

Larry Silverstein Leases 516,000 SQ Feet At #3 World Trade Center To GroupM Global Media Firm

The pace is quickening at the new New York's World Trade Center, at a rate that is starting to get even seasoned observers quite excited. After twelve years of heartbreak, frustration and delays things are starting to come together in a process that will now begin even to accelerate.

Yesterday Larry Silverstein's Silverstein Properties announced that the world's largest advertising and media company GroupM has signed a twenty year lease for space at 3 World Trade Center, 175 Greenwich Street.

GroupM have taken a huge chunk of the building, 516,000 square feet on nine of the lower floors. The lease has been one of the worst kept secrets in New York real estate, having been reported to have reached the term sheet stage in July, after six months of previous negotiations, so it is good to see it now finally put to bed. Jewish Business News reported on its imminent signing as recently as November 12th.

The global advertising group is now going to consolidate its existing 2,400 New York employees downtown at the WTC from several existing mid-town locations when the building opens in 2017. This is of course the reverse direction to that taken by a number of banks who fled Wall Street for less expensive digs during, and immediately after, the financial crisis that started in 2007.

According to Silverstein, with the new GroupM lease a total of five million square feet of office space has now been leased so far at the four buildings of the new World Trade Center now building or ready for construction – 7WTC, 4WTC, 1WTC & now 3WTC. Companies that have moved or committed to space include Condé Nast, BMI, Omnicom, Moody's, WilmerHale, Fast Company and Inc. magazines, as well as the City of New York and the Port Authority of New York and New Jersey itself.

Indeed the Port Authority owns the land beneath the whole development, and is responsible for the massive transportation hub being carefully finished and brought on stream as well in the next twelve months. The Port Authority is a partner with durst Organisation in 1WTC, and was until recently also a partner with the Westfield Group for the WTC Retail shopping center.

The Port Authority has now sold its 50% interest in the retail back to Westfield, as reported in Jewish Business News here on December 5th. Part of the WTC retail will actually overflow as well into the basement and street levels of 3WTC that has now just obtained this new lease from GroupM, so the timing has been critically important for everybody to keep momentum for this project moving.

The absolutely key feature of this new lease for Silverstein Properties is that it releases the trigger for full financing of the property at 3WTC, and now permits commencement of construction of the main tower beyond the eight floor existing base. The time it has taken to put the lease in place is also not unusual in real estate – in fact in a way it can be a sign of seriousness rather than the opposite.

Nothing on this earth is more carefully crafted by real estate lawyers, than a major space-lease, even after the economic terms are established in a term sheet. Every sentence, clause, word and semi colon is carefully parsed, almost talmudically really, by each of; the developers, the tenants, the lawyers on both sides and sometimes with fights over the smallest items of detail all the way to the “last faucet in the last bathroom”. While this can be a grueling process it usually means that, by the end of it, the process has been so thorough that there is then little to argue over for the next twenty years or so, and therefore nothing left for the parties to do but to enjoy it. It can therefore be a healthy exercise for fair minded, yet careful as well as tough, negotiators on both sides of the table each acting in good faith to get a deal done.

Kelly Clark, CEO of GroupM North America, who just wants to grow his business in peace now that he has, is a happy man now the wait is over. “GroupM is looking forward to becoming part of one of the most vibrant and important neighborhoods in New York City,” he said at the announcement. “I want to thank and congratulate everyone who helped us reach this exciting, historic agreement – especially Governor Cuomo, Mayor Bloomberg, and all of their associates at the state and city levels.”

“Our agreement with GroupM to be the first tenant for 3 World Trade Center is another in a string of huge milestones at the World Trade Center,” said Larry A. Silverstein, President & CEO of Silverstein Properties. “Our firm recently opened 4 World Trade Center, the first tower to be completed at the 16-acre site (technically 7 WTC which he built first is not on the original site but immediately adjacent). In addition, 2014 will see the completion of One World Trade Center and the 9/11 Museum. I congratulate GroupM and thank our government partners at the World Trade Center for helping ensure continued momentum in Lower Manhattan.”

The changing leasing trend, from banking and financial services to media and professional tenancies, has been confirmed by the community organisation for lower Manhattan, called the Downtown Alliance.

According to them over 450 firms have moved into the downtown Manhattan area in the last eight years, and leased a total of 10 million square feet of space. Nearly half of the companies, and just over half of this spaced rented, came from such creative or professional service type tenants. While this hasn't entirely bridged the gap left by vanishing banking tenants it has certainly gone a long way to doing so.

As William Bernstein, the acting President of the Alliance for Downtown New York, was quick to point out “ US\$30 billion in public and private investment is manifesting itself in state of the art buildings, unsurpassed regional transit options, cutting edge telecom, exciting retail and dynamic open space.”

The 80 storey 2.8 million square foot new building at 3 WTC, is designed by Pritzker-prize winning architect Richard Rogers and his firm Rogers Stirk Harbor + Partners. 3 WTC will seamlessly integrate into the street level at Greenwich St, and will have a major concentration of retail – both at the street-level and in the underground pedestrian concourses that lead directly to 11 subway lines and the Port Authority Trans Hudson (PATH) train service. 3 World Trade Center will also be a Leadership in Energy and Environmental Design (LEED) certified Gold rated office tower.