



REAL ESTATE

# High in FiDi

By Katherine Dykstra

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Everything about the new 8 Spruce St. is big: 76 stories, 901 units, 22,000 square feet of amenity space and rents from \$2,685 to \$20,000 a month.

Lorenzo Ciniglio/Freelance



BROAD DAYLIGHT: 25 Broad has given up on selling condos and is going rental. (Lorenzo Ciniglio/Freelance)

Tasked with finding a rental for a couple who had their Upper West Side co-op on the market for more than \$6 million, Tal Alexander, president of Luxury Living, was confident he need go no further than 8 Spruce St. That's the building better known as New York by Gehry — a brand-new, 901-unit, Frank Gehry-designed rental tower that, at 76 stories, is the city's tallest residential structure.

"The first building I am going to take him to is the Gehry building," Alexander said last week. "He's an architect and I don't think there will be a better option than the new, hot Frank Gehry building."

Makes sense. Except did we mention that 8 Spruce St. (developed by Forest City Ratner) is located in something of a Financial District no man's land? (Up-and-coming perhaps, but removed for now all

the same.) And that the couple had been living on Central Park West for 35 years?

No matter, Alexander's instinct was right. The couple has an accepted offer for the sale of their Upper West Side home and wants to rent in the Gehry building after they close.

"The building transcends its location; [renters are] going to look at it regardless where it is," says Clifford Finn, managing director of new development marketing at Citi Habitats, which is marketing the Gehry building. "Not that it's a bad location, only that it's undefined."

Between Gold and Nassau streets overlooking City Hall Park, the building is north of most of the action in the Financial District. But in true FiDi style, there is 22,000 square feet of amenity space, including a 50-foot pool, tween den, grilling terrace, private picnic area, catering kitchen, periodicals library, fitness center and screening room. And the building will bring with it a K-6 school (PS 397, Spruce Street School, opening in the fall), office space for Beekman Hospital and a retail space. Meaning, the building is practically a city in itself.

And given that New York by Gehry has the potential to lure more than a thousand people to the area, the blocks around it will likely grow, too.

"I'm interested in office space in the area, and already landlords are starting to raise their prices, knowing that the area will change," Alexander says.

But first things first: Units at 8 Spruce need to be rented.

So, it's a good thing that FiDi's rental market seems to be picking up. Most of the rental buildings in the area are currently experiencing extremely low vacancy rates, rising rents and the abolishment of concessions.

"We phased out concessions over the last two months. The market is stronger, and we've had more traffic in all our buildings," says Sofia Estevez, executive vice president at TF Cornerstone, which manages the rentals at 2 Gold St. and 45 Wall St.

"Usually at the beginning of the month, we have maybe 98 percent occupancy, maybe 97. In the bad times, we went down to 96 percent. Now, we're at 99 percent occupancy. That really changes things."

Part of this recovery has been due to longer leases signed during the recent market downturn, which are tying up inventory.

"Last year and the year before, we did a lot more long-term leases, which is pushing those rented in the winter of last year to coming up in the summer," says Khashy Eyn, Platinum Property's president and CEO, who handles many FiDi rentals in buildings like 75 Wall St.

But 8 Spruce is in a different price bracket than most of the Financial District's stock, well above what's been established in the neighborhood.

"When we show [customers] Frank Gehry, we don't also take them to 200 Water or 2 Gold," Alexander says.

One-bedrooms in those other buildings can start in the high \$2,000s a month. At 8 Spruce, studios start at \$2,685 a month, one-bedrooms at \$3,580 and two-bedrooms at \$5,795. Three-bedroom apartments will start between \$18,000 and \$20,000 a month. Currently, only units on lower floors are being leased.

The building does have two contemporaries, also with high asking prices, that have just hit or are about to hit the market.

The first is William Beaver House. Built as a condo development back during boom time, the 300-unit building was bowled over by the downturn. When CIM took over as sponsor late last year, only 35 percent of the units had sold. Rather than continue to struggle to sell, it decided to take a different tack and rent the remaining 200 units.

"At some point, [CIM] will release some of the inventory for sale," says Robert Scaglione, senior managing director of residential marketing at Rose Associates, which is handling the William Beaver rentals. "But for right now, it's a hybrid building."

There, one-bedrooms are in the \$3,500- to \$4,000-a-month range and two-bedrooms are in the \$5,000 to \$6,000 range. (The handful of studios available are about \$3,000 and 700 square feet.)

Similarly, the Exchange at 25 Broad St. was an ill-fated condo conversion and now has a new sponsor. It's scrapped sales for good and is preparing to market all 302 of its units as rentals. It will open up in April for June occupancy, with Rose Associates marketing it, as well.

"It'll rent at prices competitive with condo-level rentals like William Beaver and 8 Spruce St.," Scaglione says.

While much of the Financial District is currently concession-free, these three buildings will offer one month's free rent and pay brokers' fees.

"I don't think 150 or 200 apartments at William Beaver, or 300 apartments at 25 Broad, will be a big deal [to rent]," Scaglione says.

As for New York by Gehry, "900 apartments will take a couple years to rent," Scaglione predicts.

William Beaver has leased 50 units, 25 percent of its rental inventory, in the past five weeks. On the market since late February, 8 Spruce is keeping its numbers under wraps.

"We really just started, so I'm not quoting numbers yet," Finn says. "We could rent a hundred in a week and it wouldn't sound like much percentage-wise."

Either way, the Gehry building will need a diverse renter base to go along with its concessions in order to fill 900-plus units. Lucky for it, potential customers being drawn to the area go well beyond those in the financial industry.

“The first occupancy was almost 100 percent Financial District people with their first jobs out of college,” says Estevez of 45 Wall. “Now it’s not only people who are living in the Financial District, but a lot of people from Midtown.”

Kathleen Scott, vice president of marketing and leasing at Rockrose, which leases 200 Water St., agrees that the area’s demographics have changed: “Now, they’re young families.”

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