



Vornado ceo Steven Roth and One Penn Plaza (Illustration by Kevin Cifuentes for The Real Deal with Getty Images, Vornado Realty Trust)



By Kathryn Brenzel

In an economic storm, batten down the hatches and hope your lender will work with you. Because it's likely no one else will.

That is more or less the message Vornado Realty Trust's Steve Roth conveyed in a letter to shareholders last week. "We are now approaching the eye of the economic storm," he warned, "and I expect it will get even worse."

Not exactly a pick-me-up read.

“Defaults and [‘give back the keys’](#) have already started, led by some of the industry’s largest companies,” Roth wrote. “There is no new debt available for office, so no buying, no selling, no new builds. When a loan comes due, the only refinance available (and that with a fight) is from the existing lender.”

In December, a Vornado-led joint venture [defaulted](#) on a \$450 million loan on its retail property at 697-790 Fifth Avenue. The real estate investment trust is trying to work out an agreement on the loan’s remaining balance, which is \$421 million. In February, Vornado executives said the asset was “not refinanceable,” and that they may ultimately hand over the keys.

Tishman Speyer is working with its lender on a \$485 million CMBS loan backed by 300 Park Avenue, [Pat Ralph reports](#). The loan, which matures in August, entered special servicing last month so the developer could negotiate for an extension.

Related to the aforementioned economic storm, Roth also addressed the massive Penn Station project and his [comments](#) in November, which spawned a ton of headlines about the development being abandoned.

“I inadvertently created a whirlwind when I made what I thought was an obvious comment on our third quarter 2022 conference call that, ‘the headwinds in the current environment are not at all conducive to ground-up development,’ which was interpreted as our abandoning the grand plan,” he wrote. “Nothing could be further from the truth. A pause necessitated by economic conditions is not abandoning.”

The state had previously estimated that the towers would not be completed until 2044.

Roth noted that the “pause” is merely “an internal transaction with no counterparty or deadline and I believe it wise to delay until Covid and the current economic storm are resolved, workers return en masse to the office, construction is further along, etc. No rush, let’s get it right.”

He might have no choice, as the project has since lost backing from elected officials, [according to the New York Times](#), and Gov. Kathy Hochul has indicated that she’s open to [alternatives](#).