

Related Nears Tenant Deals as Hudson Yards Breaks Ground

Related Cos. has tentative deals in place for two more tenants to occupy the first tower of its Hudson Yards development, Chairman Stephen Ross said today as construction began at the 26-acre site on Manhattan's west side.

The company has signed term sheets with two companies, making the first building more than 80 percent committed to occupants, said Ross, who didn't name the potential tenants. Coach Inc. (COH), the largest U.S. luxury handbag maker, has already agreed to move its headquarters to the Kohn Pedersen Fox- designed skyscraper, which will reach 47 stories and include 1.7 million square feet (158,000 square meters) of space.

Related, the developer of Manhattan's Time Warner Center, is planning to build a 13.3 million-square-foot complex including offices, retail space and residences in what Mayor Michael Bloomberg called one of the largest private developments ever undertaken in the country. The project would create almost 23,000 construction jobs and space for more than 40,000 people to live or work, the mayor said.

The first tower's construction "is an important first step in fulfilling our vision for the new Hudson Yards community," Bloomberg said at the groundbreaking. "We began with two basic principles: first we determined that the Hudson Yards area should be a mixed-use community and an extension of the Midtown central business district, and in addition to create affordable housing and schools, and insuring that businesses and their customers have world-class commercial spaces."

The mayor is founder and majority owner of Bloomberg LP, the parent company of Bloomberg News.

New Leases

The first tower, located at the corner of 10th Avenue and 30th Street, is scheduled to be completed by 2015. Under Related's agreement with Coach, the accessories company would buy its almost 740,000-square-foot portion. Ross hopes to announce new leases for the building by the end of the year, he said in an interview after the groundbreaking.

SL Green Realty Corp. (SLG), New York's largest office landlord, said in a presentation yesterday that L'Oreal SA (OR) is rumored to be the second tenant. It included the Paris-based cosmetics maker on a list of pending leases designed to demonstrate the health of the New York office market. The list indicated L'Oreal would take about 400,000 square feet.

Joanna Rose, a Related spokeswoman, declined to comment on SL Green's presentation. Stephanie Carson-Parker, a spokeswoman for L'Oreal, said the company doesn't comment on rumors.

Train Platform

Related plans to build most of Hudson Yards on a platform over the Metropolitan Transportation Authority's train yards near the Hudson River. The yards are a staging area for Long Island Rail Road trains that terminate at Pennsylvania Station, to the east of the site.

The first tower is one of two buildings to be built on solid ground north of West 30th Street. The other will be primarily a residential tower with an attached cultural "shed" that would have gallery and performing space.

The entire 7.1 million-square-foot eastern portion should be completed by 2018, said Jay Cross, president of Related's Hudson Yards development company.

"We think it's pretty impressive that we got this far given the economy we're working in," he said in an interview.

Olympic Stadium

The start of construction comes seven years after Bloomberg sought unsuccessfully to build a stadium on the site, a plan

that was the centerpiece of the city's unsuccessful bid for this year's Olympic Games. Three years later, Related was awarded development rights. Its partner is Toronto-based Oxford Properties, a real estate investment unit of the Ontario Municipal Employees Retirement System.

Finding companies to occupy the site has been challenging since the 2008 financial crisis. In April 2011, Ross said he expected to have deals on more than 3 million square feet of offices by the end of that year. Last month he told Betty Liu on Bloomberg Television's "In the Loop" that he had a commitment for \$400 million of construction financing for the Coach tower.

"The term sheet for our loan is agreed upon, and we're moving forward", Ross said in the interview today. He declined to identify the lenders.

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