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Why Hudson Yards is the Future of New York City

To say that Manhattan is being transformed forever is not an exaggeration. Here's why.



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"It forces you to make a big bet all at once."

That's Jay Cross, President of Related Hudson Yards, referring to the massive project underway to transform the the 28-acre Hudson Yards site at what was once referred to as the Far West Side of Manhattan. But, how does one foster innovation and plan for the world of tomorrow in the largely stodgy real estate world?

"Real estate, in general, is not a very technological industry," Cross says. In building the

future of Manhattan, his team asked themselves, "what are people's expectations when they come to Hudson Yards?" Cross is the first to admit that the Related Hudson Yards team doesn't know everything that's coming down the pike. But one thing that he does know is that from one year to the next, his tenants will need and demand faster and faster Internet, and provides for that in Hudson Yards' base infrastructure.

Another key area to focus on: resiliency. The project began around the time of Superstorm Sandy, so resiliency was top of mind, and anticipated that corporations would be looking in the direction of sustainability for the foreseeable future.

Selling the Idea in

To build a center of corporate innovation, the Hudson Yards team knew they would need to convince corporate clientele to take the risk on an unproven new neighborhood. CFOs liked the idea they could potentially save money, but CEOs had different priorities. In previous generations, the CEO might have moved the company out of the city to Connecticut or Westchester because that's what the CEO wanted. Now it's the CEO, making the decision about where to move because it's what his or her workforce wants. Because he needs to. For many CEOs, their biggest challenge in operating in New York City was how to recruit and retain the best talent since their competitors are trying to get the best people, too.

Cross and his team had to predict the future, thinking what the needs would be 5 years down the line. Almost 50% of these workforces consist of Millennials, and the Boomer generation won't be making the decisions, "nor will you be making workspaces for their expectations since they're a shrinking piece of the pie." What motivates Millennials? A number of things came into play, and it wasn't just about resiliency and sustainability; it was about connectivity, social features, and providing a mixed-use environment as well.

The Need for Development - and its Value

"The West Side has been this lure out there for a long time," says Cross, who sees the Hudson Yards project as a big opportunity to push for more real estate newness in New York. From 1985 to 2010, London replaced 50% of its office stock. In that same timeframe, New York replaced only 10% of its stock. "We were losing ground," says Cross. If you were a multinational corporation, you'd likely find your office in Tokyo or Frankfurt to be far better than your office in New York.

It's plain to see that a new project like this can have a trickle-down effect. Related Hudson Yards creates new buildings that immediately become A stock - prime real estate. The existing A stock turns into B stock. Now, somebody who is leasing in a C stock building can afford a B building. So, there's clearly the chance for a real shift. Some of the C and D buildings can be repurposed for residential. Cross cites that's what happened in London.

Fostering Innovation - and Changing Cultures

Hudson Yards was able to attract a wide variety of different industries - finance, tech, media, legal, all vanguards of their industries who were open to making those long-term bets. The Boston Consulting Group (BCG), Coach, L'Oréal, SAP, and VaynerMedia: what do all these companies have in common? Their leadership thinks long-term. They're the macro thinkers. If you want to change your culture, you might be doing that because you're anticipating the move from a Boomer-driven workforce to a Millennial workforce, and you want to have an office configured a certain way to attract certain kind of talent.

Case in point: L'Oreal came from 5th Avenue; BCG came from Park Avenue. The cultures



they came from, as well as their own internal cultures, led to the development of rather different offices. Boston Consulting Group built a café so people would meet each other, and that's exactly what happened. For VaynerMedia, it was primarily about getting people in a collaborative environment. Want a window seat? No problem - just get to the office early. There are no fixed landlines; everyone is on their cell phones. Yet all these spaces tend to be focused on one thing: collaboration.

There's been this "Slackification" of our society, where we like to say that physical spaces aren't as important, and we can do all of our team building over direct messages. Yet getting employees to "collide" in a campus that reeks of innovation has the potential to pay huge dividends. In fact, Cross believes Hudson Yards will be learning a good deal about campus-wide ecosystems. "That's where there is room for real innovation."

The End Result

Normally by the time a building opens, it might be 50% leased. But when Related Hudson Yards started finishing its initial construction, its first building was 100% leased. We were still trying to finish out the building while tenants were trying to get into their spaces. "Being 100% leased before you're open is both a blessing and a curse."

The first half of the project, the eastern Hudson Yards, has a 2018 completion date; next up are the western Hudson Yards, with a completion date of 2025. Unlike historical development projects like Rockefeller Center and Times Square, Hudson Yards is trying to be a blend of a number of things at once: commercial, retail, public space, and residential. 5 million workers live within a 40-minute of commute of Hudson Yards given the great transportation infrastructure. "We will be the new center of New York, the new heart of New York, but we'll be known for a little of everything and all of everything," says Cross, who doesn't believe the area will be seen as a retail destination, office destination, or big residential complex like Battery Park. "We're all those things rolled into one, and it's that rolled into one that will give it its dynamism. Every New Yorker will have a reason to go to Hudson Yards, and every New Yorker will love Hudson Yards. That's got to be the goal."

"We used to be the far West Side, because the far West Side was all rail yards. But it's so fundamentally changed," says Cross. "It was always a place of industry; now, it's a place of commerce." After listening to the long-term vision and seeing some of the office space firsthand, one would be hard-pressed to disagree.

This is the first in a series on innovations in real estate and the workplace. Like this column? Sign up to subscribe to email alerts and you'll never miss a post.

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