

BUYERS THINKING OUT OF THE BOX IN MADISON SQUARE

By: Jason Turcotte

The prestige of its Fifth Avenue address was the clinch for a recent midtown south buyer, according to attorney **Terrence A. Oved**, his client's paramount concern was the "prestige" of the Fifth Avenue address.

Representing 241 Fifth Ave. Hotel, LLC, a privately held real estate joint venture, **Oved** assisted in the \$26.5 million purchase of the property earlier this month, along with the acquisition of 13,000 s/f of air development rights that will likely lend itself to a tower consisting of a luxury hotel and condominiums.

But Oved's clients aren't alone in their desire to see the Madison Square Park area develop. Recent sales of the Madison Clock Tower and the International Toy Center suggest this neighborhood's in for a makeover. And those big-name projects are prompting a plethora of smaller-scale real estate activity. **"The location is fantastic,"** said Oved. **"We think it's tremendously under-serviced."**

Oved's clients purchased the property from Avraham Sibony, who acquired the site for \$10.9 million in 2005. He placed 241 Fifth Ave. on the market shortly after Perkins Eastman drafted plans for a 19-story, 70,000 s/f building there. **Oved said the buyers plan to retain Perkins Eastman as project architects.**

While Oved remains mum on the number of potential units, and other specifics, he said his client is weighing two options: to either bring in a large hotel chain or a smaller, "sexier" boutique-style hotel. "We're looking at what types of units will maximize the space," Oved added.

According to CB Richard Ellis' MarketView, the midtown south section of Manhattan has seen rents climb from \$36.57 psf in July 2006 to \$46.84 in July 2007, outpacing downtown's \$45.97 psf. And developers have recognized the growth possibilities.

It was that tremendous "upside" that appealed to Argus LLC. The Brooklyn-based company spent \$20 million on the purchase of 246 Fifth Ave. last week. Abraham Talass, of Eretz Group, sold the 333,818 s/f building along with 22,182 of air development rights.

"This whole corridor was unused and a lot of people around here see the potential," said Barry Farchi, vice president of Itzhaki Properties, the firm representing both the buyer and seller.

Since values are climbing, people are selling, he said. Farchi forecasts major change in the Madison Sq. Park area over the next three years.

“This is one of the most exciting parts of New York City,” Farchi said. “Bigger commercial tenants, higher profile retail and new condo buyers are all flocking to this part of town and it’s going to change rapidly into a real destination neighborhood for businesses, shoppers and homebuyers.”

Argus LLC was unavailable to comment on the acquisition, but Farchi says the buyer has no immediate conversion plans, though he said the company will upgrade the property with facade work and moderate renovations. The building houses both commercial and retail offices.

The two Fifth Avenue properties join a growing list of Madison Square Park sites – projects much larger in scale – that have recently sold or are undergoing a transformation of uses.

Class A office space is earmarked for 200 Fifth Avenue, one of two International Toy Center buildings (adjoined by an eighth floor sky bridge). In April The Chetrit Group sold the building for \$500 million to L&L Holding.

Repositioning at the 14-story building will play a hand in changing the landscape and level of luxury in the area, says David Berkey, executive vice president of L&L.

“It is a major redevelopment that will redefine Madison Square just as 11 Madison Avenue did to Park Avenue South a decade ago,” Berkey said. “We’re already in conversation with (Midtown) tenants who will want to occupy multiple floors.

Berkey likens the Madison Square Park area as the next Midtown. But, says that with the residential condo activity here, the neighborhood has a livelier nightlife than Midtown, which will continue to be a draw. Another attractor, he says, is the area’s proximity to transportation at 23rd Street.

“Midtown has gotten so tight that it’s caused Midtown South to be considered a more proper location for offices,” Berkey said.

The 800,000 s/f building will undergo a \$100 million “soup to nuts” renovation, according to Berkey, who likens the project to building anew.

The six-sided design, led by architects Gardiner & Theobald, Inc. and contractor Structure Tone, Inc., will lend itself to space conducive to an office layout or open floor plans, and the project will pave the way for new first-floor restaurants and retail. It will also incorporate “green” elements like a courtyard, a third-floor terraced garden, climate-control systems and a roof garden.

And the activity doesn’t stop there.

■ In 2005 the Chetrit Group paid \$350 million for the International Toy Center, with hopes of a luxury condo conversion. But existing office tenants – and litigation – stymied Chetrit’s plans and spurred the sale of 200 Fifth Ave. Chetrit still owns the smaller of the two Toy Center buildings, 1107 Broadway, but it is unclear as to whether they are pursuing a sale or will forge ahead with high-end residential conversion plans. Rubenstein’s Steve Solomon, a spokesperson for Chetrit, could not comment on his client’s plans.

■ Construction is already underway for One Madison Park, the 60-story tower that will boast more than 70 luxury units by next year. The site is 23 East 22nd St., just shy of a block from the Madison Clock Tower, has units ranging between \$2-10 million. The list of buyers is said to include actor Liev Schreiber and actress Naomi Watts.

■ And the Madison Clock Tower may be in line for conversion. SL Green purchased the property and 400,000 s/f of air development rights in 2005, with hopes of converting the building’s north tower into luxury condominiums. In May SL Green sold the 267,000 s/f, 41-story structure to the Africa Israel Group for \$200 million. While Robert DeNiro is rumored to be interested in developing a luxury hotel there, Africa Israel has yet to disclose plans for the property.

Oved was assisted on 241 Fifth Ave. by partner Darren Oved and associate Daniel M. Seidenstein, along with Bruce J. Leuzzi, of Leuzzi & Leuzzi. Peter N. Weiner and Bryan W. Kishner, of Bryan W. Kishner & Associates, represented the seller.

And representing the buyer and seller for 246 Fifth Ave. were Erez Izthaki, president of Itzhaki Properties, vice president Barry Farchi and agent Marcel Fridman.