

CRAIG'S

Real Estate
Struggling
dot-coms
rejuvenate
the sublet
market
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Distressed NY dot-coms revitalize parched market

Rush to sublet
unused offices;
unfinished spaces
may be slow to sell

BY LORE CROGHAN

UNTIL RECENTLY, ALEX Chudnoff did a land-office business finding space for dot-coms. Then suddenly, his clients shifted gears.

In just two weeks, dot-coms gave the Cushman & Wakefield Inc. broker 100,000 square feet of assignments to sublet locations he'd only recently secured for them.

"Everybody's looking at their P&L right now," says Mr. Chudnoff, whose lineup of castoff space includes an 18,000-square-foot sublet at 500 Seventh Ave. for iVillage Inc. "The egos have disappeared."

Dying and distressed dot-coms have brought the market for Manhattan office sublets roaring back to life, pouring millions of square feet into the once-parched niche.

At the same time, even some healthy companies are adding to the flood, scaling back their growth plans and putting their excess space on the market. So massive has the tide of sublet offerings become that brokerage firms are scrambling for ways to play the revived market.

Downward spiral

Just as they did briefly on the upside, Internet firms are again leading the way, only this time on the downside. In 1999, they rented 8.5 million square feet of office space and last year added another 5.5 million square feet. In the first half of last year, dot-coms even for a time took the leasing lead from the longtime linchpin, Wall Street.

In the fall, though, the tide turned. New media firms virtually stopped renting—and began disgorging space instead. In the last five months of the year, they put

about 3 million square feet up for sublet. And real estate executives predict that they will put still more space on the market this year.

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Three million square feet is a small number in the scheme of Manhattan's 400 million-square-foot office market, but it is more than enough to resuscitate a niche that's important to companies looking to secure offices without spending months of time and millions of dollars on interior construction.

High rents intact

Brokers stress, however, that the amount of office space coming onto the market has not yet done any damage to the premium rents



LARRY FORD

VACANCIES: Real estate executives, including Wharton Property's Ruth Colp-Haber, are predicting that dot-coms will pour still more space onto the market this year.

that these ready-built spaces traditionally command—in prime locations, anyway.

Despite pent-up demand for office sublets, many dot-coms expecting quick deals will be disappointed. That's because only some of their locations are actually ready to move into, which is what tenants expect when they seek sublets. The rest are raw spaces that Internet

firms didn't have the money to make habitable.

Though ready-built offices are likely to get snapped up quickly, unbuilt sites might linger on the market for several months, brokers warn. Dot-coms that wrapped up their original rental deals in a few short weeks will discover it takes much longer to dispose of

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