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## High Line Air Rights May Be Priced Out Of Reach

By **Kaitlin Ugolik**

Law360, New York (March 06, 2012, 7:08 PM ET) -- The air rights above a half-constructed four-story building adjacent to Manhattan's High Line park are reportedly being sold for \$500 per square foot, but experts said Tuesday that development and construction costs associated with exercising those rights might make it a losing bet.

Sherwood Equities Inc. bought the shell of a building on West 20th Street for about \$7.3 million last April after the previous owner failed to raise the funds to renovate the site for commercial use. Now Sherwood is unloading about 20,000 square feet of air rights to other developers looking to build up neighboring properties, the New York Post reported Monday.

Sherwood reportedly stands to make about \$10 million with its air rights sale, but some experts question whether the cost of adding up to five stories to a residential or commercial building in the West Chelsea neighborhood where the High Line is located is worth the \$500 per square foot price tag.

"If you're paying that kind of money for air rights, if you're lucky enough to sell [the property] at \$1,000 per square foot, is it worth it to make \$2,000 or \$3,000 [per square foot] considering the high risk in terms of this marketplace?" New York City appraiser Ron Gold of GoldAppraisal.com said in an interview Tuesday.

Usually air rights, also known as transferrable development rights, can only be transferred from a property that has not reached its maximum height to one right next door or across the street, enabling that property to exceed regular building height limits. But in an effort to assuage fears that developers would build up the High Line and obstruct views, the city decided to allow the owners of adjacent properties to sell their air rights throughout the neighborhood.

Since then, nearly 280,000 square feet of air rights for properties adjacent to the High Line have been sold, according to the Department of City Planning. As the inventory shrinks, developers looking to take advantage of the air rights in order to build higher buildings yielding higher rents are reportedly more willing to pay inflated prices.

"It's hard to say [what air rights should be worth,]" Eric P. Haims MAI, senior vice president at Jerome Haims Realty Inc., told Law360. "But if you're in some expensive areas like the Meatpacking District and places along the High Line in West Chelsea, the value is linked to what you can build."

While an apartment building overlooking the park and with a view of the Hudson River may have a market value warranting around \$500 per square foot of air space, Gold said air rights prices in the area are likely the result of the New York broker community's effort to hype what is actually a sinking market.

"At the height of the bubbling, sizzling market in New York in 2006 and 2007, the high end was \$400 a foot, so it just doesn't make sense," Gold said.

Representatives for Sherwood did not respond to repeated requests for comment Monday and Tuesday.

Counsel information for the air rights sale was not immediately available.

--Editing by John Quinn.

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