



## Hudson Yards tries to tempt a tenant

Related's finally ready to build fab new hood. If only it had an occupant.

BY THERESA AGOVINO

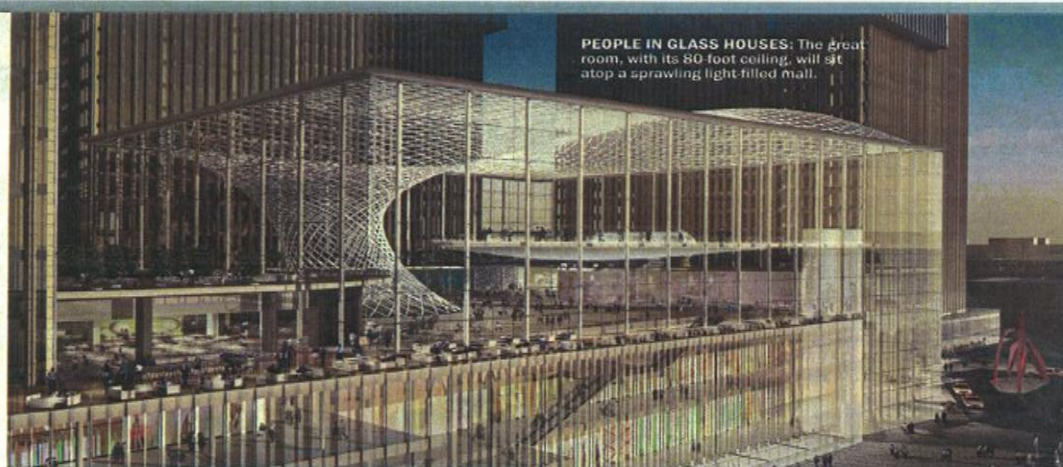
IT'S BEEN AN INCREDIBLY hectic three years for The Related Companies as it laid the groundwork for developing the giant Hudson rail yards project. The company announced and then amended the timing of its deal to lease the 26-acre site, scrambled to find a new financial partner after Goldman Sachs dropped out, and won a crucial rezoning for a portion of the parcel.

"All of the hairiness of this transaction has been removed," said Related Hudson Yards President Jay Cross.

With that accomplished, Mr. Cross is calling 2011 "the year of the tenant." So he hopes.

Amid the still-fragile economic recovery, Related needs to find a company willing to commit to occupying at

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**PEOPLE IN GLASS HOUSES:** The great room, with its 80-foot ceiling, will sit atop a sprawling light-filled mall.

## Hudson Yards aims to lure tenant

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 least 600,000 square feet of office space. Only then can Related attract the needed financing and start building what will be a completely new neighborhood.

To land its key tenant, the developer is offering either to construct a building and sell it to that company at cost, or to provide a big break on the rent. In either case, Related is promising a state-of-the-art tower that will rise on acres of open space, bordered by the High Line and the Hudson River. Other perks will include a 750,000-square-foot glass mall topped with a great room: an enclosed dining and socializing piazza featuring an 80-foot ceiling and great river views.

The entire 12-million-square-foot, \$15 billion project is expected to take as long as 15 years to finish. When the project is completed, a platform constructed over the working rail yards will be home to a new community boasting three office buildings, nine residential towers with a total of 5,000 apartments, a mall, a school, a cultural center and 12 acres of open space. The parcel runs from 10th to 12th avenues and from West 30th to West 33rd streets.

Enticing tenants will be enormously tough, experts say. Massive projects have a history of taking longer than expected, and in the meantime, companies seeking large swaths of space have other options, including two towers rising at ground zero. Vornado Realty Trust has approval to construct a tower on Seventh Avenue across from Penn Station, while Boston Properties is ready to restart its development at West 55th Street as soon as it finds a tenant, sources say.

### Roping a maverick

"HUDSON YARDS is not yet built, and it's in an untested area, so you are going to need a real maverick to go there," said Richard J. Brown, co-chair of law firm Herrick Feinstein's commercial leasing practice group. "A lot of companies don't like to be first."

Still, Hudson Yards has attracted some interest. Related is negotiating with upscale fashion company Coach, sources say. Neither Related executives nor Coach broker Mary

Ann Tighe, CEO of the New York tristate region of CB Richard Ellis Inc., would comment.

Ms. Tighe insists that the project will succeed, given that much of the city's space is old and that there's little in the pipeline. She notes that a mere 32 buildings, with 27.6 million square feet in all—less than 10% of the city's total—were built after 1990. And they have an availability rate of just 10.7%, compared with



the city's average of 12.6%.

Other pluses for the project include the improving economy, the stunning rise of the High Line and surrounding neighborhoods as major destinations, and the extension of the No. 7 subway line to the site's West 33rd Street border.

The strengthening economy will cut both ways for Related. Once certain real estate benchmarks are hit, Related must officially close its 99-year lease deal with the Metropolitan Transportation Authority and hand over \$9.2 million immediately. The close of the deal starts the clock for rent and other payments, which Related will eventually have to make, whether it has tenants or not.

For help, Related partnered with Oxford

Properties, an arm of one of Canada's largest pension funds, to help finance and market the project.

"There isn't a site anywhere else like Hudson Yards," said Blake Hutcheson, Oxford's chief executive, adding that the firm is bullish on New York because of its position in the global financial market.

### Modest beginnings

THE FIRST TOWER will not open its doors until 2015 at the earliest. Even then, Related will not exactly strike it rich, given the company's plans to sell the building at cost or charge only enough rent to cover construction costs—a sum that Mr. Cross estimates at about \$70 a square foot. For built-to-suit, green space, that represents a real bargain, he says. What's more, tax incentives can save tenants \$6 per square foot.

Savings are only part of the draw. After completion of the No. 7 extension, slated for December 2013, it will take less than 10 minutes to reach Grand Central Terminal from Hudson Yards. Penn Station and the Port Authority Bus Terminal are even closer.

The logistics are only part of the pitch. Mr. Cross is convinced that tenants will be drawn by the open space, the cultural center and the mall—which will be twice the size of the retail portion of another Related development, the Time Warner Center. What's more, a short walk on the High Line will take people to some of the city's most popular spots.

"The hardest part of this is convincing people [the project] is for real," said Mr. Cross. ■

### PIONEERS WANTED:

Related Hudson Yard's Jay Cross is looking for a hold company with big space needs.

