

# REAL ESTATE WEEKLY

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## Brooding MSG is 50/50 on Farley move

BY DANIEL GEIGER

Dissatisfied with the constraints that the state has put on the planned overhaul of the Farley Building, Madison Square Garden is drafting a "Plan B" to renovate its existing arena rather than move into Farley's western annex. MSG's reloca-

tion is the crux of a sweeping plan that began under the Pataki administration with just the conversion of the eastern portion of the Farley Building into an extension of Penn Station, but has since been expanded by the private developers handling the project and the state to include

a renovation of Penn Station.

Often described by public officials as the "sewer lid" on top of Penn Station, moving MSG is considered the most essential component in the plan to fix the drab, claustrophobic spaces and confusing network of corridors below that have made the sta-

tion so maligned. The Garden's exit from its current home on Eighth Avenue between 31st and 33rd Streets would of course also be highly lucrative for the project's developers, a partnership between Vornado and The Related Companies, who would build millions of square feet

of retail and office space in its place at the epicenter of the nation's busiest transit hub.

But after feuding with the state about what type of presence it will be allowed to have in the eastern annex of Farley, MSG is said to be threatening  
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Speaking at the February luncheon of Young Men's and Women's Real Estate Association, William C. Rudin, president of Rudin Management Company focused his remarks on the redevelopment of St. Vincent's Hospital in Greenwich Village. The plan calls for a new residential structure to replace the hospital, one that will be architecturally in context with existing townhouses on 11th and 12th Streets. Simultaneously, a newly-constructed hospital will be relocated across the street. L to R: seated: William C. Montana, Chairman; Mr. Rudin; Robert C. Fink, Vice Chairman; Brandl L. Frey, Governor; L to R: standing: Glen J. Weiss, Membership Chairman; Danielle I. Zimbaro, Governor; John T. Pavone, Secretary; Michael O'Neill, Treasurer; and Paul N. Milunec, Governor.

## Silverstein can't count on CalSTRS for GM bid

BY DANIEL GEIGER

Developer Larry Silverstein's reported plan to buy the GM Building would likely be executed without his joint venture partner, CalSTRS.

On Friday last week, The New York Post reported that the World Trade Center developer and real estate investor is angling to position himself in front of the gaggle of bidders

vying for the GM Building, which owner Harry Macklowe ostensibly has to sell a sizeable stake in, or completely unload, to pay off a \$1.2 billion dollar bridge loan.

But a source familiar with the developer's plans hinted that he may have to do it without CalSTRS, the massive pension fund that has kept Silver-

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## MTA chief hints at rethink on yards bidding process

BY DANIEL GEIGER

MTA chief executive, Lee Sander, has hinted that the Authority may not seek to impose tighter financial terms on the

five teams bidding to develop its West Side railyards.

Last week, written reports indicated that the MTA had informed the teams to resubmit their offers for the development rights to the site, taking into account a new financial arrangement in which the MTA would not sell but lease the railyards for 99 years and would also have an equity stake in what is built so that it can share in the profits.

The logic behind the revelation, which was said to have irked some of the bid-

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## Lenders engaged in tranche warfare

BY DANIEL GEIGER

Richard Mack, managing partner of Apollo Real Estate Investors, began his talk in front of the Real Estate Lenders Association last week by asking:

"How many here are balance sheet lenders?"

Mack apparently was a big draw and Club 101, the glass enclosed event space in the base of 101 Park Avenue where the RELA breakfast was held, was packed. Seemingly everyone raised their hands in

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## Work screeches to a halt on Kimco's Harlem development

BY JASON TURCOTTE

Work has come to a screeching halt for Kimco Realty's development on Harlem's 125th Street. Up in arms over the displacement of 16 businesses, a neighborhood group has taken

the matter to court, in an effort to stop demolition of the existing buildings there.

Kimco, the largest owner and operator of shopping complexes in the country, plans to rede-

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RICHARD MACK

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The beleaguered convention center needs major work. **Page 1B**

## ON THE REAL ESTATE SCENE

### AGENTS

A 4-story walkup residential building, at 36 Bedford Street in Greenwich Village, is for sale exclusively through **Eastern Consolidated** at an asking price of \$6.5 million. The 4,146 s/f building will be delivered vacant. IT includes a basement and four apartments. Eastern's senior director, **Marcia Rose Yawitz**, together with director **Harrison Douglas** and senior analyst **Paul J. Nigido** are spearheading the marketing initiative.

...

**Nicole Carra**, of **NLC Realty Associates**, has been retained as exclusive agent for the sale of 1961-68 Amsterdam Avenue corner property. The lot size is 100' x 100' and the property contains 23 residential units plus six stores.

...

David Schlamm, president of **City Connections Realty** announced the firm has been retained as the exclusive agent for the sale of 621 West 55<sup>th</sup> Street, for a price of \$9.5 million. Located in Midtown West, this two-story building lies on a lot of 30 x 100 square feet. The owner of the property has approved plans to build a 42 unit hotel with a restaurant, which will occupy two floors. The structure will be comprised of 9 stories and will have a glass façade. **Avi Lasri** is the exclusive agent for the property.

...

**Royalton Realty** announced its exclusive appointment to sell the lease of Spa Safar located at 864 Lexington Avenue. Spa Safar is boutique beauty salon on

the Upper East Side. The remaining lease is for 8 years at

**Jordan Adoni**, president, is handling the assignment.

### SALES

**GVA Connecticut** announced the following sales:

- 336 Main Street, in Avon, CT. The building consists of 4,500 s/f and is net leased by Stonewall Kitchen. Abermerle Avon LLC was the seller and Investment Capital Partners was the purchaser. **Jon Sabrowski**, CCIM, senior vice president of GVA Williams and **Cory Gubner**, president and CEO of GVA Williams Connecticut, were the sole brokers.

- 1849 Post Road East in Westport, CT. The building was sold by 1849 Post Road East Associates to PRE Associates for \$3,050,000. **Jon Sabrowski** was the sole broker.

...

**Itzhaki Properties** announced the sale of 3094 Brighton 5th Street. The property was sold for \$6.9 million. This apartment building is located in the Brighton Beach neighbor hood of Brooklyn. **Erez Itzhaki**, president of Itzhaki Properties, represented both the seller and the buyer. Built 100' x 87', the 6 floor elevator building covers 52,200 s/f and consists of 43 separate units, each one selling for a rare \$160,000 per unit.

...

**The Kislak Company, Inc.** recently completed the \$7.6 million sale of Iron-

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## Long Island office market maintains momentum in 4Q 2007

Cushman & Wakefield has released its year-end 2007 report for the Long Island commercial real estate market, indicating that at the end of the fourth quarter the office market remained stable and resilient as leasing activity continued to rise.

Despite the economic slowdown related to the fallout of the sub-prime lending industry, the Long Island economy reported positive job growth as well as an increase in Gross Metro Product. With a rising overall asking rental rate and an increase in leasing activity, the Long Island economy remained steady at the end of 2007. The capital markets however, are projected to slow in 2008.

"The commercial real estate market

across Long Island remains stable. Despite a slight increase in vacancy rates, asking rents continue to rise," said Bob Sheehy, executive vice president and branch manager, Cushman & Wakefield of Long Island. "In spite of an expected economic slowdown, the outlook for the first half of 2008 looks promising and we will continue to witness moderate growth."

At the close of the fourth quarter, the overall available space across Long Island increased 6.4%, going from approximately 3.2 million square feet (msf) available, at year-end 2006, to the current mark of approximately 3.4 msf. Leasing activity made a signifi-

cant increase since 2006, rising 13.4% and closing the year at 1.8 msf leased throughout 2007.

The overall asking rental rate jumped \$2.12 per square foot (psf) since the close of 2006 as Class-A vacancies climbed. This year, Long Island closed the year with approximately 200,000 more square feet (sf) of Class-A space left on the market. It should be noted that both RexCorp Plaza and 333 Earle Ovington Boulevard, two of the region's most recognizable properties, that average over \$36.00 psf, had over 205,000 sf of vacant space, of which approximately 90,000 sf of space was added this year.

Nassau County had the highest in-

crease in rental rates and Class-A vacancy. Currently, the Nassau County overall asking rental rate jumped \$2.44 psf, starting the year at \$30.96 psf and closing 2007 at \$33.40 psf. The Central Nassau submarket saw a year-to-date increase of \$4.63 psf in Class-A rent, and an increase of 5.2% in Class-A vacancy. Class-B overall asking rents and vacancy rate within Nassau and Suffolk Counties remained stable. Western Suffolk however, saw an overall rental rate increase of \$1.43 psf since the close of 2006.

Overall absorption closed the year in negative territory, at (186,827) sf, a decrease of over 0.5 msf since 2006. This was a result of modest new construction space being added to the statistical sample during 2007.

The outlook for 2008 is positive. Rents are expected to increase and vacancy rates will decrease due to positive employment rate projections for the region, as well as an overall lack of large construction projects on the horizon. The top two lease deals for 2007 reflect a trend in large companies moving from the western portions of the region to Suffolk County to escape higher rents. Leviton Manufacturing of Little Neck, NY leased 144,000 sf of space at 201 North Service Rd in Melville; and Catholic Health Services of Rockville Centre took 120,000 sf of space at 245 Old Country Rd in Melville.

## Resting easy

Continued from Page 2

net in order to be profitable.

"I would have trouble sleeping at night having to round up the financing now and having to fill the building with tenants who I would need to pay \$150 per square foot in order to make my investment work," he said. "I feel much more comfortable buying an office building where the in place rents are \$25 per square foot and where you hope that you'll get \$65 per square foot but you'll be okay if the market slows and you can only get \$45 per square foot."

## RecCorp honors achievements of LI brokers



Scott Rechler, RexCorp CEO with 2007 RexCorp Deal of the Year winner, Brian Lee, Newmark Knight Frank and Ken Bauer, RexCorp SVP and Director of Leasing, LI.

RexCorp, leasing a total of 38,000 s/f of office space at RexCorp Plaza, 300 Motor Parkway, 58 South Service Road and 6800 North Shore Atrium.

Brian Lee and Mark Weiss, both of Newmark Knight Frank, each received an award for Deal of the Year for structuring the long-term renewal with

Long Island's largest legal services firm, Rivkin Radler at RexCorp Plaza for 79,125 s/f.

Finally, Herbert S. Agin, CEO and Alan H. Rosenberg, president of Sutton & Edwards were each extolled for their services to RexCorp with awards for Lifetime Achievement.

## Work screeches to a halt on Kimco's Harlem development

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velop the property into a four to six-story building offering both office space and retail. But to do so requires the demolition of 2331-2333, 2341, 2343, 2345, 2349 Frederick Douglass Boulevard, and 301 W. 125<sup>th</sup> Street.

And the Save Harlem Association, comprised of neighborhood business owners, say the project threatens the black heritage of 125<sup>th</sup> Street. Establishments including House of Seafood Corp., Body-Lawson Associates, Roti Plus, Manna's Restaurant and Million Nail Salon will suffer displacement under existing plans.

"This building is Harlem's last stand and its people are rallying around this case to save the civil and social center of the black world — Harlem USA," said Adam Leitman Bailey, the attorney representing Save Harlem.

The American Planning Association, last year, named 125th Street one of the country's 10 best streets. The neighbor-

hood also marks the place where Malcolm X made historic speeches and author W.E.B. DuBois once worked. Some argue the rising Harlem rents are a sign of prosperity in New York; others see it as a threat to its culture.

But a source told *Real Estate Weekly* the gentrification argument is merely a "facade" and claims this particular matter has more to do with an extortion strategy than anything else.

According to Fred Winters, a Harlem resident and spokesperson for the project, Bailey is simply "playing hardball."

Winters noted that the majority of tenants on the properties agreed to termination negotiations with Kimco, including Bobby's Happy House — the area's first black owned and operated store. "None of them really have the basis for fighting this; it's leased space," he added.

A joint venture with the Sigfeld Group, Kimco's 35,000 s/f acquisition of the properties last year marked the highest-priced per square foot transaction in

the 125th Street area. In addition to the properties slated for demolition, the \$50 million deal included 112-118 W. 125th Street, 250 W. 125th Street, and 301-303 W. 125th Street.

Termination clauses in existing tenant leases spurred developers to move with redevelopment plans for the property. With the acquisition, New Hyde Park-based Kimco plans to develop a mix of office space and, according to Larry Rose, vice president of development, up to three floors of retail.

"I think the rest of Manhattan is so saturated with certain retailers, that this becomes one of the last frontiers that they haven't been to," Rose said.

Rose said Harlem is finally on the radar for developers, an offshoot of the last 15 years of real estate success Manhattan has seen. And projects like the W hotel suggest the Kimco development is just a drop in the bucket when it comes to activity on 125th Street.

Rose said plans aren't etched in stone,

due to the city's pending approval of the area's rezoning. But he's expecting a higher density use than what exists there now — a motley crew of eight run-down buildings. "While we have a nice size of property, I just see it as one piece of a bigger puzzle," Rose said.

Kimco's piece will, however, improve the retail options. Rose expects the site to garner interest from all types of tenants — including national retailers — from soft goods to electronics. But before they can proceed, Kimco will have to satisfy one NY Supreme Court judge or five disgruntled tenants.

A source told *Real Estate Weekly* that if Kimco prevails, the matter could be resolved in less than six months. But if the judge grants an injunction, the project could face up to an 18-month delay.

The law firm of Chadbourne & Parke LLP is representing Kimco. A show cause hearing is scheduled for Thursday, Feb. 21 at the State Supreme Court before Justice Emily Jane Goodman.