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Mixed-use buildings more prevalent in Manhattan

Offer cash flow, lower risk and improved chances of financing.

By [Amanda Fung](#)

Published: August 14, 2011 - 5:59 am

In March, The Related Companies unveiled MiMA, a 63-story residential building with several differences. The tower, on West 42nd Street, comprises 151 condos, 500 rental units and a 669-room hotel—not to mention a performing arts theater designed by Frank Gehry.

Why is Related packing so much under one roof?

“We hedged our investment, so that it doesn't have too many for-sale units for the market to absorb,” explained Executive Vice President Bruce Beal Jr.

In this fragile economy, a growing number of developers are of the same mind. Fearing that it might take years to sell a whole tower's worth of condos, they are generating cash with rental units; some are also incorporating a hotel into projects. Additionally, increasing revenue sources makes lining up construction loans easier.

While such multiuse properties have been in Manhattan for years, they are becoming more prevalent.

“Mixed-use buildings limit some of your risk,” said Evan Stein, president of J.D. Carlisle Development Corp. It built The Beatrice, a Chelsea complex that comprises an Eventi hotel and 301 luxury rental units, in 2010 and is “pondering several” more similar projects, Mr. Stein said.

In recent months, other firms have begun work on a number of buildings. Extell Development Co.'s Carnegie 57 in midtown will be the city's tallest residential tower, with a hotel on lower floors. Downtown, Silverstein Properties is planning a 22-story Four Seasons Hotel topped by 58 stories of condos. And Time Equities Inc. has a 62-story hotel-condo between West and Washington streets north of the Brooklyn-Battery Tunnel in the works. In addition, brokerage Citi Habitats is consulting with developers that intend to start on two Manhattan rental-condo hybrids in 2013.

Bankers are more willing to finance multipurpose properties because the borrowers don't rely on unpredictable apartment sales. And there can be multiple benefits if the developer also teams up with a deep-pocketed hotelier.

A Time Equities executive said recently that its \$600 million hotel-condo project, at 50 West St., is close to an agreement with a brand-name hotel partner. A lender will provide financing when that deal is signed.

Rentals are seen as surefire cash flow. Extell began selling the 150 condos at The Aldyn, a luxury development on the Upper West Side, in January, and 40% of them have been purchased. By contrast, occupancy in the 136 rental units, which began leasing last November, stands at 90%.

“Developers are racing against the clock,” said Beth Fisher, senior managing director at Corcoran Sunshine, exclusive sales brokerage for The Aldyn. “They don't want a huge building on the market for five-plus years.”

On the other hand, Manhattan's land prices make rental-only projects virtually impossible. Land is selling at about \$400 a buildable square foot and is expected to reach the 2007 peak of about \$500 soon, according to Peter Hauspurg, CEO of Eastern Consolidated, a commercial brokerage. A developer paying more than \$200 a buildable square foot can't afford to build an all-rental complex, he said.

“THE WAVE OF THE FUTURE”

Glenwood Management Corp. is one of the few still developing 100% rental towers. The company expects to break ground later this year on a 340-unit rental project on land at Amsterdam Avenue that it bought in 2010.

“That is why we buy sites when the market is down,” said executive vice president Gary Jacob.

All pure rentals—including swank ones—must compete with multiuse properties, which experts say are in the best position to provide the costly, space-consuming amenities that many high-end residents increasingly look for.

Extraordinary perks such as spas, basketball courts and canine day care are prohibitively expensive for individual owners in an all-condo property. And landlords of even luxury buildings do not have the profit margins to justify such offerings.

“This is the wave of the future,” said Nancy Packes, a residential development and marketing consultant. “Rentals become more valuable because of the higher level of amenities attached to it.”

Having a hotel brings multiple advantages, including that the developer can get higher rents or prices per square foot for units on all floors above the hotel. For example, apartments at The Beatrice start at the 26th floor, and penthouses in the 54-story building rent for at least \$20,000 a month. It was 99% leased in less than eight months.

“Everyone wants to pay for a view,” said Gary Malin, president of Citi Habitats.

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