

A Day of Deals at One World Trade Center

By Eliot Brown



Associated Press

One World Trade Center

With the stroke of a pen on the 34th floor of One World Trade Center on Wednesday, S.I. Newhouse Jr. officially ended his tenure as one of the more courted figures in New York City real estate.

The chairman of publishing giant Condé Nast signed his company up to become the anchor tenant in a 1 million-square-foot lease in the under-construction tower, an honor for which many a major landlord had been vying over the course of Condé's four-year search for new office space.

Such large tenants — particularly those willing to be the first to sign up for new buildings — do not come along very often and are prized in the industry. Newhouse's distinguished roster of suitors ranged from Brookfield Office Properties to the Durst Organization and Vornado Realty

Trust, each of which had tried at various points to enlist Condé to anchor their buildings. (Steven Roth, chairman of Vornado, in 2008 silenced a real estate breakfast forum at the Four Seasons when he spotted Newhouse, loudly declaring to attendees that there was a tenant in the room).

But on Wednesday, it was One World Trade Center that won the day. The lease marked the largest single tenant to be brought into Lower Manhattan in years. The project is being developed by the Port Authority of New York and New Jersey, which sold an ownership stake to the Durst Organization.

“We hope Condé Nast, at long last united into a single building, will be the catalyst for the rebirth of the downtown area,” Newhouse told a crowd of reporters and elected officials standing in the bare concrete, window-clad floor of the tower — one of the floors being leased by his company.

Such an act takes a major load off the back of the Port Authority, which is seeking to lease up a building that comes with a long list of challenges. One World Trade Center is surely worth far less than it costs to build (the tower was valued last year at \$2 billion, while its construction price tag is over \$3 billion). It undeniably causes anxiety over future terrorism among potential tenants. At present, there is just one other private tenant, for 190,000 square feet, signed on to the 2.6 million-square-foot building.



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From left: Developer Larry Silverstein, Mayor Michael Bloomberg, Conde Nast Chairman Si Newhouse Jr., and Port Authority Executive Director Chris Ward at a news conference on the 34th floor of One World Trade Center.

But having a major company like Condé at the tower boosts the appeal to other would-be tenants. The publisher’s space, taken together with the more than 600,000 square feet that the federal General Services Administration has committed to lease, leaves the amount of space left to fill closer to a manageable size.

The signing ceremony capped a big day for the Port Authority overall, which also finalized another major transaction related to the tower. Without the pomp or press conference, the agency finished its agreement with the Durst Organization, selling a 10% stake in the tower to the family-run office landlord led by Douglas Durst for \$100 million. Like the Condé deal, the Durst deal had been under negotiation for months.

For Durst in particular, the Condé deal was a win-win. As Condé's existing landlord at 4 Times Square and a partial owner of One World Trade, he benefits at both properties when they move. Not only will he get rent at One World Trade, but the Port Authority is agreeing to cover Condé's rent at 4 Times Square before it expires in 2019.