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Building Empire City: How Infrastructure Drives Growth in America's Metropolis

Urbanization is a global megatrend that is not likely to end. And while this economic driver is typically cited in reference to growth in emerging markets, it is equally a factor for developed economies, including for the world's premier cities such as New York where the population has grown by 14% since 1999 to 8.5 million and is expected to grow by another million or more by mid-century.

Much attention has been focused lately on the shiny new high profile super high-rise super luxury condos for the super-rich piercing Manhattan's skyline, but the million or so new New Yorkers will not be living in \$90 million penthouses and mostly not in the long-established residential neighborhoods of the city.



The skyline of downtown Manhattan, including the Freedom Tower, is seen in this aerial photograph over New York City, September 13, 2016. / AFP / SAUL LOEB (Photo credit should read SAUL LOEB/AFP/Getty Images)

There are multiple reasons why cities in general, specific cities and certain neighborhoods within specific cities are draws—opportunities for career growth, excitement, interpersonal relationships—but infrastructure is historically one of the clearest predictors of urban demographic trends. New York emerged as the principal metropole of East Coast America after the opening of the Erie Canal, the most ambitious infrastructure undertaking of its era. New York's banking industry quickly followed, and the city began its meteoric ascent. Today, New York has a rich reservoir of existing under-appreciated infrastructure assets as well as many new developments in the works.

So where will the next cycle of New York's growth happen? Some of these spots are almost too easy to call. Chelsea and the Far West Side are booming in part thanks to new real estate created by the construction of a platform over the West Side Rail Yards, an extension of the Number 7 subway train, the implementation of the Hudson River Greenway to create a magnificent new park along the river and the completion of city's newest and coolest park, the High Line.

There is no better indicator of the city's new vibrancy than the major leases being signed by top-tier financial services firms in the towers rising up over the West Side Yards. A generation ago, these firms fled lower Manhattan to occupy buildings in Midtown near Grand Central Station for easy access to their executives' homes in the leafy "white flight" suburbs of Westchester and Connecticut.

While the Midtown West development is near Penn Station, the new "Masters of the Universe" aren't commuting from Long Island or New Jersey to get to work there. They are buying luxury lofts along the High Line in Chelsea and the West Village and a bit further south in Tribeca, reversing a decades' long suburban migration pattern. The children of the post-war baby boomers who grew up in Scarsdale and Greenwich want to live in town.

Central Midtown may lose a few commercial tenants to the West Side, but it remains the city's main spine with what is arguably the world's most valuable real estate, and will get a further boost when the Long Island Railroad's East Side Access comes online, with new residential development already starting to happen along the avenues of the so-called Plaza District—including its main esplanade Park Avenue, which was upgraded from a railroad crossing to an urban green-space in the 1870s, the quintessential infrastructure-driven real estate value enhancement. The completion of the first phase of the Second Avenue Subway will bring in even more traffic while also boosting values and lead to more projects in the currently undervalued "East of Lex" Upper East Side, and continue the march of development north into East Harlem.

A little less obvious is the impact of the social infrastructure being installed along Broadway on the upper upper upper West Side by Columbia University, about \$10 billion worth, where a new second Manhattanville campus will be home to the Business School, the School of International Affairs, and the likely home of the Obama Foundation, among other world class school and institutions of that world-class Ivy League university.



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This development continues the renaissance of upper Broadway that will connect the traditional Upper West Side and Columbia's Morningside Heights campus to the new Manhattanville Campus to City College to the Columbia Medical School complex and all the way up to Columbia's sports complex at Manhattan's tippy top at Spuyten Duyvil.

What makes this evolution so seamless is that it overlays the magnificent existing urban infrastructure of the grand boulevard of upper Broadway and the abutting areas along Riverside Park to Fort Washington Park and up to the Cloisters and Fort Tryon Park. This district had long been a "sleeper" in the parlance of the real estate brokers. No more.

The existence of historic grand infrastructure is a bigger factor when one looks off the island of Manhattan to Brooklyn, Queens and the Bronx. The metropolitan subway system, developed mostly a century ago, makes the waterways to the north, east and south of Manhattan functionally irrelevant, though it wasn't until the last couple of decades or so for this to become clear to many of the city's inhabitants. Long gone are the days when the "outer-boroughs" were inhabited by what Steve Rubell would call "bridge and tunnel people" who weren't allowed to cross the velvet rope outside Studio 54 in the late 1970s. Some of the city's coolest clubs and coolest people now reside in Brooklyn and Queens.

While Manhattan remains the home of the main central business districts, neighborhoods such as Williamsburg, Long Island City, DUMBO, and so on, are connected to Manhattan and interconnected to each other by rapid underground public transportation. Many of these areas also enjoy the blessing of a vast array of established urban infrastructure such as great parks, esplanades and cultural centers including schools and museums.

So where to find the as yet untapped investment potential of a million or more incoming New Yorkers? Just track the infrastructure. In Queens, already the City's most populous borough and the home to much of its fast-growing Asian population, the areas around Flushing Meadows Park, which is larger than Central Park, will certainly be a primary focal point of the city by mid-century. Great social infrastructure is in place there in Citi Field, the home the New York Mets, the USTA National Tennis Center, NYSCI, New York's science center, and the Queens Museum. This quadrant already has more going for it than almost all other American cities, and a \$4 billion project is now underway to transform La Guardia into North America's first state-of-the-art airport.

In Queens, the arc from Long Island City to Astoria, through Jackson Heights, Corona, Flushing and over to College Point and Whitestone, roughly from the 59th Street Bridge to the Throgs Neck Bridge, and into the center through Forest Hills, are all prime real estate served by multiple transportation systems and in varying stages of growth, from pioneering to maturity. With the iconic landmarks of the 1964 World's Fair including the world famous Unisphere in Flushing Meadow Park as visual icons, Queens, will loom large as part of the future of New York City.



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In Brooklyn, my place of birth, just start on my childhood block, Eastern Parkway across from the Brooklyn Museum and the Botanic Gardens, and down the street from Grand Army Plaza, the main branch of the Brooklyn Public Library and Prospect Park. And steps from seven different Subway lines. It's hard to imagine a richer urban setting.

When the Brooklyn Bridge was built in the late 1800s to connect what were then the cities of New York and Brooklyn, the leaders of Brooklyn fretted that Manhattan would overtake Brooklyn, a fear that was realized by the 1970s as many of the borough's long-term residents had fled to Manhattan or to the suburbs to escape urban decay that was creeping through Brooklyn.

A generation later, the children of that exodus have rediscovered what is arguably the most livable of the city's boroughs. While this trend first surfaced around Williamsburg and the precincts adjoining Brooklyn Heights such as Cobble Hill and Boerum Hill, it has pushed well within the Borough with few areas wholly left out. Brooklyn now hosts the city's newest and certainly coolest public arena, the Barclays Center, home of the Nets basketball team. This new infrastructure compliments the existing social infrastructure across the street at the Brooklyn Academy of Music, or BAM, long a vibrant alternative to Manhattan's Lincoln Center, providing an urban core for what had become a network of bedroom communities.

The Bronx was, until recently a place that the New York Yankees' ownership wanted to leave and where stopping your car could lead to calamity, as famously lampooned in Tom Wolf's *Bonfire of the Vanities*. Not today. The Yankees remained and spend over \$2 billion on a palace of stadium, and once written-off neighborhoods are coming back to life.

Developers are quickly snatching up sites along the Grand Concourse, restoring that boulevard to the central role envisioned by its planners. The great resources of the New York Botanical Gardens and the Bronx Zoo provide a vast central green space that a dense urban setting requires.

Even Staten Island, the orphan borough of the city accessible from New York only via the Verrazano Bridge or the Staten Island Ferry, has seen an influx of hipsters—often an early indicator of a broader trend—and a huge London Eye-style Ferris Wheel currently under construction will bring a little bravura and likely a lot more development to this sleepy enclave.

It is in these many less famous neighborhoods where the city will grow beyond its center and where a million more New Yorkers will live, work and play. While we marvel at the growth of new cities such as Shenzhen and Dubai, it is easy to forget that New York City's planners envisioned a grand metropolitan city with a large geographic footprint over a hundred years ago, that they laid the plans and they created the necessary conditions for that growth, including a robust physical infrastructure, from vast water and transportation systems to a multitude of public recreational spaces. Generations that have followed have continued to improve upon that plan and the city has continued to evolve and grow.

On his deathbed in 1848, real estate baron John Jacob Astor, America's first multi-millionaire, expressed regret that he hadn't bought even more New York City real estate when he had the chance. Many fortunes have since been made from owning New York real estate. As the population of this city of cities continues to rise, there is every reason to believe that this pattern too will continue.