

# The Sun

## All Signs Pointing Up in Downtown Manhattan

By MICHAEL STOLER  
October 25, 2007

In Lower Manhattan and nearby TriBeCa, every segment of the real estate market is hot as a pistol. Thousands of tourists from around the world, yuppies and eco-boomers, financial service executives, and construction crews are active in the revitalization of the nation's third-largest business district — the fastest growing residential market in New York City.

A principal of Thompson Hotels, Michael Pomeranc, who is developing the Smyth Tribeca on Chambers Street and the Gild Hall at 15 Gold St., said Lower Manhattan “was the sleeping giant. Great infrastructure, huge buildings, retail, density, and vibrancy. Post-9/11, and the progressive downturn that started before, the area was the largest shell for redevelopment in the world. Empty buildings allowed for a rethinking and replanning of this ‘meta-city.’



With Chase moving its operations and NCR technology moving to 7 World Trade, downtown is re-emerging as the financial capital of the world.

“First came the dreamers, then the developers and the residential converters, and then the tenants and buyers, and then the retail, and now the hotels. This is the tale of two cities — the one before and the one after,” he said.

The president of Swig Equities, Kent Swig, said the Financial District “is all about demographics — it is the wealthiest neighborhood in America by day and the third-wealthiest neighborhood by night.”

He added: “It is comprised of the third-largest office concentration in America, and it has the highest tourist traffic in New York City, second only to Times Square. It is the fastest growing residential neighborhood in New York City and more schools are being built there than any other area in the city. It also contains more subway track per square foot than anywhere in the USA.”

### THE OFFICE MARKET

“We are seeing world-class retailers come into the core of Lower Manhattan to be enjoyed by the office workers, residents, and visitors alike,” the president of Rudin Management, William Rudin, said.

“The vacancy rate for commercial office space is at its lowest levels in the past several years, and work at ground zero is rapidly moving forward. The recent successes in downtown further reiterates downtown’s position as financial capital of the world, particularly with Chase moving trading operations, NCR technology moving employees from Ohio to 7 World Trade, as well as a major shopping and residential destination. I could not be more pleased,” Mr. Rudin continued.

According to a report by Cushman & Wakefield, the vacancy rate fell to a record low of 6.7% for the third quarter

ended September 30 from 9.1% in the third quarter of 2006. The overall asking rents for the quarter rose to \$45.86 from \$36.18 the prior year.

“This summer we broke the \$50 mark for rent at our building at 55 Broadway,” a partner at Broad Street Development, Ray Chalme, said.

Class A asking rents downtown jumped \$15, to more than \$51.43 a square foot, in the third quarter, up from \$35 at midyear 2006 — and surpassing Class A asking rents in Midtown South.

“The leasing market downtown is still very active but off from last year’s pace by about 15%,” the chief operating officer of the New York region for Cushman & Wakefield, Joseph Harbert, said. “Some tenants are being priced out of Midtown and unable to find adequate space in Midtown South, are now relocating to downtown. “We’re also seeing tenants from a diverse range of industries that genuinely want to operate downtown. They’re aware of the positive momentum, and they’re looking forward to becoming part of the revitalized community there,” Mr. Harbert said.

“Downtown is on fire, each day more office tenants are visiting our downtown properties and making choices quickly to move to this bustling region,” a principal at Broad Street Development, Dan Blanco, said. “The majority of tenants that visit our buildings are from Midtown. They are so price conscious that they feel that there’s a value-added with Downtown. There’s definitely a flight to quality.”

Earlier this week, American Lawyer Media signed a major lease to move to Silverstein Properties’s building at 120 Broadway. “More than 1 million square feet of new leases are in various stages of negotiation for Lower Manhattan,” the executive director of Cushman & Wakefield, Frank Centro, said.

## RETAIL

Local residents and an increasing number of tourists — many drawn by ground zero — are visiting a growing number of retail establishments in Lower Manhattan and nearby TriBeCa.

On October 10, Tiffany & Co. opened an 11,000-square-foot space at the bottom of the Beaux Arts building at 37 Wall St., which was built in 1907. On Saturday, I witnessed at least 30 customers at the store being offered a choice of Champagne or sparkling water to enhance their shopping experience.

On October 11, Gristedes Supermarket opened its first store in the Financial District, a 7,500-square-foot outlet at 90 Maiden Lane between Pearl and William streets.

Later in the year, Tumi will open on Wall Street, and Canali is planning to open early next year. These stores will join the ranks of international and domestic retailers such as Thomas Pink, BMW, Hickey Freeman, Sephora, and Borders. “I would liken the retail activity in the FiDi area, especially on Broad and Wall streets, to that of Bond Street and the New Bond Street in London,” Kent Swig said. “Both have similar stores: Hermès, Tiffany, Thomas Pink, but FiDi has Canali, BMW, Tumi, and others are arriving.”

In November, before Thanksgiving, a Bed Bath & Beyond and a Barnes & Noble will open at developer Edward Minskoff’s mixed-use condominium, rental, and retail complex at 101 Warren St. Next year, a Whole Foods market will open in the complex, providing Lower Manhattan and TriBeCa its first 70,000-square-foot food market.

## RESIDENTIAL

According to the Alliance for Downtown New York, the median household income is \$165,000, about three times the median for all of Manhattan. Since 2001, the residential population below Chambers Street has increased by more than 30%, with a present population of just less than 45,000.

“Prices for residential condominiums in Lower Manhattan are ranging from \$1,050 to \$1,300,” a principal of Capstone Equities, which is converting the office tower at 40 Broad St., Josh Zamir, said. The first seven floors will be office space, with condominiums on floors eight to 25. Possibly the highest-ever recorded price for a condominium

in the Financial District was achieved earlier this month, according to Mr. Zamir, when an individual agreed to pay \$1,800 a square foot for the penthouse unit.

Developer Joseph Moinian expects to achieve prices in excess of \$2,000 a square foot in his new mixed-use residential tower and W Hotel on Washington Street. The hotel will occupy the first 30 floors of the tower, with condominiums on floors 31 to 57.

Mr. Moinian is also converting the office tower at 95 Wall St. into 507 residential rental units, where he expects to rent apartments for as much as \$80 a square foot. A studio of 500 square feet will rent for \$3,300.

“We’re seeing incredible growth in Lower Manhattan, especially in terms of the residential market,” the chief operating officer of Citi Habitats, Gary Malin, said. “The downtown market, in particular the SoHo and TriBeCa area, has been one of the strongest rental markets, with a September vacancy rate of 0.81% and rents averaging \$2,500 for a studio, \$3,400 for a one bedroom, and \$5,300 for a two bedroom.”

He added: “One current rental development, 89 Murray, marketed and leased by our company, is a top-of-the-line rental development with units ranging from \$2,900 for alcove studios, \$4,400 for a one bedroom, \$5,550 for a two bedroom, and \$7,000 for a three bedroom. 89 Murray came in the area of the high \$60s to low \$70s per square foot.”

A managing director at Prudential Douglas Elliman, Andy Geringer, said: “The Financial District in particular, in my opinion, is one of the great values for the people that want to still remain in mainstream Manhattan. You can get the most bang for your buck in this part of town.” Conversions and new construction are selling downtown in the range of about \$800 to \$1,200 a square, he said. Mr. Geringer said the Financial District is attractive to families, with Whole Foods on the way, and the fact that some areas of the neighborhood fall within the top-ranked P.S. 234 school district. “It is a great place to get in on the action before prices take off,” he said. “The new bar will be set when Forest City comes to market with their building on Williams Street.”

## INVESTMENT SALES

In August, the Paramount Group sold the 973,587 square foot, Class A office building at 32 Old Slip for \$751 million, or \$771 a square foot, one of the highest prices ever paid for an office building in Lower Manhattan. This summer the Paramount Group paid the highest recorded price for a building in Lower Manhattan when it purchased Deutsche Bank’s North American headquarters, a 1.7million-square-foot tower at 60 Wall St., for \$1.18 billion, or \$694 a square foot. At the time of the sale, Deutsche Bank entered into a 15-year leaseback for the entire facility.

Earlier this month, a joint venture of Taconic Investment Partners and Square Mile Capital entered a contract to acquire a condominium interest in the office tower at 375 Pearl St. The partners are purchasing approximately 930,000 square feet of the 1.09 million square feet from Verizon. The new owners plan to convert the tower into a Class A office building.

## HOSPITALITY

The hospitality industry is booming in Manhattan, especially downtown. As a leading tourist destination, at least 20 hotels with more than 2,400 rooms are in various stages of planning across the neighborhood. Properties include the Moinian Organization, W Hotel on Washington Street, and Silverstein Properties’s planned five star hotel at 99 Church St., on the site of the former headquarters of Moody’s.

All you have to do is visit Lower Manhattan and see that the streets are bustling, with restaurants full at lunch, and thousands of visitors each and every day of the week.

I concur with hotelier Michael Pomeranc when he says, “Lower Manhattan has a new heart. Rest assured that it will grow stronger and flow in all directions. This is old New York, but this time, with all the trimmings.” Downtown is back in a big, big way.