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New offices outside Manhattan cater to millennial lifestyle

Developers are building projects closer to where workers live

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Bloomberg

Employees at Etsy headquarters in Brooklyn.

A new 500,000-square-foot office building is set to open in [Downtown Brooklyn](#) this year with the latest technology. That includes fingerprint scanning, options for individual air-conditioning units for tenants, high ceilings, no columns and no elevator buttons. [One Willoughby Square](#), developer Morris Jerome said, is the perfect building for the post-pandemic world.

Meanwhile, a consortium of four developers working on a proposal for a [Long Island City](#) waterfront property once planned for [Amazon's second headquarters](#) has revamped its plan to increase the amount of office space, to as much as 6 million square feet. The developers seem to believe the new normal will compel companies to locate closer to where their employees live.

“Companies need talent and need to be where the talent is,” said MaryAnne Gilmartin, who spent years working on the development of Brooklyn and is now part of the Queens consortium. “That talent is predominately in the boroughs and especially Brooklyn and Queens.”

Developers, brokers and business leaders say the pandemic has made the case for relocating employees to Brooklyn and Queens stronger than ever. The long-term trend of some companies—especially so-called innovation economy businesses—moving to those two boroughs to tap their young-professional talent pool has become the best way for the city to develop additional business districts. The new districts can shorten commutes and allow many employees to walk or bike to work. Of course, the space is much cheaper than in Manhattan, and the renewal of the Relocation and Assistance Program incentive in the budget passed in the spring cuts rents further.

The plans depend on two crucial assumptions. One is that working from home will not reduce the demand for office space so much that no new space is needed. The other is that the millennials and young families who have transformed Brooklyn and Queens remain committed to the city, and the pandemic and economic shutdown haven’t made them more interested in moving to the suburbs or beyond.

Brooklyn, in particular, had already established itself as a home to technology and media companies, with online craft seller [Etsy](#) and [Vice Media](#) headquartered there. The Brooklyn Navy Yard and Industry City are destinations for a combination of innovative manufacturing companies, design firms, film studios and sports teams including the Nets.

“Companies were discovering the waterfront—with affordable places, more green space and shorter commutes—before the pandemic,” said Andrew Kimball, chief executive of Industry City. “That is our leasing model.” Industry City says it is close to signing a lease with a firm that had planned to move to the Hudson Square neighborhood before employees balked at returning to Manhattan.

Cost remains a key to luring companies. Asking rents in Industry City are bracketed around \$30 per square foot, with Downtown Brooklyn and Long Island City at about \$50. The renewal of the REAP tax credit in the state budget provides an annual tax break of up to \$3,000 per employee for 12 years, reducing the effective rate by \$10 to \$15 per square foot. The average asking rent in virtually all of Manhattan in the first quarter was \$75 per square foot, with tax incentives limited mostly to downtown and Hudson Yards.

Crowded commutes

The pandemic has made the proposition more compelling, both because people are wary of crowded commutes into Manhattan and because the city’s stated commitment in both the [Bloomberg](#) and de Blasio administrations to a five-borough economy has become even more of a necessity.

The key selling point of Downtown Brooklyn is that so many people can walk to their job, said Regina Myer, president of the Downtown Brooklyn Partnership. When businesses start to look for space in Long Island City, LIC Partnership President Elizabeth Lusskin said, they discover many of their employees already live there.

The outer boroughs can be the city’s best defense against a flight to the suburbs, Lusskin said.

Landlords and developers have instituted a variety of strategies to pursue office tenants for Brooklyn and Queens.

Industry City says it is open to leases of any length, as companies want to make only short-term decisions while the pandemic’s long-term consequences are sorted out.

“Tenants are asking, ‘Can we move somewhere for a year or two?’” said leasing director Kathe Chase, who allows companies to take more space or less as needed.

However, if the work-from-home experience of the pandemic proves to be long-lasting and companies such as Facebook remain convinced that eventually half the workforce will be doing that, there simply might be no need for additional office space.

If the millennials and young families who have flocked to Brooklyn and Queens decide the city is no longer for them, the argument for being located where the talent is would evaporate.