Chris Ward Tapped as Dragados Veep

Chris Ward, the former New York head of the Port Authority, is stepping into a new role as an executive vice president of the large international construction company Dragados.

Mr. Ward, credited with helping devise and implement plans that put the rebuilding of the World Trade Center site back on track, will be involved in helping the company identify and compete for major construction and infrastructure projects, he said.

In a conversation with *The Commercial Observer*, Mr. Ward identified several high-profile bids that he will likely be involved in helping the company make, including the expansion of Boston's Green Line street car system, the replacement of Calaveras Dam in California and the replacement of the Tappan Zee Bridge, which connects New York State's Rockland and Westchester counties.

Chris Ward

"There's probably $36 billion of projects out there and we could honestly compete for probably $15 billion of that," Mr. Ward said.

The company is a major construction firm that has handled complex projects in the city. It is currently building the East Side Access tunnel that will connect the Long Island Railroad from Penn Station to Grand Central Terminal.

Public-private partnerships, arrangements where private investors contribute funds to public infrastructure in return for a slice of the revenues that the infrastructure generates, will likely figure into the Dragados's pipeline of business in the future. Mr. Ward said the company had billions of dollars it could invest in such ventures and that the partnerships would be the way of the future for infrastructure development in the U.S.

"It's the way governments do infrastructure in Europe," said Mr. Ward. "It's about selling creative solutions to government to get projects done. We need to be able to build roads and bridges and infrastructure in a way that guarantees a reliable schedule and saves money. There's not enough government resources anymore to get projects done any other way."

Mr. Ward's first day at Dragados was last week, he said. Although his tenure as the Port Authority's executive director was widely viewed as successful, Mr. Ward was replaced late last year by Gov. Andrew Cuomo. Governor Cuomo placed former Empire State Development Corporation head Patrick Foye in the executive director slot in what was viewed as a bid by the governor to put his own stamp on the agency and exert control by using his own appointee.
—*Daniel Geiger*

Low Rates, Spike in Capital Gains Taxes Could Spur Office Sales in '12

Massey Knakal executives predict that the sales market for office buildings and apartment properties will pick up considerably in 2012, due in large part to a combination of record low interest rates and widespread expectations that the capital gains tax rate will rise next year.

"We're going to see a natural regression in 2012 back to the norms," said Robert Knakal, Massey Knakal's chairman, noting that the volume of properties sold in the city has been below the historical average since the recession and is likely to bounce back. "The potential increase in capital gains that could take place in 2013 [is a big driver]. We saw a significant spike in sales volume in 2010 for the very same reason."

Mr. Knakal predicted that development parcels in the city would be among the best appreciating assets during the year, anticipating they could rise by 20-30 percent in value due a dearth of both residential and commercial development in the city in recent years.

"There has been such a low supply of new product put on the market," Mr. Knakal said. "Developers anticipate the market two to three years in advance and most are feeling optimistic about the end user demand in that time frame."

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Paul Massey, who with Mr. Knakal cofounded the brokerage company, also highlighted the popularity of development sites.

"We were creating thousands of luxury residential units per year but that production ceased three and a half years ago," said Mr. Massey, who, together with Mr. Knakal and other company executives, met last week with the news media to present his outlook and year-end market statistics for 2011.

Paul Massey

Robert Knakal

Massey Knakal compiled a host of encouraging data that show the sales market in the city is bouncing back, since falling precipitously during the economic downturn. Citywide, $25.6 billion of property was sold in 2011, an 80 percent increase from 2010, and 2,122 properties changed hands, a 25 percent increase in volume year-over-year.

Still the numbers pale in comparison to the boom years. In 2006, $41.5 billion of deals were done, and in 2007, the most prolific year on record for New York City's sales market, $62.19 billion of deals were completed, according to Massey Knakal figures. Mr. Knakal didn't think dollar volume would swell in 2012 to that level but predicted the market could see between $41 billion and $45 billion of sales activity.

Pricing on average per square foot appreciated by 6.1 percent across property types in 2011 the company said. While that figure was lower than the wild uptick in value that occurred as the market skyrocketed during the boom years of 2005 to 2007, Mr. Knakal said that the appreciation level was compelling compared to other investment classes. "I think our expectations are skewed by the fact that during the boom years there were huge gains and when the market fell there were big losses, so the scale of expectations has been kind of exaggerated," Mr. Knakal said. "But 6 percent is very solid. Warren Buffett always says that 10 percent returns are outstanding. I think that in a market where Treasuries are low, 6 percent returns on real estate make it a desirable asset class." Mr. Knakal predicted that prices could outpace 2011's increase, rising by as much as 8 percent on average per square foot in 2012.

James Nelson, an executive at Massey Knakal who participated in the company's presentation, supported Mr. Knakal's point that real estate was attractive to buyers because it offered compelling returns and stability during a period of continued economic uncertainty.

"Real estate benefits from the trend of investors wanting hard assets," Mr. Nelson said. "People want something they can touch. Besides gold, real estate is one of the few hard assets and it cash flows." —*DG*

Cushman Takes Over Leasing at Moinian Assets

After handling its leasing at 535 and 545 Fifth Avenue internally, the Moinian Group has brought on a Cushman & Wakefield team to be its exclusive leasing agent for both buildings, *The Commercial Observer* has learned.

A team led by Andy Sachs, an executive director at the firm, along with Ean Shapiro, Jonathan Fales and Myles Fennon, will now have oversight of both buildings—a combined 532,400 square feet of space—under its care.

The buildings, a 36-story office tower at 535 Fifth Avenue and a 14-story property at 545 Fifth Avenue, are located in the Grand Central district.

"There's obviously a lot of competitive space in Grand Central and [the Moinian Group] realized they have a lot of competition, so they went out and went through the process to hire us," Mr. Sachs told *The Commercial Observer*.

Each office building received "substantial" renovations, including a complete overhaul of the lobbies and decorative upgrades to the bathrooms and corridors, Cushman & Wakefield officials said.

535 Fifth Avenue

The buildings have a range of spaces that are available, from 1,500 square feet to 20,000 square feet.

"We're looking at just upgrading the curb appeal and the profile of the buildings so they have a little bit of a better identity," said Mr. Sachs.

The team is close to announcing an architect for future renovations.

There will be new prebuilt standards that will have "lots of glass, more modern in look and feel, so that we can get more light in this space," he added.

A 19,311-square-foot office space on the third floor of 535 Fifth is currently being demolished, with an option to break through into 545 Fifth and link up the two floors for more than 30,000 square feet of combined space, said Mr. Sachs.

"This 532,400-plus-square-foot pair of properties located two blocks from Grand Central offers unique floor plates of up to 32,000 square feet in one of New York's hottest commercial corridors," said Greg Weisser, executive managing director at the Moinian Group.

The Moinian Group's Carmel Kashani will act as an additional onsite leasing agent for both buildings. —*DER*

Owner Explores Sale of 114 Fifth

The owners of 114 Fifth Avenue are exploring a sale of the building or a possible leasehold interest in the property, sources say.

The approximately 340,000-square-foot Midtown South building is held by an anonymous family owner, people familiar with the property say. The building will likely require a substantial infusion of cash in the near future, a factor that is perhaps prompting the offering.

Grey Advertising has a health care group at the location that is set to relocate from the property in upcoming months, leaving vacant as much as 70,000 square feet. A person familiar with the condition of the building said that it will likely require a renovation to attract potential tenants and that the current owner was considering a sale of the building's leasehold so that it could select a capable real estate operator to invest the necessary capital and exert the kind of hands-on management the property will likely require to operate to its potential.

The owner, listed in mortgage documents as 114 Fifth Avenue Associates LLC, has hired the real estate services firm Wells Hill Partners to market the property. Wells Hill executives Peter Gevalt and Daniel Mitsukovski would not comment on the sale.

A potential deal appears well timed. According to data released by the real estate services firm CBRE yesterday, the Midtown South neighborhood where 114 Fifth Avenue is located is the strongest performing office market in the country. CBRE's statistics showed that vacancy dropped to the lowest level in the city during 2011, falling from 12.5 percent to 8.8 percent year-over-year.

"Midtown South was supposed to be the cheaper market," Mary Ann Tighe, CBRE's New York-area CEO, said during the company's presentation to the media at its Midtown offices. "That has changed. It's now a culture choice."

Ms. Tighe noted that rents have risen in a select group of high-end Midtown South buildings to rates

114 Fifth Avenue