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Blackstone, Goldman Lead \$1.25 Billion Bet on NYC Offices



Rendering of the Terminal Warehouse redevelopment. Source: Gensler/TMRW

By [John Gittelsohn](#)

[Blackstone Group Inc.](#) and [Goldman Sachs Group Inc.](#) are leading financing for the \$1.25 billion redevelopment of a 19th-century warehouse on Manhattan's west side into a 21st-century office complex.

The financing marks the largest construction deal so far this year in Manhattan, according to a statement Friday by L&L Holding Co. and [Columbia Property Trust](#), developers of the Terminal Warehouse, which occupies an entire block in the West Chelsea neighborhood.

The project is moving ahead without a major tenant at an uncertain time for New York's office market. The city has a record amount of space available, and employees have been slow to return from pandemic work-from-home arrangements. Terminal Warehouse is south of Hudson Yards, where new skyscrapers have drawn major financial and technology tenants.

“Our ability to secure 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,” Robert Lapidus, L&L's chief investment officer, said in the statement.

Blackstone's real estate debt platform led the financing, with Goldman and KKR & Co. participating in \$974 million of senior debt. Oaktree Capital Management led \$274 million in junior mezzanine financing in partnership with Paramount Group.



Terminal Warehouse rendering of a work cafe and terrace. *Source: Gensler/TMRW*

“This property is rich in history and we are excited to be part of another high-quality office addition to the growing Hudson Yards and broader west side area of Manhattan,” Michael Eglit, managing director in Blackstone's Real Estate Debt Strategies group, said in an email.

The new financing pays off an \$880 million loan for the acquisition of the property in 2018.

Manhattan's office-vacancy rate was 14.3% in the second quarter, and average asking rents fell 5.2% from a year earlier, data from Jones Lang LaSalle Inc. show.



Rendering of the redeveloped Terminal Warehouse rooftop. *Source: Gensler/TMRW*

More than 14.5 million square feet of Manhattan office space is undergoing renovations or redevelopment, with total project costs of at least \$5 billion, according to CBRE Group Inc.