

-
- ▶ Buyout firm to leave 9 W. 57th, home to financial companies
 - ▶ Related Cos. lures KKR to its 90-story 30 Hudson building

KKR & Co., the buyout firm that rose to prominence in the 1980s when it paid more than \$31 billion for RJR Nabisco, agreed to buy about 343,000 square feet of office space at 30 Hudson Yards, setting the stage for its relocation from Manhattan's Plaza District to a development zone once dominated by bus garages and a train depot.

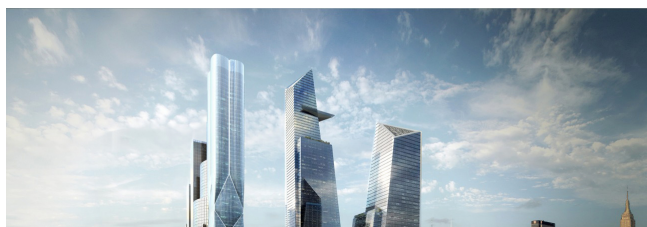
The company is taking the top 10 office floors of a 90-story tower that will be the tallest building in Related Cos.' \$20 billion development west of Midtown, the companies said in a joint statement. The price wasn't disclosed. KKR will join Time Warner Inc. in the 2.6 million-square-foot (242,000-square-meter) tower, giving Related an 85 percent occupancy rate at both of the first two skyscrapers it's building at the yards.

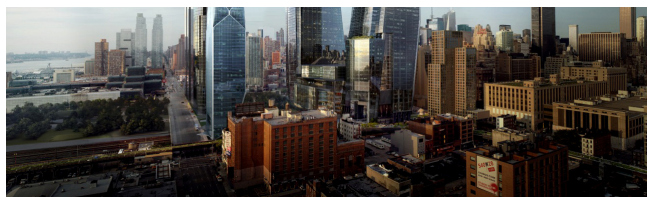
The move signals a culture shift as KKR plans its departure from 9 W. 57th St., which is among Manhattan's most exclusive office towers. KKR's presence, along with that of Apollo Global Management LLC, Silver Lake Management and Och-Ziff Capital Management Group LLC, helped cement 9 W. 57th's reputation as the home of some of New York's top financial firms.

The move "isn't an isolated event," Jeff Blau, chief executive officer of New York-based Related, said in a phone interview. "It's part of a dynamic change that's happening, where people are moving west and specifically moving to Hudson Yards."

The idea of relocating KKR to the Yards "started at the top" with KKR Co-Chief Executive Officer Henry Kravis, Blau said.

KKR did a commutation study and found the location to be convenient for its workforce., Blau said. The Yards are benefiting from the popularity of the High Line and the new Whitney Museum of American Art, he said.





A rendering of the first phase of Hudson Yards. Source: The Related Companies

‘Dynamic Setting’

“This move will allow our teams to work together in a dynamic setting that promotes innovation and forward thinking,” Kravis said in the statement.

Kristi Huller, a KKR spokeswoman, declined to comment beyond the statement. Thirty Hudson Yards is slated to be finished in 2019, with KKR moving in in 2020, according to Related.

KKR has about 161,000 square feet at its current building, according to data from CoStar Group Inc., a Washington-based firm that tracks office leasing. The skyscraper, whose glass sides slope gently from a broad base to a narrow top, offers commanding views of Central Park and the skyline to the south.

Owner Sheldon Solow, who completed the tower in 1972, is known for withholding its offices from all but the most exclusive of tenants, said Michael Cohen, tri-state regional president for brokerage Colliers International. The tower is about 67 percent occupied, and all of floors 22 through 29 are available for lease, according to CoStar.

Emerging Market

“I’m sure it will be a step up,” Cohen said about KKR’s move to Hudson Yards. “Because, let’s face it, 9 West is over 40 years old. I think there’s an element of a strike-while-the-iron-is hot optimism here, to get a chunk of this emerging market as an investor.”

A voicemail left with Solow’s company wasn’t returned.

Besides Time Warner, which is taking about 1.5 million square feet at 30 Hudson, KKR will join Coach Inc., SAP SE, L’Oreal USA and VaynerMedia as Hudson Yards’ first office occupants. Those four companies will be the principal occupants of 10 Hudson Yards, a 1.7 million-square-foot tower that topped out earlier this month and is scheduled to open in March.

Like Time Warner, KKR will own its offices rather than rent from Related and its project partners, which include Toronto’s Oxford Properties Group. The arrangement allows the companies to make a single one-

time payment and not have to deal with rent increases, certain taxes and the negotiation of lease extensions, Blau said. For Related, it allows the company to raise working capital it can then reinvest in further development of Hudson Yards, a 28-acre (11-hectare) project that also includes almost 6 million square feet of multifamily high-rises.

Highest Observatory

Thirty Hudson, a 1,296-foot (395-meter) tower that will feature the city's highest public observatory, is being built over what is known as the "throat" of the Metropolitan Transportation Authority train yard, where trains enter and leave the parking area. It requires the thickest steel bracing of the platform over which Related is building most of the project.

The tower will offer KKR its own private elevator bank, river-to-river panoramic views and an outdoor terrace, according to the statement. Blau said the company will have access to space in the observatory it can use for private events.

Both 10 and 30 Hudson Yards are approaching full occupancy, Blau said. He declined to identify companies Related is in negotiations with.

• KKR & Co LP • Jeff T Blau