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Resolute Rockrose Corp. set to sell problem co-op

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REAL ESTATE

Signaling that the market for one-bedroom and studio apartments might finally be making a comeback, Rockrose Development Corp. is preparing to sell the 141 units it purchased in the troubled One Harkness Plaza cooperative apartment building.

The sales effort also means that it's payback time for Rockrose, which four years ago played the white knight in the closely watched collapse of the 276-unit co-op at 61 W. 62nd St. The deal gained attention partly because of One Harkness' tony address and partly because the Federal Deposit Insurance Corp. inherited the apartments from the failed Silverado Savings & Loan Association, the Denver thrift that had Neil Bush on its board of directors.

For more than one year, demand for small apartments in New York has stagnated while the market for larger units, two bedrooms and up, has roared back to life. However, Rockrose officials say that rents for one-bedrooms and studios have risen to the point where an increasing number of renters are considering buying.

"Once rent gets high enough, it makes sense to own, even without capital appreciation," says Kamran T. Elghanyan, Rockrose's president.

On paper, Rockrose's potential profit from the sales looks impressive. Mr. Elghanyan says Rockrose will be selling the 141 apartments for about $150 a square foot. The company has invested about $60 a square foot into them. That includes the initial $8 million Rockrose paid the FDIC, $2.5 million for renovations and about $25,000 per unit the company plans to spend to bring them to market.

But Mr. Elghanyan says he regrets making the Harkness investment. He says the company has had to devote an enormous amount of time to the project. Since it acquired the units, it has had to restructure the co-op's underlying mortgage, battle in court with the co-op's converter over its retail space, revamp its management and rent its apartments, which the FDIC had inexplicably kept empty. The units are now producing net income of about $500,000 a year, he says.

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The Alaska Permanent Fund Corp., the pension fund for state employees, is negotiating to purchase the retail space in Park Avenue Court, in another sign that domestic pension funds are returning to the New York real estate market. The price for the space was not available.

Park Avenue Court, a residential and retail project at **120 E. 87th St.**, was one of the failed developments of the late 1980s. A group of seven banks that provided construction financing ultimately took it over and divided its different pieces among themselves. Dai-Ichi Kangyo Bank, Daiwa Bank and First National Bank of Chicago took ownership of the 67,000-square-foot retail section.

Randy A. Kohana, senior managing director of Julien J. Studley Inc., says many pension funds have recently decided to boost the proportion of their assets invested in real estate. They also are being lured to the Manhattan market by the falling vacancy rate in midtown.

"They're looking to play the curve as the market recovers," Mr. Kohana says.

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An Irish investor has acquired the 21,000-square-foot building at **307 E. 54th St.**, which used to house the historic Knickerbocker Theater. The price, in the transaction brokered by Massey Knakal Realty Services Inc., was $2.9 million.

The building was the home of the Club El Morocco, which closed recently. The new buyer, Desmond Wooton of Dublin, plans to renovate the building and open a new night spot.

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Koll Management Service Inc., the Newport Beach, Calif.-based firm that is trying to break into the Manhattan market, has obtained its first major leasing assignment. The Bank of America, which leases 400,000 square feet at **40 E. 52nd St.** and **335** and **520 Madison Ave.**, has hired Koll to help it consolidate its space. ■