REAL ESTATE

Empty buildings: Stories of blunders

Developers goof and pay dearly

BY PETER GRANT
CRAIN'S NEW YORK BUSINESS

When Argentine financier Jacobo Finkielstain checked into the Allenwood Federal Prison Camp last month, he left behind two empty buildings he developed in Manhattan.

Those two buildings—a medical condominium at 152 E. 55th St. and a 48-story residential condominium at 135 W. 52nd St.—may still be empty when he completes his seven-year jail sentence for bank fraud.

"This could drag on for years," says Vincent M. Albanese, president of Albanese Development Corp., referring to 135 W. 52nd St., which he has been trying to buy and convert into a hotel.

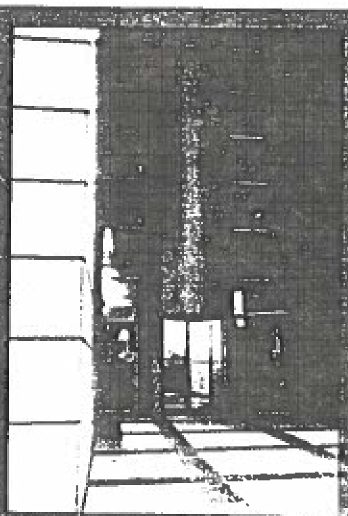
These projects—as well as 813 Park Ave., 32 W. 66th St., 145 E. 32nd St. and other vacant or virtually empty buildings sprinkled throughout Manhattan—illustrate what happens when a developer misjudges the market and produces the wrong product.

And, unlike other business failures that can avoid publicity, there is no hiding from empty buildings, called "see-throughs" in the real estate industry. They are like flashing neon signs announcing that somebody blew it and is losing a bundle.

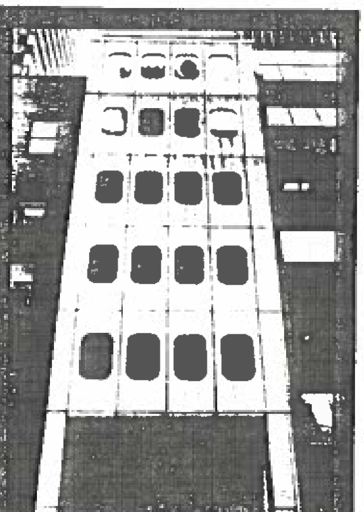
Every month a building remains unoccupied, large sums of money are lost in carrying costs, rent and other expenses. "The banks are losing more than $500,000 a month" on Mr. Finkielstain's West 52nd Street project, says Mr. Albanese.

During most of the 1980s, empty buildings were a rarity in Manhattan. With demand strong and prices rising, the market forgave many mistakes. But today, demand for all kinds of space is flagging while supply is increasing. Unless developers heed the lessons of the see-throughs described below, more buildings will enter New York's hall of blunders.

813 Park Ave.



135 W. 52nd St.



Residential

Although it was completed in 1985, the 26-story apartment building at 32 W. 66th St. has yet to sell an apartment. Brokers say that at $1 million a unit, the apartments are too expensive. Also, prospective buyers have not liked the small dining alcoves and fire escape stairs located off the bedrooms.

Two years ago the developer, Herbert Handman, said he was planning to turn the building into a hotel. Today, Mr. Handman has no comment on future plans or reports that his financing partner took control of the building.

However, Jeffrey Bernstein, a consultant with Avocet Inc., says he has been hired by the building's new owner to find a buyer. "The building missed the market," he says. "It's one of those things that happens."

But 32 W. 66th Street has been vacant for a much shorter time than a 12-story apartment building at 813 Park Ave., which has been uninhabited since 1981.

The problem there was poor planning. The structure, which was originally a five-story tenement, was purchased by Panjawdrum N.V. for $3 million cash in 1981 and converted into a 12-story luxury apartment building.

But the modern apartments were all wrong for Park Avenue and 74th Street. They were small and had low ceilings. They also lacked the old-world charm associated with the area.

"The units were just configured wrong," says Paul Massey, a partner in Massey Knakal Realty Services. "They had features Park Avenue people don't go for."

With no market for the apartments, in 1983 Deutsche Bank AG foreclosed on the construction loan it had made to Panjawdrum.

In 1986, the bank was forced to purchase the building for $4.6 million at an auction, but a few months later it decided to take its losses and sold 813 Park Ave. to Arnold

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