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## Building a Tower of Luxury Apartments in Midtown as Brokers Cross Their Fingers

By Charles V. Bagli

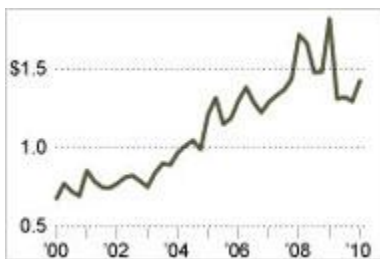


Gary Barnett, one of New York City's most prolific developers, is about to start construction of a \$1.3 billion skyscraper on 57th Street that will overtake Trump World Tower as the tallest residential building in the city.

The tower, designed by the French architect [Christian de Portzamparc](#), will rise 1,005 feet above 57th Street east of Seventh Avenue, feature striking views of Central Park and house what Mr. Barnett hopes will be 136 of the most expensive and luxurious apartments in the city. A 210-room Park Hyatt hotel is to occupy the first 20 floors, hotel analysts say.

"We're going vertical in the next three weeks," said Mr. Barnett, chief executive of [Extell Development](#). Sounding a little like the developer he is one-upping, he said, "We think it'll be the nicest project ever built in New York."

The project is the first major construction start in New York since the fall of Lehman Brothers in September 2008, and it is an ambitious, even risky undertaking. Unemployment still hovers at 10 percent in the city, which has only just begun to gain back some of the 150,000 jobs lost during the recession. Not so long ago, the real [estate](#) industry was right behind Wall Street and the nation's automakers in crying for a federal bailout.



But Mr. Barnett and other real estate executives now say they are seeing signs of life, despite a sluggish economy, fears that the European debt crisis will drag down the stock market and a list of stalled residential projects in New York that runs 500 buildings long.

Apartment prices and office rents have bottomed out, and landlords are having to offer fewer concessions, real estate executives say. Foreign investors are back, and wealthy people are buying property again. Tourists continue to pour into the city. Retailing is relatively strong, and hotel occupancy and rates are picking up.

[Hersha Hospitality Trust](#) has bought four Manhattan hotels since January for \$200 million. In recent months, [SL Green](#), the city's biggest commercial landlord, bought two office towers for a

total of more than \$500 million. And three developers are vying for a minority stake in 1 World Trade Center, which, upon its completion (scheduled for 2013), will be the city's tallest skyscraper.

All these tentative signs of recovery could be extinguished by another downturn. But many are poised like sprinters for the starting gun on the next real estate bull market.

"There's a lot more activity," said Stephen M. Ross, chief executive of Related Companies, a prominent developer. "It's not doom and gloom anymore."

Mr. Barnett said his project would be completed in 2013, in time for what he expects will be a booming market. The foundation for his tower, which will stand opposite Carnegie Hall and be called Carnegie 57, is complete.

With banks still largely unwilling to lend money for large projects, Mr. Barnett went to Abu Dhabi for partners and financing. The Tasameem Real Estate Company, controlled by the government, bought a stake in the project two years ago. More recently, a related company, Aabar Investment, agreed to provide financing.

By the time the tower opens, Mr. Barnett said, there should be a "dearth" of spacious ultraluxury condominiums. It will loom nearly 500 feet over the Essex House and its rooftop neon sign, giving residents panoramic views.

He said the apartments should command prices comparable to or better than those at 15 Central Park West, a celebrity magnet that has attracted the likes of Sting and Alex Rodriguez and where apartments sell for \$6,500 a square foot and more.

"If you can find the money, it's a great time to be in development," Mr. Barnett said. "We're not back to the highs of 2007 yet, but we see things picking up substantially."

Currently, Extell is building or completing five residential buildings on the West and East Sides with a total of 924 apartments. The company also plans to build a 54-story, 487-room hotel on West 45th Street, near Avenue of the Americas, but his 34-story Gem Tower, which is to house dealers in the Diamond District, has come to a temporary halt.

Jonathan J. Miller, president of the appraisal firm [Miller Samuel](#), called Mr. Barnett's latest project "pretty gutsy." Apartment prices leveled off last year, after falling by 25 percent to 30 percent, he said. The anemic market for the highest priced units has recently awakened, but mainly because those units have become more affordable. That could make a tall order out of Mr. Barnett's goal.

Three years from now, Mr. Miller said, developers and landlords may still be wrestling with an estimated 20,000 rental apartments and condominiums in buildings where construction or sales stopped in the past two years.

“I think things will be better than they are now,” he said, “but I don’t know how much better. I don’t think we’re in recovery mode.”

Still, many brokers and developers take heart from the fact that apartment buyers are back in the market. Pam Liebman, president of the Corcoran Group, said the number of apartments under contract jumped 81 percent in the first quarter of this year, compared with the same period in 2009; it was lower, however, than during the peak in 2007.

In an industry where many believe that perception is reality, landlords, developers and real estate investors are now “up-talking” a market that they had been “down-talking” a year ago, as if a turnaround could be prompted by sheer force of will.

“There’s a palpable optimism in the market right now,” said Robert A. Knakal of [Massey Knakal Realty Services](#), a real estate sales broker.

No private developer is going to start building a speculative office tower anytime soon, but landlords and developers say the Midtown market is on the verge of a turnaround, even though the office vacancy rate is a daunting 14 percent. Effective rents, which had fallen by as much as 45 percent, are now inching upward, at least for first-class space, and concessions are shrinking.

Also, there are few large blocks of vacant space available in Midtown. And, brokers say, Morgan Stanley, UBS, Bank of New York Mellon and Société Générale are each looking for at least 400,000 square feet. This is interpreted as a sign of confidence in the future, since banks and other corporations were fearful of making commitments a year ago.

“We believe that the New York City commercial office market is finally turning the corner after a few difficult years,” Marc Holliday, chief executive of SL Green, said this month after the company added two office buildings to its portfolio.

Mr. Barnett said nothing short of a catastrophe would stop his project. “We believe in New York City,” he said. “People are always going to want to live here.”