

COMMERCIAL REAL ESTATE

REGIONAL MARKET

Manhattan

Growth of Educational Institutions Fuels Hunt for Space

By SANA SIWOLOP

In the realm of Manhattan office leasing, the amount of space occupied by educational institutions is very small, dwarfed by the expanses occupied by financial service companies and insurance, accounting and law firms.

But lately, brokers say, colleges and other schools have become much more visible participants in the market.

In one recent transaction, Empire State College signed a deal to take a major block of space in Hudson Square, in a building that has served as both a warehouse for department stores and a telecom hotel, housing the equipment used by telecommunications and Internet companies.

Empire State College, a rapidly growing institution that is part of the State University of New York system, primarily serves working adults who have existing college

Old warehouses and spare offices are being turned into new campuses.

credits, and it needed to expand its classrooms and faculty offices.

The college was looking for space that was attractive and affordable as well as easily accessible to students from all five boroughs. The college decided to lease 34,000 square feet at a 214,000-square-foot renovated office building at 325 Hudson Street.

Until fairly recently, most educational institutions preferred to own their space.

But some brokers say that educational institutions, both public and private, now represent one of the most active industry groups looking to lease Manhattan office space, particularly in areas where prices are relatively low, like downtown, Hudson Square, Midtown South and parts of TriBeCa.

Some colleges, the brokers say, have been opting to put their capital into educational programs rather than into office buildings in the superheated Manhattan market.

—But others, they say, are growing so quickly in the New York area that

they have found it easier to lease space relatively quickly, rather than to spend the many months that might be necessary to complete a purchase.

Fitting an office building for an school or college is not always easy.

When the Borough of Manhattan Community College, which is part of the City University of New York system, decided to lease 190,000 square feet of space at 75 Park Place in downtown Manhattan late last year, it stipulated a number of modifications, like separate elevator banks and entrances for students, as well as increased stairwell capacity.

"The role of education in New York is growing, and it's a big factor in the office leasing market right now," said Richard M. Warshauer, a senior managing director at GVA Williams, a real estate brokerage and management firm.

According to Cushman & Wakefield, the real estate services firm, education-related tenants accounted for just 2.7 percent of all Manhattan office space that was leased in 2002 and 2.42 percent in 2003, but they now account for 5.5 percent of tenants that are in the market for space.

Richard T. Kennedy, a senior director at Cushman & Wakefield, said the interest reflected "a paradigm shift in how schools are setting up their facilities."

He began to notice the shift when the City Department of Education announced plans to lease almost 100,000 square feet for a public high school in a 22-story office tower at 75 Broad Street. Mr. Kennedy represented the Department of Education in the transaction, which eventually produced Millennium High School, which opened a year ago in September.

The high school is the first of its kind for residents of Lower Manhattan, and real estate brokers say it reflects the fact that many families now live in the area.

A nine-story office building at 41 Broad Street now has an educational tenant as well. The 100,000-square-foot property, which used to house an investment bank, recently became home to a new private school, Claremont Preparatory, which hopes to accommodate some 1,000 students in kindergarten through eighth grade when it opens a year from now. Claremont Preparatory is the first downtown school that has been opened so far by MetSchools Inc., a profit-making education group based in Manhattan.

Some schools and colleges say



Ruby Washington/The New York Times

Berkeley College added a campus in Lower Manhattan for the growing number of students from Brooklyn and Staten Island.

they are leasing, rather than buying, space in downtown Manhattan because it is a new market for them and carries less financial risk. Berkeley College, a 73-year-old business college with five campuses in the New York area, recently decided to open another campus downtown to serve the college's growing number of students from Brooklyn and Staten Island.

This week, the 4,700-student college, whose enrollment has grown 67 percent in 10 years, opened a 21,000-square-foot downtown campus on the second and third floors of 130 William Street, a 12-story building that is adjacent to an entrance for the Fulton Street subway station.

The campus will help the school satisfy strong demand; the population at the school's existing city campus, on East 43rd Street, has more than doubled in the last 10 years, to about 1,900 students.

Some colleges, like the School of Visual Arts, are taking advantage of the struggling Manhattan office market to consolidate their operations.

The art college, which now has its main building at 209 East 23rd Street, is looking to lease about 150,000 additional square feet of space in the 23rd Street corridor area. "We're scattered all over the place right now," a spokeswoman said.