By Marc Bussanich

New York, NY—Jay Cross, president of the Related Companies’ Hudson Yards Project, gave a riveting account last week of the extraordinary challenges involved to build and lease 17 million square feet of residential and commercial space on the West Side while Related always looks for ways to build faster, cheaper and better. Watch Video

Mr. Cross spoke at a New York Building Congress event at the New York Hilton where Richard Anderson, NYBC’s president, presented the Congress’ most recent construction outlook. The Congress is forecasting that construction spending in the city will grow annually over $30 billion over the next few years. The optimistic forecast is heavily based on how well Related can lease space at Hudson Yards.

Mr. Cross said the company is continually trying to buy more land, as it recently did with the purchasing of 1 Hudson Boulevard from Extell and leasing 26 acres from the MTA.

The main construction work is currently happening in the Eastern Yards where Related is building a deck above a trough where railroad tracks enter into Penn Station. The Eastern Yard’s master plan, which includes 10 million square feet of office space, retail and a public square, will be built on this deck (slated to begin in January). Cross noted that all the building on the deck represents two-thirds of the Eastern Yards total development.

He said building on the deck would be no easy task because workers have to install trusses 90 feet deep in order to span “the throat,” where 30 train tracks filter into two connections into Penn Station, and support all the development above.

Once the deck is finished, commercial office space will be the heart and soul of the Eastern Yards. Cross explained to the audience that it’s important for construction professionals to explain to tenants that new construction is in their best interest.

“It’s important to stress to tenants that new buildings are structurally better, have better infrastructure, have better air quality, fewer columns and buildings are designed to accommodate densification,” which Cross said
allows tenants to bring costs down for each worker because they can rent less space in a newer building versus an older building for the same number of people.

Two office towers will rise from the deck—the North and South Towers. Construction of the 52-story South Tower started last December and will be topped off by next summer. Related has already leased 400,000 square feet to L’Oreal and still has about 8 floors to lease, or 250,000 square feet.

The North Tower is inextricably linked, structurally, to retail, according to Cross. Indeed, there’ll be seven floors of retail built on the deck, which is three times more retail at Related’s other property, Time Warner Center.

“You might say that we are over retailed around the country, but that is not true in Manhattan, where we are under-retailed, particularly under-retailed on the West Side which is full of a very affluent, young demographic who are looking for places to go and spend their money. We’re getting great interest from retailers.”

Anderson asked Cross does he have any sleepless nights over anything that could derail or slow down the project. Cross said barring a black swan event that stops the economy in its tracks, he’s not worried about the economy. But he is concerned about how the construction proceeds.

“There is a huge amount of construction risk of just the sheer mechanics of getting 6,000 workers on and off the site everyday, the DOB permitting process, the logistics of cranes swinging through and the availability of skilled labor both at the contractor and sub-contractor level are things that keep me up at night,” Cross said.

According to Cross, Related’s 99-year lease will help insulate the company from volatile market swings.

“Our land costs are locked in. It’s nice to know that we can land bank essentially as the market waxes and wanes and not be over exposed.”

Mr. Anderson also asked Mr. Cross about Related signing project labor agreements with the building trades.

“We invited every trade to lay out very transparently what were our challenges—the costs of new construction makes it easier for tenants to renew in place. That’s not a good thing for the construction industry. What are we going to do to make tenants move to new buildings.”

Cross said that relationships with the trades has been very good so far, but noted there’s always work to be done.

“There’s always productivity gains to be made and new technologies to employ and I think we have to keep our eyes and ears open to being better at what we’ve always done very well; we can all build buildings faster, cheaper and better,” Cross said.