

## *Foreign Investors Return to Manhattan in Numbers Not Seen Since the Mid-1980s*



In what has become a very tangible trend, we have noticed a tremendous influx of foreign capital looking to acquire investment properties in the Manhattan marketplace recently.

About 6 months ago, we began to see a significant increase in the number of inquiries we were getting from overseas investors looking to purchase properties in Manhattan. **Interestingly, these investors were typically not people who are real estate investors in their country of origin. They made the majority of their capital in businesses other than real estate** such as, textiles, shipping, oil and gas exploration, technology or manufacturing. While fortunes were amassed in these industries, a few real estate investments were made in their local markets. While attempting to diversify risk, their sights have shifted to the United States as a safe home for their investment dollars. These investors have targeted New York City real estate as a perfect place towards which to deploy capital.

**Within the past month, we have closed two transactions with these investors, have placed three additional transactions under contract for sale and are working on several others.** We are presently working with investors originating from Japan, Taiwan, South Korea, China, India, Russia, Spain, Germany, Italy, Portugal, Sweden, Canada, Brazil, Argentina and Mexico. The appetite and perspective of this foreign capital is fairly consistent. **These investors are looking for good quality locations with buildings that are in reasonably good condition and that do not have any rent regulated residential tenants.** The property types being targeted are office, retail, and mixed-use which can have some residential units as long as there are no rent stabilized or rent controlled tenants in occupancy. **The investors also consistently do not want any financing for the acquisitions as they will simply pay 100% equity.**

**Recently, we closed on the sale of 115 West 57th Street, between Avenue of the Americas and**



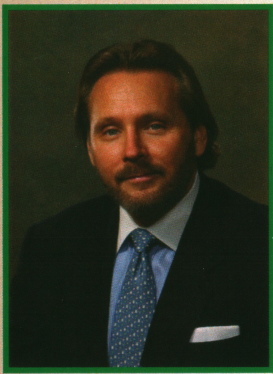
This article, and all other Commentaries by Bob Knakal, can be found on [The Massey Knakal Reel](http://www.masseyknakal.com/blog) – a blog for breaking sales, listing and neighborhood real estate news – at [www.masseyknakal.com/blog](http://www.masseyknakal.com/blog)

Seventh Avenue, to a **Japanese investor.** The property is a 20 foot wide, six story, mixed-use property with two floors of retail space and seven residential apartments on the four floors above. Both retail levels were occupied by tenants on relatively short term leases and six of the seven apartments were renovated and vacant. One apartment was rented on a month-to-month basis. **The 57th Street address was extremely appealing to this investor who paid over \$650 per square foot for the building.**



115 West 57th Street

**Two weeks ago, we closed on the sale of 901 Broadway** at the southwest corner of 20th Street and Broadway. **The sale price was \$24.6 Million.** The building is a 27 foot wide, five story building containing 14,336 square feet. Built in 1867, this cast iron building was the original home of the Lord & Taylor Dry Goods Store. The ground floor was occupied by a high end fashion



During Mr. Knakal's 25-year career, he has sold over 1,000 buildings having an aggregate market value of over \$6.0 Billion. He was the top salesman, with partner Paul Massey, at Coldwell Banker Commercial (now CB Richard Ellis) in New York in 1986, 1987, and 1988 prior to forming Massey Knakal. In 1990, he was awarded Crain's New York Business "40 Under 40" awarded annually to 40 business people under forty years of age for outstanding achievement in the

New York business community. In 2001, Mr. Knakal was named one of "The Top Dealmakers" by Real Estate New York Magazine. He has twice been the recipient of the Robert T. Lawrence Award in the Real Estate Board of New York's Most Ingenious Deal of the Year Contest. First in 2002, for the assemblage of the easterly blockfront of Second Avenue between 54th and 55th Streets. Then again in 2004 for the sale of the historic Gotham Book Mart at 41 West 47th Street. In 2009, Real Estate Forum Magazine named Mr. Knakal one of the Top 10 Real Estate Investment Sales Brokers in the United States.

*Please give a call if you have questions about your property or the market in general.*

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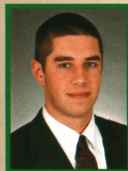
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901 Broadway

retailer, Miss Sixty, which signed the lease in 2007 for \$313 per square foot. Floors 2 through 4 were occupied by a gallery tenant and a penthouse floor above was delivered vacant. **We previously sold this property in 2006 for \$17,375,000.** At the time, there were two rent stabilized tenants in possession and the retail space was vacant. The buyer completed a strategic repositioning of this asset which included a significant capital improvement program including removing the two rent stabilized tenants, installing a new roof, new windows, new heating plant and a new elevator.

This property was sold for \$24.6 million to **an investor from Spain.** **The capitalization rate was 5.59% (including a projection for the vacant penthouse) and the price per square foot was a lofty \$1,716.**

In both of these transactions, the buyers paid all equity, forgoing an opportunity to lock in today's relatively low mortgage rates on a long term basis. **It is as if these investors and other foreign investors are using New York properties as safe deposit boxes for their cash.** There are other properties we presently have under contract to foreign investors with the same general profile as the two who completed the transactions reviewed above. We are currently working with many foreign investors who, based upon the perception that New York is cheap, are looking to invest in real estate here. **While foreign investors have always been an integral part of the investment landscape in New York City, they are appreciably more evident today and will, undoubtedly, make a larger splash in the current marketplace than they have in more than two decades.** Operating under market conditions that are sorely in need of positive signs, these transactions, and the transactions with foreign investors which are in the pipeline, are great examples of how attractive New York City remains as a safe haven for investors around the globe.

For weekly observations on the New York City Investment Market, please visit Robert Knakal's blog, **StreetWise** – a joint initiative of Massey Knakal and GlobeSt.com – at [www.knakalstreetwise.wordpress.com](http://www.knakalstreetwise.wordpress.com)

Mr. Knakal also writes a weekly article entitled **"Concrete Thoughts"** in The Commercial Observer. [www.observer.com/term/commercial-observer](http://www.observer.com/term/commercial-observer)

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