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Kaufman Coughs Up \$56M for 120 KSF Office Building in Manhattan's Midtown South

By Barbra Murray, Contributing Editor



In Manhattan's thriving Midtown South submarket, the office property at 27–35 West 24th St. has just come under new ownership. The Kaufman Organization acquired the 120,000-square-foot building for \$55.5 million in cold, hard cash in a joint venture with Lubert-Adler.

Standing 11 stories tall and featuring ground-level retail space occupied by a restaurant, the century-old tower was quite a catch, considering its location in Midtown South's booming Flatiron District. The vacancy rate in the neighborhood dropped to 8.2 percent in the third quarter, according to a report by commercial real estate services firm Newmark

Grubb Knight Frank, thanks in no small part to the tech sector's fondness for Midtown South, or Silicon Alley as it has come to be known.

But it was more than just a prime location that distinguished the value-add asset. A full tenant roster is always an eye-catcher for investors, and 27–35 West 24th can claim that coveted distinction as well. The benefit of constant cash flow is in place, as is the potential for an increase in that income. The average rental rate paid by the 51 office occupants is presently approximately \$40 per square-foot, while the direct asking rent in the Flatiron District was \$48.09 in the third quarter, per the NGKF report.

Kaufman plans to capitalize on the growing popularity of the Flatiron District by attracting more attention to 27–35 West 24th via a \$2.5 million capital improvement program and a repositioning and rebranding effort. The company sees no end in sight to the cry for office space in the area.

“The establishment of a thriving 24/7 infrastructure will continue to spur demand,” Fred Leffel, president of The Kaufman Organization’s Kaufman New Ventures division, told *Commercial Property Executive*. “Office, residential, retail, entertainment, transportation hub, public spaces and amenities, cultural and educational institutions—[they are] all within close proximity to each other. This has been developing gradually over the last 15 years or so, but has now firmly established itself.”

Real estate services firm Massey Knakal represented the seller of 27–35 West 24th in the trade, while Prince Realty Advisors L.L.C. stood in for Kaufman.

Kaufman is not done in Silicon Alley, where the company also owns 100 Fifth Ave., an office building it acquired in 2010 and later repositioned to great success. However, Leffel concedes that competition is on the rise for office assets, value-add or no, in various sections of Midtown South, including Flatiron/Union Square, West Chelsea/Meatpacking, SoHo/Tribeca and Hudson Square.

“From a buyer’s point of view, these are attractive because these areas now constitute the tightest office market in the U.S.,” Leffel added. “There’s hardly any land on which to develop new product so barriers to entry are high; and these submarkets are catering to the prime growth generators in the U.S. economy. The new economy versus the old.”