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History in the making at Stuy Town - againLinda O'Flanagan
1/27/2010**As biggest real estate deal ever collapses, race is on to find property manager**

The race is on to find an interim manager for Stuyvesant Town and Peter Cooper Village after Tishman Speyer handed back the keys following the collapse of the biggest real estate deal in US history.

With appraisers saying the \$5.4 billion deal originally struck to sell the 110-building complex to Tishman and its partners BlackRock has "permanently skewed" the investment sales market, the lenders are now rallying to protect their investment. CW Capital — the company that represents the lenders who forked over \$3 billion of the inflated pre-recession price tag — now says its priority is to protect the lenders' ability to be repaid.

To that end, the company said in a letter to City Councilman Dan Garodnick which was obtained by REW, it must "preserve the value" of the 11,227 apartments that make up Stuy Town.

"The current situation is difficult, but we believe strongly that the underlying value of these properties is directly linked to maintaining the attributes of Peter Cooper Village and Stuyvesant Town that have consistently attracted residents," wrote Charles Spetka, president and CEO of CW Capital.

Tishman stated on Monday that it would not manage the property unless as part of a long-term ownership structure. When that didn't happen, the company said the only viable alternative to bankruptcy would be to transfer control and operation of Stuy Town to the lenders.

"We have no intention of putting ST/PCV into bankruptcy. We make this decision as we feel a battle over the property or a contested bankruptcy proceeding is not in the long-term interest of the property, its residents, our partnership or the city," said a spokesperson for the joint venture ownership.

By Tuesday, the city was abuzz with rumors of management contenders and possible buyers. In fact, so many names were in the hat, REW was hard-pressed to obtain comment from any due to conflict of interest.

Prudential Douglas Elliman, previous managers of the complex under MetLife, said it would be thrilled to go back to the job. Other names which either declined comment or did not respond, included Rose Associates (also a previous manager under MetLife), Glenwood, Cooper Square Realty and the LeFrak Organization.

Sources say on-site management and maintenance staff at Stuy Town received an email from Tishman at 6 a.m. Monday making them aware of the changes but stressing a 'business-as-usual' approach until new management was in place. The tenants, too, were told to continue as normal.

However, experts say the situation is far from normal.

"This deal will change real estate as we know it forever. It is the seminal deal of 2010," said appraiser Ronald Gold, ASA, MRICS of an eventual Stuy Town sale resulting from the return of the property to its creditors.

The former president of the American Society of Appraisers New York City chapter said, "It involves the largest mortgage ever placed, the largest deal ever done, major real estate players, lack of exposure and risk of the part of the lead deal-maker buyers, the complexity of the deal involving rent stabilized units, the sheer number of units, and the free market rental, warehousing and potential conversion intent of Tishman Speyer and BlackRock when they purchased Stuy Town."

Gold said the concept of value, risk reward analysis and basic real estate investment was "permanently skewed" by the blockbuster sale of Stuy Town in 2006 and warned that recent un-attributed valuations pegging the current value at around \$1.9 million had not been substantiated with any type of income or operating expense information, and indeed, appeared to have been "plucked from out of the air."

However, experts also agreed that, for the right company, Stuyvesant Town and Peter Cooper Village was still a more than viable investment.

Wayne Hecklen, chairman of the Real Estate Department at Pryor Cashman, said any buyer would have to deal with the ramifications of a court ruling regarding rent overcharges surrounding the development's J51 tax abatement and could no longer view it as a potential conversion candidate.

"I believe the potential buyer would likely be somebody that's less of an institutional player, someone who won't mind dealing with the complexities if these issues," said Hecklen.

"The project really needs to be worked to make something of it and bring it back into the black. So you're looking at someone with the experience of dealing with large, multi-family portfolios, someone who is willing to spend the time and effort, and someone that has the patience to know they will eventually do well with their investment."

Hecklen added, "Clearly, anyone who's looking at the property now will be focused more on the actual cash flow from the property rather than the potential upside that Tishman and its lenders had underwritten. Someone who is not looking for a 'home-run', but who will underwrite it more conservatively, the way rental properties used to be underwritten."

Gold agreed the typical prospective purchaser, "is not an oversees investor. It's for a local, longtime owner operator who understands the property, or another local insurance company that has the deep pockets and expertise to hire the right kind of people, perhaps a New York Life, or an AXA."

The appraiser said the LeFrak Organization was a prime example of a potential owner operator. "They're longtime developers, they operate their buildings, they understand big numbers, the complexity of operating big parcels and they have the staff to do so." On Monday, Richard LeFrak told Bloomberg News he'd already formed a partnership and said, "The group has fantastic experience to operate this property both for the



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benefit of the bondholders and the tenants and the required capital to help in a re-capitalization, if that's what's done."

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