



June 28, 2007

Refashioned: Financial District Is Booming With Business



WALL STREET RISING Last week, Hermès opened its 4,000-square-foot flagship store in the mixed-use tower at 15 Broad St.



Michael Stoler

Few individuals expected Lower Manhattan to rebound from the terrorist attacks of September 11, 2001.

The optimists in the real estate world who invested in the area following the attacks are now reaping the rewards of a phoenix-like resurrection. Today, residential, commercial, retail, and hotels are booming in the third largest business district in the country.

Radical changes are taking place daily in the former financial district, especially on Wall and Broad streets. Wall Street, the serpentine alley once considered to be the heart of the financial district, is now home to luxury residential apartments, high-end retailers, hotels, and restaurants. Today, the building at 23 Wall St., known in the past as the "House of Morgan," is part of developer Leviev Boymelgreen's successful mixed-use retail, office, and condominium tower, known as 15 Broad St.

Last week, the Paris-based luxury goods emporium Hermès opened its 4,000-square-foot flagship store in the tower. On Monday, the former Brown Brothers Harriman headquarters at 63 Wall St. welcomed the opening of London's leading shirt maker, Thomas Pink. In October, Tiffany & Co. will open its second store in Manhattan, at 37 Wall St., the former home of Trust Company of America. This 25-story landmarked building has been converted into a residential rental building by Skyline Development, a division of Garden Homes.

"The Broadway retail corridor from Battery Park to Chambers Street has seen some of the largest rent increases in the city over the last year. Median retail rents are now \$200 per square foot along the strip. Only four years ago, the median was \$75 per square foot," a principal at Newmark Knight Frank, David Falk, said.

INVESTMENT SALES

Rising rents in the financial district are pushing investment sales of buildings to record highs. In April, the former Bankers Trust Company Building at 14 Wall St. was acquired by a joint venture of Capstone Equities and the Carlyle Group, which paid \$325 million, or about \$340 a square foot, to a joint venture of Boymelgreen Group and Africa Israel Investments. The former owners acquired the building in 2005 from Stellar Management for \$210 million. The managing principal of Capstone Equities, Josh Zamir, said, "We recently rented offices for \$50 per square foot." Just 18 months ago, space in this building was leasing for about \$30 a square foot.

This June, the Paramount Group closed on its purchase of the Deutsche Bank building at 60 Wall St. for \$1.18 billion, the highest recorded price for an office building in Lower Manhattan. Earlier this month, Paramount an-

nounced it has retained an investment broker to sell the 1.1 million-square-foot One Financial Square at 32 Old Slip in Lower Manhattan. Industry leaders expect this Class A building to fetch more than \$700 million.

Broadway Partners, one of the most active owners of office properties in the city, is in contract to purchase its first building in Lower Manhattan. It is purchasing the 466,000-square-foot Class A office tower at 100 Wall St., and real estate sources believe the sales price is in excess of \$175 million. The seller is Beacon Capital Partners, which purchased the building in February 2006 for \$134 million from Reckson Associates Realty Corp.

Last week, the Moinian Group, one of the largest owners of office and residential properties in Lower Manhattan, announced plans to convert a 500,000-square-foot building at 95 Wall St., the former JPMorgan Chase office tower, into 507 luxury rental apartments. The Moinian Group is also developing a 57-story W Hotel and residences at 123 Washington St., just a block south of ground zero, which will house 217 hotel rooms and 222 residential condominiums.

In December 2005, a joint venture of the Hakimian Organization, Peykar Brothers, and Gorjian Properties purchased the 36-story, 660,000-square-foot office building at 75 Wall St. for \$185 million from JPMorgan Chase. One of the former headquarters of JPMorgan Chase, the tower is now being converted into luxury residential condominiums and a hotel. The tower will be the home of the Andaz Hotel, a new luxury lifestyle arm of Hyatt. The 250-suite hotel will take up the lower part of the building, while the upper 24 floors will house 350 luxury condominiums.

More than 10 hotels are in various stages of construction in downtown Manhattan. A number of development sites that presently serve as garages are being offered for sale at prices in excess of \$350 a developable foot. Development sites are situated on Washington and Greenwich streets and Maiden Lane. McSam Hotels, which is developing more than 25 sites in the five boroughs, is in the process of building seven new locations in Lower Manhattan. Nevertheless, industry leaders believe that the hospitality market can absorb additional luxury and boutique hotels.

OFFICE

"Office development downtown has been skyrocketing with the completed 7 World Trade Center and with the newest constructions of Goldman Sachs's 2.2 million square feet of office space on the west side of West Street, and the newly signed deal for JPMorgan Chase to develop 1.2 million square foot office tower on the Deutsche Bank building, adjacent to the World Trade Center site," the senior managing director of valuation and advisory services at CB Richard Ellis, Daniel Lesser, said.

"Seven World Trade Center was a turning point for downtown," the

president of Silverstein Properties, Larry Silverstein, said. "So far, nearly three-quarters of the building has been leased to a diverse range of tenants, reflecting the strength of the downtown market and new 'creative class' tenants. The downtown market, in my judgment, will reflect a continuing excess of demand over supply, and therefore rents should increase significantly this year. This is one of the greatest neighborhoods in the city, and it's only going to get better. The advent of 10 million square feet of new office space at the World Trade Center, plus 2.5 million square feet of Goldman Sachs space, is going to have a major beneficial impact on demand for all types of space."

The senior vice president at World Trade Center Properties, a division of Silverstein Properties, Janno Lieber said, "The new World Trade Center will be downtown's Rockefeller Center, surrounded by first-class residential and cultural space and amenities. This is an incredibly exciting part of town. It's a new kind of place, and the world has picked this up, with schools, parks, waterfront, name-brand retail, cultural amenities."

"Downtown is very vibrant," a principal at Broad Street Development, Daniel Blanco, said. "We are achieving \$50-dollar rents at One Exchange, aka 55 Broadway. Demand is very strong, and the majority of our tenants are from Midtown. They are being priced out of the marketplace, and quite simply downtown has become the most viable option for them."

This week, the president of Swig Equities, Kent Swig, announced

that his company's 34-story 324,000-square-foot building at 48 Wall St. "is now 100% leased, with the signing of the lease expansion and renewal of a lease with Huntsman Architectural Group, evidencing strength and confidence in the downtown market."

A vice president at Time Equities, Michael Rudder, said, "Our office condominium project at 125 Maiden Lane has been a huge success. The Community for Education Foundation just signed contracts for \$500 per rentable square foot, a new downtown record. The U.S. Fund for UNICEF just purchased nearly 75,000 rentable square feet and the Guttmacher Institute also purchased 25,000 feet from floors that were originally purchased by the Empire State Development Corporation. Due to the success that Time Equities has at the building, we are preparing to submit plans to convert other office buildings to office condominiums."

Last week, Community Board 1 approved the plans for Time Equities to erect a 63-story hotel and residential condominium at 50 West St., across from Battery Park City. The building will house 155 hotel rooms and 259 residential condominiums.

"The surge of the market is the confluence of number of factors," the chief operating officer of the New York metro region of Cushman & Wakefield, Joseph Harbert, said. "Generally speaking, we have started to recover from 9/11 economically and psychologically, as well. Second, people see things happening, like the logjam of the Freedom Tower and the site was fi-

nally broken. There was a focus on residential that has been transformed, which leads to retail. Finally, rents are rising everywhere in the city, and space is at a premium in Midtown and Midtown South, so Lower Manhattan is a logical place to go."

Mr. Falk of Newmark Knight Frank said the marketplace in downtown is showing positive signs. "Downtown office rents surged 30% in the last year alone, to over \$44 per square foot on an average, and the availability rates for space are hovering around 10%, back to conditions prior to 9/11. Visitors to downtown attractions are up 47% in the last two years," he said.

RESIDENTIAL

There are at least 15 residential developments under construction in Lower Manhattan. The population of Lower Manhattan south of Chambers Street has grown to 44,700 from 26,900 prior to September 11, according to a report by the Alliance for Downtown New York, released earlier this month. Forty percent of residents own versus rent, with a growing share of current residents interested in owning a home downtown. The median household income of downtown residents of \$162,700 in 2007 was "nearly three times greater than the median household income in the rest of Manhattan," according to the survey.

"The overall growth in Lower Manhattan has been incredible," the COO of Citi Habitats, Gary Malin, said. "In the residential market, dozens of new condo and rental developments have opened or are coming to market. Condo-

minium developments like 88 Greenwich are seeing sales hit \$1,114 per square foot, with retail averages at between \$80 and \$120 per square foot. New rental buildings such as 37 Wall St. are seeing rents at \$53 per square foot, and it is 80% rented after only eight months. These residential developments will bring new buyers and renters in the mid- to high-income range into the area, and together with the increased interest of businesses and retailers will further develop this area into a very desirable destination to live and work."

"The residential market has matured, with rental prices now rivaling traditional neighborhoods to the north," the president of Metropolitan Valuation Services, Steve Schleider, said. "As annualized rents routinely pierce \$60 per square foot, it's not uncommon to see apartment leases well in excess of \$5,000 per month for two-bedroom units."

I believe the president of Trinity Real Estate, Carl Weisbrod, sums it up when he says, "In hindsight, I think all have been proven right: those optimistic about the future of Lower Manhattan after 9/11, those who felt strongly that the WTC site had to be preserved for commercial development, and those who recognized that an increased residential population was essential to attract high-quality retail to the neighborhood."

Mr. Stoler, a contributing editor to The New York Sun, is a television and radio broadcaster and senior principal at a real estate investment fund. He can be reached at mstoler@newyorkrealestatetv.com.