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Former Tunnel nightclub space readies for new spotlight after \$1B revamp

By [Steve Cuozzo](#)

The West Chelsea waterfront-area revival has been one of Manhattan's great 21st Century commercial and residential success stories.

But will there be enough demand there for more than a million square feet of newly-minted cutting-edge office space by the end of next year?

L&L Holding Company and Columbia Property Trust sure hope so as their [billion-dollar-plus transformation of the historic Terminal Warehouse](#) races to completion.

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Once upon a time, in a galaxy far away, it served as a transfer facility for freight loads entering and leaving the city.

In another epoch altogether, it was the home of the fabled Tunnel nightclub in the 1980s and '90s.

The newly-created office portion's 1.1 million square feet appear to be the only new block of such a size that will come online by late 2024 or early 2025, when the developers are counting on the current market malaise to be over.

Manhattan's overall vacancy rate through the first quarter of 2023 reached a scarily-high 16-20%, depending on which survey you follow. Lack of demand and [work-from-home continue to drive down property values](#) and a few landlords have even turned the keys over to lenders.

But L&L managing director and principal David Orowitz struck a confident note.

He said the Terminal Warehouse “combines the sort of authenticity and diversity of office-product types and sizes that will appeal to a wide range of innovation-powered companies.”

Built in 1891, Terminal Warehouse — previously called Terminal Stores — is a 700-foot-long “groundscaper” that takes up the entire, vast block between Eleventh and Twelfth avenues and West 27th and West 28th streets.

It stands across 27th Street from the even more mammoth Starrett-Lehigh Building, which was also converted from railroad use to offices — part of the Far West Side's revival through adaptive-reuse of derelict former warehouses and piers.

Architects COOKFOX have reorganized the interior to create a monumental public corridor and courtyard and designed a six-story office addition at the building's western end. The “re-envisioned” property will boast 29 private terraces.



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The construction job required working around the building's original elements including 500-year-old timber.

The plans required approval from the Landmarks Preservation Commission as the building stands within a historic district.

Formal marketing will start this summer although no leasing team has yet been announced. Rents are expected to be on par with "trophy" office developments in the West Chelsea/Hudson Yards areas.

Some 100,000 square feet of retail space will also be available with storefronts on all four sides with entrances on the sidewalk and the interior concourse.

When we first reported on the project in 2019, the developers were L&L and Normandy Real Estate partners, who paid \$880 million for the site in 2018.

In 2020, Normandy was acquired by Columbia, which committed additional capital and joined L&L Holding as co-general partner.



David Lee Roth of Van Halen and Grace Jones at Tunnel Club.

Getty Images



Keenen Ivory Wayans and Naomi Campbell at Tunnel in 1995.

WireImage

Several institutional investors are also involved in the project.

In July 2021, L&L and Columbia closed on \$1.25 billion in financing — the largest construction loan issued in the city that year.