

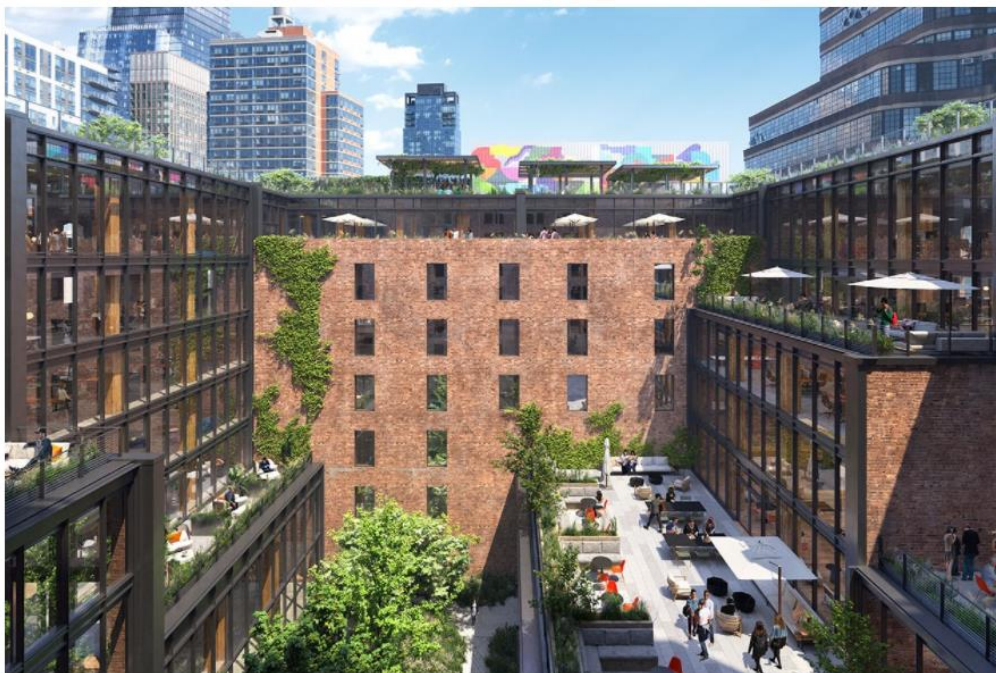


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New York's Historic Terminal Warehouse Lands \$1.25 Billion in Construction Financing

Chelsea Market May Be More Insulated From Impact of COVID-19 Over Long Term, According to CoStar Analysis



A rendering depicts the Terminal Warehouse redevelopment in New York. (Gensler/TMRW)

By [Andria Cheng](#)

The historic Terminal Warehouse in New York's West Chelsea neighborhood has secured a total of \$1.25 billion in construction financing, the largest such loan to date in the city this year and a signal of confidence in the biggest U.S. commercial real estate market.

The financing will pave the way for the restoration and transformation of the 1.2 million-square-foot office, retail and self-storage facility into a “workplace and retail destination,” developers L&L Holding and Columbia Property Trust said in a statement Friday.

Blackstone Group’s real estate debt strategies fund led a \$974 million senior loan and senior mezzanine loan financing with Goldman Sachs and KKR participating. Funds managed by Oaktree Capital Management led a \$274 million junior mezzanine financing in partnership with Paramount Group.

In collaboration with architectural firm CookFox, L&L and Columbia are converting Terminal Warehouse’s 550,000 square feet of self-storage space into modern, top-tier offices while also “reimagining” its ground-floor retail and common areas, the developers said. The floor area will be removed to make room for a new courtyard, a series of double-height interior spaces throughout the western side of the building, and six new office floors with floor-to-ceiling glass overlooking the Hudson River. The redesign plan was approved by the New York City Landmarks Preservation Commission in January 2020.

L&L and Columbia said the redevelopment is estimated to be completed in 2023.

“Today marks a major milestone in our ongoing effort to restore, reimagine and adaptively reuse an icon of commerce dating back to the late 19th century,” Robert Lapidus, L&L’s president and chief investment officer, said in the statement. The financing “in this current environment is both a testament to the merits of this project as well as a show of the investment community’s continued faith in the future of New York City’s economy.”

The project aims to attract “high performance, growth-oriented companies,” Columbia CEO Nelson Mills said, adding it also will add “significantly to the 21st century vibrancy of the surrounding West Chelsea neighborhood.”

The Chelsea office market, like most of the Midtown South area, has transformed as tech firms, led by Google, have “flocked to the area” and become “the centerpieces of Chelsea’s demand story,” according to a CoStar analysis. While the remote working trend has also led the market’s leasing activity to plunge to near

record lows over the past 12 months and nearly doubled its vacancies, the Chelsea market may be better “insulated” from the negative impact of the pandemic over the long term, thanks to “an abundance of well-capitalized tech firms” that are located in the area, according to the CoStar report.

Built in 1891, Terminal Warehouse occupies an entire Manhattan block from 11th Avenue to 12th Avenue and 27th Street to 28th Street and is also steps away from the High Line elevated park. As the first major New York facility with direct access to the river, streets and rail lines, the building originally served as a key transfer point for goods heading into and out of the city.

A tunnel with a twin set of rail tracks, which runs through the center of the facility and originally offered a direct connection from the Hudson River’s docks to the freight lines operating at street level along 11th Avenue, marks the property’s “most distinctive characteristic,” according to the statement. The tunnel also housed the famous Tunnel nightclub in the 1980s and 1990s.

The redevelopment plans include restoring the 670-foot-long tunnel, which travels the length of the building.

A major focus of the preservation and redevelopment plan also will involve saving, reclaiming and showcasing the historic timber that was incorporated throughout Terminal Warehouse during its original construction, L&L and Columbia Property said.