

## PROPERTY REPORT

# New York's World Trade Center Struggles to Fill Office Space

About 20% of One World Trade Center remains empty four years after it opened



One World Trade Center has struggled more than the other towers on the site to fill its office space. Low clouds pass over lower Manhattan and the skyscraper in July. PHOTO: GARY HERSHORN/GETTY IMAGES

By *Peter Grant*

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Restoring the World Trade Center's office market has been slow going.

The emotionally fraught rebuilding of the signature 1,776-foot tall One World Trade Center skyscraper and three other towers was delayed for years by political and financial battles. More recently, leasing has been hampered by a New York office market that has been weaker than expected for this late stage in the economic cycle.

The rebuilt One World Trade Center has struggled more than the other towers on the site to fill its 3.1 million square feet of office space. About 20% of the building remains empty four years after it opened.

Executives with the Durst Organization, which is an owner, say business has been challenging partly because the site has had an unfinished feeling. Office towers, retail stores, a transportation center and the 9/11 Memorial have taken time to build.

"It's a site that's had continued construction for the last 17 years," said Eric Engelhardt, head of leasing at One World Trade Center.

Recently, interest in the site has grown as construction fences have come down and the complex has become more integrated with Downtown New York. Last week, Durst Organization executives said they had backed out of negotiations with co-working company WeWork Cos. to take a big block of space because they had better offers.

Many office markets in the U.S. have been soft, even as the American economy has expanded. Tenants are using space more efficiently, enabling them to grow without leasing more. Downtown has also faced new competition from about 10 million square feet of new office space going up at the Hudson Yards complex on Manhattan's West Side.

The downtown availability rate—which includes vacant space and space coming on the market—was 14.2% at the end of June, up from 11.3% in early 2017, according to CBRE Group Inc.

The former World Trade Center totaled 12.9 million square feet of office space, but only 9.5 million square feet has been rebuilt. About 7 million square feet of that space is occupied, according to CBRE.

Real-estate executives say that has been a great achievement considering the financial, political and technical complexity of rebuilding.

“On a site that has been the subject of the most horrible political turmoil, we’ve managed to effectively fill up the [equivalent] of the entire business district of a mid-sized American city,” said Mary Ann Tighe, chief executive of the New York region for CBRE.

The World Trade Center complex has been luring big names in media and technology from other parts of Manhattan, such as Condé Nast and Spotify Technology SA, while continuing to attract financial-services companies that want to remain near Wall Street.

Silverstein Properties, which has rebuilt three of the four properties, has the rights to build a fifth building in the complex. Marty Burger, chief executive of Silverstein Properties, predicts that will happen soon.

“We need one big tenant to kick-start it,” said Mr. Burger.

Brokers and developers involved in leasing World Trade Center office space say that efforts aren’t hurt by security concerns or the site’s tragic past. “You can never forget,” Mr. Burger said. “But it’s just as safe or vulnerable as any other place in the city.”

There have been some sensitivities. The tallest tower on the site originally was named the Freedom Tower, but it was changed to One World Trade Center in 2009 because the owners felt a name tied directly to the terrorist attacks might hurt leasing efforts.

“Freedom Tower is an appropriate name for a memorial,” said developer Douglas Durst, head of the Durst Organization.

Slow leasing was also a hallmark of the old World Trade Center complex. The Twin Towers suffered high vacancy for years after they were completed in the early 1970s by the Port Authority of New York and New Jersey. The 95% occupancy the complex reached was near its record high in mid-2001, when the Port Authority leased the complex for 99 years to Silverstein.

The first tower to be rebuilt after the Sept. 11 attacks was the 52-story 7 World Trade Center, located across the street from the superblock that included the Twin Towers. Opened in 2006, 7 World Trade leased up quickly with tenants like Moody’s Investors Service Inc. and the New York Academy of Sciences.

Leasing One World Trade Center has proved a tougher slog, despite the Port Authority’s ability to give tenants in the complex tax and energy benefits.

The other two towers that have been completed, 3 World Trade Center and 4 World Trade Center, are 38% and close to 100% leased, respectively.

Mr. Burger predicted 3 World Trade, which opened this year, will be fully leased one year from now. “Then you will have no more new buildings in Downtown,” he said.

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