

THE WALL STREET JOURNAL.

March 27, 2014

The Meatpacking District Puts On a White Collar Gritty Neighborhood Is Turning Glassy With Office Towers

By Kaya Laterman



People on the High Line

When it was home to about 250 slaughterhouses and packing plants—more than a century ago—the Meatpacking District was aptly named. Today, though, the neighborhood on Manhattan's West Side is quickly turning into the new hip workplace.

The area—its boundaries are roughly from Gansevoort Street to West 14th Street and from the Hudson River to Hudson Street—has five new mixed-use office/retail buildings that are going up or in the planning stages, bringing in thousands of daytime workers and shoppers over the next few years.

Prescription eyewear maker Warby Parker has already opened a store in the neighborhood, in the same location on Washington Street where it rang up big holiday numbers as a pop-up at the end of 2012.



The new Whitney location, which is scheduled to open in spring 2015, under construction.

"We were blown away by the foot traffic and sales were double of what we expected," co-founder and co-CEO David Gilboa said of the pop-up, directly across from the High Line elevated park.

Warby Parker quickly negotiated a long-term lease and re-opened the store last July as a permanent location. The company also expects to see even more foot traffic when the Whitney Museum of American Art opens only steps away in the spring of 2015.

"I feel this location raises awareness of our brand," Mr. Gilboa said.

Also on Washington Street are two of the five mixed-use buildings that are under construction.

The last nuts and bolts are being placed at 837 Washington St., a 55,000-square-foot building developed by Taconic Investment Partners LLC and Thor Equities LLC.

"I think more well-known brand name companies, boutique private-equity firms and hedge funds will move here," said David Falk, president of the New York tri-state region at Newmark Grubb Knight Frank, the commercial real-estate firm in charge of leasing office space in the six-story structure. "I would say the office vacancy rate in the neighborhood is less than 1% right now."



A 10-story glass tower at 860 Washington St., developed by Property Group Partners and Romanoff Equities Inc., is set for completion in the summer of 2015. The 120,000-square-foot building sits right next to the High Line; another feature will be high ceilings, from 14 feet to 25 feet—depending on the floor, according to Jeff Sussman, president of Property Group Partners.

Developments at 61 Ninth Ave. and 40-56 10th Ave. are working their way through the various city approval processes; construction can begin once they get all the signoffs.



A man sits at an outdoor cafe in the area.

Next month, Aurora Capital Associates and William Gottlieb Real Estate plan to submit their development plan for 9-19 Ninth Ave. to the city Landmarks Preservation Commission; the property owners want to build a five-story office-retail building on the site. Early plans include an addition featuring a glass art wall and a setback penthouse, said Jared Epstein, vice president of Aurora Capital Associates.

"Due to the scarcity of available office space and the voracious demand from companies, I would not be surprised if office rents stay at the stratospheric \$85- to \$125-per-square-foot range in new developments," Mr. Epstein said.

Much of the Meatpacking District is now part of the Gansevoort Market Historic District, in place for about 10 years. The designation factors heavily in how new buildings blend into the neighborhood, according to a preservation activist.



Shelves of eyewear at the Warby Parker store.

"We've tried to keep designs for the new buildings to reinforce the character of the neighborhood as a place for the arts," said Andrew Berman, executive director of the Greenwich Village Society For Historic Preservation. "Hopefully the opening of the Whitney can usher in a good balance of art and commerce."

The retail scene hit a high note more than a decade ago—perhaps before it was really ready—when designers Stella McCartney and Alexander McQueen each opened stores in 2002.

Both stores are now closed and several of the newer tenants, especially on 14th Street, are more affordable brands, brokers noted.

"The market matured so quickly, we're now seeing a correction," said Karen Bellantoni, executive vice president at RKF, a retail-leasing firm.

Despite many empty storefronts, Ms. Bellantoni said, landlords are still asking \$200 to \$500 a square foot in rent.



The new mixed-use building at 837 Washington

On the residential front, interest in the Meatpacking District has picked up; the neighborhood, however, is zoned only for commercial use now.

Condominiums are going up nearby, including one not far from Eighth Avenue and 14th Street.

"People's perspective of 14th Street has changed," said Udi Eliasi, a broker at Urban Compass. "It used to be perceived as a noisy corridor; now it's steps away from everything."

The condo being built at 245 W. 14th St. is a project by Alfa Development.

Alfa founder and CEO Michael Namer is looking to capitalize on the street's changing reputation with the 12-story tower, which will have LEED Gold certification and high-end amenities such as spa treatments for residents.

"Fourteenth Street is now the gateway to this new 'city within a city'....," Mr. Namer said. "The district is going to be a new city center where people work, shop, dine and go out. It'll be an interesting mix of artists, designers, tech firms and hedge funds and people are going to want to live near all of that."



Pedestrians—and a pooch—walk along Washington Street.