

RESEARCH

MAY 2017

NYC NewTrends



# EAST MIDTOWN RENAISSANCE

The effort to rezone East Midtown aims to enhance the area's competitiveness with top markets in Manhattan and across the globe by:

- UNLOCKING 12M SF IN DEVELOPMENT POTENTIAL
- REDEFINING THE SKYLINE
- DRAMATICALLY IMPROVING PUBLIC SPACES

**Newmark Grubb  
Knight Frank**

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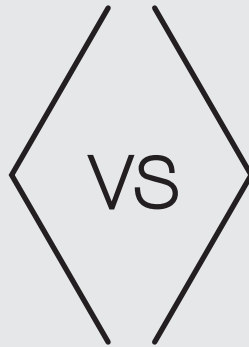
## Dramatic Changes Planned for Greater East Midtown

While some owners have poured millions of dollars into extensive building renovations, the majority of existing inventory is outdated, and the average building age in East Midtown is 73 years old. With new construction at the Far West Side and Downtown offering more efficient and affordable space than the traditional Midtown core, tenants have been lured from aged buildings. The Department of City Planning has identified the need for change in order to enhance the competitive advantage of the office market in East Midtown, and has created a rezoning proposal to that effect.

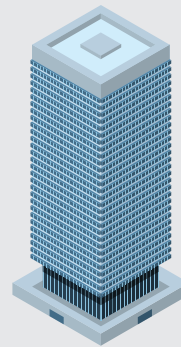
### OUTDATED INVENTORY



**Average Building Age:**  
**73**



### NEW CONSTRUCTION



**Efficient & Affordable FAR WEST & DOWNTOWN**

## Current Regulations Impede Development

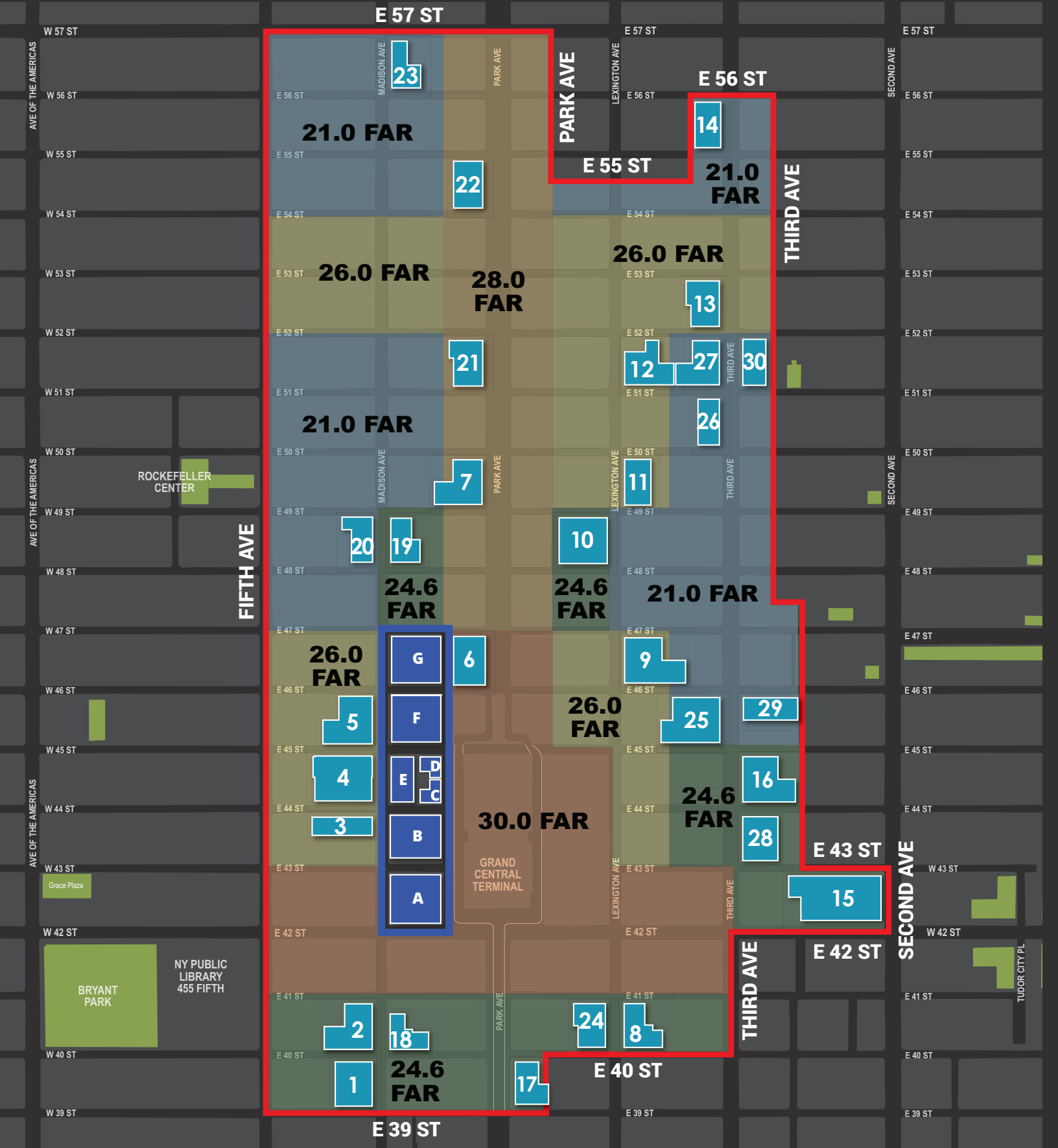
Current East Midtown zoning regulations allow buildings to have a maximum as-of-right floor area ratio (FAR) of 15. The average building size in the East Midtown rezoning area is 14.3 FAR. Among Class A buildings, this translates to an average of 640,342 SF. In comparison, the average FAR for Class A buildings along the Avenue of the Americas corridor (from 42nd Street to 58th Street) is 22.0, or 1,085,954 SF. East Midtown also restricts the transfer of development rights, limiting transfer from landmarks only to adjacent sites. This creates a significant amount of unused floor area that landmarks are often unable to transfer.

## Impact of Rezoning on Development

The City has identified 30 potential redevelopment sites that may occur once the new regulations are in place. With 29 million square feet of development already in the pipeline in Manhattan, projects in East Midtown are likely to be very long-term prospects. They are also likely to happen in the most desirable areas first — along Park Avenue and surrounding Grand Central. Sites in other parts of the rezoning area, such as Third Avenue, will be hard pressed to make the economics of new development work in the near future.

*“12M SF of additional development potential created in East Midtown.”*

Rezoning Creates 30 Potential Development Sites in Addition to the Vanderbilt Corridor



Development Potential in Greater East Midtown

City-Identified Assemblage Opportunities & Impact of Rezoning

		FAR		RBA (SF)				FAR		RBA (SF)																																																							
Address		Existing	Max Proposed Rezoning	Existing Total Assemblage	*Max Proposed Zoning Total	Address		Existing	Max Proposed Rezoning	Existing Total Assemblage	*Max Proposed Zoning Total																																																						
1	266 Madison Avenue	18.2	24.6	503,508	946,866	16	711 Third Avenue	14.1	24.6	546,299	1,093,861																																																						
	16 East 40th Street	12.6	24.6			17	99 Park Avenue	24.9	24.6	640,122	726,346																																																						
	274 Madison Avenue	15.6	24.6			18	279 Madison Avenue	23.4	24.6	510,232	617,429																																																						
	278 Madison Avenue	10.6	24.6			19	423 Madison Avenue	4.0	24.6	396,740	575,390																																																						
2	13 East 40th Street	3.1	24.6	425 Madison Avenue	16.7		24.6	20	415 Madison Avenue			24.0	24.6																																																				
	9 East 40th Street	12.4	24.6	422 Madison Avenue	7.4		21		233,586			522,365																																																					
	3 East 40th Street	17.2	24.6	20 East 49th Street	6.0		21																																																										
	15 East 40th Street	11.2	24.6	22 East 49th Street	7.6	21																																																											
	22 East 41st Street	3.2	24.6	418 Madison Avenue	16.5	21																																																											
	284 Madison Avenue	26.6	24.6	424 Madison Avenue	19.2	21																																																											
	290 Madison Avenue	9.3	24.6	410 Madison Avenue	6.7	21																																																											
292 Madison Avenue	22.2	24.6	21	350 Park Avenue	20.3	28	567,000	899,185																																																									
3	14 East 44th Street	4.6		26	884,684	1,518,472	22	410 Park Avenue	17.7	28	425,710	781,397																																																					
	12 East 44th Street	9.5		26			400 Park Avenue	17.4	28																																																								
	10 East 44th Street	6.7		26			23	575 Madison Avenue	16.3	21	328,000	484,811																																																					
	6 East 44th Street	12.5		26			24	364 Lexington Avenue	19.9	24.6	591,089	768,668																																																					
	3 East 43rd Street	6.4		26				354 Lexington Avenue	24.0	24.6																																																							
340 Madison Avenue	22.5	26	25	156 East 46th Street	13.4	24.6	725,308	1,412,124																																																									
4	5 East 44th Street	10.7		26	774,545	1,564,099			150 East 46th Street	3.1	24.6																																																						
	10 East 45th Street	3.3		26					141 East 45th Street	4.0	24.6																																																						
	6 East 45th Street	17.9		26					154 East 46th Street	6.3	24.6																																																						
	7 East 44th Street	16.6		26					158 East 46th Street	2.0	24.6																																																						
	346 Madison Avenue	10.3		26					730 Third Avenue	17.4	24.6																																																						
	352 Madison Avenue	19.7	26	26			830 Third Avenue	14.0	21	304,800	501,958																																																						
5	9 East 45th Street	9.0	26		155 East 30th Street	15.2	21																																																										
	360 Madison Avenue	18.9	26		27	850 Third Avenue	19.4	21	613,664	763,913																																																							
	366 Madison Avenue	14.9	26		28	685 Third Avenue	21.4	24.6	667,069	880,639																																																							
	18-22 East 46th Street	14.8	26	29	733 Third Avenue	17.3	24.6	445,000	728,977																																																								
6	250 Park Avenue	20.6	30	1,237,141	2,069,138	30	845 Third Avenue	17.0	21	358,553	509,565																																																						
7	300 Park Avenue	22.7	28	773,056	1,096,410	Total					17,364,022	29,090,775																																																					
8	355 Lexington Avenue	18.2	24.6	409,684	692,058	<div>Vanderbilt Corridor Sites</div> <div>City-Identified Development Opportunities and Estimated Impact (Rezoning Passed in May 2015)</div> <table><tr><th colspan="2"></th><th colspan="2">FAR</th><th colspan="2">RBA (SF)</th></tr><tr><th colspan="2">Address</th><th>Existing</th><th>Max FAR in Vanderbilt Corridor (As of 3/30/17)</th><th>Existing</th><th>*Max RBA in Vanderbilt Corridor (Estimate)</th></tr><tr><td>A</td><td>1 Vanderbilt Avenue</td><td>NA</td><td>30</td><td>NA</td><td>1,800,000</td></tr><tr><td>B</td><td>335 Madison Avenue</td><td>26.5</td><td>30</td><td>1,148,400</td><td>1,494,298-1,800,000</td></tr><tr><td>C</td><td>50 Vanderbilt Avenue</td><td>19.2</td><td>30</td><td>174,895</td><td>314,123</td></tr><tr><td>D</td><td>52 Vanderbilt Avenue</td><td>17.8</td><td>30</td><td>162,330</td><td>314,123</td></tr><tr><td>E</td><td>347 Madison Avenue</td><td>13.1</td><td>30</td><td>197,100</td><td>517,500</td></tr><tr><td>F</td><td>45 East 45th Street</td><td>13.8</td><td>30</td><td>598,248</td><td>1,494,299</td></tr><tr><td>G</td><td>383 Madison Avenue</td><td>27.7</td><td>30</td><td>1,200,000</td><td>1,494,299</td></tr></table> <div>*Estimate is based on approximate 15% increase from GBA to RBA based on the office buildings listed that contains 300,000 square feet or more.</div>								FAR		RBA (SF)		Address		Existing	Max FAR in Vanderbilt Corridor (As of 3/30/17)	Existing	*Max RBA in Vanderbilt Corridor (Estimate)	A	1 Vanderbilt Avenue	NA	30	NA	1,800,000	B	335 Madison Avenue	26.5	30	1,148,400	1,494,298-1,800,000	C	50 Vanderbilt Avenue	19.2	30	174,895	314,123	D	52 Vanderbilt Avenue	17.8	30	162,330	314,123	E	347 Madison Avenue	13.1	30	197,100	517,500	F	45 East 45th Street	13.8	30	598,248	1,494,299	G	383 Madison Avenue	27.7	30	1,200,000	1,494,299
			FAR									RBA (SF)																																																					
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9	485 Lexington Avenue	20.2	26	931,000	1,379,616																																																												
10	111 East 48th Street	10.4	24.6	427,611	1,164,699																																																												
11	541 Lexington Avenue	12.8	26	317,506	739,278																																																												
12	575 Lexington Avenue	22.7	26	739,040	975,488																																																												
13	154 East 53rd Street	7.7	26	338,084	900,588																																																												
	866 Third Avenue	11.9	26																																																														
14	164 East 56th Street	3.8	21	85,350	434,917																																																												
	916 Third Avenue	4.0	21																																																														
	918 Third Avenue	4.0	21																																																														
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	928 Third Avenue	9.4	21																																																														
	926 Third Avenue	3.4	21																																																														
	920 Third Avenue	6.7	21																																																														
15	922 Third Avenue	3.5	21	1,394,425	2,159,036																																																												
	924 Third Avenue	3.5	21																																																														
	801 Second Avenue	21.6	24.6																																																														
	219 East 42nd Street	9.6	24.6																																																														
	235 East 42nd Street	24.7	24.6																																																														

Vanderbilt Corridor Sites

City-Identified Development Opportunities and Estimated Impact (Rezoning Passed in May 2015)

\*Estimate is based on approximate 15% increase from GBA to RBA based on the office buildings listed that contains 300,000 square feet or more.

# Rezoning To Redefine Greater East Midtown

Under the new proposal, the maximum allowable FAR will see an 80% increase per site in the area immediately surrounding Grand Central. Along Park Avenue and around Grand Central, the maximum FAR will increase to 25 and 27 respectively, allowing for buildings greater than 1,000,000 SF. In several pre-determined transit improvement zones, such as the area surrounding the 53rd Street-Lexington Avenue subway station, development can reach an FAR of 23. The remaining areas of the subdistrict will allow FARs of up to 21.6 and 18.

Buildings in any subarea may earn an additional 3.0 FAR in exchange for contributions towards the public realm, which require special permit approval. Sites in transit improvement zones can also earn an additional 3.0 FAR for contributions towards station upgrades.

Rezoning will also impact building height. The tallest projected building height after the rezoning is 846 feet, not far behind 601 Lexington Avenue, which stands at 915 feet tall. With future development spurred by new regulations, the Midtown East skyline could change dramatically.

The Vanderbilt Corridor (from 42nd Street to 48th Street, between Vanderbilt and Madison Avenues) serves as a pilot program of sorts, as its rezoning was approved in May 2015. New zoning allows an FAR of up to 30 in the 5-block corridor, of which One Vanderbilt takes advantage. SL Green provided significant contributions to transit improvements, valued at \$225 million, in exchange for the extra floor area, and was able to maximize the site's development potential at 1.8M SF and over 1,300 feet tall.

Another critical part of the rezoning effort addresses the transfer of development rights. Under the proposed regulations, landmarks can transfer to sites anywhere in the subdistrict for commercial development. The city has proposed that 20% of each sale or a minimum contribution of \$78.60/SF – whichever is greater – be collected towards the Public Realm Improvement Fund. The fund will be used for transit improvement and the creation and redevelopment of public spaces.

## The New Scale of Development

**Existing Versus Proposed Building Heights/Density**

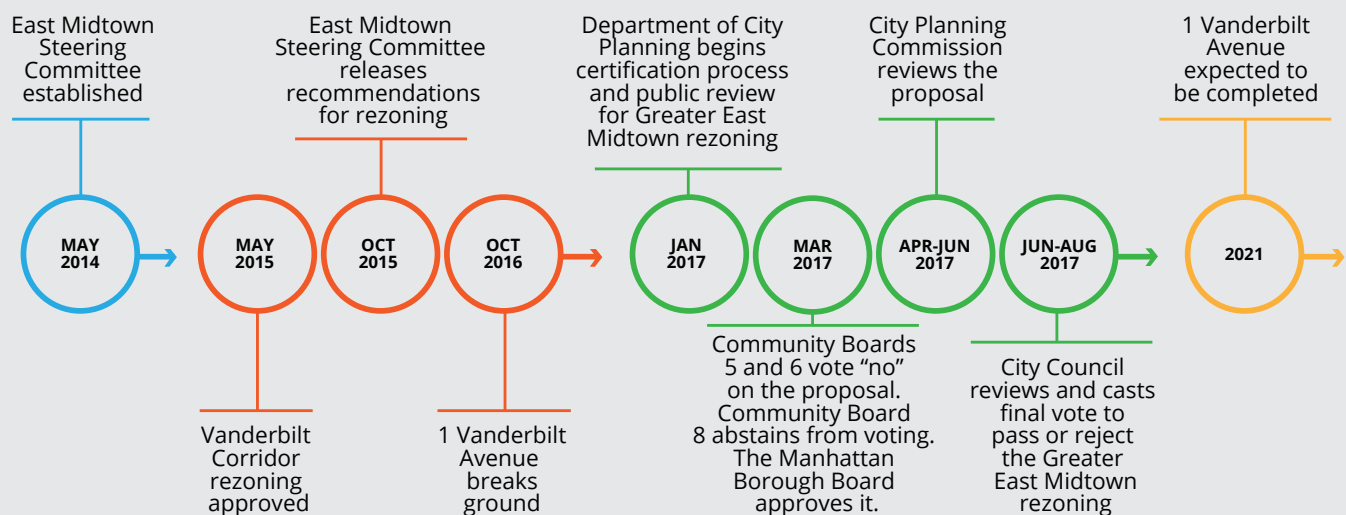


“Six buildings at 10 to 18 stories each totaling 774,545 SF could be replaced by a 1.56M SF building.”

# What's Ahead for 2017

In January 2017, the Department of City Planning began the formal procedure to certify the proposal. On March 2, 2017, the Manhattan Community Board met. From that date, they have 60 days to review and adopt advisory resolutions. From there, the Borough President has up to 30 days to review the actions. Next, the City Planning Commission has up to 60 days to approve, modify, or deny the proposal. Finally, if approved to this point, the City Council has 50 days to review and cast a final vote. The entire process of rezoning is scheduled to be completed by August 2017.

## Milestones in East Midtown Rezoning



## Challenges of Rezoning

The high cost of land combined with added costs to achieve density bonuses challenge the economics of these sites, particularly those around Grand Central and off of Park Avenue. A project would need to earn rents in excess of \$100/SF to justify development costs. However, Class A buildings around Grand Central and along Third Avenue currently average \$76.50/SF, and only three deals in the last two years have exceeded \$100/SF.

In addition, the majority of the development sites in the rezoning area require assemblage of multiple lots from several different owners, a time-consuming process that may be disrupted by hold-outs. With these market and timing factors at play, the transformation of East Midtown is likely to take shape along Park Avenue and surrounding Grand Central first, and for significantly underbuilt lots that do not require assemblage.

The current rezoning plan also excludes hotel and residential uses, which would be allowed only by special permit. Several sites within the area are unlikely to be rebuilt for office use, but could lend themselves well to hotel or residential conversion. Allowing these alternative uses would encourage improvement of additional sites, drawing more investment, and improving the overall quality of East Midtown.





# CONCLUSION

Despite the challenges that the rezoning effort still faces, the proposal promises to unlock long-term development potential that East Midtown needs to boost New York's competitiveness with global markets. Without these changes, the submarket would continue to be hindered by decades old regulations and left impeded in its ability to compete with new product in the city.

A rezoned East Midtown would encourage state-of-the-art office development, creating more than 12M SF of net growth from what currently exists. It would also alter the skyline, and improve the public realm.

*Sources:* Newmark Grubb Knight Frank Research & New York City Department of City Planning

*Photo Credit:* Front & back cover images, SL Green Realty Corp

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