

# An interest in office condominiums

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According to the Cushman & Wakefield's midyear report, Manhattan property sales that have closed or are under contract for transactions of \$10 million or more totaled a mere \$2.5 billion at midyear, as compared to \$13.8b. at this time last year. That's an 81.9 percent decline, and a 60% decline from peak 2007 prices.

Nevertheless, office condominiums continue to be sold to nonprofits, health care professionals, financial service companies and specialty companies that prefer owning rather than paying rent for office space. Over the past 20 years, nonprofits and health care professionals have been the biggest users of office condos.

A number of new buildings specifically designed for condominium offices are in various stages of planning.

Construction is nearing completion for a new luxury office condo at 429 East 75th Street. In October, 2006, Taconic Investment Partners and ABR Partners purchased the six-story building – which had been used as a parking facility – and began extensive renovations to convert it into a first class, 32,000-square-foot medical facility within blocks of eight leading New York City hospitals.

COMPETITION FOR Shanghai and Dubai. A rendering of the International Gem Tower (Hayes Davidson)

## Tax-free status makes purchases attractive

In New York City, a large number of nonprofit organizations and government agencies own office condominiums, as these bodies are exempt from paying city real estate taxes.

A good many of the city's buildings that have been converted to office condominiums are located near the United Nations, on Second Avenue and Third Avenue. Many of the units in 800 Second Avenue, an 18-story, 290,000-square-foot tower at the corner of 42nd Street, are owned by foreign entities. The building serves as

home to the Israeli consulate and the Barbados Mission to the United Nation, as well as to the Joint Office for Commonwealth Permanent Missions.

The majority of the units in the 42-story, 1 million-square-foot tower at 633 Third Avenue and the corner of 40th Street are owned by nonprofits. These owners include Memorial Sloan Kettering Cancer Center, the Fresh Air Fund, Interpol, the Jewish Agency for Israel, the Mount Sinai Medical Center, UNICEF and the Permanent Mission of Switzerland. —MS

"We saw a unique opportunity to create a highly-functional medical office building in the heart of the Upper East Side which offers private practice physicians the benefits of ownership in a high barrier of entry location," said Brian Ray, the managing partner at ABR. "In addition, larger institutions have shown tremendous interest in the project, as it can accommodate their specialized requirements for modern facilities within steps of their existing locations."

The price per square foot in the building is averaging \$975. Even in the midst of a credit crisis, a number of banks have expressed interest in financing the condominiums, including Herald National, Signature, Citibank and TD bank.

Construction has commenced for the first phase of the International Gem Tower, a state-of-the-art facility for domestic and international gem and jewelry wholesalers, retailers, manufacturers and designers. The 34-story, \$750m. tower will be located in the heart of the city's gem and jewelry market on the south side of 47th street, between Fifth Avenue and Avenue of the Americas.

The tower is a project of Extell Development Company, whose chairman is Gary Barnett, a former diamond dealer.

"The International Gem Tower has the potential to emerge as the leading place to do business for the diamond and jewelry trades," Barnett said. "The design of the building, its state-of-the-art technology and security system will make it the most efficient center of its kind in the world."

In May, Mayor Michael Bloomberg called gem professionals "a valuable part of the local economy." He said the new tower, which will provide room for 250 businesses with more than 3,000 jobs, would help New York City "compete with worldwide gem markets like Shanghai and Dubai."

Even in these difficult economic times, the combination of ownership, reasonable financing and, in many instances, price reductions has been a boon to the sale of office condominiums. ●

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