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Developers Cut \$5 Billion Deal With Lenders, Tenants to Finance Hudson Yards

Related, Oxford reach package for centerpiece of 28-acre project on Manhattan's West Side

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Hudson Yards, a sprawling complex of office buildings, apartments and retail space that skeptics doubted would ever be completed, passed another milestone as its developers Friday finalized \$5 billion in debt and equity financing and cut a deal with another major business to buy office space.

The financing package—one of the largest capital raises for a U.S. real-estate project since the 2008 downturn—includes \$2.19 billion in debt from lenders including Bank of America, Wells Fargo, Bank of China, Deutsche Bank, Canadian Imperial Bank of Commerce, Crédit Agricole and Industrial and Commercial Bank of China.

Equity is coming from the developers, Related Cos. and Oxford Properties Group, as well as tenants that are buying office condominiums and from overseas investors using the U.S. EB-5 program, which encourages foreigners to invest in the U.S. and create jobs in exchange for a green card.

The money will go to finance the centerpiece of the 28-acre project named Hudson Yards: two connected buildings that will include a 90-story office building, a 1 million square foot mall and an observation deck. The developers

earlier announced deals to sell office condominiums in the tower to two big-name businesses, Time Warner Inc. and KKR & Co.

Related and Oxford also are set to announce that they have attracted another large financial service company to the site: Wells Fargo Securities. Now located in the Seagram Building on Park Avenue, Wells Fargo will occupy 500,000 square feet.

Construction is underway on the two connected buildings as well as four others. Planners have dreamed of developing the site for at least a quarter century, but skeptics doubted the project would ever leave the drawing board because it is so far to the west of Manhattan's traditional Midtown.

But the opening of a new station on the No. 7 subway line on the site earlier this year combined with the strength of Manhattan's real estate market changed the minds of many. The area also is getting more popular thanks in part to the High Line, a 1.5-mile linear park built on an old elevated railroad, which ends at Hudson Yards.

"Four billion dollars of infrastructure has gone on in and around Hudson Yards in advance of us opening," said Jeff Blau, Related's chief executive. "People have taken notice."

Still, raising debt financing wasn't easy, Mr. Blau said. "There's not enough capital," he said. The stricter regulatory environment "really limits the banks from making these large scale loans," he said.

The debt financing consists of two pieces, a \$1.5 billion loan on the retail space made by a syndicate of mostly foreign banks and a \$690 million loan on the office tower made by banks led by Bank of America and Wells Fargo. The retail space is slated to include Manhattan's first Neiman Marcus, a luxury retail department store chain.

Both loans closed Friday as did the sales of the office condo units to Time Warner, KKR and Wells Fargo, mostly at the law offices of Gibson Dunn & Crutcher. "We took every conference room in the law firm," Mr. Blau said.

Mr. Blau said the continued tough financing climate is reflected in other buildings underway in Hudson Yards, with money coming from non-traditional sources. For example, the developers announced last month that they had closed on \$1.3 billion for the first residential tower on the site, a 960,000 square foot condominium and rental tower. London-based Children's Investment Fund Foundation, a charitable organization, provided \$850 million in debt financing.

"We had to go out of the banking system," Mr. Blau said.

The Hudson Yards project eventually is expected to cost \$20 billion and include more than 17 million square feet of office, retail and residential space. The developers say construction could stretch out for another decade or more depending on demand and economic cycles.