

Real Estate Report

Room at the top for observation decks

New buildings mean more competition for stalwarts Empire State, Rock Center.

[Daniel Geiger](#)

Published: December 1, 2013

When the observation deck opens atop the hemisphere's tallest spire, 1 World Trade Center, in a little more than a year's time, it will offer three floors packed with shops, fine dining and streaming videos of the history of New York in the elevators, not to mention wrap-around views of the world's most famous skyline. All told, the attraction will cost \$60 million to build.

Chances are that the city's newest, tallest tourist draw will need all that, and more. Spurred by the dawning realization that million-dollar views can be world-class money spinners for decades on end, a record crop of landlords are planning to jump into the business that in recent years has been lucratively ruled over by a duopoly of the Empire State Building and Rockefeller Center's Top of the Rock.

"If you have a very tall building with great views, it's a business that you're starting to think about," said Annu Chopra, a principal at Atalanta Advisors, who has consulted on and helped arrange financing for several observation-deck deals, including an acquisition last year of the one atop the John Hancock Tower in Chicago by Montparnasse 56. "A lot more landlords are going to start fighting for that tourism dollar." Among the new arrivals will be one from megadeveloper Related Cos. It will open an observation deck in an office tower on which it is planning to break ground early next year at the corner of West 33rd Street and 10th Avenue in Hudson Yards.

Meanwhile, SL Green is also considering a plan to open a viewing deck at the top of a soaring office spire it wants to erect directly across Grand Central Terminal on Vanderbilt Avenue. Not to be outdone, Gary Barnett, the prolific developer who is building one of the tallest residential skyscrapers in the world, on West 57th Street near Broadway, said that he too has considered getting into the observation-deck business.

And although it is hardly a normal observation deck per se, the 625-foot-tall Ferris wheel planned for St. George, Staten Island, will also be in the business of hawking stunning views.



Buck Ennis

At an elevation of 1,080 feet, Related Cos.'s observation deck at Hudson Yards will rank as the highest open-air observatory in the city.

DRAMATIC RISE

By most accounts, interest in such attractions picked up dramatically two years ago.

It happened when hard data emerged as to just how much money the owners of the Empire State Building rake in from its deck. That disclosure came in filings with the Securities and Exchange Commission associated with the effort to take the tower—and 18 other midtown properties—public as part of a real estate investment trust.

The October IPO raised nearly \$930 million and in the process let the world know that the Empire State's rooftop attraction was generating \$60 million in annual revenue.

Fueled by a growing army of tourists, who currently number 50 million annually in the city, the future of the observation-deck business looks bright indeed. REIT analyst Michael Knott of Green Street Advisors projects that operating income at the Empire State Building's observation deck, for instance, will hit a record \$88 million next year.

"Its observation-deck business alone is worth about 30% of the total value of the REIT," Mr. Knott said. "While the office portion of the building has struggled to produce strong returns, the observation deck is a unique asset that's a world-famous place right in the middle of Manhattan and is a moneymaker."

UNDERSERVED MARKET

Many experts believe there is plenty of room for additional observation decks here.

"Is there enough of a market for two or three more observation decks in the city? Probably," Ms. Chopra said.

In one sign of the robustness of the business, Green Street Advisors predicts only a modest tapering of operating income for the Empire State Building after 1 World Trade Center's observatory opens in 2015, falling to \$74 million that year and then \$71 million in 2016.

"We look forward to competing against them," said Anthony Malkin, chief executive of Empire State Realty Trust, [months ago in a conversation with Crain's](#). Mr. Malkin would not comment for this article.

Jay Cross, president of Related's massive Hudson Yards development, is another exec betting there is plenty of demand to go around. He sees his planned deck as part of the package of attractions on the far West Side that includes the High Line and a 1 million-square-foot shopping mall that Related plans to build at the yards, a 100-foot-tall-plus sculpture it will install at the site, and the scenic tree-lined Hudson Boulevard to the north.

Still, Related plans to make sure its deck will be able to compete and is touting several one-of-a-kind attributes that it believes will make its view the best in town.

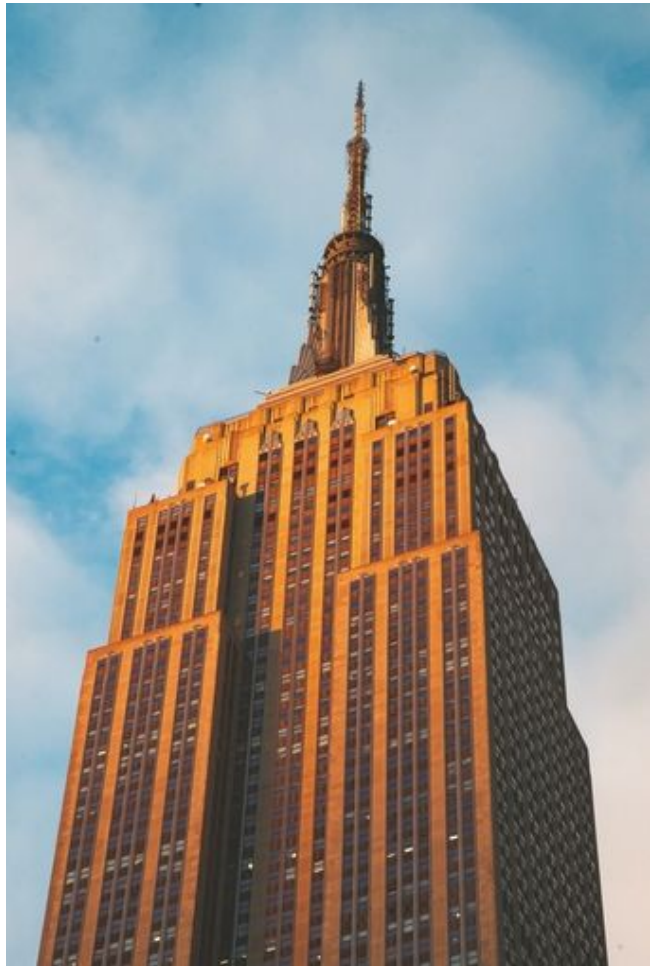
For one, at an elevation of 1,080 feet, its deck will rank as the highest open-air observatory in the city. Related will also amp up the visceral and vertiginous thrills by potentially offering amusement-park-like features such as a glass floor that will cantilever out over the chasm and possibly a glass wall that patrons can lean against as it tips out over the drop.

"In the history of tall buildings around the world, there's always been a human desire to get up at the top of them," Mr. Cross said. "You want to max that experience for them, and what's unique here is that we're part of an evolving world of observation decks where there's a thrill aspect to it."



Newscom

Rockefeller Center's Top of the Rock opened in 2005, after 20-year hiatus, at a height of 850 feet.



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The Empire State Building opened in 1931 with a 1,250-foot-high view of midtown and downtown.

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