

THE NEW YORK OBSERVER Location



ANNE HATHAWAY'S PARENTS BUY ON THE UPPER EAST SIDE, P. 36

NEW YORK, THE REAL ESTATE AUGUST 27-SEPTEMBER 3, 2007



Steve Ross Gathers No Moss

Related Chairman Has Even Grander Plans Than Time Warner Center, By Matthew Schurman, p. 40

PLUS: Is Manhattan Close to Its First \$100 M. Townhouse? By Max Abelson

NEW YORK, THE REAL ESTATE Location

A \$62 M. Townhouse? In Mad Manhattan, Prices Are Meaningless

BY MAX ABELSON

It's the beginning of a Bible parable about big-city indulgence and ambition: Two brothers, liquor heirs Matthew and Edgar Bronfman Jr., both sold their Upper East Side townhouses this summer for about 11 times what they paid for each in 1994. Edgar's place, the bigger mansion, will reportedly go for around \$51 million.

Meanwhile, the housing market everywhere else in the country is moribund. Wall Street is skittish and even Mayor Bloomberg says pricing here should be coming down. "You might think we were being set up for some major reversal," said Prudential Douglas Elliman senior vice president George W. van der Ploeg. But New York is unfallen: This autumn's new batch of listings will trek onward and upward.

According to two sources, Roger Barnett (CEO of natural products company Shaklee) and his wife Sloan (cellphone billionaire George Lindemann's daughter) have begun to quietly ask around \$62 million for their 125-year-old neo-Georgian townhouse. The 33-foot-wide mansion at 16 East 69th Street, designed by Peter Marino, was bought less than seven years ago for \$11.5 million.

The place hasn't officially been listed, though the family is consulting with brokers. One source said the sellers have had an offer in the mid-\$50 million range. That wasn't enough. "Money just doesn't mean anything," Stribling executive vice president Kirk Henckels said.

Call it gigantism: Massive numbers are getting more massive. Before Matthew Bronfman's \$33-million sale last month, no 25-foot-wide townhouse had ever closed above the \$30 million mark. "If he waited six more months, I swear to god he would have had \$40 million," said listing broker Sami Hassoumi, a Brown Harris Stevens managing director, "because there is nothing, nothing for sale at such a price."

No townhouse in New York City has ever been officially listed for more than the Barnett place. Likewise, no apartment had sold for \$50 million before two spreads in the newly made-over Plaza broke that sacred ceiling this summer.

Our city knows its real estate is monstrous and anarchic, and that the sales price of an average apartment has tripled over the past decade. But that stat is trivial compared to the high-end's dazzling rise. There are more big-ticket buyers around who are willing to spend their money on "fine art" real es-

Continued on page 34



Stephen Ross inside the Time Warner Center, his home and office—and cafeteria

Stephen Ross, King of Columbus Circle

Can the Time Warner Center developer and Related chairman put a friendlier face on the New York real estate industry?

BY MATTHEW SCHUERMAN

Every morning, Stephen M. Ross takes an elevator from his apartment near the top of the Time Warner Center, which he built, about 35 floors down to the 19th floor, to the offices of the real estate company that he founded. He eats lunch in the restaurants that he brought there, on the third and fourth floors, and sometimes he eats dinner there too. If he does not use the gym in his own penthouse, he works out at a branch of the Equinox health club, which his company recently purchased, on the lower concourse. And sometimes, when he goes out at night, he doesn't have to go out at all, because he just goes to the fifth floor, to take in a performance at Jazz at Lincoln Center.

This is Steve Ross's city, which is so convenient that sometimes the man who built it never leaves. "This building has so many amenities that sometimes I don't go outside all day," Mr. Ross said. "It's wonderful, but I have to force myself to get out and really experience New York. You make sure you are going places downtown, the Upper West Side, Lincoln Center."

Mr. Ross was sitting earlier this month in his large wood-paneled office at the Related Companies, his 35-year-old development company. He is a tall, trim 67-year-old with graying hair and large ears, dressed in dark slacks and an open-collared purple-checked shirt. Despite his reputation for reticence, he dispenses with questions in easy three-sentence answers, so that, in the space of 50 minutes, he gets through as much material as would take another businessman twice as much time. Occasionally, he will throw in a self-deprecating comment or two.

One bookshelf is devoted to paraphernalia—football helmets, footballs and the like—from his alma mater, the University of Michigan, to which he has become one of the largest donors. There's a sculpture in the corner of a globe with a small man walking across the top while trying to keep his balance; Mr. Ross

called it "The Slippery Slope." "You can be at the top of the world one day and you can fall down the next," he explained. Lately, Mr. Ross and Related have been sitting on top of it. In 2004, the 750-foot-tall, 53-story, \$1.7 billion twin-towered Time Warner Center opened, its condominiums sold out, its retail rents broke records, and its design, by and large, received critical accolades. The experience turned Related from merely a large, successful development company into a huge, successful development company, to the point where it can partner with the publicly traded Vornado Realty Trust on the Moynihan Station project, a series of several buildings in the West 30's that would involve moving Madison Square Garden and constructing two new train stations.

Related is now one of a handful of developers large enough to put together a proposal for the West Side Railyards, a 26-acre site where the Jets football stadium was once envisioned and for which bids are due

Continued on page 32



30 The Week in Real Estate
Columbia buys two more buildings in West Harlem as the community board there votes no on the school's expansion. Chef Laurent Tourondel gains space in Donald Trump's SoHo condo-hotel. Townhouse sales surge. And Jonathan Miller has a busy early August.

35 The Lab
Oh, you poor thing, you Manhattan studio. No one wants to buy you if they can help it, and now developers like Kent Swig don't want to build more of you.

36 Manhattan Transfers
Ahmed Chalabi's pal gets a SoHo loft beneath Bon Jovi. Anne Hathaway's folks buy an un-Hollywood apartment on the East Side; and Denise Rich's daughter gets a co-op in her mom's building, 785 Fifth.

37 Tales of Retail
At the Chelsea Hotel, fresh drama: Is the hotel for sale? And, if so, will André Balazs, he of the Mercer and once of Uma Thurman, swoop in to buy it?

38 The Sit-Down
Stephen Siegel of CB Richard Ellis has brokered a deal in your neighborhood. Trust us—the odds are very good.



38 Commercial Breaks
Stephen Ross' Related Companies is planning a major development on Eighth Avenue. And, in this mad Manhattan market, even far West Side buildings sell for \$110 million.

LOCATION

Continued from page 40
in October. In many ways, the West Side Railyards are much like the old New York Coliseum site that became Time Warner Center: a fallow piece of land in a promising location, and the winning bid for which will be chosen as much for its civic utility as for the price it brings to its owner—which, in this case, like the New York Coliseum site, is the Metropolitan Transportation Authority. Related's strategy for winning the Time Warner site might well become a template for winning the Railyards.

Columbus Circle was so unexceptional when the M.T.A. was soliciting bids in the late 1990's that another company, Forest City Ratner, had proposed bringing a Sears store to the site. The strategy by Related, and its partner Apollo Real Estate Advisors, was to go upscale and make it appealing politically in order to win the bid. It drafted Time Warner as a co-developer. It installed a Whole Foods in the basement at the back, and we said, "You know what? Let's take a totally different approach. Let's make Jazz the center of this whole development front and center." Not only is that great for Jazz and making a statement about New York, but it's also great for our retail, because these people who are going to Jazz now have to travel up through the retail.

"It's great for everybody, and I think our embrace of that went over very well and helped us win it."

Mr. Ross's office itself is a product of the design process. It is an odd shape, because it sits at the corner of the parallelogram that is the building's north tower, and looks out over Columbus Circle and Central Park. When the building's architect, David Childs, first designed it for Related in the late 1990's, he argued that the building had to imitate the curve of the traffic rotary, and to do that, you needed parallelograms. Some members of the development team said that the odd angles of the parallelograms would make the inside space less desirable.

"I said, 'These will be the most dramatic views. Where do you walk on the boat? You walk out onto the prow of the boat. These corners are like the prow of the boat,'" Mr. Childs recalled. "The only person who said yes was Steve. He overruled everyone else. And now everyone wants to lease those corner rooms. That's where the dramatic

views are."

The Reign of Ross: Related, REBNY and Redevelopment

Queens West tests his hopes for a rosier industry image



Coast purchasers who are looking for a pied-à-terre in New York who have made it do so well."

Oddly enough, for a company that is now known for its high prices—Mr. Blau said Related's apartments command rents at 10 percent above market because of the amenities—Related started out doing affordable housing, and still produces a lot of it.

While working on Wall Street in the early 1970's, Mr. Ross learned about all the various tax incentives that the federal government provides for building low-income housing. He decided to branch out into real estate, both developing affordable apartments and then syndicating the tax credits that those units generated and selling them to financial institutions wishing to offset their profits. That company, Centerline, was eventually spun off into a separate company, of which Mr. Ross is chairman. But Related has held on to the properties.

As the company became richer, it geared more of its projects toward higher-end purchasers, choosing prime locations with solid architects, and the company spread, opening operations in Los Angeles and Chicago, with an affiliate company in Miami. Now, Re-

lated has a portfolio worth \$15 billion, including 315 properties and 84,000 residential units. Its 10.3 million square feet of retail and office space include two urban malls, one in the South Bronx and the other in East New York, Brooklyn, which have been both praised and named for bringing chain stores to low-income neighborhoods.

A native of Michigan, Mr. Ross said he looked up to his uncle, Max Fisher, an industrialist and financier who warned him that once he left for New York, he would never come back. Once, during the economic downturn of the early 1990's, Mr. Fisher and some other family members invested money in Mr. Ross's real estate ventures. Mr. Ross later bought out these relatives, and, otherwise, he said that he made it on his own.

"I think I left Detroit because I didn't want to be known as his nephew," Mr. Ross said, "but it never hurt me being known as his nephew. He was well-known in New York and respected worldwide."

Mr. Ross says that his secret is to hire well. Although his 2,000 employees include many who signed on shortly after college and stuck with it, he often recruits accomplished figures. He commissioned the design for Time Warner Center from Mr. Childs in no small part because Mr. Childs and his firm, Skidmore, Owings & Merrill, had jazzed the center of this whole development front and center. "Not only is that great for Jazz and making a statement about New York, but it's also great for our retail, because these people who are going to Jazz now have to travel up through the retail."

"We were the only person who said yes was Steve. He overruled everyone else."

—David Childs

community members, who felt they had been shut out of the process. A spokesman for the City's Department of Housing Preservation and Development, Neil Coleman, said that no decision had been made on Queens West. "We continue to talk to many interested parties about Queens West."

Mr. Ross said that the proposal was a practical one. "We are looking to do it the cheapest way of doing it, without profit," Mr. Ross said. "With 5,000 units, we can't have a lot of small developers. This is not a handout program. This is something the city needs as a permanent resource."

His interest in Queens West stems from two sources, he said: a fear that the city was becoming too expensive for the managerial class, and the desire to improve the real estate industry reputation. The idea that the same developer who is building some of the city's highest-priced housing is also concerned about the city becoming too expensive does not strike him as contradictory.

"People come to New York to make money. They want a higher lifestyle. If they don't provide housing to accommodate those people, the city would be a total mess," Mr. Ross said. "You cannot have the attitude that everything is to be built for affordable or for the workforce. You have to have it so that it is totally diverse, so that all income levels can be accommodated."

tion, after Peter Kalikow, another leading candidate, chose instead to remain as chairman of the M.T.A. for a few more months.

It is through REBNY that Mr. Ross has proposed to the city that for-profit developers build middle-class housing—he calls it "workforce housing"—at the Queens West site near Long Island City. Mayor Bloomberg last October announced that the city would buy the property and develop it into 5,000 apartments for families earning between \$60,000 and \$145,000 a year, based on a family of four. The news that REBNY members might take over the project, reported in May by *The New York Times*, annoyed the city's numerous affordable housing developers, who are usually smaller than REBNY members but who have been growing in size and importance over the past several years. It also irritated com-

Continued on page 32