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Related hopes for gym dandy results

 $With its \,\$505M \, Equinox \, buy, \, the \, developer \, could \, pair \, condos, \, posh \, fitness \, space$

By STEVE CUTLED

The Related Companies bought health club chain Equinox Fitness last month, and competitors are keeping a close eye on the deal's fitness level.

On paper, the developer's pairing with an upscale amenities provider makes plenty of sense in a market where buyers demand inhouse workout facilities, but it's unclear if the price will be worth the exertions.

"Over the past five years amenities such as fitness centers and spas have become a critical part of the marketing of luxury residences," says Jeff Levine, principal of Douglaston Development. "It was a very intelligent and aggressive move on their part."

According to Charles Singer, director of market research for the Rockrose Development Corp., "The closer you get to hotel-like services like swimming pools, personal training and housekeeping, the more value you're adding."

But mergers of this sort might be worth the risk only for builders operating at the very top of the luxury market. "If you look at the prices of buildings like the Ritz-Carlton or Time Warner Center that have hotel-like services," says Singer, "they attract very highend people who can pay the extra dollars for the pampering they receive."

Adding big-ticket amenities is always a risk in a new building, according to Singer. "You're never sure how many people will respond to it, whether it's an unnecessary expense that you're never going to recoup, or it's something that's going to pay for itself in terms of higher rents and higher rates of renewal."

Related is famous for charging top rents, adds Singer, "so they can tolerate higher vacancy rates than many other buildings. As a highend landlord, they'll offer things that other landlords don't-like the American Express program." Related was the first landlord to allow tenants to pay their rent with a credit card.

Related has 14 luxury rental buildings in New York City, the latest being Tribeca Green in Battery Park City, and six condominiums, including the recently opened Astor Place. Their newest building, the 46-story One Carnegie Hill, is a hybrid of high-end rentals and condominiums.



The seeds of the Equinox buyout were planted at the Time Warner Center. "As soon as we brought our club into that 40,000-square-foot facility," recalls Equinox CFO Larry Segall, "we realized it was an absolute fit. And as we began to talk to chairman Steve Ross and president Jeff Blau we found they shared our vision of the Canyon Ranch/Cipriani sort of style that seems to be talking off with high-end consumers in real estate."

In addition to both having high-end brand recognition, says Segall, the two New York City-based companies seemed to be headed in the same direction geographically.

"If you were to take a map of the U.S. and overlay the area that Related was focusing on and look at the areas we've been concentrating on," he says, "they're almost one-for-one spot on." Both are in Chicago, California, and South Florida. Equinox will continue operating with its present management team under CEO Harvey Spevak, and stick to a business plan that has proved successful so far. Since 2000, it has opened 21 new clubs in four new markets; more than doubled its membership; and has seen yearly revenues grow from \$63 million to \$168 million.

Related president Blau says the purchase - which works out to around \$15 million a club - made sense as pure investment. Equinox has just signed leases for five new clubs and a letter of intent for a sixth, which brings the total to 33.

"We are getting in ahead of the growth that is about to happen, so we are paying a relatively lowprice," Blau told the New York Times.

The relationship with Related, says Segall, "will help Equinox learn about properties faster, give us a look at things before others do, and give us visibility. And in talk-

ing with landlords deciding who they want in their buildings, when we have a Related at our side it's a whole different conversation."

The first fully integrated lifestyle building to be planned and constructed under the new arrangement will be a full-block condominium at the site of the first Equinox, which opened in September 1991, at Amsterdam Avenue and 76th Street. It will contain a 35,000-square-foot fitness center.

Balancing the needs of building residents, with the privatemember feeling they're after, and outside users could be one potential challenge under the new arrangement.

To answer that concern, Segall suggests Equinox might feature "a private concierge-level elevator that would bring residents to the club. There would be programs and amenities for the residents that would be specific and special for them." TRD