

Bloomberg

Vornado Said to Seek Sale of New York's 1 Park Ave. Tower

By David M. Levitt - Jan 21, 2014

[Vornado Realty Trust \(VNO\)](#) is planning to sell 1 Park Ave., an [office tower](#) east of New York's Herald Square, almost three years after rescuing the building from possible default, three people familiar with the offering said.

The real estate investment trust, which has interests in more than 20 million square feet (1.9 million square meters) of Manhattan offices, hired brokers Douglas Harmon and Adam Spies of Eastdil Secured LLC to market the 20-story, 925,000-square-foot tower, according to the people, who asked not to be identified because the details are private. New York-based Vornado is seeking about \$650 million, two of the people said.

A sale at that price would demonstrate a surge in [Manhattan](#) office values and the profits to be had for investors who took positions in distressed real estate after the 2008 financial collapse. Murray Hill Properties LP and a unit of Cerberus Capital Management LP sold a 95 percent interest in 1 Park Ave. to Vornado in a 2011 deal that valued the property at about \$427 million, according to data firm Real Capital Analytics Inc.

"If someone's presented with a 50 percent opportunity over three years, you're going to take it, most likely," said Jonathan Mazur, director of capital markets research at brokerage Newmark Grubb Knight Frank, which isn't involved in the sale. The building "needed a little love and attention. Vornado was able to do that, structure the property nicely, and now they can move on."

Debt Retired

The 1920s-era building, located between East 32nd and 33rd streets, had about \$250 million of securitized debt that was under the threat of "imminent default" early in 2011, according to servicer notes compiled by Bloomberg. The transaction with Vornado retired the debt, data from New York-based Real Capital show. [Murray Hill](#) Properties, whose president is investor Norman Sturner, kept a 5 percent stake.

Wendi Kopsick, a Vornado spokeswoman, declined to comment on the planned sale. Martha Wallau, a spokeswoman for Eastdil, and Edna Lassiter, Murray Hill's director of communications, didn't return telephone messages seeking comment.

Vornado rose 0.5 percent to \$92.28 today in New York. The shares have gained 9 percent in the past year, compared with a 1.1 percent decline for the Bloomberg REIT Index.

After the 2011 deal, 1 Park's largest tenant, New York University's Langone Medical Center, agreed to extend its lease to 2041 and expand to 420,000 square feet, about half the building, according to data from CoStar Group Inc., a Washington-based research firm that tracks office leasing.

Building Upgrades

About 15 percent of the tower's offices are listed as [available](#), most of that for sublet, according to CoStar. The building is on the northern fringe of the area brokers call midtown south, where demand by technology and media firms has driven vacancies to a national low. Aside from Langone, the tenant roster at 1 Park is made up mostly of financial institutions, business services and wholesalers.

Murray Hill Properties and Cerberus spent about \$15 million renovating the building, including upgrading the lobby and elevators, said one of the people familiar with the plans for the tower. Its lobby features ornate barrel-shaped chandeliers hanging from vaulted ceilings and marble-clad elevators. It was designed by the firm York & Sawyer, which also designed the Federal Reserve Bank building in lower Manhattan, according to property-information site [Emporis.com](#).

Midtown Manhattan office prices have doubled since hitting bottom in late 2008, according to a Jan. 7 report from Green Street Advisors Inc., a [Newport Beach](#), California-based research firm that tracks values of properties owned by REITs. Values are about 10 percent below their mid-2007 peak.

Record Sales

New York City commercial-property sales may reach \$63 billion this year, almost doubling last year's \$37.6 billion total and breaking the record set in 2007, according to a report last week from Massey Knakal Realty Services, a New York-based brokerage that arranges mostly commercial-building sales. The average Manhattan office building sold for \$952 a square foot in 2013, up 29 percent from a year earlier.

Harmon and Spies of Eastdil also represented Time Warner Inc. in last week's \$1.3 billion sale of the media company's headquarters space at Time Warner Center to a group led by Related Cos.

They also brokered last year's biggest single-building transaction in the U.S., a \$1.3 billion deal for midtown Manhattan's 650 Madison Ave.

To contact the reporter on this story: David M. Levitt in New York at dlevitt@bloomberg.net

To contact the editor responsible for this story: Kara Wetzel at kwetzel@bloomberg.net

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