

Historical Perspectives:
The Verizon Building

City's Industrial Space:
A Shrinking Commodity?

Foreign Buyers
Gobble Up Assets

Real Estate

NEW YORK

A Real Estate Media Publication

September 2006

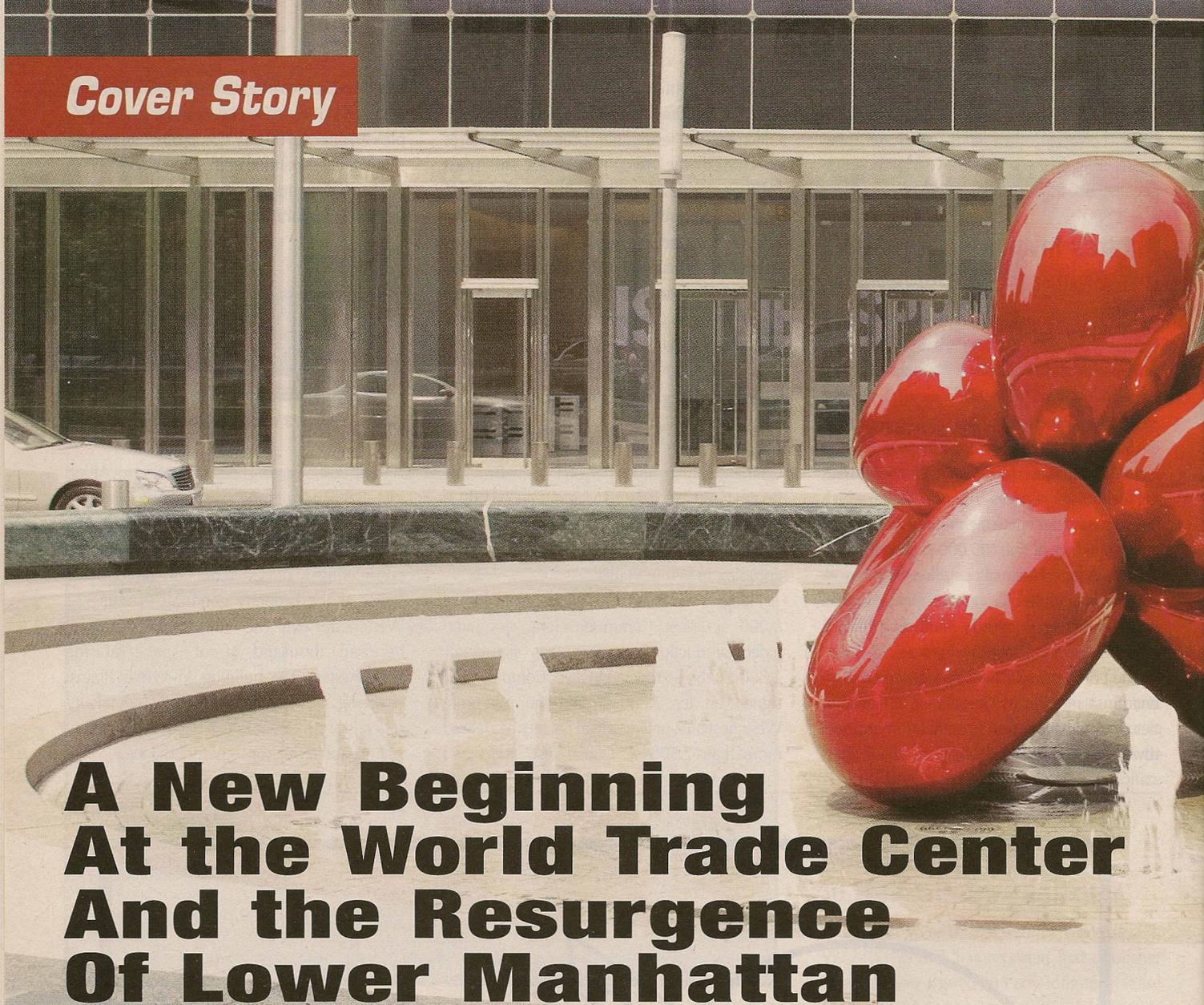


A New Beginning at the World Trade Center

PAGE 30

Developer Larry Silverstein
And Artist Jeff Koons
At 7 WTC

For Breaking News, Visit www.GlobeSt.com



A New Beginning At the World Trade Center And the Resurgence Of Lower Manhattan

By Barbara L. Nelson
Editor

Mired with delays, Ground Zero just recently began its ascent from the ashes of tragedy with many projects now just beginning construction. Meanwhile, Lower Manhattan has reinvented itself with a myriad of new businesses and retailers relocating there. Plus the unprecedented condo conversion craze has drawn more than 10,000 residents, making Downtown a 24/7 destination.

President of Silverstein Properties Larry Silverstein stands in front of Balloon Flower by artist Jeff Koons at 7 World Trade Center.
Photo: Cris Molina, The Photographers' Gallery

Ground Zero Redevelopment Timeline

2001

Jan. 2001 Larry Silverstein, president of Silverstein Properties, along with Westfield America makes a \$3.2 billion bid for the lease to the World Trade Center. Vornado Realty outbids Silverstein by \$50 million. Vornado later withdraws its bid.

July 24, 2001 Silverstein wins the bid. According to a Port Authority NY & NJ press release: "Silverstein Properties Inc. and Westfield America Inc. will lease the Twin Towers and other portions of the complex in a deal worth approximately \$3.2 billion—the city's richest real estate deal ever and one of the largest privatization initiatives in history." In the lease agreement, Silverstein is also given the right to rebuild the structures, if destroyed.

Sept. 11, 2001 The World Trade Center was destroyed in a terrorist attack. Two hijacked jets crashed into the twin towers, causing them to collapse. An estimated 2,752 people were killed.

Oct. 26, 2001 The USA PATRIOT Act is signed into law by President George W. Bush. Title III of the Act, also known as the International Money Laundering and Anti-Terrorist Financing Act of 2001, amended the Bank Secrecy Act of 1970 by requiring that all financial institutions establish minimum anti-money laundering programs. Included in the definition of "financial institutions" is "persons involved in real estate closings and settlements."

Nov. 30, 2001 Gov. George Pataki and Mayor Rudolph Giuliani create the Lower Manhattan Development Corp. to oversee the rebuilding of the WTC site and the revitalization of Manhattan below Houston Street.

Dec. 17, 2001 Work crews pulled down the last standing piece of the Twin Towers — four stories of steel known as "the shroud."

2002

Jan. 20, 2002 The Ritz Carlton became the first new building to open in Lower Manhattan, post-9/11.

April 24, 2002 The LMDC requests proposals for the design for a master plan for the site.

May 2002 Workers began putting up structural steel supports for the tunnel that would cover the rebuilt 1 and 9 subway tracks, which had been destroyed in the WTC attacks.

May 28, 2002 The last girder from the WTC is removed during a somber ceremony, the first of three major tributes marking the end of recovery efforts. The recovery and clean-up efforts involved the removal of 1.8 million tons of debris (more than 100,000 truck loads). During the 3.1 million person-hours of labor that were required to excavate the site, there were no deaths or life-threatening accidents reported.

July 16, 2002 The LMDC and the Port Authority unveiled six proposals for the layout of the WTC site, which contain common elements, including a permanent memorial; public open space; 11 million sf of commercial office space; a 600,000-sf hotel and 600,000 sf of retail space; a transportation hub serving New York and New Jersey; cultural and civic institutions; a rebuilt St. Nicholas Greek Orthodox Church, and residential facilities off-site.



Five years later, Ground Zero looks pretty much the same as it did after the cleanup from the terrorist attacks of Sept. 11. But stakeholders insist that, even after innumerable and often embarrassing delays, making sure they had the right plan was essential to building a better, safer World Trade Center. And, now that the planning is behind them, the hardest part of the redevelopment process begins: rebuilding.

"Certainly, this has been an exceedingly difficult and frustrating process," says World Trade Center developer Larry Silverstein, president of Silverstein Properties. "Challenges range from trying to get the insurance companies to pay what they owe to resolving the daunting security issues, to dealing with the lack of communication between various government entities that set us back with the Freedom Tower... Overall, I think most of the challenges speak to the

unprecedented nature of what we are trying to accomplish. This is uncharted territory for everyone involved."

Port Authority of New York & New Jersey spokesman Pasquale DiFulco says the human component has been a huge concern throughout the process. "This is arguably one of the most complex projects in the history of this city, especially considering the number of stakeholders that are financially and emotionally tied to that site. There has been no other construction project that involved terrorist attacks and thousands of deaths. It's hard enough to move through the construction process, securing permits and everything else that's involved, but when you put that in context of a project that's as emotional as the World Trade Center, I think it really does require a very deliberate and thorough approach."

The Lower Manhattan Development

Sept. 16, 2002 Subway lines, including the 1 and 9 train at South Ferry and the N and R train at Cortland Street, are restored. The project is completed six months ahead of schedule and approximately \$150 million under budget.

Sept. 26, 2002 The LMDC selected six architectural teams—from more than 400 applicants—to take part in a design study conceiving of the future plans for the WTC site. The teams prepared several variations on the site's land plan.

Nov. 2002 President Bush signs the Terrorism Risk Insurance Act, creating a federal reinsurance backstop in the event of certain catastrophic terrorism losses for buildings.

Nov. 20, 2002 Plans for 7 WTC, a 52-story steel-and-glass skyscraper, are unveiled by Silverstein. The new building is to be five stories taller than its predecessor and scheduled for completion in late 2005.

Dec. 12, 2002 Mayor Michael Bloomberg presents the City's vision for Lower Manhattan, to include proposals for opening the waterfront, building affordable housing, and ensuring Downtown's future as a leader in the global economy.

2003

Feb. 10, 2003 Gov. Pataki and Mayor Bloomberg unveiled a multi-billion-dollar transit plan, outlining the creation of a Lower Manhattan transportation infrastructure linking all of the area's subway lines and the PATH into a seamless transit network. The plan also included a WTC transportation hub and the new Fulton Street Transit Center, slated to move forward as soon as 2004.

Feb. 27, 2003 The LMDC announced the selection of Studio Daniel Libeskind as the team to redesign the WTC. The design scheme—the work of Polish-born American architect Daniel Libeskind—preserves, in part, the existing slurry wall of the WTC foundation, creates a multi-faceted setting for a memorial, includes transportation and cultural centers, and has a 1,776-foot spire-topped—taller than any other building in the world.

March 26, 2003 The New York City Department of Environmental Protection completed work removing the dust and debris that accumulated on the roofs, windows, and facades of Downtown buildings following the WTC collapse. At the project's close, DEP crews had cleaned the exteriors of 221 buildings, totaling more than 3.6 million sf.

April 25, 2003 Gov. Pataki outlined an ambitious and specific timetable for the revitalization of Lower Manhattan, a plan consistent with the one the mayor presented in December 2002. Pataki's schedule, which touched on a wide range of plans, programs, and construction Downtown, began with the memorial competition, set a Sept. 11, 2006 deadline for completion of the 1,776-foot tower that is the structural center-piece of the WTC site, and would end with the opening of a rail link to JFK Airport in 2013.

Spring 2003 Lower Manhattan sees the opening of new and returning businesses, including the Greenmarket, the Millenium Hotel, a new Equinox gym in Tribeca, Borders Books, and many new restaurants and retail outlets.

Corp., created in the immediate aftermath of September 11th as a transitional agency to help in the recovery and coordinate the rebuilding, was thorough in its search for a WTC master plan. It received 400 applications from design teams worldwide. All in all, it participated in more than 200 public hearings and allocated more than \$2.7 billion in federal funding earmarked for rebuilding initiatives for Lower Manhattan. With its master plan being implemented and funds distributed, the agency will be closing its doors this fall.

Alex Garvin, the former vice president of the Lower Manhattan Development Corp., says it was monumental task. "There were obstacles to getting a great plan. There are obstacles to implementing some of the elements of that plan, and that's very typical of any major development or project like this...The development of that property is difficult, time consuming and will require a great deal of skill on all of the players."

The principal player, Silverstein, began his connection to the main WTC site in July 2001, when Silverstein Properties won the bid for the 99-year lease of the World Trade Center buildings. However, his initial relationship to the WTC began in the 1980s when he bought 7 WTC and its property. Today, 7 WTC, the last building to fall on September 11, is the only building completed.

"I have been involved in the World Trade Center for half of my 50-year career," Silverstein explains. "By virtue of our lease and our insurance policies, we had an obligation to rebuild. More important, we felt it was our responsibility to see this through. Silverstein Properties lost four of its employees on 9/11, and others, including myself and my children, were fortunate to be spared. This is personal."

As personal as it was for many connected to the site, the Freedom Tower, which was slated for completion this month, had been stalled in security and design issues until April of this year when an agreement was finally ironed out between Silverstein and the Port Authority.

After Gov. George Pataki's 90-day deadline for an agreement had expired, Silverstein and the Port Authority reached a consensus. Silverstein relinquished rights under his lease to rebuild two towers—including the Freedom Tower—and agreed to pay a rent—in excess of market—for development sites. Silverstein Properties will also share insurance proceeds, approximately 38% of which will go to the PA, and Liberty Bonds. However, insurance proceeds are still outstanding from seven insurers. To ensure prompt payment, the Port Authority, together with the Silverstein and retail World Trade

Center net lessees, filed an action in the Supreme Court of the State of New York against the insurance companies in June.

Silverstein held his own throughout the bargaining process, without getting as ugly as his detractors, who at one point called him "greedy" and likened him to a profit-mongering developer.

"I have been in this business long enough to know that deals are not reached by negotiating in public or name-calling in the press," he says. "The only way to reach an agreement is to sit down together, roll up your sleeves and get it done. There was just no purpose served by ratcheting up the rhetoric."

Keeping his promise, Silverstein's company began work on the 2.6 million-sf building that will be 1,362 feet tall, the height of the original WTC South Tower. An illuminated antenna atop the tower will enable it to reach the originally intended height, when it's completed, hopefully, in 2011.

"It will be 1,776 feet tall as envisioned in the original Daniel Libeskind master plan and in each iteration of David Childs' design, including the final design we unveiled in June," Silverstein says. "I promised the Governor that we would deliver a magnificent new icon on the skyline and that is exactly what I intend to do."

The latest revision of the Freedom Tower design from architect David Childs of Skidmore, Owings & Merrill also addresses security concerns raised by the New York City Police Department, which had further delayed the start of construction last year.

Overseeing the construction of 7 WTC and now the Freedom Tower is Dan Tishman, president of Tishman Construction Co. He says building 7 WTC was a trying experience, unprecedented anywhere in the US.

"I imagine it would be comparable to building something in Iraq," Tishman recalls. "As the construction company, we got involved with things we normally wouldn't get involved with, the street security and how you gain access to the site. Things that when you are building at 42nd Street you never have to ask."

It will be much the same at the Ground Zero site, which at the height of construction will require a truck delivery every three minutes to supply the multiple construction projects going on simultaneously at the Freedom Tower, WTC Path Station, WTC Memorial, the new Goldman Sachs building, Fulton Street Transit Center, 123 Washington St., the decommissioning of the Deutsche Bank building and Fiterman Hall and then Towers Two, Three and Four. Little has been said about the site of Tower Five, which will be developed by the Port Authority, as decided in the agreement with Silverstein.

May 27, 2003 The LMDC allocates \$25 million to rehabilitate and create parks and green spaces Downtown. The project was designed to include a variety of improvements, from public plazas and sitting areas to playgrounds and ballfields.

May 28, 2003 Registration for the WTC memorial competition closes, with 13,683 expressions of interest, the largest ever response to a design competition. The successful international outreach program by the LMDC drew entries from more than 90 countries. 4,600 registrants were residents of New York State.

June 17, 2003 Kevin Rampe is named president of the LMDC after serving as interim president since March 4.

June 30, 2003 By the final day of the memorial competition, 5,201 designs are submitted. The jury began to review the anonymous submissions and select finalists.

Aug. 7, 2003 A team led by the Spanish architect Santiago Calatrava is selected by the Port Authority to design the Downtown transportation hub planned for Ground Zero.

Aug. 22, 2003 Pedestrian bridge spanning West Street at Vesey Street is opened.

September 2003 The Solaire building, the world's first environmentally sustainable residential highrise, at Battery Park City, officially opened.

Sept. 17, 2003 The LMDC unveiled a revised master plan for the WTC site that made some important real-world adjustments, while very much preserving Libeskind's existing design, both in spirit and on the ground.

Sept. 29, 2003 Chief Judge of the U.S. Court of Appeals for the Second Circuit, John M. Walker Jr., issued a ruling that denies Silverstein Properties' motion for summary judgment in its battle with Swiss Re, Travelers and other insurers over the amount to be paid for the destruction of the WTC. The case later goes before a federal jury.

Oct. 2003 Gov. Pataki appoints Senator George Mitchell to mediate the dispute between the insurers and Deutsche Bank. Senator Mitchell, with the assistance and support of the LMDC, assembles and leads a team to resolve a dispute between the bank, Allianz Insurance and AXA Insurance, and the LMDC.

Nov. 23, 2003 The temporary PATH station opened at the WTC Site.

Nov. 26, 2003 City and state officials announce a plan to revitalize Lower Manhattan's Financial District, calling for streetscape changes in the several blocks surrounding the New York Stock Exchange.

Dec. 19, 2003 City and state officials unveil a plan for the Freedom Tower, the ambitious structure to be built at the WTC site. Designed by collaborating architects David Childs and Daniel Libeskind.

2004

Jan. 6, 2004 The LMDC announces the selection of "Reflecting Absence" by designers Michael Arad and Peter Walker as the winners of the WTC Memorial Design Competition.

Right now, several projects are underway including the Freedom Tower, the WTC Memorial and the permanent PATH station. Towers Three and Four are slated to begin as soon as the Port Authority delivers the fully excavated and construction ready sites to Silverstein in the summer of 2007. Tower Two, which had been slated to begin next summer, will break ground during the summer of 2008.

"The sheer magnitude and volume of work that's going to be happening in that location is unfathomable," Tishman said. "There is going to be more construction in that postage-stamp area of Manhattan than has ever happened in that small of a contained area in New York City ever before."

Charles Maikish, executive director of the Lower Manhattan Construction Command Center, predicts the construction work will peak sometime between 2008 and 2009.

"There is going to be over \$20-billion worth of construction happening down here within a square mile," says Maikish. "Your best efforts are to deliver the projects on time within scope and within budget."

For the last year, he says his and his team's job has been dealing with logistics of coordinating not only the rebuilding efforts of Ground Zero site, but taking into consideration all the construction going on in and around the site. The beginning of the process was creating a master schedule that includes transporting supplies, labor force, and equipment onto and out of the site, without negatively impacting the surrounding neighborhoods and businesses.

"Some of the issues are how do we get the concrete into Lower Manhattan, do we have a concrete batching plant somewhere close by on the island of Manhattan?" he explains. "What are the routes, what is the travel time? How do we get the labor force in, what are the methods of transporting the labor force?"

Many of those questions have been or are in the process of being answered he said, with the help of the industry, a myriad of consultants and city and state agencies.

The LMCCC has also been charged with overseeing the security of the site. Everything and anything that is allowed to enter the Ground Zero site will be highly screened.

"One of the approaches that we are taking is checking the truck from the point of departure, like the concrete trucks would be checked at the concrete plant," says Maikish. "Electronically tagging vehicles is also being looked at. So when a truck shows up at a gate that it's a secure truck and secure driver and it can be permitted to enter. That way we're not backing up traffic on city streets."

He is also overseeing the long-awaited razing of the Deutsche Bank building. Many

have questioned as to whether it will really ever come down, but Maikish said progress is being made. "The crane is being jacked as we speak, going up the side of building," explains Maikish. "The top 10 floors are being decontaminated and the deconstruction of the roof will start this month. The building will come down at the rate of a floor a week or floor every week and half."

With the rebuilding efforts underway, the World Trade Center can now be thought about in a leasing sense. But how much space will really be needed?

Prior to this summer, Silverstein's 7 WTC wasn't exactly standing-room-only with interested tenants. But recent activity turned the tables in Silverstein's favor, with 7 WTC now 14% leased, and approximately 50% "spoken for."

Just last month, Darby and Darby LLP, an intellectual property law firm, took two floors at 80,000 sf. In July, Mansueto Ventures became the first corporate tenant to decide to locate its headquarters at 7 WTC and will move from its Midtown Manhattan offices into 7 WTC in early 2007. Investor Joe Mansueto's company, which owns two magazines, will occupy one entire floor in the building. Ameriprise Financial currently occupies the 39th floor and the New York Academy of Sciences will move into its new headquarters on the 40th floor this fall. Moody's Investors Service has also signed a letter of intent to lease 15 floors in the 52-story tower.

Missing from the list is Beijing Vantone Real Estate Ltd. The company was to lease 200,000 sf, the top five floors, for 15 years, but did not deliver a letter of credit upon deadline, according to Silverstein. Silverstein pulled the deal off the table, sending a letter to the company saying "we no longer have confidence in your ability to fulfill the terms of the proposed lease transaction."

Insiders say Beijing Vantone is still looking in Manhattan for the home to what is to be the China Center, a homebase for Chinese firms looking to set up business hubs in New York. Leasing space in the Freedom Tower is also being considered by the firm.

In the years 2011 to 2013, the Freedom Tower and Towers 2, 3 and 4 will deliver nearly 8.8 million sf of commercial office space. Leasing the Freedom Tower could prove difficult, because of its symbolic nature, say some brokers. "It's big, it's sort of monolithic," says Barry Gosin, CEO of Newmark Knight Frank. "It's built for public purpose. It will be government for the most part."

If plans proceed as expected, the US Customs and Border Protection could be the Freedom Center's anchor tenant.

"We are currently working with the

**A grande latte
or the nation's top fifty
real estate stories...
it's your call.**

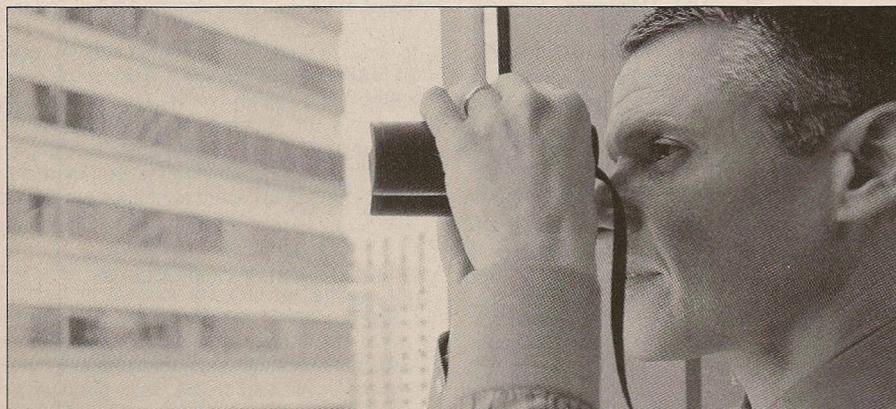


Real Estate Media's print, online and conference network provides the finest coverage and widest marketing opportunities in the industry. For full product listing, go to: www.remedianetwork.com

Globe St. WEEK

Your daily source for breaking industry news has added the convenience of a weekly webzine — a "must read" for any business industry professional — delivered on-line each week as an easy-to-read, printable review of the nation's top commercial real estate stories.

**SUBSCRIBE TODAY FOR ONLY \$379/YR (52 ISSUES).
GO TO WWW.GLOBEST.COM/NEWSLETTERS/GSW.HTML**



Does your Insurance Broker come with a View?

Property & Casualty > Environmental Risk Management > Loss Control Services > Employee Benefits & Life > Personal Lines

As real estate risks become more complex, it's increasingly important to work with an insurance broker who takes a broader view of your coverage needs.

HUB is a leading insurance broker with over 50 years of unparalleled expertise in providing tailored, comprehensive insurance programs for both residential and commercial properties in the New York metropolitan area.

Our real estate knowledge enables us to speak directly to your specific needs and take an aggressive approach to finding the best coverage at the best value in the marketplace.

HUB International Northeast
Be in the company of experts.



(212) 338-2550 • www.hubnortheast.com • info.hubnortheast@hubinternational.com

New York | New Jersey | Connecticut | Long Island

Federal General Services Administration to lease 600,000 sf," says DiFulco, of the Port Authority. "There is no agreement at this point, but there is a memorandum of understanding. We are also in discussions with the New York State's General Services Administration, and the City of New York. That's all happening right now. As we move forward, we will also be initiating conversations with private entities, but those are ones we are having current discussions with."

Gosin, like others, predicts the demand won't be there. "I still say in the amount of time when the office space will come online, it's too much space to swallow in the two-year period."

But there are just as many who say the opposite, considering the current and projected job growth. "We can't be shortsighted and not capture the demand, as it continues to grow, because we don't have supply," says Ken Krasnow, EVP, director of tri-state brokerage, Trammell Crow Co.

John Wheeler, managing director of Jones Lang LaSalle, sees companies queuing up to rent at the WTC, one of the last developable spaces in Manhattan. "You are going to see a lot of pre-leasing done," he says. "Some of that's going to probably be lined up this year. So it's not like you are going to be dropping all of this speculative office space on the market at once. Our firm and the major real estate firms have done fairly exhaustive studies on where you can build in Manhattan. And about the only new frontier that could offer any significant release valve for new building product is really on the West Side."

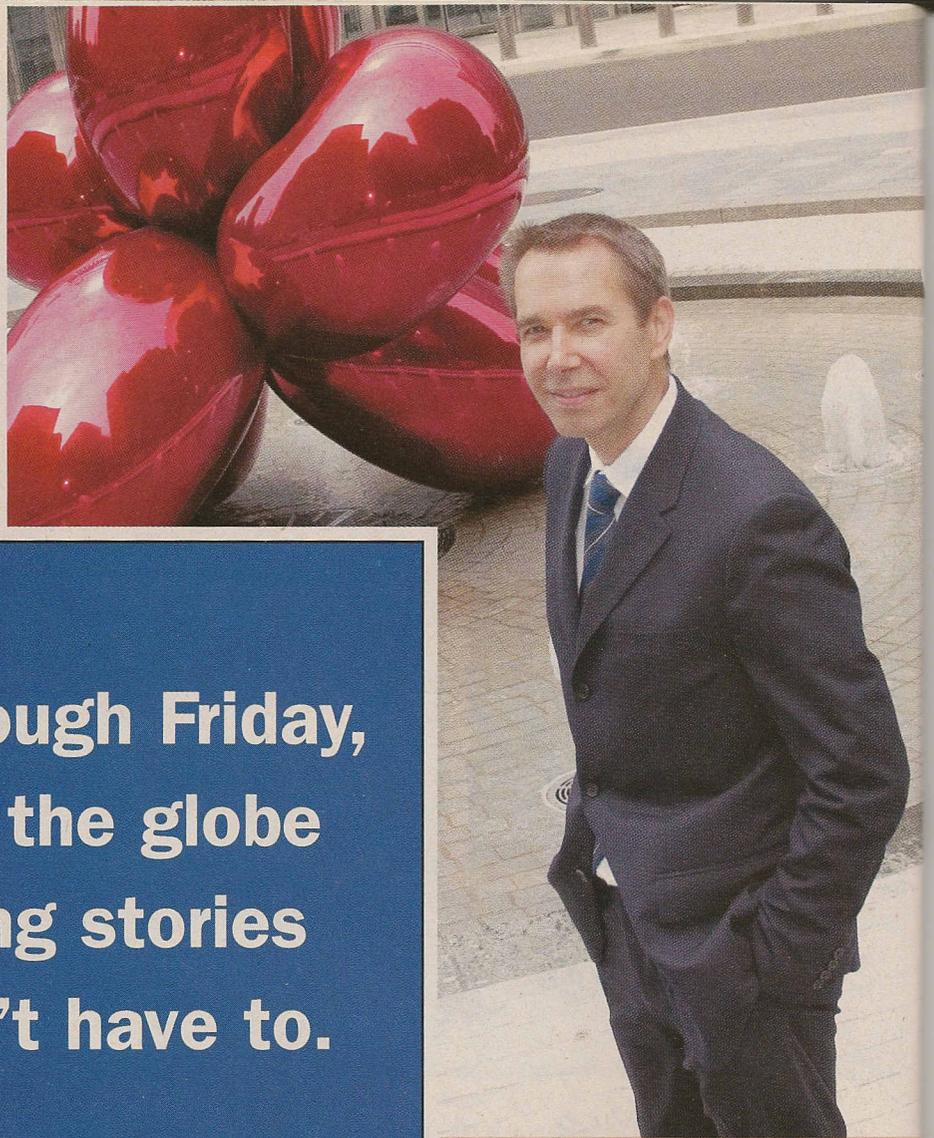
According to a March report by CB Richard Ellis, with Manhattan's office product aging and very little new office product being built, the overall vacancy rate for prime office space in top-tier properties could drop to as low as 3% by 2009, which could equate to an acute shortage of high-quality office space in Manhattan that could emerge as early as 2008. The World Trade Center site and the City's Hudson Yards development seem to be the only relief value, with the latter being 10 to 15 years away.

But, Gosin asks, even armed with studies and economic indicators, does anyone really know what will happen in five to seven years? "Three weeks before the dot.com crash, Alan Greenspan stated in public that 'I see no reason for a change in this economy and the stock market.' If Alan Greenspan didn't know three weeks before the dot.com burnout, what makes you think Barry Gosin or any other expert could predict demand with any certainty several years in advance?"

Jan. 14, 2004 Michael Arad and Peter Walker unveiled their revised design for "Reflecting Absence." The signature "voids"—cascading pools sunken thirty feet into the footprints of the Twin Towers—remained the centerpiece of the design.

Jan. 22, 2004 Santiago Calatrava unveils his design for the transportation hub to be built at the WTC site.

Feb. 5, 2004 Four options for a direct rail link from Lower Manhattan to JFK International Airport were outlined after being deemed the most feasible of several alternatives examined since an airport-access study was launched September 2003.



Artist Jeff Koons, in front of his Balloon Flower installation at 7 World Trade Center.

**Monday through Friday,
we search the globe
for breaking stories
so you don't have to.**

Globe St. **WEEK**

Your daily source for breaking industry news has added the convenience of a weekly webzine — a "must read" for any business industry professional — delivered on-line each week as an easy-to-read, printable review of the nation's top commercial real estate stories.

**SUBSCRIBE TODAY FOR ONLY \$379/YR (52 ISSUES).
GO TO WWW.GLOBEST.COM/NEWSLETTERS/GSW.HTML**



Real Estate Media's print, online and conference network provides the finest coverage and widest marketing opportunities in the industry.
For a full product listing, go to: www.remedianetwork.com

Art and Real Estate Part II: Balloon Flower, A Celebration of Life

By Nancy A. Ruhling

Balloon Flower, the candy-apple red sculpture by Jeff Koons that Larry Silverstein placed prominently in the pocket park right outside 7 World Trade Center, is only 11 ft by 9 ft in size, but in many ways it overshadows its more famous next-door neighbor, the gaping black hole that housed the Twin Towers.

The shining stainless steel sculpture, which looks like a bulbous balloon twisted by a clown for a child's birthday party and is surrounded by sweetgum trees and a water-jet fountain, is the first sign of new life you see when you get off the E train

near Greenwich Street and West Broadway.

"The piece is very open to people," says Koons, sitting on a wood-slatted bench in the park for a recent interview. "And so it reflects them, it's a reflective surface, and they're very important. The piece really doesn't exist without them participating with it."

The work, a longtime loan to Silverstein by Koons, is designed not only as a literally reflective object but also as an impetus for reflection on the past, present and the future of this iconic site. "I've always hoped that the piece, which is part of my Celebration series of paintings and sculptures, would be festive—and yes, there can be some remembrance of the tragedy—but that is something that wouldn't be dwelling in their minds. There's also an aspect of moving forward and there could be joy and happiness and a sense of the future," he says.

While he's talking, a parade of people, notably a toddler who reached out to try to touch the oh-so-pretty red Balloon Flower, literally found themselves reflected in the work. "It's one thing to see an object that's reflected in Balloon Flower and to understand your importance because when you move, things move; if you don't move, nothing changes," he says. "At the end of the day, everything is about people's interactions with each other."

And Balloon Flower is, indeed, all about change in a changing landscape. "During the time that we're looking at it right now, the sun is pretty high in the sky; when the sun goes behind the buildings, it tends to go toward a bluer shade so, as the light changes throughout the day, it also changes in its color because of its transparency," Koons says. "At high noon, it gets more of a yellow-orangeish-red."

Koons, the star pop artist best known to New Yorkers for "Puppy," the 43-foot-high topiary shaped like a Scottish Terrier that was filled with 60,000 live flowering plants exhibited outside Rockefeller Center during the summer of 2000, was approached by Silverstein to create an original sculpture for 7 WTC. "I came up with a design, a floral piece titled Building Blocks, but it was too large," he says, adding that most of the park, including the fountain, had been completed by the time he came on board. "The red Balloon Flower was finished this year and was in my personal collection. It is an ideal size, and red is a very popular color."

Of the 20 Balloon Flower sculptures, only one other, the blue, is on public display. Part of the Daimler-Chrysler Collection, it is in Potsdamer Platz in Berlin.

Although Koons ideally envisioned placing Balloon Flower in a reflection pond, he says the cascading water jets are "wonderful. I like the aspect of the moisture, and it is a symbol of life."

A longtime Manhattan resident, the artist says he is honored that Silverstein chose Balloon Flower for the park. "I'm very, very proud in some manner to try to help people heal and move forward," he says, adding that "I'd like to be able to create something that would be a higher official presence at the site. Larry is always open to ideas, and I'm trying to have ideas that can be helpful and beneficial and that can be of interest to Larry and to the community as a whole."

When and if he creates a new piece for

Feb. 27, 2004 An accord between Deutsche Bank and its insurers is reached to bring down the Deutsche Bank building adjacent to the WTC site. The resolution increases open space, provides for off-site bus parking, and reduces the building density on the WTC site.

April 2, 2004 The Skyscraper Museum—the first new museum to open in Downtown New York since 9/11—officially welcomed the public into its galleries.

April 8, 2004 The LMDC announces the establishment of a Memorial Center Advisory Committee, which will provide suggestions regarding the content, programming, and guidelines for the Memorial Center at the future WTC site.

TENANT-IN-COMMON PROFESSIONALS HAVE AN INFORMATIVE NEWSLETTER-IN-COMMON.

The tenant-in-common business has grown so strong that we've given this sector its own newsletter. As with its parent newsletter **NET LEASE FORUM**, **TIC Monthly** is reported and written by Michelle Napoli, a highly regarded journalist with a keen understanding of the issues, trends and intricacies of the TIC marketplace. We've also gathered an impressive group of TIC experts onto our editorial advisory board, drawn from the ranks of TIC sponsors, attorneys, brokers and other "founding fathers" of this sector. Every month, we bring complete news and issues coverage of the TIC industry.

**Real Estate
Media**

The Industry's
Information Network

Real Estate Media's print, online and conference network provides the finest coverage and widest marketing opportunities in the industry. For full product listing, go to www.remedianetwork.com

TIC MONTHLY

SUBSCRIBE TODAY FOR ONLY \$299/YEAR (12 ISSUES).
GO TO WWW.GLOBEST.COM/NEWSLETTERS/TIC.HTML

For advertising opportunities:

Geoff Hahn T: (678) 296-9812 E: ghahn@remedianetwork.com

For editorial feedback:

John Jordan T: (845) 782-2153 E: jjordan@remedianetwork.com

For group subscription inquiries:

Matt Santangelo T: (917) 464-0343 E: msantangelo@remedianetwork.com

April 29, 2004 Jurors in a U.S. District Court in Manhattan render an incomplete and split decision, finding eight of the 12 insurance companies—constituting more than \$1 billion of coverage—were governed by an insurance form that defines the attacks on the WTC as a single event, or “occurrence,” thereby drastically reducing payment to Silverstein.

May 16, 2004 ConEd flips the switch on the newly built electric substation at Ground Zero, supplying power from the WTC site to Battery Park City for the first time since 9/11.

May 26, 2004 The design for Lower Manhattan’s \$750-million Fulton Street Transit Center is unveiled.

June 1, 2004 The LMDC board approved the general project plan for the rebuilding of Ground Zero and announced the completion of the environmental review process.

June 10, 2004 After reviewing more than 100 proposals, the LMDC selects four cultural institutions, with space offered to the Joyce International Dance Center, the Freedom Center, the Signature Theatre, and the Drawing Center.

June 17, 2004 The Greenmarket returns to the WTC site.

June 24, 2004 Enhancements to the Vesey Street pedestrian bridge over West Street, including escalator service, were completed.

July 4, 2004 The Freedom Tower groundbreaking ceremony took place at Ground Zero, with the Freedom Stone placed in the ground. The stone was later removed and taken off the site.

July 29, 2004 George W. Bush approves a plan to redirect up to \$2 billion in federally funded Liberty Zone tax benefits toward other Downtown rebuilding efforts. Among the projects expected to receive funding is a \$6 billion rail link between Lower Manhattan and Long Island and JFK airport.

Aug. 2, 2004 Downtown’s Church Street post office, located next to Ground Zero, reopens and The LMDC issues a formal request for proposals for architectural services for the cultural complexes at the new WTC site.

Aug. 3, 2004 The Statue of Liberty begins welcoming the public once again.

Aug. 11, 2004 The Coordinated Construction Act for Lower Manhattan is signed by Gov. Pataki. The bill, proposed by Mayor Michael Bloomberg, would help ease Downtown’s redevelopment by making certain that construction in Lower Manhattan’s neighborhoods occurs in the most time-conscious manner.

Aug. 31, 2004 The LMDC acquire the property at 130 Liberty Street and engaged the services of environmental consultants to conduct environmental testing and characterization of the building. The testing and characterization results have been made available to the public throughout the process.

Sept. 14, 2004 LMDC representatives present an eagerly awaited study about the cleaning and deconstruction of 130 Liberty St., previously owned by Deutsche Bank.

Ground Zero, Koons says that it, like Balloon Flower, will be “a positive symbol” for the rebirth of Downtown. In the meantime, the red Balloon Flower, he says, will remain in place “as long as people enjoy it. As long as they do, I’m sure that it will be here quite some time.”

The art of Balloon Flower—and any work of art—is in the eye of the beholder. Some look at Balloon Flower and see a New York City Big Apple smack-dab in its center. Others are reminded of Dorothy’s there’s-no-place-like-home ruby slippers. For others, it is a love knot, whose straight end shoots up to the sky, pointing to a bright future.

“Art is what happens inside the viewer,” Koons says. “I hope that people can feel comfortable with the work and that it helps them feel good about their own history, whatever that history is. When people are able to help themselves, then they are able to flourish and to expand their parameters.”

As Koons is leaving the park, his reflection, a man in a blue suit, follows him on Balloon Flower. When he’s at the street, a man in a T-shirt and shorts walks up to him and points at Balloon Flower as it glows in the noon sun.

“What’s that supposed to be?” he asks, unaware that’s he’s speaking to the artist who created it.

“It’s a sculpture,” Koons replies matter-of-factly.

“But what is it?” the perplexed stranger asks. “Is it cherries or balloons?”

“Balloons.”

“OK. I’ll go for that,” the stranger says and smiles as he walks toward the gaping black hole where the Freedom Tower is waiting to rise.

The Lowdown on Leasing Downtown

By **Barbara L. Nelson**

Editor

Most of the recovery Downtown has taken place outside of the Ground Zero pit. And the experts say, as bad as it could have been, leasing statistics in the Financial District never got that depressing.



The Manhattan skyline as it will look in 2012.

"Despite taking tremendous blows from the terrorist attacks, Downtown never fell as far as many had feared," says John Wheeler, managing director of Jones Lang LaSalle. "From a commercial office perspective, it never fell to the level of where we were in the early '90s when we nearly reached 25% availability rate Downtown. After the attacks, Downtown only hit about a 15% or 16% availability rate."

According to a Downtown Alliance report tracking Lower Manhattan's progress over the last five years, office leasing activity has gathered strength in Lower Manhattan since the post-9/11 slowdown, and leasing in 2006 continues its positive momentum with 1.34 million sf signed as of the end of the second quarter. Strong leasing activity has led to increases in absorption every year for the past five years, including more than a million sf of positive net absorption in 2005.

"The change has been in two dramatic ways," says Eric Deutsch, president of the Downtown Alliance. "One is we now have a diversification of types of businesses in Lower Manhattan besides the traditional financial services. While there has always been other kinds of business down here, now more and more of the leasing activity you are seeing is professional, whether they be legal, architectural, engineering, media companies, non-profits, educational institutions, or educational-related businesses."

"The other thing we've seen is the number of smaller businesses coming Downtown, as space gets tighter throughout the city," Deutsch further explains. "The good thing about that is the future job growth has traditionally been in small business. So today's 5,000 sf user coming from Midtown South is hopefully tomorrow's 50,000 sf user and after that a 100,000 sf user."

In fact, since the beginning of 2005, at least 72 companies have committed to relocate their businesses from Midtown, Midtown South and elsewhere in the metropolitan region to Lower Manhattan. Together, these businesses account for more than 1.5 million sf of new leases south of Murray Street.

"In the bigger picture, Downtown is even better positioned to capture some of the demand than it ever has historically," says Ken Krasnow, EVP, director of tri-state brokerage, Trammell Crow Co. "The infrastructure is coming together—the residential, the retailers, it's all falling into place."

Another indication of a strong recovery is decreasing vacancy rates. After shooting up 7.3 percentage points to a high of 13.7%, the vacancy rate among office properties in Lower Manhattan began a slow, steady decline. As of 2Q '06, the vacancy rate has fallen to 11.2%, a decline of 2.5 percentage points from the post-9/11 peak. This trend is due in part to firms taking space off the market for their own use. According to CB Richard Ellis, since the beginning of 2006 more than 1.2 million sf of space has been withdrawn from the market by JP Morgan Chase, General Electric, Merrill Lynch, Guardian Life Insurance, TD Waterhouse and others.

Stronger demand has also led to increased rents that were sluggish post-9/11. Average rents in Lower Manhattan declined steadily until early 2005. The entry of 7 WTC

Oct. 12, 2004 The LMDC announces the selection of Gehry Partners LLP and Snohetta as the designers of the cultural center at the WTC site.

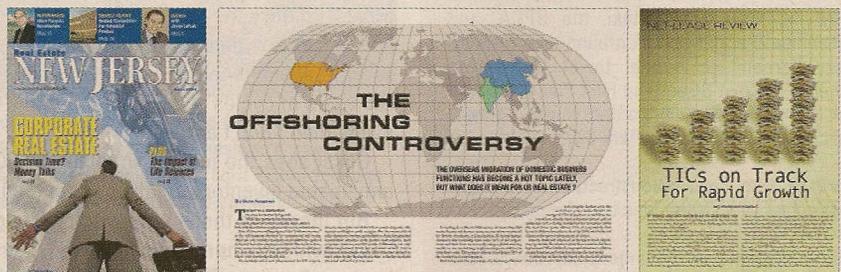
Oct. 21, 2004 7 WTC officially reaches its peak when it was crowned with the final steel beam in a ceremony hosted by developer Larry Silverstein.

Nov. 22, 2004 To ease the impact of rebuilding Ground Zero, the Mayor and Governor established the Lower Manhattan Construction Command Center that will oversee the extensive construction taking place throughout the area.

Dec. 1, 2004 A diverse group of more than 30 members is appointed to serve as the board of directors for the WTC Memorial Foundation.

TIME TO ORDER YOUR REPRINTS

Once you've placed an ad or garnered editorial coverage, we can custom reprint the material to be used as a highly valuable, cost-effective marketing tool.



REPRINTS ARE GREAT FOR

- Sales & Leasing Presentations
- Inserts for Investor Relations
- Direct Mail Pieces
- New Product Announcements
- Promotional Material at Trade Shows & Industry Events
- Internal Communications & Public Relations



To order reprints please call 540.949.4780
www.remedianetwork.com/reprints.htm

Dec. 6, 2004 Jurors in a U.S. District Court in Manhattan rule in favor of Silverstein giving him an additional \$1.1 billion from nine insurers, declaring the terrorists attacks to be two "occurrences."

Dec. 16, 2004 Expanding on the conceptual renderings unveiled last year, the detailed designs of the 9/11 memorial, "Reflecting Absence," are unveiled.

2005

Feb. 2005 The MTA begins construction of the new Fulton Street Transit Center.

Feb. 4, 2005 Mayor Bloomberg announces the creation of a new school to serve Lower Manhattan students from the kindergarten level through eighth grade.

Feb. 14, 2005 Gov. Pataki and Mayor Bloomberg appoint J. P. Morgan Chase executive Charles Maikish to head the Lower Manhattan Command Center.

Feb. 26, 2005 A memorial honoring the six people who died in the Feb. 26, 1993, bombing of the WTC is formally dedicated at Ground Zero.

April 11, 2005 The LMDC submits a "Request for Variance" to the New York State Department of Labor, an important step toward the deconstruction of 130 Liberty, formerly the Deutsche Bank Building. The request allows the LMDC to finalize the Phase I Deconstruction Plan revisions, which will keep the deconstruction on track for a summer 2005 start.

April 14, 2005 Gov. Pataki, the BPCA, and Millennium Partners break ground on a new 35-story "green" residential tower Downtown. Located at West Street and First Place, the 236-unit condominium will be the fourth "green" building to rise in Battery Park City.

April 30, 2005 Road reconstruction work at the east end of Wall Street was completed.

May 4, 2005 Mayor Bloomberg and Gov. Pataki convened with rebuilding officials, including representatives from the LMDC, the New York City Police Department, the Port Authority, and Silverstein, and together reached an agreement that the Freedom Tower must be redesigned to meet NYPD security standards.

May 19, 2005 The LMDC presented schematic designs for the cultural center to be built at the WTC site.

June 29, 2005 A revised design for the Freedom Tower at the WTC site was revealed. Maintaining the symbolic 1,776-foot height of the original, the new tower will feature a larger, cubic base—the same size as the footprints of the Twin Towers—and will be set back further from West Street, alleviating security concerns raised about the earlier design.

July 13, 2005 The Federal Transit Administration approved an \$899 million grant to help rebuild the Lower Manhattan transit system, including \$478 million to fund an underground vehicle screening center at the new WTC site, \$200 million to reconstruct West Street-Route 9A, \$174 million to build a foundation at the WTC transportation hub, and \$30 million to structurally fortify an underground pedestrian corridor planned along Fulton Street.

into the market in February 2005 caused Downtown rental rates to increase \$4.55 per sf. Since that time, strong demand has led to a steady upward climb in rental rates, which increased every month from November 2005 to July 2006 to reach \$38.57 per sf—the highest average pricing since May 2002, according to the Downtown Alliance report.

"Our view is that no predictions are necessary now," says Sheldon Cohen, senior managing director, CB Richard Ellis. "It's already happening. The world's financial center is open for business. There's a lot of activity."

Contributing to lower vacancy rates and increased asking rents is the conversion of class B and C buildings to luxury condos. Approximately 12 million sf of basically obsolete office space was taken off the market over the past five years, according to a Jones Lang LaSalle report.

"It takes away some of the downward-priced pressure that always existed in Lower Manhattan in the tertiary product," explains Wheeler. "Prior to this residential conversion trend, if you had a well-positioned, well-maintained, upgraded prewar building that was trying to get \$28 or \$29 per sf, you typically knew down the street or around the block there was going to be a class B building that you could space at \$20 per sf. It had a dragging affect on what you could charge for your space. Now the well-maintained prewar product that remains in the commercial side of the equation is able to increase their rents, because now their basis of comparison is against class A product."

Joe Harbert, chief operating officer for the New York Metro Region of Cushman & Wakefield, says that with less availability in the prime markets in Manhattan, Downtown will start attracting even more attention from companies seeking space.

"With the Midtown and Midtown South markets continuing to tighten and rents escalating, tenants who want to remain in Manhattan will need to look Downtown. Over the next one to two years, as vacancy rates decline Downtown and conditions improve, we may see rental rates for class A space Downtown reaching the mid-\$50 per square foot range."

Barry Gosin, CEO of Newmark Knight Frank, agrees that things are shaping up in Lower Manhattan. However, he would like to error on the side of caution. "I think Downtown is moving in the right direction. Mayor Bloomberg has done a great job with parks and development projects. I think the financial industry is doing incredibly well. Tiffany's and Hermes is a great addition to Downtown. It's all good." But, he says, predicting supply and demand, especially in the real estate industry, "is not an exact science. That's why we have cycles. We've had 200 years of cycles in this country. And if somebody doesn't think we are not going to have a cycle, then I don't agree."

Gosin sees the market softening by 2008. "As more inventory comes into the market or anticipated inventory to take care of the long-term needs, demand will flatten."

But there are those who would strongly disagree. "If you go back six months pre 9/11, the Downtown market was raging," says Krasnow. "You had vacancy rates less than 5% in class A space. The market was booming. The resiliency of the market, the resiliency of the people and then the tremendous investment that has been made in that market, has clearly positioned better to recover than the market historically ever has had the ability to recover."

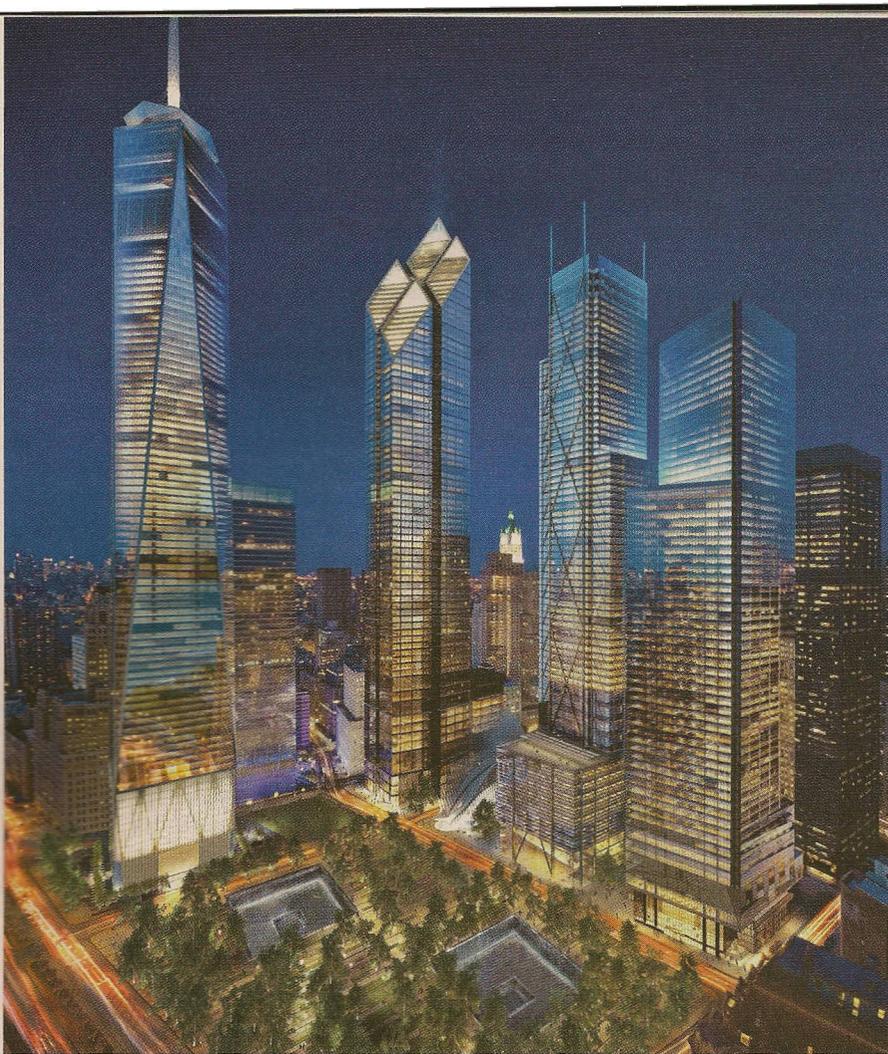
What's Happening With Retail at Ground Zero?

By **Jesse Serwer**
Managing Editor

Of all the facets of new development at Ground Zero, the retail component remains the most mysterious and the least elaborated-upon. Who will control the space once it's built? What will it look like? What sort of tenants will occupy the space, which is located in an office hub and tourist destination that now finds itself in the middle of the residential renaissance going on Downtown? As the fifth anniversary of 9/11 is upon us, these and other questions remain largely unanswered.

What is known for sure is that approximately 375,000 sf of retail space will be developed along Church Street in the vicinity of Towers Two, Three and Four, with approximately 200,000 sf more slated for a three-level subterranean concourse inside the Santiago Calatrava-designed PATH transit hub. Stores at the hub are expected to begin opening for business after the complex is completed in 2010, but there is no such estimate for the Church Street-area retail, which is dependent on the completion of the adjacent office towers.

Currently, the Los Angeles-based shopping center operator Westfield America, which entered



Striking conceptual designs were unveiled for World Trade Center Towers 2, 3 and 4 on September 7 by three world-renowned architects, completing Larry Silverstein's and Daniel Libeskind's vision for Ground Zero. The three towers were designed by architects Lord Norman Foster, Lord Richard Rogers both of England and Fumihiko Maki of Japan. The Freedom Tower was designed by David Childs.

into a 99-year lease with the Port Authority of New York and New Jersey for control of the old concourse mall in the summer of 2001, possesses the right of first offer for the retail space. As part of a complex 2003 arrangement, Westfield relinquished their rights to the Port Authority for \$140 million, and then paid the Port Authority \$1 million for the first offer rights on the new complex.

While State politicians, including Assembly Speaker Sheldon Silver, have criticized the allocation of the first bid rights to Westfield, the situation is anything but a done deal, according to Steve Coleman, a spokesman for the Port Authority.

"The Port Authority still holds the retail license for the entire site which we bought back from Westfield in 2003," Coleman says. "We're going to build the retail until such time as we decide to go out and hire someone else to run it. [Westfield] has the rights to make the first offer, but we have the right to reject the first offer if it's not what we think it's worth, and then go out to a public bidding process."

Westfield America declined to comment for this story.

The conceptual framework agreed upon by Silverstein Properties and the Port Authority in April, meanwhile, suggests another possibility. If things don't work out with Westfield, Silverstein has the right to buy the retail from the Port Authority at market value, provided they take on a retail partner with a resume that includes having managed at least 500,000 sf of first-class retail space "comparable to the retail uses contemplated for the World Trade Center site" for at least five years.

According to one industry insider, that seems like the most practical, and likely, option.

"Everybody is thinking, 'Why else does anyone want to own this but Silverstein?'" says the source. "He (owns) the buildings above with all these lobbies and connections." A spokesperson for Silverstein Properties declined to comment on whether or not it had plans to pursue this option but, as if to not rule it out, reiterated the language in the conceptual

July 13, 2005 In a presentation to Community Board 1, the MTA's capital planners outline the revised design scheme for the ambitious Fulton Street Transit Center. The new plan scales back several features to reduce the project's overall budget by \$40 million while keeping most of the key elements.

July 14, 2005 The LMDC approves a \$7-million grant for the Chinatown Partnership Local Development Corporation, to improve business conditions and strengthen Chinatown's position as a center for both culture and commerce.

July 18, 2005 Brookfield Properties, with the help of architects Cooper Robertson and other collaborators, kicked off an \$8-million renovation of Liberty Plaza Park.

July 29, 2005 Following the presentation of revised plans for the WTC PATH Terminal by architect Santiago Calatrava, the board of the Port Authority of New York and New Jersey approved the \$2.221-billion project.

Aug. 22, 2005 After 14 months of landscaping, planting, and paving, the 3.75-acre Battery Bosque opened, welcoming visitors to its shady benches and ornamental gardens.

Aug. 25, 2005 Goldman Sachs, the investment bank founded on Pine Street in 1869, announced plans to erect a 43-story office tower at West and Vesey streets. The plan followed negotiations between the bank, state, and city to secure the location and finance the \$2 billion building through Liberty Bonds and other incentives.

Sept. 6, 2005 WTC Transportation Hub breaks ground.

Sept. 8, 2005 Officials announce the start of the deconstruction on 130 Liberty Street.

Sept. 28, 2005 Gov. Pataki announced that the International Freedom Center will not have a place at the cultural center planned for the WTC site, saying that the events of 9/11 should be the sole focus of whatever cultural institution finds a home there.

Oct. 14, 2005 American Express announces that it will expand its Downtown headquarters with an additional 200,000 sf of office space. Currently, American Express leases 1 million sf in 3 World Financial Center, which is located directly across the street from the WTC site.

Oct. 20, 2005 WTC Memorial Foundation raises more than \$101 million to fund the memorial's construction and operation (one tenth of eventual estimated cost of \$1 billion).

Oct. 26, 2005 The National Institute on Standards & Technology releases its final report on the WTC terrorist attacks and the buildings' collapse. It is the most detailed examination of a building failure ever conducted. Featured in the report are 30 recommendations designed to improve the safety of tall buildings, their occupants and first responders.

Nov. 7, 2005 The Port Authority presents preliminary plans for the WTC Transportation Hub's retail space to Community Board 1. As much as 550,000 sf will be developed as retail space expected to open in 2010.

Nov. 14, 2005 After several delays, the Fulton Fish Market finally relocated to Hunts Point in the Bronx.

Nov. 29, 2005 Goldman Sachs's world headquarters breaks ground at West and Vesey Streets, heralding the start of construction on the new 43-story tower. Initial occupancy is slated for 2009.

Dec. 8, 2005 After four years of extensive restoration work, the landmark 140 West St. building is once again headquarters to Verizon.

Dec. 12, 2006 Gov. Pataki gives Silverstein and the Port Authority a 90-day deadline to "resolve differences on every element" regarding the rebuilding effort at Ground Zero.

Dec. 15, 2005 Gov. Pataki and Silverstein introduced Lord Norman Foster as the architect for the site's "Tower Two." Silverstein also announced the first tenant of 7 WTC—the New York Academy of Sciences. The Academy signed a 15-year lease to occupy the entire 40th floor and is the first tenant to take space in the building.

Dec. 22, 2005 The TRIA Extension is signed into law by President Bush. The legislation approved a two-year extension to the Terrorism Risk Insurance Act (TRIA) extending it until Dec. 2007.

2006

Jan. 3, 2006 American Express spinoff Ameriprise Financial signed a 10-year lease for approximately 20,000 sf at 7 WTC.

Jan. 10, 2006 Gov. Pataki proposed allocating \$80 million in state funds toward construction of the WTC Cultural Center, to be located on the memorial quadrant of the WTC site. The allocation, if approved by the state legislature, will be the first use of state funds for rebuilding at the WTC site.

Jan. 23, 2006 Beijing Vantone Real Estate Co. agrees to the basic terms of a lease for at least 200,000 sf of office space on the top five floors of the Silverstein Properties' site.

Jan. 26, 2006 In his state of the city address, Mayor Bloomberg calls on Silverstein to hand off responsibility for building Towers 3 and 4, in exchange for a reduction of its rent. Bloomberg's speech adds fuel to the ongoing debate over who's to blame for the delays in the building process and who should build the Freedom Tower.

March 14, 2006 In what Silverstein calls a "temporary setback," talks between his firm and Port Authority officials break down. Gov. Pataki had set a March 14 deadline for them to resolve their differences regarding the rebuilding effort at the WTC.

March 17, 2006 The Governor and Mayor announce that Frank Sciamè will lead the effort to ensure a buildable WTC memorial and reel in the escalating \$1-billion budget. The budget is later brought down to \$500-million.

April 16, 2006 The first 19 proposed changes to model building codes based upon and consistent with the NIST's WTC recommendations were submitted to the International Code Council.

April 25, 2006 Silverstein agrees to the most recent proposal from the Port Authority. Under terms of the agreement, Silverstein relinquishes rights under its lease to rebuild two towers—including the Freedom Tower—and agrees to pay a rent—in excess of market—for development sites. The firm will share insurance proceeds, approximately 38% will go to the PA, and Liberty Bonds.

agreement.

In the meantime, the Port Authority has brought on Jones Lang LaSalle, Robert K. Futterman & Associates and Tishman Speyer to advise them on such matters as foot traffic flow, appropriate unit sizes, and an overall marketing strategy. While the consultants remain tight-lipped about the nature of their research and findings, Robert K. Futterman says the new spaces provide a unique opportunity to bolster the strengths of the previous concourse mall, which was one of the nation's busiest shopping centers, with average sales of \$900 per sf annually, before it was destroyed on 9/11.

"When you look at the mass transportation, the office population, the visitors that they project, the growing residential population and the existing Wall Street population, it all comes together," says Futterman. "You have parts that can work together to create one of the world's greatest retail destinations. It will be sort of like Grand Central Station meets Time Warner Center. Looking at the tenants at those projects you can get an idea [who might be there] but, in addition to that, sprinkle in some more high-end tenants."

Meanwhile, the impending arrival of upscale shops like Tiffany's and Hermes, as well as the Whole Foods supermarket going up several blocks north of Ground Zero at 270 Greenwich St., is beginning to change the shape of retail in the surrounding portions of Lower Manhattan (Brookfield Properties is also reportedly planning a retail expansion at the World Financial Center that could include a Nordstrom's). The changes are a reflection of the growing number of upscale residences in the area—more than 36,000 people now live in Lower Manhattan, up 58% from 2000—and that new element is likely to play out at the Trade Center as well.

"There will be later trading hours," says Futterman. "Weekends have been non-existent over the last five years, and that's all changing because of the residential component."

Downtown Residential: Slowing But Still Strong

By Joseph Dobrian

Contributing Editor

The Downtown residential market may be slowing down a little, and condo conversions may become less frequent as demand for office product picks up, but the verdict's unanimous: Downtown is a viable 24-hour community now, and will soon be just as much so as the Upper East and West Sides. Sales of individual units are taking a little longer now, and prices are steadying—and observers agree that those are healthy signs.

According to the Downtown Alliance, Downtown's residential population has more than doubled since 1990—from 14,000 residents to over 36,000, with a current occupancy rate of 95%. At

"Lenders will be looking hard at sale prices to make sure they're achievable."

RONNIE LEVINE
Meridian Capital

least six new residential buildings are slated to open in the next several months. When the 4,700 units currently under construction are completed, they will attract approximately 8,200 additional residents to the Lower Manhattan community.

But the potential for residential development Downtown is nowhere near full realization, asserts Kent Swig, president of Swig Equities. He declares that two factors—improved transportation, and growth in the financial services industry—make Downtown a natural mixed-use area.

"Four large transportation hubs, three of which will be connected—Whitehall Street station, which is already completed, plus Santiago Calatrava's PATH station, the Broadway/Fulton Street subway station, and Battery Park Ferry—combined with job growth Downtown, will make that residential market one of the hottest in the city," he says. "Right now, the highest per-sale prices in residential are occurring in TriBeCa: higher even than in ZIP Code 10021. The ZIP Code with the highest income growth per capita is in the Financial District; it's also the highest education ZIP

Code in the U.S. Tiffany, Hermès, and other prestigious retailers are moving into the area, all within a block and a half of each other, where there's more money by day and by night than anywhere in the country."

Swig is currently converting 25 Broad St. into 326 condo units; it will probably come on line this fall. Prices are holding, Swig says, while inventory is slightly growing; this is moving the market towards equilibrium.

"The market's still going up, just not as quickly as before," he concludes. "The recent massive increase in price was not healthy, so this slowdown is good news. Units are still trading."

Ronnie Levine, managing director of Meridian Capital, agrees that Downtown residential was growing too fast for a while, and he reports that many lenders are still shy of that market.

"Lenders will be looking hard at sale prices to make sure they're achievable," he warns. "You can't underwrite in all neighborhoods the way you can in Midtown. First mortgage lenders have pulled back a little, so borrowers have to add more equity, or mezzanine. The dynamics are different because construction costs and LIBOR are both escalating—although the latter has stabilized now—so condo construction is not expected to grow as fast. But if you have a good sponsor, and a good site, you'll get financing."

Moreover, recent conversions have brought supply of Downtown office space more into line with demand—which could lead to a rise in office rental rates, according to Charles Singer, director of market research for Rockrose Development Corp. That, he suggests, could lead to the cancellation of some conversion plans.

"But both the condo and the rental markets are strong Downtown," he adds. "The rental market, in particular, is driven by employment. Every time a new job is created Downtown there's an opportunity to rent an apartment."

As for condo construction, Jeffrey Gould, president and CEO of BRT Realty Trust, warns that with more residential product now available Downtown, buyers are likely to be a little more choosy—and thus developers will have to be very tuned into their desires, especially at the high end.

"People are looking for more bells and whistles, such as rooftop pools and other creative ideas," he says. "We're about to close on a property in SoHo, where we're providing a \$27 million acquisition loan, which will be renovated to seven or eight luxury condos, each with an individual pool."

Meanwhile, Battery Park City is moving towards the end of more than 40 years of development. The last two residential buildings there are now in the planning stages, according to Stanton Eckstut, FAIA, principal of the firm of Ehrenkrantz Eckstut & Kuhn Architects. He adds that the Battery Park City combination of waterfront, promenade, public space, and residential development, surrounding a commercial core, might well be carried over into the rest of Manhattan, plus parts of Brooklyn and Queens.

"The two new buildings will be joined at the base and below grade," he says "and will feature a community facility, owned by the Battery Park City Authority, at the base. The buildings will come on line in about three years, and will be entirely of Gold LEED standard. The sides that face North End Avenue will blend with the Battery Park City concept, while those that face West Street, with views of Downtown, will be more a part of the new World Trade Center fabric."

April 27, 2006 The Freedom Tower officially breaks ground for the second time, with all the dignitaries in attendance.

May 3, 2006 Silverstein announces commission of architects to design Towers 3 and 4. Richard Rogers is named to design the two-million-sf 175 Greenwich St. (Tower 3). Fumihiko Maki of Japan will design the 1.8-million-sf 150 Greenwich St. (Tower 4). Design work begins immediately with construction scheduled to begin next year and should be completed by 2012.

May 11, 2006 John Whitehead, chairman of the LMDC, announced his plans to resign his position at the end of May 2006.

NEW YORK UNIVERSITY Real Estate Institute

Defining excellence in the industry since 1966.

NYU's Real Estate Institute (REI) has been a seminal force for 40 years in providing the industry with well-educated professionals. Within one of the world's most dynamic real estate markets, our programs are taught by a faculty of leading experts, and designed to keep you abreast of today's industry developments. You will gain the advanced technical and analytical skills needed to address the demands of your professional community.

Graduate Programs:

- Master of Science in Real Estate
- Master of Science in Construction Management

Undergraduate Programs:

- Bachelor of Science in Real Estate

Non-degree Offerings:

- Construction Project Management
- Fast-Track Sales and Broker's Licensing Courses
- Professional Licensing and Continuing Education (Appraisal, Architecture, Home Inspection, Professional Engineer, and Broker's and Salesperson's)

Graduate Information Session:

Wednesday, Sept. 27, 6-8 p.m.

Marriott Marquis, 4th Floor
1535 Broadway (btwn. 45th and 46th Sts.)

Please call to RSVP.

www.scps.nyu.edu/359
1-888-998-7204, ext. 359

NEW YORK UNIVERSITY
SCHOOL OF CONTINUING AND PROFESSIONAL STUDIES



New York University is an affirmative action/equal opportunity institution. ©2006 New York University School of Continuing and Professional Studies

May 18, 2006 Gov. Pataki announced that Kevin Rampe will return to lead the LMDC as its chairman, replacing John Whitehead.

May 22, 2006 Exactly four years to the month since construction began, 7 WTC (250 Greenwich St.) opened.

June 1, 2006 Brookfield Properties cut the ribbon on its renovated park at Broadway and Liberty Street, after just 10 months under construction. Formerly known as Liberty Plaza Park, it was renamed Zuccotti Park in honor of the US chairman of Brookfield Properties, John Zuccotti.

June 19, 2006 Silverstein Properties secures an anchor tenant for 7 World Trade Center. Moody's Investor Services signs a term sheet for approximately 600,000 sf on 15 floors.

June 20, 2006 After weeks of speculation, a revised plan for the WTC Memorial was released. The new arrangement keeps the memorial in line with the original "Reflecting Absence" design, while bringing the cost down to within the established \$500-million budget. The changes to the design are not expected to delay the memorial's scheduled Sept. 11, 2009, opening.

June 26, 2006 Silverstein and the Port Authority, file a complaint in Manhattan's State Supreme Court alleging that several insurance companies have indicated they might not continue to make payments. Non-payment could jeopardize the redevelopment of the WTC.

June 28, 2006 BearingPoint Inc. signed a lease for 52,000 sf of office space in Three World Financial Center. David M. Childs of Skidmore, Owings & Merrill details refinements made to the 1,776-ft Freedom Tower, since the concept was unveiled in June 2005. The building incorporates advanced life safety systems that exceed the requirements of the New York City Building Code.

June 29, 2006 The US General Services Administration and the Port Authority enter into a memorandum of agreement where Customs could occupy a similar amount of space in the Freedom Tower as they had in 6 World Trade Center. The agency was the majority tenant at the site and occupied 591,890 sf prior to 9/11.

July 5, 2006 The makeover of one of Downtown's most-traveled thoroughfares is celebrated in Battery Park City as the New York State DOT wrapped up the \$70-million Promenade South project.

July 11, 2006 Beijing Vantone Real Estate Ltd. did not deliver the letter of credit by the deadline imposed by Silverstein. Silverstein pulls the deal off the table.

July 26, 2006 Mansueto Ventures LLC signed a 15-year lease for approximately 40,000 sf of space in 7 World Trade Center.

Aug. 17, 2006 The World Trade Center Memorial Foundation and the Port Authority of New York and New Jersey begin construction of the footings for the WTC Memorial and Museum.

Aug. 24, 2006 Darby and Darby LLP, an intellectual property law firm took two floors or 80,000 sf at 7 WTC.

www.LowerManhattan.info
contributed to the timeline.



Downtown's newly reopened and renamed \$8-million Zuccotti Park at One Liberty Plaza was financed by Brookfield Properties. Photo: Jori Klein

Making Downtown a Cultural Destination

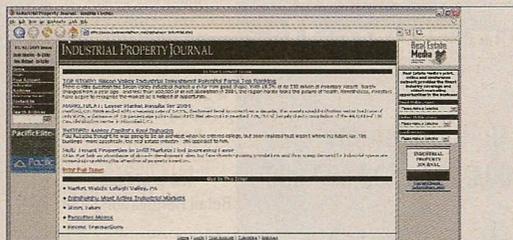
By Nancy A. Ruhling

One Liberty Plaza's park, reopened nearly five years after it was heavily damaged in the terrorist attacks, stands as an evergreen symbol of the city's effort to turn post 9/11 Downtown Manhattan into a 24/7 cultural destination.

The \$8-million-renovation of Liberty Plaza Park, financed by Brookfield Properties and newly renamed Zuccotti Park for John E. Zuccotti, the company's US chairman, has been heralded as a major achievement and attraction of the reviving area. With 54 honey locust trees, 500 in-ground lights and two significant sculptures—Mark di Suvero's 70-foot-high abstract steel work "Joie de Vivre," and "Double Check," J. Seward Johnson's bronze statue of the man with the briefcase that became an icon after it survived the attacks virtually unscathed—it is designed as a welcoming oasis next to the World Trade Center's gaping black hole.

The park's reopening, along with a host of year-round cultural events that started or ramped

*Office has
the prestige,
retail the glamour,
but industrial
drives the nation's
commercial sector.*



INDUSTRIAL PROPERTY JOURNAL

As trade becomes increasingly global,

as companies get goods to market faster than ever, and as new technology plays a greater role in distributing products, a thorough understanding of the industrial real estate marketplace is more critical than ever. Covering the changing trends and issues affecting industrial real estate, market by market, REIT by REIT, user by user, **Industrial Property Journal** provides valuable insight and analysis to the increasingly important industrial sector. Written by respected journalist John McCloud, **IPJ** is delivered directly to your inbox 24 times a year.

**SUBSCRIBE TODAY FOR ONLY \$379/YEAR (24 ISSUES).
GO TO WWW.GLOBEST.COM/NEWSLETTERS/IPJ.HTML**



Real Estate Media's print, online and conference network provides the finest coverage and widest marketing opportunities in the industry. For full product listing, go to: www.remedianetwork.com

up after 9/11, is part of a larger and largely successful marketing effort not only to bring New Yorkers but also tourists back to the area.

"It's about revitalizing Lower Manhattan," says Valerie Lewis, vice president of marketing and communications for the Downtown Alliance. "We want to encourage people to come Downtown, stay Downtown, come back to Downtown and spend money Downtown. We know that 75% of the people spend money when they come Downtown, and I want that to be 100% this year."

Right after 9/11, Downtown cultural and arts events were used as a tool to heal the spirit of the city with the Lower Manhattan Development Corp. leading the way; now, they are being used to uplift the image and economics of the area. (The controversial corporation, which was charged with choosing a master plan and a memorial design for the World Trade Center, recently announced that mission accomplished, it was being dissolved as planned.)

A prime attraction, the five-year-old River to River Festival draws some 1.2 million people every summer, making it the largest free cultural arts festival in the nation. The event, a direct response to 9/11, pools the resources of the Downtown Alliance; the Lower Manhattan Cultural Council; South Street Seaport; Hugh L. Carey Battery Park City Authority; The Port Authority of New York and New Jersey; and the World Financial Center Arts & Events program, the largest year-round free performing arts and cultural program on the East Coast.

"Before 9/11, we had a variety of special events, but it was disparate," Lewis says. "The area wasn't marketed as a destination or coordinated."

Now, the alliance, which holds some 500 events between June and September, is working on adding to its fall and winter lineup.

Melissa Coley, spokesperson for Brookfield Properties, says that the company, which with American Express, Merrill Lynch and the Battery Park City Authority, sponsors the arts and events program at the World Financial Center, sees the cultural activities as a way to "enhance the quality of the property."

"It's another wonderful amenity for tenants, and the programs are free," Coley says. "It's a way for major companies to support the arts in their own back yards, and tenants do cite it as one of many reasons for choosing the building."

For Brookfield and the other sponsors of the program, which has been running since 1998, turning the Winter Garden and the public spaces of the World Financial Center into a canvas for public art "is an enormous economic development device that can be a driving force in the life of the neighborhood," says Debra Simon, executive director of the program. "Just look what BAM did for Brooklyn."

The goal of World Financial Center Arts & Events is to serve as the leading showcase in Lower Manhattan for the visual and performing arts and, Coley says, to keep the "beautiful space animated, active and alive for employees and the community."

The free performances, which attract 1,500 to 5,000 people from the tri-state area, "are what make the World Financial Center such an incredible place to work," Simon says, adding that many of events are scheduled to coincide with lunch breaks so workers can get the maximum enjoyment. "After 9/11, I was inundated with artists and groups that wanted to do programming about the attacks, but we decided that we were going to look forward, not backward. Now, our audiences are up over where they were before 9/11."

The programs, which have included commissioned dance pieces, the Bang on a Can Festival, a silent film festival and a kite exhibition, are chosen to "maximize the uniqueness of the space," says Simon, and "to develop the next audience for consumers of art."

As for Zuccotti Park, Coley says that it's very likely that it will be even livelier in the future as it finds its niche in the Downtown cultural scene. "We probably will have free programs there, too," she says, adding that all the groups are working together to continue to make Downtown a world-class arts center. 9/11 aside, "the River to River Festival and all these programs are here to stay," she says. —RENY