

REAL ESTATE WEEKLY

Vol. 62, No. 37 • 22 pages in 3 sections

WEDNESDAY, JULY 12, 2017

\$2.50

OPINION

TOWN moving to Midtown West office

Luxury residential brokerage signs lease for 14,000 s/f of office space at Vornado's 888 Seventh Avenue tower.

Page A2



Andrew Heiberger, founder TOWN. Page A2

DEALMAKERS

Politics putting a spin on real estate market

Economist Heidi Learner predicts interesting times ahead as real estate reacts to the Trump effect.

Page B1



WHO'S NEWS

Eastern Consolidated grows family

Brothers Rubin and Alex Isak are closing their own brokerage operation to join acclaimed real estate investment sales firm.

Page B4

Midtown gets a Hudson Yards boost

By CHRISTIAN BAUTISTA

The West Side of Midtown Manhattan accounted for a bulk of the largest office deals in the area during the second quarter.

According to JLL's latest office report, 15 of the 20 largest transactions in Midtown were for office spaces west of Fifth Avenue.

The largest transaction was HSBC's 548,000 s/f renewal at 452 Fifth Avenue. This was followed by JP Morgan's 305,365 s/f lease at 5 Manhattan West.

"Large tech — and increasingly the technology divisions of the financial and insurance industries — remain in growth mode and those tenants tend

to look west and south," said Tristan Ashby, JLL's vice president and director of New York research.

"West Side — and now far West Side — locations have become increasingly desirable as many principals and employees live in Central Park West, Chelsea, Hell's Kitchen and other adjacent

neighborhoods."

During the quarter, Midtown's Class A vacancy rate dropped to 11.2 percent. Meanwhile, Class A asking rents jumped 2.5 percent to \$83.19 per s/f. JLL attributed these conditions to robust leasing activity at Hudson Yards and Manhattan West.

In spite of the strong quar-

ter, the area's vacancy rate is likely to increase. Large blocks of space are expected to open up at 550 Madison Avenue, 425 Park Avenue, 1 Columbus Circle and 1100, 1114 and 1271 Avenue of the Americas.

Midtown South was similarly strong.

The overall and Class A vacancy rate in the area dropped to 2.4 percent and 7.4 percent respectively. The submarket also posted an 8.8 percent year-on-year increase in asking rents to \$76.66 per s/f. Meanwhile, Class A asking rents grew by 3.5 percent to \$84.51 per s/f.

Tech leasing has slowed down in Midtown South. During the quarter, tech leasing in the area stood at 142,397 s/f, which amounts to just 17 percent of deals in the area. The biggest tech transaction for the period involved Google, which signed a 60,000 s/f lease expansion at 85 Tenth Avenue. The transaction increased the company's space in the building to 240,000 s/f.

While Midtown submarkets flourished, Lower Manhattan grappled with a ballooning Class A vacancy rate.

During the quarter, the Class A vacancy rate in the area grew to 26.8 percent due to new space at 3 World Trade Center. The slowdown comes after a strong first quarter. During the first three months of the year, Downtown registered deal volume that was 44 percent higher than quarterly average since 2007.



The Union Square Partnership (USP) joined the Village Alliance, Council Member Margaret Chin and other community members honored Norman Buchbinder for his commitment to neighborhood improvement with the unveiling of Norman Buchbinder Way at the corner of 8th and MacDougal Streets. The late Norman Buchbinder was co-founder of Buchbinder & Warren, a real estate brokerage and management firm. He was one of the original pioneers in the early 1980's whose vision and passion for the betterment of the Union Square area culminated in the creation of Manhattan's first Business Improvement District (BID), which today is known as the Union Square Partnership. In addition to serving as a founding board member of USP's BID, in 1993, Buchbinder led the creation of a BID for 8th Street and founded the Village Alliance. Lori Buchbinder is pictured above at the dedication. With her are l-r: William Abramson, William Kelley, Jennifer E. Falk, Lynn Brown and Council Member Margaret Chin.

Industry baffled by state failure to back building program

By HOLLY DUTTON

In last month's special session in the state legislature in Albany, a bill that would authorize a design-build program specific to NYC was not included, despite broad support from city officials and many in the real estate industry.

"The bottom line is, we are disappointed that it was not included in this last special session in Albany," said New York Building Congress president Carlo Scissura, who has long championed the program. "It's a no-brainer. We're one of the last places in the U.S. and maybe the world that doesn't do this."

Scissura pointed to the Tappan Zee and Kosciuszko

bridges as two infrastructure projects that have benefitted from using Design Build in major renovations to the structures.

Two high-profile city projects — the \$1 billion Javits Convention Center renovation and addition, and the \$3 billion Penn Station overhaul — have also been authorized to use design-build.

"Those projects are done under budget and in a great time frame," said Scissura. "We're going to continue to talk to the legislature and the Governor's office and let them know that this is an important piece of legislation that people need."

Design-build is a project delivery method that would

allow the Department of Transportation (DOT) to hire a contractor who would be responsible for both design and construction of the project, in contrast to the traditional method of agencies signing separate contracts with an architect and a contractor. Supporters say the method shortens the timeline of projects and saves money.

However, while state projects use the project delivery method, it is off-limits to most public entities including city agencies like DOT.

In 2011, Governor Cuomo expanded design-build authority as a pilot program to a few state agencies — the Thruway Authority, DOT, Office of Parks, Recreation



NYBC president Carlo Scissura

and Historic Preservation, Department of Environmental Conservation, and Bridge Authority.

That pilot program expired in 2014 but was renewed the next year, but the state legislature failed to pass a bill in 2015 that would have expanded design-build authority to all public entities, including those in New York City.

It's unclear why lawmakers haven't yet passed the design-build bill, with such broad support from city officials and the real estate industry.

Mayor Bill de Blasio, the Real Estate Board of New York, Governor Cuomo, The Partnership for New York City, and the Building and Construction Trades Council of Greater New York have all expressed support in adopting design-build for city projects.

One notable exception is the New York State Society of Professional Engineers (NYSSPE), an organization that has been vocal about its concerns over the Design-

Continued on Page A10

Fugitive tycoon accused of stealing secret data from Chinese investor

By CHRISTIAN BAUTISTA

HNA Group, the Chinese conglomerate that bought 245 Park Avenue for \$2.2 billion earlier this year, has emerged as a central figure in a political scandal in China.

Yesterday (Tuesday) the Chinese government, through state-owned media outlet Xinhua, revealed that Guo Wengui, a fugitive tycoon who has accused top Chinese officials of widespread corruption, has stolen sensitive data regarding 146 HNA Group clients.

Guo, who owns a \$78 million full-floor apartment at the Sherry-Netherland Hotel at 781 Fifth Avenue, is accused of colluding with an air traffic control worker and a Hainan Airlines employee to gather information on HNA clients. The Chinese government said that Guo collected flights times and destinations in order to fabricate sex scandals and corruption allegations. Guo also reportedly attempted to collect information on American and Middle Eastern celebrities and political figures. Guo is



GUO WENGUI

currently listed on Interpol a "red notice" for international fugitives.

The Xinhua report contained comments from Guo's alleged spies. A certain Song Jun said that he first met Guo in 2009. He said that Guo promised to help him migrate to England in exchange for the data.

"[Guo] betrays anyone for money, including the country and his loved ones," Song said.

Meanwhile, a certain Ma Cong, an employee of Hainan Airlines, admitted to spying for Guo between December 2015 to March 2017. The Chinese government said that Guo used the data to create stories of love affairs between people who traveled on the same flight. Guo, who also goes by the name Miles

Continued on Page A10

Hedge fund expanding at Carnegie Hall Tower

By CHRISTIAN BAUTISTA

Hedge fund Canyon Partners and art gallery D. Wigmore Fine Art have signed leases at TF Cornerstone's Carnegie Hall Tower on Manhattan's "Billionaire's Row."

Los Angeles-based Canyon Partners is expanding to take an entire floor at the 60-story tower. Canyon, which specializes in investments for endowments, foundations and sovereign wealth funds, is adding 3,000 s/f to its space on the building's 28th floor. This is not the first time that the company has expanded in the 60-story tower. In 2013, Canyon signed a seven-year renewal for approximately 8,000 s/f. The firm previously operated out of two smaller suites in the building. Asking rents

Continued on Page A10



11

6 38037 28324

TRANSACTIONS

Meridian Capital announced the following transactions:

- New mortgages totaling \$17,130,000 on three multifamily properties comprised of 162 units located on Sheridan Avenue in the Bronx, NY. The loans feature initial rates of 3.61% and five-year terms.

Rael Gervis and **Eli Finkel** negotiated these transactions.

- A new mortgage of \$6,700,000 was placed on a four-story, 38-unit multifamily property located on Caryl Avenue in Yonkers, NY. The loan features an initial rate of 3.52% and a five-year term. This transaction was negotiated by **Judah Hammer** and **Daniel Neiss**.

- A new mortgage in the amount of \$3,800,000 on a six-story, 36-unit multifamily property located on Kings Highway in Brooklyn, NY. The loan features an initial

rate of 3.50% and a five-year term. **Michael Farkovits** negotiated this transaction.

- A new mortgage of \$3,100,000 was placed by Meridian on a five-story, 21-unit multifamily property located on East 167th Street in the Bronx, NY. The loan features an initial rate of 3.580% and a five-year term. This transaction was negotiated by **Alan Friedman** and **Eric Chapek**.

- A new mortgage in the amount of \$1,300,000 on a 17-unit multifamily property located on Washington Avenue in the Bronx, NY. The loan features an initial rate of 3.62% and a five-year term. **Alan Friedman** and **Eric Chapek** negotiated this transaction.

- A new mortgage of \$1,100,000 was placed on a six-unit multifamily property located on Himrod Street in Brooklyn, NY. The loan fea-

tures an initial rate of 3.375% and a five-year term. This transaction was negotiated by **Judah Hammer** and **Daniel Neiss**.

...

GCP Capital Group LLC arranged mortgage financing in the aggregate amount of \$31,180,000 for the following properties:

- \$8,600,000 for a six-story mixed-use building containing 23 apartments and 1 ground floor commercial unit, located on Rivington Street in Manhattan. **Matthew Albano** arranged the financing.

- \$6,500,000 for a six-story multifamily apartment building containing 36 units, located on Putnam Avenue in Brooklyn. **Paul Greenbaum** arranged the financing for this transaction.

- \$5,700,000 for a newly built, two-story commercial building comprised of 5,000 square feet, located on Spring

Street in Manhattan. **Matthew Classi** arranged the financing for this transaction.

- \$5,500,000 for a two-story, fully occupied commercial retail building comprised of 7,650 square feet, located on Allen Street in Manhattan. **Adam Brostovski** arranged the financing.

- \$4,880,000 for three three-story multifamily buildings containing a total of 13 apartments and 1,500 square feet of commercial space, located in the Greenpoint neighborhood of Brooklyn. **Matthew Albano** arranged the financing for this transaction.

...

Eastern Union Funding announced the following transactions:

- \$4,200,000 in first lien mortgages for the refinance of three Brooklyn, NY, multifamily properties comprising 36 units total. These transac-

tions were arranged by **Jack Beida**.

- A \$4,100,000 first lien mortgage for the refinance of a mixed-use property on East 31st Street in New York, NY. This transaction was arranged by Peter Blass.

- A \$2,840,000 first lien mortgage for the acquisition of a 30-unit multifamily property in Doylestown, PA. This transaction was arranged by **Nate Hyman** and **David Metzger**.

- A \$2,750,000 first lien mortgage for the refinance of a 10-unit multifamily property on East 135th Street in Bronx, NY. This transaction was arranged by **Michael Muller**.

- A \$1,400,000 first lien mortgage for the refinance of a 170,267-square-foot, 20-unit retail center on National Road in Bridgeport, OH. This transaction was arranged by **Marc Tropp**.

- A \$1,000,000 first lien mortgage for the refinance of a mixed-use property on East 138th Street in Bronx, NY. This transaction was arranged by **Abe Bergman** and **Yossi Orzel**.

...

Houlihan-Parnes, Realtors, LLC / Q101 NY Realty Advisors announced the placement of a \$1,300,000 first mortgage on the 1,900 s/f Kentucky Fried Chicken restaurant building and CleanCity laundry facility located at 1959 & 1979 Bruckner Blvd. The 7-year, non-recourse loan is fixed at 4.2% interest on a 30-year amortization schedule. **Michael J. O'Neill** handled the transaction. The lender, a local bank, also agreed to 3-year option to extend. The borrower was represented in the transaction by Elizabeth Smith of Goldberg Weprin Finkel & Goldstein.

What does the future hold for your cash flow?

BY MARC NEW MAN, CPA, CGMA, ASSOCIATE MANAGING PARTNER, ANCHIN, BLOCK & ANCHIN LLP

They say you can't predict the future. Technically, that's true — no one can say, with detail, what will happen tomorrow. But, when it comes to their cash flow, contractors have to at least try.

Knowing what the future holds for your cash flow is, in many ways, the key to your success. If you know you're headed for a position of strength, you can be more aggressive in your bids. Tough times ahead? Then it might be best to scale back. Let's look at some ways to prognosticate about those dollars.

Evaluate your inflows

The first step to realistic forecasting is to approximate incoming cash flows. Start with projected cash flows for planned, in-progress or completed jobs for which you haven't billed or collected fully. This task relies heavily on billing schedules.

At the beginning of each project, develop a well-thought-out billing schedule. Doing so



will optimize cash flow by helping you anticipate timelines of costly expenditures related to the project, and allow you to schedule a billing cycle directly after each expense.

For example, if you know that you'll be buying or renting an expensive piece of equipment six weeks into a project, send an invoice directly after the expense to recoup cash as quickly as possible.

Better yet, have your contract include the ability to pre-bill your client for the cost of the item to get a head start on recouping that cash.

Without this kind of careful planning, you may have to wait months to recover large cash expenses. Such billing schedules can also keep you on track with forecasting because they factor in expenditures related to the project and billing cycle dates.

Work up backlog

The next step is creating backlog schedules. Here you must determine approximately how

many projects you'll bid on this year, and then break these projects into categories.

Breaking the bids into categories is necessary for more accurate forecasting because you might, for example, bid on more jobs for school construction projects, yet have a better success rate when bidding on health care construction jobs.

Each category may have a different billing pattern as well. You may also want to determine the breakdown of your negotiated contracts vs. hard bids.

Once you've determined the number of bids and the success rate for each category, look to past projects to determine average billing cycles and create your cash flow projections.

For example, to create a predicted billing and cash forecasting schedule for an office building project secured through a hard bid process, you should review typical items for a job such as this.

Pertinent items will likely include average contract values, expected expenditures and typical billing schedules.

You'll also want to take into account the general financial effects of these types of projects and potential cost-escalating events.

Doing so will not only help you predict future cash flows, but also allow you to identify patterns and areas where you may be able to improve your

cash flow management.

Put the info to work

With your estimated cash flows and billing schedules in hand — along with an overview of projected general operating expenses such as payroll, fleet costs, mortgage or rent — you're finally ready to forecast your cash flow in the near future.

So how do you do it? Well, your construction company should have the internal financial capabilities to start producing information for cash flow forecasting. But getting your CPA involved as early in the process as possible will get you to the finish line more quickly. Carefully organizing the data into easy-to-read categories and "bottom line" results is also key.

In addition, many financial management software applications come preloaded with cash forecasting functionalities. Work with your IT staff or advisor to determine whether you have this capability. And, if you don't, consider an upgrade.

Get in the habit

Coming up with an accurate cash flow forecast isn't exactly easy. But, practiced regularly, it can be an invaluable tool in helping you guide your construction company's strategic direction.

COMMERCIAL SPACE FOR RENT

350, 500, 700, 1000, 2000 sq. ft

147 WEST 35TH 325 WEST 38TH
152 WEST 36TH 252 WEST 38TH
262 WEST 38TH 1026 SIXTH AVE.

Renovated Buildings

- 24 Hour Security
- Hi Tech Accessibility
- Large Windows
- Video Surveillance System

Brokers Protected

Call or email to receive the updated listings on vacant spaces.

212-302-3000

Falcon@falconproperties.com

IN THE COMMERCIAL MARKET FOR OVER 35 YEARS

FALCON
PROPERTIES, INC.

489 FIFTH AVE 9th FLOOR, NEW YORK, NY 10017
WWW.FALCONPROPERTIES.COM



The Hunger Games starring Liam Hemsworth and Jennifer Lawrence was filmed at East 138th Street.

Odds in developer's favor as Gamma Real Estate prepares up \$7M for Hunger Games site

Gamma Real Estate has provided a \$7.5-million loan that enabled a Los Angeles-based entertainment company to acquire a historic Atlanta industrial site from the Georgia Building Authority.

The buyer reportedly plans a mixed-use development there.

The sprawling 27-acre property, known as Pullman Yard, was acquired by Atomic Entertainment LLC for \$8 million.

The building was originally developed in 1900 as the headquarters of an engineering company, and later served as a World War I ammunition plant. In 1922, Pullman Company established a massive railcar maintenance facility there.

Although the site has been unused since 1993, its industrial structures have served as sets for a number of movies in recent years, including entries in *The Hunger Games* and *Fast and Furious* series.

Atomic has said it will redevelop the property as a mixed-use community that includes film and television production sound stages, a music performance venue and affordable housing. Pullman Yard is situated in the Kirkwood section of eastern Atlanta, where considerable housing development has been occurring.

"It is always a pleasure to help advance projects that make innovative and productive re-use

of obsolete property," says Jonathan Kalikow, president of Gamma Real Estate. "This planned redevelopment has the potential to make an important contribution to Atlanta's economy and its affordable housing inventory."

Gamma Real Estate is a boutique commercial real estate firm based in New York City that is owned and operated by the Kalikow family.

Arbor rocks out Pressley loan deal

Arbor Realty Trust funded a loan totaling \$15.4 million for the acquisition of Pressley Ridge Apartment Homes, in Charlotte, NC.

James Fiesel, based in Arbor's New York office, originated the deal under the Fannie Mae Standard DUS Loan program.

"This asset, in this market, has great upside, and the new owners have a long track record of successful execution," Fiesel said.

The 7/6 ARM acquisition loan represents 80 percent of the purchase price and features a 24-month interest-only term.

Pressley Ridge Apartment Homes is a two-story, 504-unit multifamily property built in 1969.