



Claudia Pasapetro for The Wall Street Journal

The Verizon building, at 140 West St., exemplifies Art Deco design; some upper floors will become condos.

Dialing Up Dollars

BY JOSH BARBANEL

The New York Telephone Co. left a legacy in brick and mortar that is being sold off building by building. The result: nearly \$1.5 billion in Manhattan sales, and opportunities for developers and condo buyers alike.

Since 2005, parts or all of 14 Manhattan sites have been sold or are in contract to be sold by Verizon, the successor to New York Telephone, property records show. The sales reflect the once vast scope of the old phone company's real-estate holdings, everything from two-story garages to modern towers to Art Deco skyscrapers.

A telephone-exchange building that dates to 1917 is now on the market by Verizon on West 36th Street near Seventh Avenue as a potential hotel site. No asking price has been set. Properties are also on the market in Philadel-

phia and Boston.

The Art Deco edifices were designed to illustrate the grandeur and power of the phone company, just as tech companies such as Google and Microsoft create imposing corporate campuses today. In a digital age, however, much of the space that was built over generations for large electromechanical switches and armies of telephone operators is no longer needed, Verizon officials say.

"We don't use it to raise capital or raise cash," John Vazquez, a senior vice president for global real estate at Verizon, said of the property deals. Instead, he said Verizon was making "opportunistic" sales in a strong market "to leverage these great buildings in New York City."

Now prices are rising, especially after strong interest in a 22-story 1929 telephone exchange building on West 18th

Street. It is now known as Walker Tower for Ralph Walker, the architect who designed it and other telephone buildings. Verizon sold the building's top 15 floors—with space for 50 condos—for \$25 million in 2009 to two developers, JDS Development Group and Property Markets Group. After a restoration by CetraRuddy, a single penthouse was in contract for at least \$50 million, said the developers.

Next month, 51 condos at the top of another Art Deco telephone exchange, an 18-story tower that dates to 1927, are due to go the market by the same team of developers and architect. The building at 425 W. 50th St. was named "The Stella" for Mr. Walker's wife, Stella.

Prices will range from \$2 million to \$10 million for a space that Verizon sold in 2011 for just over \$20 million. Because of re-

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strictive zoning in the area, the condos will tower permanently above surrounding low-rise buildings, said Michael Stern, the managing partner of JDS.

But when Verizon made a deal to sell another Walker tower a few months ago—the upper 22-floors and a subbasement of its 32-story corporate headquarters at 140 West St.—prices were higher. Both JDS and Property Markets Group were outbid. “The market has caught up,” said Kevin Maloney, a principal of Property Markets Group.

Instead, Magnum Real Estate Group is in contract to pay \$274 million for the space. It plans a condominium conversion designed by Ismael Leyva, with two pools and two half-court basketball courts, with units to come on the market later next year, said Ben Shaoul, president of Magnum.

The building, completed in 1927, had room for 6,000 employees serving 120,000 telephones. Its lobby has 22-foot-high ceilings and features murals depicting the history of communication. The city’s Landmarks

Preservation Commission said the building was a “pivotal structure in the history of skyscraper architecture.”

Verizon will continue to own the lower floors and use them as switching stations since networks of copper wires under Manhattan streets lead to the old switching-station buildings. This joint ownership has created some restrictions on new condos that date to the time of mechanical switches: gas cooktops aren’t allowed. At Walker Tower, electrical induction cooktops were provided instead, said Elliott Jo-

seph, a partner in Property Markets Group.

Verizon’s sales spree also has created opportunities for non-profit groups and office developers. New York University paid Verizon \$69.5 million for space in two buildings, mostly for the NYU Langone Medical Center, including a 2011 purchase of most of a 24-story tower on East 38th Street. It is being converted into an outpatient center.

On East 91st Street the Convent of the Sacred Heart School paid \$23 million for a Verizon garage in 2008 for use as a new Sports Center.

Not every deal has worked out for the buyer. Verizon sold much of its 32-story granite switching station at 375 Pearl St. at the foot of the Brooklyn Bridge in 2007 for \$172.5 million to a group led by Taconic Investment Partners. Taconic had planned to turn it into a glass-walled office building, but after the financial crisis, its investment in the building was resold for \$120 million for use as a data center.

Verizon’s biggest Manhattan deal was the \$505 million sale in 2005 of most of what had been its headquarters on Sixth Avenue and West 42nd Street. Now it plans to move its headquarters back to its space in the same building, company officials said.

Verizon also has made some deals outside Manhattan, for a total of about \$1.63 billion in all five boroughs, a Verizon spokesman said. One big deal: the \$74 million sale of a building at 365 Bridge St. in downtown Brooklyn that was converted to the BellTel Lofts condominium in 2007.



New York Telephone Co. operators are shown in an 1894 photograph working at a Cortlandt Street facility.

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