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\$93M High Line Deal Continues Chelsea Transformation

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NEW YORK CITY-South of Midtown, approaching Tenth and Eleventh Avenues in Chelsea, a line of warehouses and aging office buildings once lined the blocks near the Hudson River. Now, a crop of former class C buildings have been transformed into a top-tier destination for creative and high-tech tenants.

After a successful repositioning effort, commercial real estate manager **Pembrook Capital Management LLC** has contracted to sell a three-building office complex at 511 W. 25th St. to an affiliate of the **Related Cos.** for \$93 million. The properties, totaling 195,000 square feet, abut the High Line Park, which Pembrook's president and CEO **Stuart J. Boesky** says improved sales efforts.

"It has certainly helped increase the visibility and the value of the building," Boesky tells GlobeSt.com. "Right now it is branded as one of the more desirable creative use buildings in New York City. Being next to an elevated park is a really nice amenity for us."

Pembrook's history with the property goes back to January 2008, where the company originated and acquired a mezzanine position in the complex. From there, developer **Cardinal Properties** planned to renovate and convert the buildings into office, retail and art gallery condominiums, but given the economic downturn, condos were not selling in West Chelsea, Boesky explained.

"Over time, the original developer's strategy didn't come to fruition," he says. However, in 2009, Pembrook assumed control of the day-to-day operations at the site and took full ownership in 2010. "This is how you take a bad situation and turn it into a very good real estate transaction."

After taking over, Pembrook implemented a capital improvement plan for the buildings, which involved putting in new signage, fixing the facades and renovating the lobbies. "We picked up where they left off," Boesky says. "We basically took a class C building to a class B+ building. If you look at the building today, the spaces are incredible," he says, noting the views up and down the High Line. "We created an environment where people want to be."

As a result of the improvements, 42 leases totaling 125,000 square feet were signed over a 24-month period, bringing total occupancy up to 90% from its previous rate of 45%, Boesky says.

"We took over a project that was struggling," he says. "At this point, the leasing velocity is tremendous. The building has a really strong identity."

The current tenant mix includes green auto company Telsa Motors, tech firm Worldwide Digital Media, and fashion public relations firm Bismark Phillips. "You have technology, fashion, media and art all in one spot," Boesky says, noting that asking rents range in the mid \$40s to low \$50s per square foot. "There's lots of diversity, but it is all based around this creative concept. Everybody there is sort of synergistic to one another. It creates an identity for the building that is extremely positive."

Darcy Stacom of **CBRE** represented Pembroke on the transaction.