

The Big Read **Property sector**

'New York City Lite': after coronavirus, will business flock to the suburbs?

As the pandemic prompts a migration from cities, companies are debating whether to follow the people

Joshua Chaffin in Stamford AUGUST 16 2020

Ted Ferrarone gazed at the flattened, 14-acre parcel of land jutting like a runway into the waters of the Long Island Sound off Stamford, Connecticut, and saw possibilities.

It might house a shiny corporate headquarters, or a cluster of life sciences laboratories, or an e-sports arena, muses Mr Ferrarone, the co-president of Building and Land Technology, the developer that owns the plot.

"It's a blank slate," he says, hopefully.

Peninsula, as the site is known, is part of Harbor Point, a larger, 100-acre development in Stamford that has involved billions of dollars of investment over a dozen years.

BLT's ability to lease Peninsula for a tidy sum may determine the success of this long-term effort to remake a long-neglected chunk of the city.

Its fate will also say much about the rise of suburban, secondary cities like Stamford in the age of coronavirus.



Peninsula, as the site is known, is part of Harbor Point, a 100-acre development in Stamford . . . © Building and Land Technology



. . . has involved billions of dollars of investment over the years © Building and Land Technology

The past 20 years has been a golden age of great cities such as New York and London. As talented young workers migrated to such hubs, companies followed, attracting more talent in turn. What resulted from that dance were vibrant, productive — and pricey — metropolises that have been the global economy's centres of gravity.

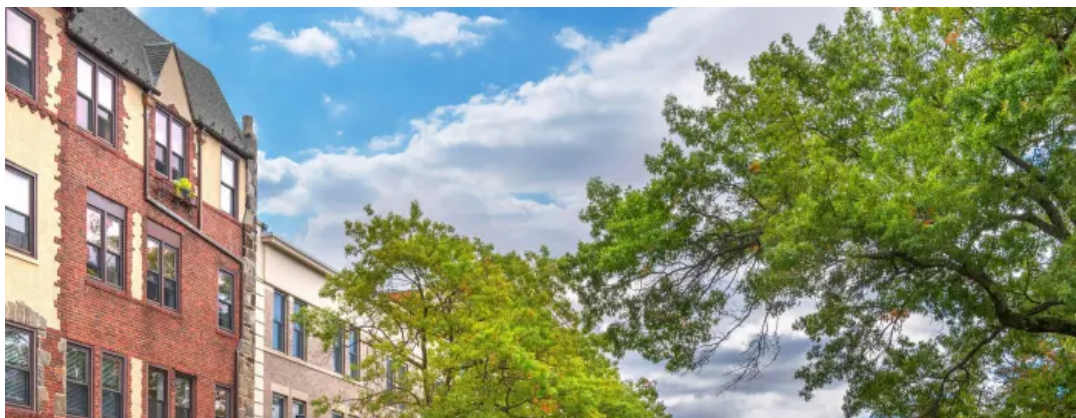
In New York, one need only look to the torrid expansion over the past few years of large tech companies — Google, Facebook and Amazon — that has fast remade the west side of Manhattan.

But coronavirus has, almost overnight, thrown this dynamic into question by rendering some of these cities' great attributes — their density and rich cultural offerings — unappealing or off-limits. That is precipitating an exodus to suburbs that had wilted in their shadows.

“It’s unlike anything I’ve seen and I’ve been doing this for 20 years,” says Carolyn Fugere, a Sotheby’s broker in Stamford. In July, the number of single-family homes under contract in the wider Fairfield County rose 63 per cent compared to the previous year. The value of those contracts was up 104 per cent. Reports of rising crime in a fraying New York City, Ms Fugere adds, are prompting young families to “accelerate life decisions”.



The exotic West Beach of Stamford city, Connecticut © Panagiotis Kotsovolos/Alamy





Stamford has some of the elements of upmarket Greenwich, pictured, but is more rugged and diverse © Ian Dagnall/Alamy

In south Florida, developer Alex Yokana believes the recent craze for urban living is over, likening luxury apartment towers in a pandemic to fancy jails. “They’re basically locked into their apartments. They can’t go out any more,” he says of residents. Mr Yokana is now hoping to sell homes on two-acre plots that offer a sense of safety and seclusion. “You can even build your own office compound,” he says of his new project, AKAI estates.

On the other side of the ledger, RealPage, a property analytics company, recorded a net loss of 6,786 households in the New York metro area in the second quarter. It had gained 3,730 in the same period a year earlier. (Los Angeles lost 6,347). The flight has been so dramatic that Governor Andrew Cuomo recently pleaded for New Yorkers to come home.

“We’ve already picked up data that it’s happening,” says Jacques Gordon, global strategist for LaSalle Investment Management, noting that the property firm was seeing similar shifts outside London and Paris. “The bigger question”, Mr Gordon asks, “is whether it’s permanent or temporary”.



If more and more workers flock to the suburbs, this raises the question of whether companies will also follow. One of the revelations of the coronavirus pandemic has been how communications technology has allowed so many people to work from home without much of a hitch.

Within the property industry, opinion is divided. Some brokers and developers believe that many companies will retain a splashy Manhattan headquarters while also allowing employees more flexibility to work remotely. Others say companies are considering investing in satellite offices in suburbs where they have concentrations of workers. These would give them the flexibility to use such facilities for big presentations. Evercore, the investment bank, is said to be shopping for such a facility in Stamford to accommodate 10 to 20 local employees.



Facebook two weeks ago leased all 730,000 sq ft of office space in the converted Farley post office building by Penn Station © Alexi Rosenfeld/Getty

Those companies that can afford it will eventually offer their employees a portfolio of options, Mr Gordon predicts: remote working, satellite offices and a big city headquarters. “It’s not just talk now — there’s action being taken,” he says.

Some, like Melissa Kaplan-Macey, an urban planning expert at the Regional Plan Association, a non-profit group that tries to promote better development in the tri-state area, question how meaningful this suburban shift will be.

“We feel pretty strongly that this is a temporary decampment,” says Ms Kaplan-Macey, arguing that the things that made New York City so appealing before the pandemic would return when it eventually passes.

As if to underscore that point, Facebook two weeks ago leased all 730,000 sq ft of office space in the converted Farley post office building by Penn Station. In less than a year, it has gobbled up more than 2m sq ft of space in Manhattan.

In any case, Ms Kaplan-Macey worries that a surge of new residents — while a boon to suburban realtors — would overwhelm communities like Stamford already struggling to provide affordable housing, particularly for the types of workers who performed essential jobs during the pandemic. “That’s not the kind of growth that we need,” she says.



UBS opened a 700,000 sq ft US headquarters in Stamford that featured what was then billed as the world's largest trading floor © Rick Maiman/Bloomberg

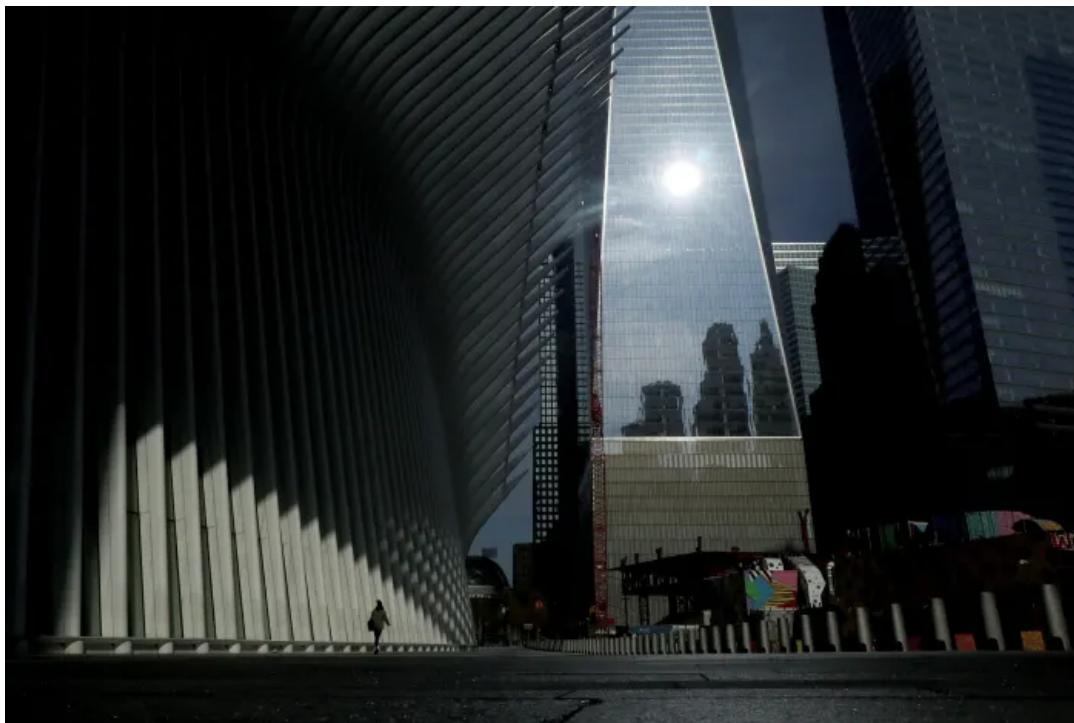


The UBS bank's Stamford headquarters is viewed in 2015 as the trading hub struggled to recover from the financial crisis © Spencer Platt/Getty

Daniel Baer, an urban planner at architecture firm WSP, notes that even before the pandemic, the suburbs were quietly gaining ground as millennials — those born between 1981 and 1996 — enter their prime child-rearing years and seek the same things that have caused others to flee big cities: space, safety and good schools.

“There was already a move but I think the pandemic has expedited it,” Mr Baer says. Given changing workplace technology and the fear instilled by a once-in-a-century health crisis, he is not convinced that the previous equilibrium between city and suburb will soon be restored. “This is very different than any other cycle,” Mr Baer says. “We’re going to come out of this, but we’re going to come out of it, I think, in a very different way.”

Stamford, Connecticut’s third-largest city, blends memories of bustling industry with a smattering of modern finance and corporate life. It has some of the upmarket traces of neighbouring Greenwich but is more rugged and diverse — something its boosters appreciate and its detractors do not. Its fortunes have turned over the years based on its close relationship with New York City, which is just 45 minutes away by commuter train.



The deserted plaza outside Oculus transit hub and One World Trade Center in April © Gary Hershorn/Corbis/Getty

When New York was on its knees in the 1970s, Stamford was one of the suburbs that became a magnet for corporations fleeing the decaying metropolis. It attracted the likes of GTE and Singer Sewing Machines, among others. Several unremarkable office buildings from that era are still visible in a downtown that is just off Interstate 95 and was brutally revamped in the 1970s to favour the automobile over the pedestrian.

In the 1990s, the Swiss investment bank UBS took the bold decision to open a 700,000 sq ft US headquarters in Stamford that featured what was then billed as the world’s largest trading floor. It was as big as 23 basketball courts and said to be the setting for many Nerf football-throwing competitions.

“There’s always been demand in Stamford because of its proximity to New York and Boston and because so many employees live in the immediate radius,” one developer explains. Generous tax breaks from the state, and the fact that office rents in Stamford are about half those of New York City, also helped persuade UBS.



Downtown Stamford in 2015, as the global financial industry continued to shrink following the 2007 recession © Spencer Platt/Getty

However, rather than becoming a beacon for a thriving suburban financial services industry, the UBS building — and another commissioned by rival RBS — instead became painful reminders of Stamford’s travails following the 2008 financial crisis. After sitting vacant for years, the UBS building was finally leased last year to World Wrestling Entertainment, which is converting it into a production studio and headquarters. Stamfordites once accustomed to seeing derivatives traders in khaki pants smoking cigars at the now-defunct Morton’s Steakhouse may soon be seeing professional wrestlers wandering around town.

The current crisis has brought a flurry of inquiries, say commercial brokers. Most are smaller firms — hedge funds, boutique investment banks — seeking ready-built offices of 10,000 sq ft or less. They also want short leases. “My agents are busy as can be. But we haven’t moved the needle that much yet,” says Thomas Pajolek, an executive vice-president at commercial broker CBRE. “Time will tell if it sticks.”

Peter Gottlieb, a senior vice-president at Rubenstein Partners, which owns office properties in Stamford, is convinced that many workers would rather not return to New York City — at least not full time. “People have gotten used to not commuting,” he says.

At Harbor Point, BLT is not only trying to lure people and companies to a suburb but to convince them to move south of the train station, where businesses have traditionally been concentrated. Its development sits atop a former industrial site that once hosted the likes of Pitney Bowes and the Yale Lock Company, whose factory burnt down in a mysterious 2006 fire.

Carl Kuehner, BLT's canny chairman, took over the project in 2008 from another developer who had run out of cash. Over the years, BLT has scrubbed away the factories and put up parks, waterfront jogging trails and 3,400 apartment units that feature the same sort of amenities — doormen, rooftop terraces, gyms and dog washes — that one might find in a fancy residential tower in New York or Miami.

There are still cranes on the skyline, with another 600 apartments on the way. Red trolley buses circle the property. BLT has also strained to recruit a succession of restaurants, a gourmet Fairway supermarket (which is now bankrupt), a brew pub and retailers.



People have lunch at Capriccio Cafe in Stamford in May as the area emerges from lockdown © Timothy A Clary/AFP/Getty

The idea was not to recreate the traditional, leafy American suburb depicted — often despairingly — by authors such as Richard Yates and Richard Ford. Instead, they are aiming for a walkable community with the urban accoutrements that are supposed to appeal to millennials.

“It’s a return to the suburbs, but not your father’s suburb,” says Steve Baker, a broker at Cushman & Wakefield, which is working with BLT. “We’re taking all the amenities of the city, but without the hassle.” Another broker describes the aesthetic as “New York City lite”, trying to deliver “the downtown office experience — but in the ‘burbs”.

Architects can debate the execution of this “live-work-play” concept that is the Holy Grail of modern developers. So far, though, Harbor Point’s dozen residential buildings are between 93 and 96 per cent occupied, according to BLT. Some were out jogging on a recent afternoon.

It has also lured corporate tenants. Dean Chamberlain, chief executive of Mischler, a boutique investment bank, moved his firm to Harbor Point 10 years ago, after deciding he no longer wanted to endure a pre-dawn commute to Manhattan, and has watched the area grow. “Pre-Covid, it was already filling up,” he said. “Post-Covid, it will be fantastic.”

Charter Communications is putting the finishing touches on a 500,000 sq ft headquarters by the train line and has since decided to add an additional 300,000 sq ft. Indeed.com, the job recruitment company, and NBC Sports have set up shop. Sema4, a DNA testing company, moved in last year.



Marvin and Zully walk with their sons Junior, 7, and Neysel, 10 weeks, at a Stamford park in June. Marvin, Zully and Junior survived coronavirus in April © John Moore/Getty

“If we move to Stamford, we can get great office space at a good price. But can we get talent?” says Mr Ferrarone, reciting the question many prospective tenants tend to ask. “I think the answer is yes.”

Still, the Peninsula has languished. Years ago, Ray Dalio, the hedge fund manager, was planning to make it the waterfront headquarters for his Bridgewater Associates fund management company. The deal fell apart after Mr Kuehner ran into a zoning dispute with residents over his plan to build on an old boatyard.

In July, sensing the renewed interest in the suburbs, BLT and Cushman decided to ramp up their marketing effort. “It’s a shot in the arm,” Mr Baker says of the attention whipped up by the pandemic.

Some developers are sceptical the Peninsula will attract the sort of grand — and lucrative — development that BLT is seeking. That is, the kind that would more commonly be found in Manhattan. Still, they see bright days for Stamford and its ilk at a time when the big city looks scary.

Said one: “It’s just, for lack of a better word, easy-living out there.”

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