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HEADLINE: Can New Owners Make Rock Center Sexy Again?

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BODY:

Rockefeller Center has long been a haven for staid bank branches, airline ticket offices and other dreary retail tenants, a faded monument that New Yorkers surrendered years ago to camera-toting out-of-towners. But if Jerry Speyer has his way, the natives may soon be taking a second look.

The president of Tishman Speyer Properties has managed Rockefeller Center since he and a group of investors, led by Goldman, Sachs & Company, brought it in July 1996 for \$1.3 billion. In that capacity, he has been charged with transforming the world's most famous office complex into an upscale shopping destination, a place that will dazzle visitors and keep them from scurrying off to spend their money on Fifth Avenue and 57th Street.

That would be a radical departure. On any given day, hordes of tourists descend on Rockefeller Center and belly up to the skating rink to snap a picture of the gilded Prometheus statue. Then they quickly depart, rarely venturing into the tony shops surrounding them. "You don't think about it as a place to shop," said Jane Pearman, a recent visitor from England. "It's a lot of buildings and a skating rink."

Changing her mind may be a Herculean task. But then Mr. Speyer, who won a bidding war to buy the Chrysler Building on Nov. 24, has shown he is not afraid to make waves. He has persuaded Christie's International P.L.C. to set up its American headquarters in what was once a garage on 49th Street. Moreover, he is shaking up the management of Radio City Music Hall and the Rainbow Room, two of the center's beloved but somnolent Art Deco treasures.

His vision of a sweeping retail face-lift, however, may prove more elusive. Tishman Speyer has emptied out about 20 percent of the office complex's retail space, and real-estate executives, who spoke on condition of anonymity, said he is mulling over a number of intriguing plans, including a five-story shopping atrium in 30 Rockefeller Center, home of NBC.

But after only a year and a half, Mr. Speyer already is on his second director of retail leasing at Rockefeller Center, and people familiar with the internal workings there said he has yet to come up with the kind of all-encompassing plan he'll need to compete with 57th Street and Fifth Avenue. "I think they are clueless, retail-wise," said an industry insider.

Maybe so. But a source familiar with the developer said he has been so successful in cutting costs and increasing office rentals at Rockefeller Center that, when the time comes, he will be able to pick his retail tenants and name his price.

Considering all that Rockefeller Center has going for it, it's amazing the complex has fallen into such disarray in

recent years. The place is hardly a ghost town. About 60,000 people work there. Some 250,000 people pass through the center every day.

Then there are its perennially booming tourist attractions. The Rainbow Room and the eateries surrounding the skating rink are among the city's top five grossing restaurants, raking in more than \$20 million annually. One million pilgrims are expected to pony up a total of \$48 million at Radio City Music Hall's Christmas Show this season.

### An Unappetizing Mix

Yet while those cash cows prospered, previous managers couldn't figure out what to do with the remaining retail space, especially the hard-to-rent storefronts in the underground concourse.

The result was an unappetizing mix of dry-cleaners and bank branches for office tenants, and T-shirt emporiums and fast food joints for the tourists. And while Rockefeller Center dozed, Times Square, Fifth Avenue and 57th Street became vibrant urban shopping meccas. "Rockefeller Center still had its fabulous office tenants, but the complex needed an infusion of hemoglobin," said Mitchell Moss, director of the Taub Urban Research Center at New York University. "It's been this kind of sleeping giant, and it's been asleep for 25 years."

That began to change when Mr. Speyer and his partners--who also included David Rockefeller, the Agnelli family of Italy and the Niarchos family of Greece--entered the picture. They bought the 12-building landmark for \$1.3 billion after a partnership controlled by Mitsubishi, the Japanese conglomerate that purchased the complex at an inflated price in the late 1980's, declared bankruptcy.

Right away, the new partners made a deft move: They sold General Electric's NBC unit, with its 1.3 million square feet of office space, for about \$400 million. That left the partners with \$900 million in the deal, \$500 million of which was borrowed money. Then Mr. Speyer set out to improve the Rockefeller Center's ailing cash-flow situation.

The 57-year-old developer is a shrewd operator who has maintained an impeccable reputation while assembling a portfolio of international properties valued at \$6 billion--an accomplishment in a business with no shortage of rascals. A source familiar with Rockefeller Center said he slashed operating expenses there from \$90 million to \$70 million a year, and increased the center's annual gross revenues from \$157 million to \$180 million a year. He achieved

the latter goal largely by cutting the vacancy rate at the 7.4 million-square-foot complex from 14 percent to 7 percent while increasing rent by 20 percent.

The upshot, said the source, is that Mr. Speyer and his fellow investors have seen the value of their \$400 million investment soar to more than \$1 billion in less than a year and a half.

Meanwhile, it was becoming clear that Rockefeller Center was awakening from its trance. Earlier this year, for instance, the center announced it was transforming part of a 49th Street office building and garage into a glittering headquarters for Christie's Inc., the auction house. Now there's a plan to lure antique shops.

Even more startling, however, are efforts to drag the calcified Radio City Music Hall and Rainbow Room into the 21st century. Mr. Speyer was so concerned that Radio City Music Hall was dark much of the year that he was willing to oust the current tenant, Radio City Productions, owner of the legendary Rockettes, next January, after its lease expired.

He reportedly flirted with the Walt Disney Company and MCA Records before striking a soon-to-be-completed deal with the Rockettes' owner and with Madison Square Garden (a subsidiary of Cablevision Systems Corporation) to reinvigorate the legendary hall.

According to people familiar with the negotiations, Madison Square Garden and Radio City Productions will be paying upward of \$1 million a month--a huge increase compared to the Rockettes owner's former \$5 million-a-year rent.

### New Blood

Mr. Speyer is in the process of pulling off a similar coup at the Rainbow Room, where the food has lagged behind the fabulous décor. Again, Mr. Speyer signaled he was prepared to replace the current tenants--the legendary Joseph Baum and his partner, David Emil, who also operate that other culinary aerie, the Windows on the World atop the World Trade Center--if necessary.

Now, according to sources, Mr. Baum and Mr. Emil will continue operating the Rainbow Room after their current lease expires at the end of 1998. But part of the agreement is that they bring in some new blood: Drew Nieporent, proprietor of Nobu, a super-trendy sushi shop in TriBeCa.

It may be harder, however, to recreate Rockefeller Center's overall retail persona. Retail space accounts for only 500,000 square feet of the sprawling complex. Nonetheless, the center's stores, restaurants and theaters are among the most visible elements of Rockefeller Center and have an importance that far outweighs their paltry contribution to the bottom line.

Real-estate executives who have seen Tishman Speyer's retail plans said they don't lack for ambition. Along with the proposed shopping atrium in 30 Rockefeller Center, they said the developer is considering installing an escalator in the Channel Gardens to transport Fifth Avenue shoppers down to the concourse area.

Other plans include increasing the size of the doors and windows of its Fifth Avenue storefronts to win over expensive clothing designers and creating an "entertainment zone" on Sixth Avenue.

Meanwhile, a source close to Tishman Speyer said the company has spent the last year clearing out undesirable tenants to create "a critical amount of retail space" needed to truly take advantage of the retail renaissance blooming on Fifth Avenue and Times Square. Indeed, the source said Mr. Speyer will announce a wave of leases with "nationally recognized retail chains" early next year.

But some real-estate executives see signs of trouble. Earlier this month, Geoffrey Wharton, a Tishman Speyer managing director, said publicly at an industry gathering that his company's plans for the underground concourse and the entertainment zone weren't "fully developed." And earlier this year, Tishman Speyer replaced Susan Fine, the center's original retail guru, with Peter Fair, a former Disney executive. Mr. Fair, who scouted out locations for Disney retail stores for his former employer, is considered an improvement. Still, there are others who wonder if a former Disney employee whose job largely consisted of casing shopping malls is up to the challenge at Rockefeller Center.

Then there is the price issue. Some real-estate executives said the main reason there are so many vacancies at Rockefeller Center is that Mr. Speyer has overpriced some of his most important space. According to sources, he is asking for \$500 a square foot on Fifth Avenue and \$200 a square foot for the vacant storefronts facing the skating rink.

Retail experts said enlivening the dead zone surrounding the skating rink is a key element of the revitalization effort, and skeptics believe that the high rents have scared off potential anchor tenants.

In the meantime, some rather astute observers are marveling at the way Mr. Speyer has reanimated the once musty office complex. "I think that Jerry Speyer has turned around what was the dreariest and most uninspired piece of prime real estate and has really invigorated the entire complex," said Mr. Moss of N.Y.U. "The lobby staff used to dress in Nazi brown. Now they are wearing telegenic blue."