

McGraw-Hill Building's Housing Conversion Speeds Up

Resolution Real Estate kicked the residential conversion of part of Midtown's **McGraw-Hill Building** into high gear, one day after its lender was seized by regulators.

Resolution, which manages the historic 42nd Street building on behalf of ownership group **Deco Tower Associates**, plans to convert the 12th through 32nd floors of the tower into 224 apartments, add a residential lobby, provide amenities for renters on the 33rd and 34th floors, and update the offices on the second through 11th floors by 2024, the *New York Post* first reported.

The news came as the **Federal Deposit Insurance Corporation** took control of **Signature Bank**, the lender of a \$140 million performing loan on the 328 West 42nd Street building, as federal regulators tried to contain the fallout from the failure of **Silicon Valley Bank**.

Signature started marketing the floating-rate debt in February as the bank reined in its real estate lending following a crash in the cryptocurrency markets, one of Signature's significant investments, *The Real Deal* and the *Wall Street Journal* reported.

The bank's demise will likely delay the loan sale, according to a source familiar with the deal. But Signature's closure won't impact the residential conversion, **Gerard Nocera**, a managing partner at Resolution, told Commercial Observer.

"We've been current on that loan, [we will] stay current on that loan," Nocera said. "It's at a very good rate in today's world, so we're happy with that and we plan to extend it."

The loan, set to mature in 2024, has a blended rate of 6.59 percent and a default rate of 24 percent, CO previously reported. Representatives for Signature did not respond to requests for comment.

The future of the 92-year-old McGraw-Hill Building has been buzzed about since 2021, when its owners announced plans to convert the tower from a single-use office property



BOOKMARK IT: Plans call for 224 apartments on floors 12 through 32 of the 35-story tower.

into a multitenant office building, *Architect's Newspaper* reported.

The decision to convert part of the building to residential use comes amid a broader push to repurpose older office properties into housing as the city faces an office glut and a dwelling shortage. The 35-story tower was a great fit for luxury apartments because of its design and location near public transportation, Nocera said.

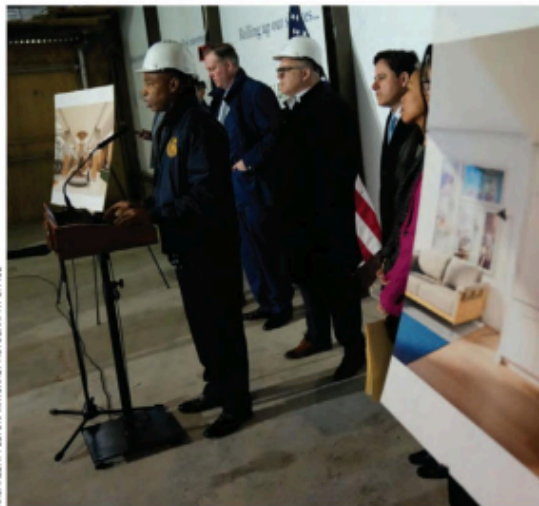
Completed in 1931, the building served as headquarters of McGraw-Hill Companies until 1972, when the company moved to 1221 Avenue of the Americas. The gray-green building features a series of setbacks that create terraces

at different floors, particularly its top floors.

Ownership scored approvals in February from the **New York City Landmarks Preservation Commission** to convert the building's upper floors to studio, one-bedroom and two-bedroom units, according to a spokesperson from Resolution. There are also plans to restore the iconic "McGraw-Hill" sign above the tower's residential entrance.

MdeAS Architects, known for its design of another office-to-residential swap at **Harry Macklowe's One Wall Street**, will lead the conversion, with **SLCE Architects** designing the apartment layouts and **Corcoran New Development** marketing the units. —C.Y.

Mayor Highlights 160 Water Street Conversion as Example to Follow



IN FRONT: Mayor Adams praised the office space conversion trend.

Vanbarton Group is inching closer to converting **160 Water Street** in the Financial District into a residential tower, and Mayor **Eric Adams** is paying close attention.

While representatives of the developer say the project, which would include 588 new market-rate units, is still two years from completion, Adams is looking to 160 Water Street as an example in his push to remove legal hurdles standing in the way of office-to-residential conversions.

There are, however, no affordable units in the building apart from the 20 percent required by the city's Mandatory Inclusionary Housing (MIH) law, with rents starting at \$3,000 per month for a one-bedroom.

Nevertheless, Adams views 160 Water Street's conversion as proof that his quest to create 500,000 units of housing over the next 10 years — with office-to-residential conversion built in — is a valid framework to boost mixed-income building.

160 Water Street "makes it clear what we can do with more of our vacant office buildings. We're talking about millions of square feet of office space," Adams said at a press conference last week. "What we have in the city is a housing crisis and the goal is to

build low-income, middle-income and market-[rate] and to shore up NYCHA [the New York City Housing Authority], so it's not a one size fits all. ... This project here is market-rate."

Until there is a replacement for the now-expired 421a development incentive program, Adams said, there may not be many options for the city to incentivize the building of new affordable housing.

Vanbarton is side-stepping away from the office market — as many other landlords also are — with a sluggish return to office changing portfolio preferences nationwide.

Studies show that there is no real end in sight when it comes to turbulence in the office market. A **Cushman & Wakefield** report released in February claimed that the U.S. is likely to end the decade with 1.1 billion square feet of vacant office space and with more than 25 percent of the country's total 5.56 billion square feet of office — about 1.4 billion — entirely obsolete, CO recently reported.

Vanbarton secured a \$272.5 million construction loan from **Brookfield Real Estate Financial Partners** after acquiring 160 Water Street in 2014 for a total of \$165 million, Commercial Observer reported in August 2022 when the firm got the funding. —*Mark Hallum*