

REAL ESTATE

Condo-monium: Retail living is a hot commodity

By Lois Weiss

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The base of the St. Regis hotel was bought by Vornado Realty Trust with Crown Acquisitions for \$700 million. Photo: Tamara Beckwith

The sales of retail condos picked up at a rapid rate last year as retail rents rose in every market. As the rents rose, it also propelled the pricing on the condominium interests.

The valuation of office buildings is also now being driven by the sales pricing for the retail space.

“It used to be the retail was the throwaway and now it’s the office space,” said Stephen Shapiro, senior managing director of JLL, who compiled sales information.

According to Shapiro, there were 69 retail investments sold last year in Manhattan for a total of \$5.56 billion and an average price per foot of \$2,599. But in pricey Midtown, 31 deals sold for \$3.31 billion, at an average price of \$4,149 per foot.

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A three-level retail condo of 45,000 square feet at 503 Broadway was sold for \$280 million.

Photo: Zandy Mangold

This week, the deal for a three-level retail condominium of 45,000 square feet at 503 Broadway in SoHo was being sold for \$280 million from building owner Hang Seng Realty Corp. to an entity owned by the Spanish conglomerate, Inditex, for its Zara brand.

Based on the ground floor of 15,000 feet, the pricing was \$19,000 per foot.



David Ash, president, Prince Realty Advisors.

“[Zara] now has the ability to dictate their destiny in a flagship SoHo store,” explained David Ash, president of Prince Realty Advisors, who was the sole broker on the Inditex purchase.

Retail has now become the driving force behind most asset sales. “Retailers need to be in New York and need to have their location and brand visible on every major thruway, whether it is 57th Street, Fifth Avenue, 34th Street or SoHo,” said Ash. “They are the highest pricing [per square foot] of any asset.”

“Retail condos are a hot commodity and cap rates are way down,” agreed Peter Hauspurg, CEO of Eastern

Consolidated.

“Resales are being done in SoHo that are 30 to 40 percent higher than a few years ago, and Greene Street is on fire,” added Hauspurg.

Asking rents for the ground-floor retail on portions of Greene St. are running \$1,200 a foot, leading to even more investor interest.



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Joe Sitt's Thor Equities bought a retail co-op at 138 Greene St. for \$15.93 million.
Photo: Zandy Mangold

Joe Sitt's Thor Equities bought a retail co-op at 138 Greene with 3,000 square feet on the ground and a 3,000-square-foot lower-level selling area for \$15,930,000. He also bought 57-63 Greene. Jeff Sutton, who purchased 121 Greene along with SL Green Realty Corp., is buying 130 Greene for \$16 million. SL Green paid \$122.3 million for nearby 131 Spring at the end of 2012 and now may double its bucks. Its 22,000 feet of retail between Greene and Wooster Streets is now leased to Diesel and Burberry, and rumors have Google opening there as well. Eastdil Secured is marketing that property.

Ben Ashkenazy and Michael Alpert's Ashkenazy Acquisition Corp. bought 145 Greene through David Schechtman at Eastern Consolidated for \$9.75 million, or \$4,000 per foot.

Uptown, the Ashkenazy duo, together with the German-based Deka Immobilien Investment GmbH, bought the retail portion of 522 Fifth Ave. at W. 44th St. for roughly \$170 million, or just over \$6,400 per foot, and is redeveloping the space.

Just nine blocks north, in an area of Fifth Avenue between 49th and 57th streets with the most expensive retail rents, the 24,700 square feet at the base of the St. Regis hotel at E. 55th St. was bought by Vornado Realty Trust with the Chera family's Crown Acquisitions for \$700 million.

This deal works out to \$28,340 per foot and is twice its 2012 purchase by the luxury retail conglomerate Richemont for \$375 million, because stores will be released for much higher rent.

In another deal based on exploding retail values, Jeff Sutton, along with Sandeep Mathrani's GGP, is in contract through Eastdil to buy 730 Fifth Ave. from the Winter and Spitzer families for over \$1.75 billion.



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Photo: Christian Johnston

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