office space in the planned North and South office towers, which are expected to come online in 2015 and 2017, respectively.<sup>6</sup> The area will also benefit from the forthcoming 7 subway line extension. Other new developments along the park include the IAC (InterActiveCorp) building at 555 West 18th Street, completed in 2007.

**Figure 5: Hudson River Park**



Bordering submarkets include: Hudson Square/Tribeca, Chelsea, Times Square/West Side, Penn Station and City Hall.

Source: CBRE Research.

6. Hudson Yards Development Corporation. <http://www.hydc.org>



Pier 66 – Before

Courtesy of The Hudson River Park Trust



Pier 66 – After

Courtesy of The Hudson River Park Trust



Pier 64 – Before

Courtesy of The Hudson River Park Trust



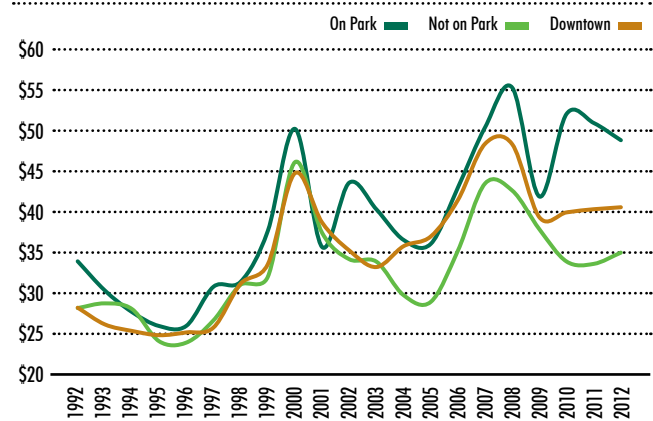
Pier 64 – After

Courtesy of The Hudson River Park Trust

**BATTERY PARK**

Battery Park, a 25-acre park at the southern tip of Manhattan, has undergone a gradual transformation over the last 18 years, evolving from an unpleasant, largely concrete area into the largest open green space in Downtown Manhattan. The park offers 75,000 sq. ft. of gardens, long waterfront promenades, and easy access to the Smithsonian’s Museum of the American Indian, the Museum of Jewish Heritage and the Skyscraper Museum. Restoration of the park should be completed within the next five years. The park is located within walking distance of approximately 280,000 workers and 50,000 residents.<sup>7</sup> According to the Battery Conservancy, the sources of funding for the park’s maintenance are private corporate gifts, wealthy individuals and foundations. Although Battery Park has not yet had the same effect on commercial leasing and rents as the other parks in this study, there is great upside potential as the renovation of the park nears completion.

**Figure 6: Battery Park**



Source: CBRE Research.

7. The Battery Conservancy. <http://www.thebattery.org>



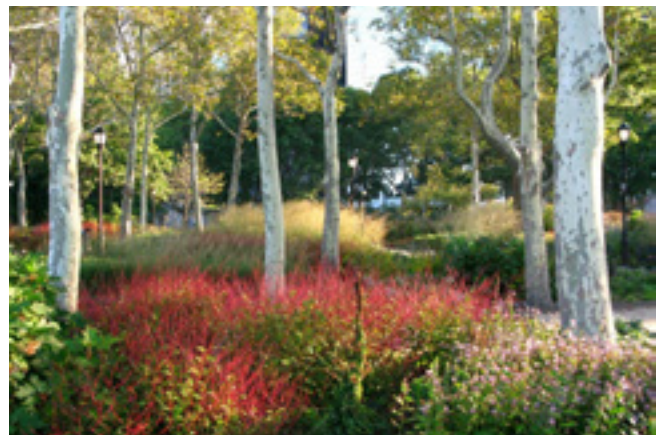
Battery Promenade – 1994 Courtesy of the Battery Conservancy



Battery Promenade – 2003 Courtesy of the Battery Conservancy



Battery Bosque – Before Courtesy of the Battery Conservancy



Battery Bosque – After Courtesy of the Battery Conservancy

## PARKS AS AN AMENITY

Revitalized parks make office buildings on the park more competitive and valuable than nearby space of similar quality. The parks guarantee occupiers and investors unobstructed views, increased sunlight and a sense of openness for those that face the park. They also serve as an invaluable amenity to tenants in surrounding buildings. Employers, increasingly conscious of the competitive environment for top talent, use these parks as an additional tool in recruiting and retaining talent. Key office occupancy trends, such as a blurring of the lines between work and play, remote access and reduced square footage per employee, increase the value and importance of parks as an integral part of the office environment. Bryant Park, for example, offers a full-scale fitness program and free Wi-Fi for employees who wish to work outdoors. The park attracts approximately 10,000 visitors over the course of a lunch hour and about 20,000 to 30,000 visitors throughout the day.<sup>8</sup>

Revitalized parks and recreational amenities contribute significantly toward making the city a better place to live and work by not only increasing investor confidence, resulting in new development and renovation, but by increasing quality of life for those who engage them.

## CONCLUSION

Park revitalization has significantly contributed to higher rental rates and lower availability rates for surrounding buildings. Recognition of a park's value proposition for

both landlords and tenants is evidenced by the pace of commercial real estate activity that has surrounded these five subject parks. Developers looking at future development projects see the intrinsic economic value of parks, and are incorporating green space into their plans, as demonstrated by the master plan for the Hudson Yards promenade.

## METHODOLOGY

For the purposes of this analysis, a sample of five New York City parks was used: Bryant Park, Madison Square Park, High Line Park, Hudson River Park and Battery Park. For each of the parks, office asking rental rates for statistical buildings located immediately on the park were compared to asking rental rates for statistical buildings of comparable quality located one block away from the park. In addition, asking rents were compared before and after the restoration of each park for both groups of buildings. In preparing this analysis, asking rent data was sourced from CBRE Research. The current data used in this report is as of July 2012, while the historical data goes as far back as 1992. Interviews were also conducted with various CBRE brokers and professionals from New York City Department of Parks and Recreation and non-profit organizations such as the Hudson River Park Trust, the Battery Conservancy and the Downtown Alliance.

8. Bryant Park Corporation. <http://www.bryantpark.org>

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