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\$167M Hudson buy a good Yard stick

By Sarah Trefethen



Coach was the first tenant to sign up for office space in Hudson Yards.

It's game on in Hudson Yards.

Long delayed by the economic downturn, momentum for the Bloomberg administration's vision of a new office neighborhood on the far west side of Manhattan got a boost yesterday with the announcement that Frank McCourt has purchased a 26,000 s/f parcel of vacant land at the southern end of the neighborhood for \$167 million.

McCourt Partners, whose chairman and CEO is also a former owner of the Los Angeles Dodgers, plans to build a large, mixed-use property on the site that will include retail, commercial and residential components.

"We are very optimistic about the long-term opportunities in the New York City real estate market, and we believe the value of this area in particular will increase substantially over the next decade," McCourt said in a press release.



Jeffrey Katz

Current zoning allows for more than 730,000 s/f of development, 494,000 s/f of which would have to be devoted to commercial use, according to the sellers, a partnership of Sherwood Equities and the Boston-based Long Wharf Real Estate Partners.

According to Sherwood executives, the deal closed in seven days, from offer acceptance to closing.

"We began investing in this area over 25 years ago and it is finally now in the moment where it is all coming together at a scale that has never been imagined, even in the city

of New York," Sherwood president and CEO Jeffrey Katz said in a statement.

Others with a stake in the neighborhood see McCourt's move as a vote of confidence in the project.

"To me it's further credibility in the fact that the district is no longer something into the future, it's now; and it's not something that may happen, it's something that is happening," said Arthur Mirante of Avison Young, who is leading the leasing team for

the Moinain Group's planned 1.8 million s/f of office space at 3 Hudson Boulevard, on the northeast corner of Eleventh Ave and 34th Street.

The Moinian project is awaiting an anchor tenant before breaking ground, but Mirante said he's not worried about the additional competition.

"This investment in the area is just a manifestation of tenant interest," he said, pointing out that there is still very little modern, Class-A office space available in Manhattan.

"I do think the need is building for it and is almost backing up at this point. You have a lot of financial institutions in the city right now who have five or six different locations in different buildings."

3 Hudson's first tenant announcement might not come right away, Mirante said, but he's seeing a lot of interest.

"We're in serious discussion now with three or four different companies, and I didn't think that would happen till the fall," he said. "We haven't even got up our billboards yet."

Bruce Mosler, chairman of global brokerage at Cushman & Wakefield, was similarly cheerful about the news. Cushman is handling leasing for Brookfield Office Properties' Manhattan West, which is also seeking an anchor tenant.

"This is more concrete evidence of the excitement and great interest in the development taking place in the Hudson Yards neighborhood," Mosler said in a statement.

So far, the only developer with leases signed in the neighborhood is Related Companies, whose first of two planned office towers is more than 80 percent committed, with anchor tenant Coach as well as L'Oreal USA and SAP, a software company.

The price McCourt paid for his new site amounts to just north of \$300 per buildable square foot.

Mirante called the pricing "aggressive," but investment sales guru Robert Knakal was unfazed.

"I am not surprised by the value of any land in the city these days," Knakal wrote in an email. "The market is red hot and values are increasing for most sites every month. There are presently several sites available in the Hudson Yards and we fully expect values to rise with each successive transaction."

Knakal declined to comment further on site availability, citing confidentiality.

Sherwood isn't done with the neighborhood, either.

"We're extremely bullish on the immediate area and are currently in planning for projects on our other two sites in the Hudson Yards, which together comprise over two million square feet," Katz said in a statement. "We are also currently in negotiations to acquire another site in this district."

According to a recent report in the New York Post, Time Warner is said to be in talks with Related to anchor the developer's second tower at the Rail Yards.

"Next is going to be Time Warner," Mirante said. "That's what we're all expecting to happen, and when that happens it's just going to be more logs on the fire."