CRAIN'S NEW YORK BUSINESS

REPORT ACCOUNTING

RECESSION'S NEW RULES mean forensics, bankruptcies and counseling move center stage P. 17

TOP 25 accounting firms P. 20

INSIDE

SEPT. 28-OCT. 4, 2009 PRICE: $3.00

Parking lots sprout as building wilts

Unable to complete projects, developers sell or lease their sites

BY AMANDA FUNG

FOR OVER A DECADE, Impark has labored to expand its parking lot empire in the city to its current 39 sites. Taking over existing sites accounted for most of that growth—until now. These days, companies like Impark find themselves besieged by developers pitching raw land—where they'd hoped to erect high-rise towers—as potential parking lots.

"We have seen a significant increase in that type of opportunity this year," says Julian Jones, senior vice president of business development at Vancouver-based Impark. "We are happy to look."

With construction loans all but impossible to get, and carrying costs on land adding up, many developers are seizing the only option they've got: renting their erstwhile construction sites to parking lot operators. In other cases, developers are throwing up their hands in defeat and simply selling their land outright. All this comes just as a wave of high-rise residential projects is coming on line—many with multistory parking lots, and few tenants to use them.

Reversal of fortunes

THE TREND TODAY MARKS a complete reversal from that of the past decade or two, when developers snapped up parking lots for use as building sites. The stretch of Sixth Avenue below Herald Square and the flower district is a prime example. Over the past 10 years, a veritable forest of residential towers has sprung up from what were once parking lots, points out Brian Exratty, vice chairman at Eastern Consolidated, who sold many of those lots to developers from the mid-1990s to the early-2000s.

So far this year, Mr. Exratty has done five parking lot deals of a completely different nature. In one of those recent deals, he represented the owner of 111 E. 24th St. in negotiating a 10-year lease with Champion Parking for a 62-car

See PARKING on Page 28

Parking sprouts as building wilts

Continued from Page 5

parking lot. The owner had planned to erect a building on the 6,000-square-foot site, but his plans fell through last year.

Mr. Ezratty could not disclose the terms of that deal, but he notes that rents range from $3,000 per car space to $8,000 per car space, depending on the location and turnover rate for parking. Even at the high end, those rents pale in comparison to the returns that developers once expected to make on their pricey properties. But the feeling is that some income beats no income.

"Some sites won't be developed for several years," he says. "So they might as well have cash flow and lease their lots to parking operators."

That is exactly what happened at a prime midtown site on Eighth Avenue between West 45th and West 46th streets. There, real estate giants The Related Companies and Boston Properties recently postponed plans to erect a high-rise office tower on the site of an existing parking lot. After buying air rights to expand the site, this year they reversed course and extended the lease currently held by Champion Parking.

A stone's throw across the avenue, at 301 W. 46th St., TriBeach Holdings had also demolished several buildings that bordered a parking lot as it prepared to put up a 38-story hotel/residential tower. Instead, the developer reopened the parking lot.

Operators getting picky

"PARKING PROPERTIES seem to come in waves," says Robert Knakal, chairman of Massey Knakal Realty Services. "When the development market is not booming, properties remain parking lots until construction financing gets back on track."

In some cases, longtime landowners are not waiting for that market turn. They are selling out and taking their bets off the table entirely.

After a developer had backed out of plans to build on a 10,000-square-foot parking lot near the West Side waterfront, the landlord sold it to the parking lot operator, who was renting the space. The price was a mere $300 per square foot, according to Howard Greenberg, president of Ace Capital Ventures, who represented the owner in the sale—a fraction of its former value as a development site.

"Developers want to raise money," he says.

In addition, Mr. Greenberg recently brokered the sale of a couple of garages in new residential condominiums—one for The Clarett Group and another for J.P. Morgan Chase and Apollo Realty. "If they build something, they have to lease it or sell it," he says.

Faced with a mushrooming supply of potential parking lots, operators are getting positively picky. Already feeling the ill effects of the recession and suffering from low margins, they are unwilling to pay much to buy raw land and reluctant to lease it unless they're guaranteed a multiyear run on good rent terms.

"We've seen lots of opportunities," says Mr. Jones. "We just haven't found one that makes sense because the terms make it financially challenging." □