Landlords and Local Officials at Odds over Future of Vacant Suburban Offices

Posted by Hannah Raissa Marfil on Feb 09, 2016

Buildings stand ahead of the Manhattan skyline in this aerial photograph taken above Weehawken, New Jersey, U.S., on Wednesday, June 10, 2015. U.S. stocks rallied and the dollar fell as the Federal Reserve signaled it will continue to support the economy (Photo: Craig Warga/Bloomberg via Getty Images)

The inventory of vacant suburban office campuses in some real estate markets is slowing rising, given the latest trend of companies deciding to move to urban office locations. Landlords and local officials are now faced with the problem of deciding what to do with the massive vacant suburban offices.

A report from Wall Street Journal stated, "Figuring out what to do with the vacant corporate campuses left behind is a quandary for civic leaders and landlords across the [country]. Towns have pondered turning them into gyms, community centers or education facilities, but finding
large tenants for such spaces has proven difficult, and nearby residents often resist plans to build dense apartment complexes on empty sites."

Such is the case for landlord Mack-Cali Realty Corp., which has been looking for ways to maximize an empty office campus located in Upper Saddle River, N.J., around 30 miles away from Manhattan. The suburban office complex was built in 1973 for Western Union and was previously occupied by publisher Pearson Education. The massive office building became vacant four years ago after the building's last tenant decided to move to Manhattan to attract a younger pool of office workers from the urban areas and to be closer to public transportation, as stated by the same report.

Mack-Cali had tried to attract new office tenants to occupy the 470,000-square-foot office complex. However, the company's efforts proved unsuccessful. The firm has been pushing for a plan to demolish the building and replace it with a mixed-used development comprised mainly of apartment units. However, local officials and residents opposed the firm's plans over fears that it could overpopulate the area.

Meanwhile, not all suburban office markets have experienced an exodus of corporations. Silicon Valley has posted strong office real estate growth given the influx of tech companies. Estero, located in southwest Florida, is also considered one of the top 50 suburban office markets, according to a survey from relocation consulting firm The Boyd Co., The Real Deal reported. For example, big name company Hertz Global Holdings is looking to build a $50 million office development in the area. Hertz plans to relocate from its Park Ridge headquarters in New Jersey to its soon-to-be constructed Estero office.