

2001  Winner

The Assemblage of
The Easterly Blockfront of
Second Avenue between 54th & 55th Streets



Robert T. Lawrence
Memorial Award
2001

The SALES BROKERS COMMITTEE OF
The Real Estate Board
of New York Inc.
extends hearty felicitations to

Robert A. Knakal and
Mark J. Massey

On successfully negotiating the realty transaction that has been
deemed worthy of recognition by five distinguished judges.

FOR their outstanding achievement in a field of keen competition and
demonstrated ability in overcoming problems involved with

**THE ASSEMBLAGE OF THE EASTERLY BLOCKFRONT OF SECOND AVENUE
BETWEEN 54TH STREET AND 55TH STREET**

The winners have displayed a level of ingenuity, perseverance and
professionalism, that sets an admirable standard for fellow Brokers
and Salespersons; and have benefited both the real estate market and
brokerage practice in New York City.

APRIL 10, 2002

JUDGES OF AWARD

Dawn M. Kelly

Robert J. Fuchs

SALES BROKERS COMMITTEE
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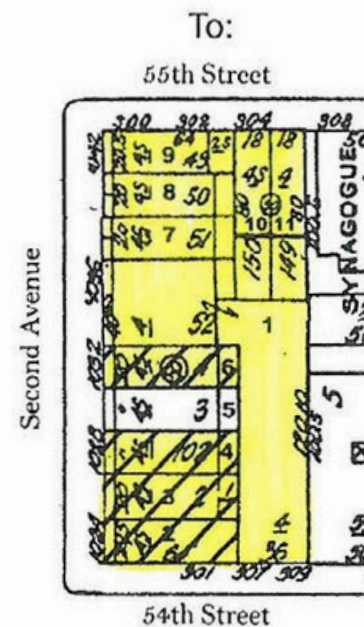
Dawn M. Kelly
CHAIRMAN

The story of the assemblage of the easterly blockfront of Second Avenue between 54th Street and 55th Street

Submitted to the Real Estate Board of New York's Sales Brokers Committee



8 Years, 11 Months
13 Transactions
Approximately \$30,350,000



Submitted By:

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The Assemblage of the East Side of Second Avenue Between 54th and 55th Streets

In no more than 50 words, identify the ingenious aspect of the transaction and who was responsible for that ingenuity

The two ingenious aspects of this transaction were 1) convincing a 67 year old nightclub operator to purchase 1024 Second Avenue on speculation, which would, in the future, enable for the relocation of two holdout tenants, and 2) identifying that the northern end of the blockfront was the appropriate target for assemblage.

Brokers Responsible: Robert A. Knakal and Mark Massey

Briefly summarize the transaction

This transaction consisted of the assemblage of parcels on the easterly blockfront of Second Avenue between 54th and 55th Streets. Massey Knakal's involvement in this transaction began in September of 1992 when we were exclusively retained to sell the Club El Morocco building and ended in August of 2001 with the second sale of the building within that timeframe. At the conclusion of this project, there were 13 different transactions that allowed this assemblage to become a reality having an aggregate consideration of approximately \$30,350,000. These transactions consisted of the sale of fee positions, the sale of transferable development rights, the relocation of tenants, the buyout of tenants, and a complicated property swap, which was the key to making the transaction happen.

Currently, the site will allow for construction of approximately 210,000 square feet. We are currently working with the developer, Worldwide Holdings, Inc., to secure an offsite inclusionary housing property to allow even greater density. This aspect of the transaction is not required, as it is possible for inclusionary housing to be built on a portion of the existing site.

To consummate this transaction, the following brokerage skills were required:

- Conceptualizing and marketing the transaction
- Negotiating with multiple owners, all of whom had independent objectives
- Convincing a nightclub owner to speculate on a real estate acquisition to enhance his existing property's value in the future
- Tracking down an unresponsive owner in Storrs, Connecticut.
- Explaining how transferable development rights work and how they are evaluated to three owners with no understanding of them
- Negotiating the buyout of a holdover tenant
- Strategizing and determining that the northern end of the block was a more likely target than the initially more obvious southern end of the block
- Overseeing the vacating of six commercial and seven residential tenants.

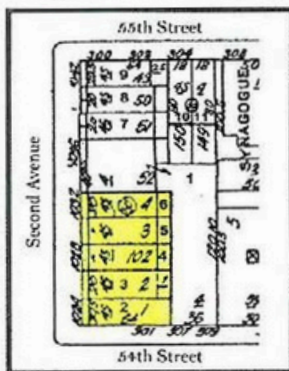
Describe the relevant parts of the process from your initial involvement to the consummation of the deal

This transaction started for Massey Knakal in September of 1992 when we were hired by Edward Perona to sell the building that once housed the famed El Morocco Nightclub. Mr. Perona's father, and later Mr.

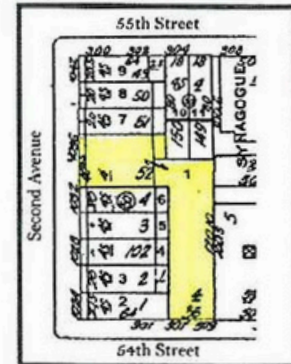
Perona himself, not only owned the property but were actually the club operators.

This is an irregular, L-shaped property having 36 feet of frontage on 54th Street and 40 feet of frontage on Second Avenue (Parcel 1).

Given the size and location of the property, we believed, initially, that an assemblage on the northeast corner of Second Avenue and 54th Street would be an

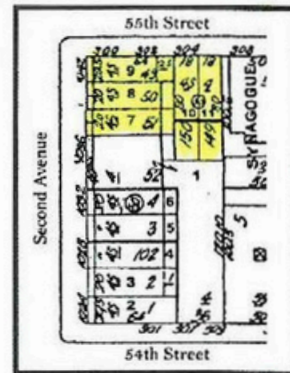


interesting development. Mark Massey and Bob Knakal then started to investigate the ownership of the five properties that could be added to the El Morocco building to create a development site (Parcels 2, 3, 4, 5 and 6.) During our investigation of these properties, we discovered the following:



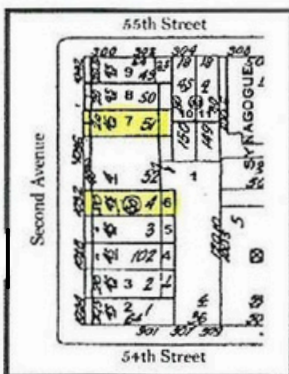
Address	Parcel #	Owner	Tenancy
1024 Second Avenue	2	Virginia Speiss	1 store, 1 office/apt., 5 occupied regulated apts.
1026 Second Avenue	3	Robert Tint	1 store, 6 occupied regulated apartments
1028 Second Avenue	4	Armand Rosenberg	1 store, 3 market apartments
1030 Second Avenue	5	Alan Goldman	1 store, 3 market apartments
1032 Second Avenue	6	Jane Moskowitz	1 store plus apartments w/net lease until 2016

Given the 11 rent regulated tenants in these five buildings, the long term lease on 1032 Second, and the fact that Alan Goldman owned a property right in the middle of this group of buildings, we felt the probability of assembling this portion of the block was extremely small. We then looked at the northern end of the block, which also consisted of five properties, three fronting on Second Avenue and two fronting on 55th Street. We discovered the following:



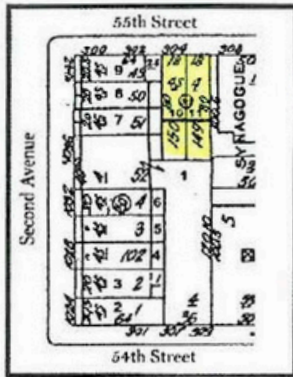
Address	Parcel #	Owner	Tenancy
1038 Second Avenue	7	Malpeli Family	1 store, 3 apts. (1 rent controlled)
1040 Second Avenue	8	Alex DiLorenzo	1 store, 1 office, 2 market apartments
1042 Second Avenue	9	Nick Issaris	1 store, 5 market apartments
304 East 55th Street	10	GM Communications	2 office floors, 2 market apartments
306 East 55th Street	11	Kahn/Stawski	1 store, 3 market apartments

Given the unusual shape of the El Morocco piece, we knew that we would need to have 304 and 306 East 55th Street included in this assemblage and a minimum of an additional 20 feet of frontage along



Second Avenue. Initially, none of the owners wanted to sell and the two buildings adjacent to the Second Avenue frontage of the El Morocco property (Parcels 6 and 7) were both significantly encumbered. 1032 Second Avenue was subject to a long-term net lease to the ground floor tenant and 1038 Second was owned by the deli owner, which had operated there for years and claimed he would not sell under any circumstances, as selling the building would "put him out of business."

There was also a rent controlled tenant in 1038 that we assumed would cause problems. After meeting with each of the owners on the northern end of the block, we thought there was a chance that we could get the owners of 304 East 55th Street and 306 East 55th Street (Parcels 10, 11) to consider



sales of their properties. At this point in the marketing of the El Morocco property, we approached every developer that we were aware of and explained that we believed we could deliver 304 and 306 East 55th Street along with the El Morocco property. The developers that were interested all said that they would need at least one additional Second Avenue building adjacent to the El Morocco property, and possibly two additional buildings. Given the status of 1038 Second, it did not seem like this property would be a good possibility.

Also the property at 1032 Second Avenue was not a likely candidate because, not only was there a long-term lease on the property, the owner had an unlisted phone number and, while we sent several letters to Mrs. Moskowitz, they were not returned to us and she never responded to them. Therefore, we were unable to contact her. We approached the tenant, the International Kennel Club, to see if they would give us contact information for the owner, and they were not helpful at all fearing that our interaction with the landlord might somehow affect their tenancy.

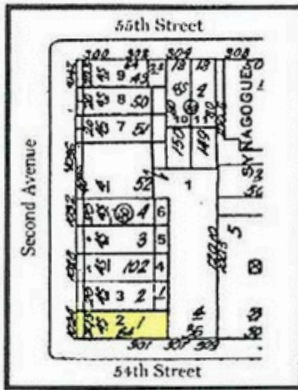
No development the first time around

After several months of trying to create a development opportunity it did not appear as if it were going to be possible, so the property was sold to Mr. Desmond Wootton in November of 1993 for \$2.9 million. Mr. Wootton was a nightclub operator in Ireland and wanted to open up a nightclub in the property. He opened up the Night Owls Nightclub and began operation in mid-1994.

More business for Massey Knakal on the block

In September of 1996, Kenneth Kahn and Axel Stawski retained Massey Knakal exclusively to market their building at 306 East 55th Street for sale. Shortly thereafter, Jack Bratman, the owner of GM Communications, exclusively retained us to market his building at 304 East 55th Street.

Knowing that these two buildings were critical component parts of what could be an assemblage site, we approached Mr. Wootton to see if he was interested in selling the El Morocco property. He



indicated that things at the club were going very well and he was not interested in selling at any price. In early 1997, Massey Knakal came to learn that the Estate of Virginia Speiss was interested in selling 1024 Second Avenue, which was the property at the northeast corner of 54th and Second (Parcel 2). We were successful in obtaining an exclusive agreement from the estate and knew what needed to happen. This is when we figured out that if an assemblage was ever going to occur, we needed to convince Mr. Wootton to acquire this building. The reason for this was that the ground floor of this property was delivered vacant and there was an apartment on the second floor that was rented to a commercial tenant on a

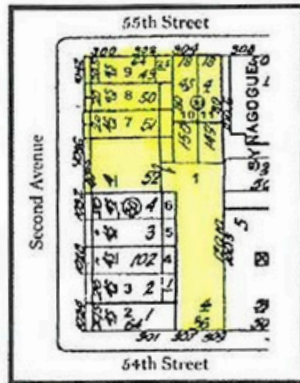
revolving one-year lease basis. This property in and of itself would solve the problem we had with the Malpeli family at 1038 Second Avenue.

The ground floor at the Speiss property would allow the Mapelis' to relocate their deli from 1038 to 1024 Second Avenue, which would give them a better retail location given that 1024 was a corner. This would eliminate their fear that if they sold their property, they would be out of business as they could to stay in the neighborhood. The apartment on the second floor also created a likely relocation apartment for the rent-controlled tenant in the Malpeli building. After we were exclusively retained by the Speiss Estate to market the building, we approached Mr. Wootton and explained to him that prior to his acquiring the El Morocco property, we tried very hard to put a development assemblage together and we were unsuccessful, primarily because we could not assemble enough frontage along Second Avenue. We explained the benefits that this corner building would have to the assemblage process, which would in turn add value to his property if he ever decided to sell it. Mr. Wootton's initial response to us was "I run nightclubs, I don't speculate on real estate." At this point, we were unable to convince him to buy the building. We then went through our typical marketing program and found several users that were interested in the building. This process lasted for almost a year and in early 1998 we had whittled our field of buyers down to the top three.

Fortunately for us (and ironically fortunate for Mr. Wootton), during this period the nightclub operation at Night Owls had seen diminishing business, and Mr. Wootton was growing unhappy with the financial results of the operation. We had then identified a top bidder for the Speiss property and went to Mr. Wootton one more time to try to convince him to buy the building. Over drinks in the nightclub, we went over the whole development analysis again and convinced Mr. Wootton that acquiring 1024 Second Avenue would add significant value to his building. Mr. Wootton agreed and acquired the building in April of 1999.

Renewed efforts to assemble the site (Round 2)

Shortly after Mr. Wootton signed the contract to purchase the Speiss property, he exclusively hired Massey Knakal to market his buildings for sale. At this point, we were exclusively representing the El Morocco property plus 304 and 306 East 55th Street, which together formed a substantial portion of a development site, but was not enough to allow a developer to build. As soon as Mr. Wootton closed on 1024 Second, he added that property to the listing agreement and we aggressively pursued the Malpeli family to try to arrange a swap of their property at 1038 Second for 1024 Second Avenue. While the Malpeli's liked this idea, it was not something that Mr. Wootton wanted to do on an even-exchange basis, knowing that the corner building had more value than the mid-block building. We felt that the way to overcome this was to take the air rights from 1024 Second Avenue and merge them into the El Morocco piece and then do the swap. Mr. Wootton, however, felt that this was getting too complicated and risky and did not want to under-



take this aspect of the transaction, particularly because if the site was not assembled he would have "worthless air rights." Knowing that a developer would feel more comfortable doing a transaction like this, we decided to discuss this strategy with the developers that were talking to.

Time to roll up the sleeves

During the period between our initial sale of the El Morocco piece to Mr. Wootton and "Round 2" of marketing the building, the property at 1040 Second Avenue (Parcel 8) had been acquired in a foreclosure package by Emmes & Company. We knew this building did not have any rent-regulated tenants and assumed, given Emmes's reputation as dealmakers that adding that property to the assemblage would not be problematic. In a conversation that we had with Larry Davis at Emmes, he indicated that for a high, but reasonable number, they would be willing to sell and deliver the property vacant. We then approached Nick Issaris, the owner of 1042 Second (Parcel 9), which is the southeast corner of 55th Street and Second Avenue. He indicated to us that he would consider a sale of the building, which would effectively put him out of business but that he was just about ready to retire anyway. He indicated that he would be looking for an exorbitant price; however, given the progress that had been made with the rest of the block we assumed a developer would pay a significant premium for this corner property.

Detective work in Connecticut

We then shifted our attention to acquiring air rights from the properties at the southern end of the block-front. We were never able to speak to Jane Moskowitz, owner of 1032 Second Avenue because of her unlisted phone number and her being unresponsive to the many letters that we sent her. We then, over a three-week period, sent her two certified letters explaining what was going on and asking her to please contact us. We eventually received a hand written response. She indicated that a sale of the building was not something that she would consider. However, after a lengthy discussion of what air rights were, she agreed instead to consider a sale of these rights. We also had some success with the air rights from 1026 Second Avenue.

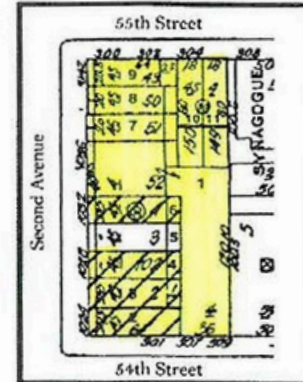
As we indicated earlier, the city records showed that Robert Tint was the owner of this property. As it turned out, Mr. Tint was only a minority owner and was unresponsive. After doing research at the Department of Finance we came to learn that Richard Arkin was the majority owner of the property. We had several meetings with Mr. Arkin and eventually he agreed to sell his air rights. We now felt that we had a significant site to market and went about meeting with and marketing the property to several developers. We narrowed the field down to three groups with Worldwide Holdings and Jeffrey Glick partnering up to form the most formidable of the three. We then began the process of essentially negotiating four transactions at once. We were negotiating the sale of the El Morocco property, the sales of 304 and 306 East 55th Street, and the swap of 1038 Second Avenue for 1024 Second Avenue with the air rights from 1024 Second Avenue being merged into the El Morocco property. During these negotiations an issue came up at 304 East 55th Street in that one of the residential tenants on the fourth floor claimed that they would not leave the building when Jack Bratman, the owner, gave them notice that they had to leave. The two residential tenants in the building had 90-day provisions in their leases stating that they were cancelable. Given the complexities that Worldwide saw with 1038 Second Avenue having to relocate the ground floor tenant and deal with a rent controlled tenant above, they did not want to have any possession issues whatsoever with 304 or 306 East 55th Street. WStreet. assisted Jack Bratman with the negotiations to buyout the fourth floor tenant so that the property could definitely be delivered vacant. At the point where we had reached verbal agreement on all the transactions, we shared all of our historical due diligence with Worldwide regarding all of the other properties on the northern end of the block and the status of the air rights from the properties at the southern end of the block.

A juggling act

Another complication to these transactions was the fact that neither of the owners of 304 nor 306 East 55th Street wanted to wait for a developer, given the fact that individual users were offering prices that were competitive with what Worldwide was offering for their buildings. At one point, a contract on 304 East 55th Street went out to another party, which forced Worldwide to sign contracts on both 304 and 306 East 55th Street putting up 10% non-refundable deposits on each prior to having an executable contract for the El Morocco property. If a deal could not be made for the El Morocco building, Worldwide would have either been left with two small 18-foot wide buildings for which they would have paid a user price or would have forfeited approximately \$300,000 in contract deposits. They, however, decided to move forward and sign these contracts and were subsequently successful in signing the contract for the El Morocco property. We then began the complicated negotiations for the swap of 1038 Second Avenue for 1024 Second Avenue.

A happy ending to a very long story

ultimately, Worldwide closed on 304 East 55th Street in October of 2000 and 306 East 55th Street in January of 2001 and then in August of 2001, closed on the El Morocco property and 1024 Second Avenue. A swap was then effectuated with 1038 Second Avenue being exchanged for 1024 Second Avenue with the air rights from 1024 being "sold" into the El Morocco property. Worldwide then proceeded to acquire 1040 Second Avenue from Emmes and 1042 Second Avenue from Nick Issaris. They also acquired the air rights from 1026, 1028, and 1032 Second Avenue.



From start to finish, Massey Knakal's involvement in this process lasted 8 years and 11 months. We were involved in 13 transactions having an aggregate consideration of approximately \$30,350,000, which made this site possible. This was an extremely rewarding and fun project to work on and we can't wait to see a completed building on this site.

