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Related Gets Start on Hudson Yards Site

By Paul Bubny



Cross

NEW YORK CITY—With an eye on readying the “terra firma” portion of Hudson Yards—that is, site development that doesn’t entail building a platform over the Long Island Rail Road’s Far West Side tracks—Related Cos. and Oxford Properties Group said Thursday they’re beginning preparatory work. The first step will be the demolition of the circa-1930s Metals Purchasing Building, a process that a Related spokeswoman tells GlobeSt.com will cost \$2 million and take around four months. Tishman Construction Corp. is managing the deconstruction.

Jay Cross, president of Related Oxford Hudson Yards, tells GlobeSt.com the terra firma segment of the 26-acre development site would likely represent the best option for delivering a building “for a tenant that wants to be in by a certain time. Since it’s the site that could be delivered the most quickly, we felt it was the site that should be prepared the earliest.”

Additionally, Cross says the 60,000-square-foot Metals Purchasing Building straddles Hudson Yards and the next segment of the High Line, the elevated park being built on disused railroad right of way. The terra firma segment of the Hudson Yards site had also been used until recently as a staging area for the New York City Department of Environmental Protection’s ongoing Water Tunnel No. 3 project. “They’ve finished their work, they’ve cleared out and now we can move in and use it as a staging area,” he says.

Much of the site will be built on a platform over the LIRR’s tracks, which are in daily use by the Metropolitan Transportation Authority, from which Related Oxford is leasing the site. With factors such as ventilation and life safety issues being taken into account, “we feel the platform design is really starting to come together, and our intention is to go back into the construction marketplace early in 2011 to test our assumptions,” says Cross.

The idea is to finalize the platform design during the course of next year, he adds, so that construction on the platform could begin as early as 2012. "That's predicated on the assumption that we would reach our first major tenant deal" next year and therefore be in a position to have to start work in '12.

To date, that first major tenant hasn't materialized, although the *New York Post* reported last month that luxury goods maker Coach Inc. is considering the site. "First and foremost, our challenge is in getting the word out that the Yards are ready to go," says Cross.

He notes that the Number 7 subway line extension to the Far West Side is on schedule to be completed by 2014, and as for Hudson Yards itself, "all of our agreements are in place with the MTA and all of our approvals are in place with the city. Really, there's nothing contingent on our starting except securing tenants. That's news to a lot of people." Once it's more generally known, Cross predicts it will get tenant momentum going.

"In particular, the large user market is realizing that there aren't great chunks of space available," he says. "And for these large users, the lead times are considerable, because they're moving a lot of employees. For anyone looking at a lease expiry in 2015, 2016 or 2017, all of a sudden we've become a pretty viable option."

Related Oxford will not be obligated to close on the deal with the MTA, and start paying its 99-year lease, until Midtown's office availability rate declines to 11%, apartment sale prices reach an average \$1,200 per square foot and the AIA Architectural Billings Index hits 50. The latter two of those triggers have already been met, as Cross noted during a RealShare New York panel discussion in October. As for Midtown's availability rate reaching the contractual threshold, Cross says it's reasonable to expect that to happen "during the next nine to 15 months."