

industry-news.org - November, 3 2009

Woolworth Building May Get Italian Stake as Sorgente Seeks N.Y. Expansion

By Armored Kenna, Flavia Rotondi and David M. Levitt Nov. 3 (Bloomberg) "

The Woolworth Building, the neo-Gothic Manhattan skyscraper that was once the world's tallest building and a symbol of American capitalism, may soon gain Italian owners. Sorgente Group is in talks with the owners to acquire a 51 percent stake, Chief Executive Officer Valter Mainetti said in an interview. Sorgente owns a stake in the Flatiron Building in New York City. A group including the Witkoff Group Inc. and investor Rubin Schron owns the Woolworth Building.

"We are in talks on two or three properties in New York, of which I can name only one: the Woolworth Building," Mainetti said at Sorgente's headquarters in Rome yesterday. Overseas investors are jumping into Manhattan's office market as prices fall and landlords struggle to refinance debt. The median price for New York office properties fell 62 percent in the first nine months of this year, according to brokerage Massey Knakal Retail Services. International buyers have accounted for more than half of the \$2.27 billion in New York office deals this year, according to data from property research firm Real Capital Analytics.

"They did come to us," said Steven Witkoff, chairman and CEO of New York-based Witkoff Group. "I personally met with their representatives, and past that I have no comment." Officials at Schron's office declined to comment. 'Bottom of Cycle' "There is a thought process going around the world right now that the U.S. is a tremendous countercyclical play," said Dan Fasulo, managing director for Real Capital. "We're at the bottom of the cycle, the dollar is cheap, which amplifies foreigners' purchasing power. And many investors are looking for hard assets to stash their capital."

Sorgente may buy as Lower Manhattan rents have fallen 23 percent from their peak in August last year, according to data from commercial property services firm Colliers ABR. The market's vacancy rate has risen to 10.8 percent since bottoming in December 2007 at 6.8 percent. The Cass Gilbert-designed Woolworth Building, once called the "Cathedral of Commerce," was the tallest skyscraper in the world when it was completed in 1913 with a height of 792 feet (241 meters). The lower floors of the building could be kept as offices while the upper floors, which are empty, could be turned into a hotel or apartments, Mainetti said. Luigi Binda, Mainetti's grandfather, was a technician involved in building frameworks for New York skyscrapers including the Chrysler Building in the 1930s. Sorgente owned a stake in that tower until last year. Almost Fully Leased The Woolworth building's office space is 99 percent leased with rentable building area of more than 935,000 square feet, according to data from CoStar Group of Bethesda, Maryland. The biggest tenants are New York University, the New York City Police Pension Fund and the Paul B. Weitz LLP law firm. Sorgente, whose funds own the Baglioni luxury hotel chain, owns at least a 51 percent stake in the Flatiron Building. The company may leave the Fifth Avenue property as offices or convert it into a hotel, Mainetti said. Three chains, including Starwood Hotels & Resorts Worldwide Inc., are interested in turning the building into a hotel, he said. Sorgente expects to create a real estate investment trust in the U.S. by the end of the year to take advantage of a recovery in the commercial property market. Sorgente has completed the conversion of a building on SoHo's Greene Street into luxury apartments and retail space.

The company may also buy a property on Tribeca's White Street, Mainetti said. Condominium Plans Witkoff bought the Woolworth Building in 1998 for \$137.5 million from Venator Group, which is the name the retailer adopted after closing the 117-year-old Woolworth chain. In 2000, he announced a plan to convert the top 27 stories into condominium apartments, including a penthouse at the top of the tower. Witkoff postponed the plan after the Sept. 11 attacks. The 57-story building is north of the World Trade Center site. The property, at 233 Broadway, had a value of \$320 million as of March 2005, according to data compiled by Bloomberg. It's backed by a \$250 million loan and the borrower is current on the payments, the data show. Those loans have been packaged into two

commercial mortgage backed securities deals. Israeli businessman Nochi Dankner last month agreed to buy HSBC Holdings Plc's New York headquarters on Fifth Avenue. In August, Israeli group Optibase Ltd. agreed to buy a 49.5 percent stake in SL Green Realty Corp.'s 485 Lexington Ave.

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