

# BUSINESS INSIDER

*Hudson Yards is the most expensive real estate development in US history. Here's what its \$25 billion future could look like.*

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- The \$25 billion Hudson Yards complex is a masterpiece in urban design that developers have envisioned for decades.
- At 28 acres, the site will transform the surrounding community, bringing an influx of office workers, tourists, and residents.
- The emphasis on luxury amenities and high-end retailers threatens to alienate long-time establishments, which may soon be priced out of the neighborhood.

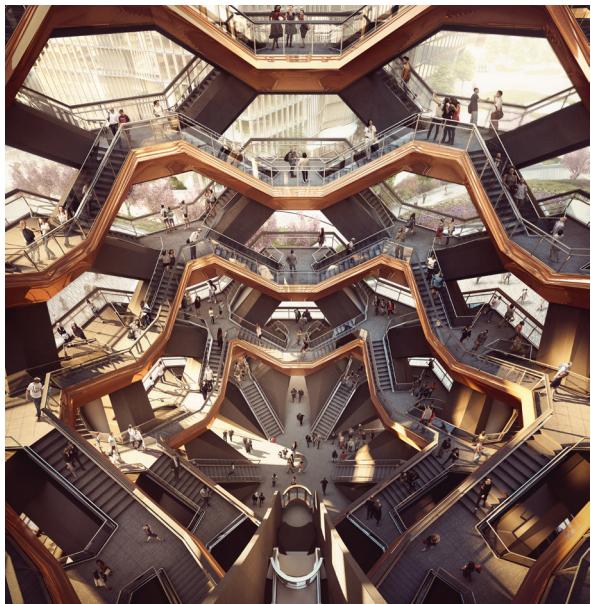
Stepping onto the Hudson Yards site, it's impossible not to gravitate toward Vessel, a 150-foot-high, honeycomb-shaped art installation located in the center of the complex. With its reflective copper cladding and \$150 million price tag, the structure is emblematic of the development itself: expensive, partially enclosed, and intentionally breathtaking.

While the complex is a stunning design feat, the fact that it's being built is even more impressive.

At \$25 billion, Hudson Yards is the most expensive real estate development in US history. When complete, the new Manhattan neighborhood will feature a collection of shops, restaurants, offices, and private residences orbiting an open public square and gardens.

The project will also include a public school and a cultural center known as The Shed, featuring a retractable outer shell for both indoor and outdoor events. The entire complex sits on a platform above the Long Island Rail Road tracks, with trains buzzing in the background.

Though arguably the most ambitious development ever built in New York City, its sheer magnitude — coupled with its luxury amenities and high-end retailers — threatens to alienate not just the surrounding community, but the rest of the city as well.



## LANDING ON A VISION

For decades, developers have attempted to transform the site into a landmark Manhattan structure. In the 1950s, real estate mogul William Zeckendorf proposed the construction of a "palace of progress" that would have been the tallest building erected during the Cold War.

The development ultimately fell into the hands of two real estate companies — Related Companies and Oxford Properties Group — in 2010. Together, they began working on New York's largest urban development since Rockefeller Center.

Only recently have these companies begun to witness the fruits of their labor, as workers construct the first phase along the western waterfront. At a planned 28 acres, the project is huge even for New York City. Its mall alone is one million square feet, making it bigger than the

Museum of Modern Art and Whitney Museum of American Art combined.

It's difficult to understand the scale without visiting the site itself, which is teeming with cranes and construction workers. Even on a cloudy day, the towering buildings change colors with the light, transitioning from shimmering coppers and silvers to matte blues and greys.

## THE HOLE IN THE DOUGHNUT

When Related Chairman Stephen Ross first conceived of the project, he wanted to move the city's center of gravity from places like Times Square and Grand Central to the western periphery, where he could provide more space for young, ambitious workers.

As part of its master plan, the city was already on the lookout for a development that could seamlessly link Hell's Kitchen to the north with Chelsea to the south. With the 7 subway line feeding directly into the neighborhood, and local staples like the High Line and Hudson River Park nearby, the site was poised to attract tenants looking to escape the crowded

streets of Midtown or the Financial District.

"When you see the public sector make that kind of investment, it's an indicator for the private sector that there's a will to make something significant happen," said Jay Cross, the president of Related Hudson Yards. "We were the hole in the doughnut."

This meant that developers weren't too concerned about being located outside the geographic center of Manhattan. According to Cross, around 5 million workers now live within a 40-minute commute of the site, giving New Yorkers "equal access" to the development. "We think we have the best public infrastructure anywhere in the city," he said.



## THE AFFORDABILITY ISSUE

The site's lofty retail and residential prices are bound to deter more than a few New Yorkers — including some of the energetic millennials it's looking to attract.

Apartments at the majority-residential building, 15 Hudson Yards, begin at \$3.9 million, while renters can expect to pay at least \$5,300 per month for a one-bedroom unit. With most twenty-something New Yorkers earning around \$3,300 a month, that's well outside the price range of the city's younger residents.

Following lengthy negotiations with the local community board, the developers agreed to set aside some affordable units. The final project will include roughly 4,000 units, around 400 of which will be affordably priced.

Even so, Cross acknowledges that many young workers won't be able to swing the rent in Hudson Yards. "It's not necessarily the market where most millennials live, but it's a market where they'd like to work and play, and aspire to live," he said.



The site's main retail center is anchored by a three-floor Neiman Marcus, surrounded by shops like Cartier, Coach, and a 6,000-square-foot Watches of Switzerland showroom. There's also a Zara and H&M, which Cross is quick to cite as examples of retail stores that don't befit the "high-end" label.

Across the plaza at 35 Hudson Yards, visitors can stay at the first-ever Equinox Hotel, which is coupled with a 60,000-square-foot Equinox fitness club and spa.

Dining options include celebrity chef Da-

vid Chang's momofuku, luxury restaurant chain D&D London, upscale grocery Citarella, and Bouchon Bakery. Developers are also collaborating with renowned culinary experts José Andrés and Ferran and Albert Adrià to produce a 35,000-square-foot "Spanish Eataly" — known as Mercado Little Spain — at 10 Hudson Yards.

Though Cross said the site's retail and dining amenities are meant to be "egalitarian," most of them call to mind the kind of luxury options that have been criticized in other wealthy enclaves like Tokyo's Roppongi Hills.

Cross even draws a parallel between the two sites in terms of design. Both developments are relatively self-contained and feature sustainable elements like recycled rainwater and turbines that reduce carbon emissions. But they've also been branded as complexes for the 1%, with mixed-use layouts that discourage residents from venturing outside.

"We think the 'city within a city' concept is strong because it gives you a place of identity and purpose," said Cross. "Having said that, if we do our job right, it's going to spill into the neighborhood outside our confines."

## COMMUNITY TIES

One of Cross' favorite local haunts is Old Country Coffee, a hipster-esque joint that's now shrouded in scaffolding. Although the store's sign is barely visible to the public, the barista said they've seen business more than double as a result of construction.

"A rising tide lifts all boats, so the broader neighborhood is going to benefit from [our] activity," said Cross.

But the laws of gentrification suggest this growth could be temporary. As demand for the area continues to increase, many local businesses are at risk of being priced out of the neighborhood.

We can look to Seattle for a hint of what's to come in the neighboring communities surrounding Hudson Yards. More than two decades after Amazon built its now 10 million-square-foot campus in South Lake Union, Seattle has seen a

considerable rise in rents and home prices. This has led to a wave of grocery stores, bars, and restaurants being forced to shutter their doors.

Although Amazon's Seattle offices are fairly integrated into the urban fabric, they have had unavoidable consequences on local residents and businesses.

Unlike the Amazon headquarters, Hudson Yards has enlisted a diverse group of tenants, including technology firms Sidewalk Labs and SAP, finance companies Wells Fargo and KKR, two medical centers, and a handful of law firms. The idea, Cross said, is to host leading companies from each of New York's top industries.

But to avoid the kind of backlash that Amazon is now experiencing in Seattle, Hudson Yards may need to double down on its commitment to the neighborhood, particularly in the coming months.

Though it's hard to predict the impact of an unfinished development, Cross expects an influx of occupants once phase one is complete in March. The tsunami is on its way, he said.

It's an apt metaphor for the grandiosity, and uncertainty, to come.

