



Canadian Firm Buys Tower on Park Avenue

By CHARLES V. BAGLI FEB. 25, 2014

A Canadian investment firm has agreed to pay \$575 million for a 33-story office tower at Park Avenue and 57th Street in the latest indication of a soaring real estate market spurred by foreign investment.

The tower, 450 Park Avenue, is in Midtown East, a neighborhood where chic retailers pay some of the highest rents in the world and developers are now erecting tall, slim buildings with \$95 million condominiums. The sale price for 450 Park, whose tenants include hedge funds, private equity companies and law firms, represents a remarkable comeback for a building that last sold for a record \$509 million in 2007, a year before the market collapsed after a debt-fueled real estate boom.

Oxford Properties Group, the real estate arm of the Ontario Municipal Employees Retirement System, emerged from a hotly contested auction on Monday evening to sign a contract to buy the building from Somerset Partners and the Michael Tabor family trust.

It will be one of the highest prices ever paid for a Manhattan office building, over \$1,700 per square foot. But Oxford is betting that the property will become more valuable when the developer Harry B. Macklowe completes the tallest residential tower in the Western Hemisphere, a 1,398-foot skyscraper next door at 432 Park Avenue.

"It's one of those irreplaceable locations," Dan Fasulo, a managing director of Real Capital Analytics, said. "This could be a unique deal where both the seller and the buyer end up winning."

The sale of the trophy tower at 450 Park follows other high-profile deals last year that attracted bidders from around the world, including the \$1.1 billion sale of the Sony Building on Madison Avenue, the \$1.36 billion sale of 650 Madison Avenue and the \$1.54 billion sale of 7 Times Square.

"A lot of pension funds, Asian companies, sovereign funds and other investors are increasing their allocations for real estate," said Douglas L. Harmon of Eastdil Secured, the broker on the Park Avenue deal. "If you do that, the first place you want to be is Manhattan."

Oxford has been an active investor in New York. The company is a partner with Related Companies in a \$15 billion commercial and residential development over the rail yards on the West Side of Manhattan.

Chinese companies, like Fosun International, which bought Chase Manhattan Plaza last year for \$725 million, have gotten a lot of attention. But Canadian companies, Mr. Fasulo said, are by far the most active foreign buyers in the city.

The fate of 450 Park did not always look so good. Somerset and Mr. Tabor set a record — the highest price on a square-foot basis — in summer 2007 when they paid \$509 million for the 334,404-square-foot building.

Over the next year, the economy collapsed, severely wounding most investors who had bought buildings with mostly borrowed money at the height of the real estate boom.

But unlike other buyers, Keith Rubenstein, a principal at Somerset, said his company had borrowed only 30 percent of the purchase price for the deal. They had poured most of their profits from the 2007 sale of 85 10th Avenue for \$425 million, \$136 million more than they had paid in 2005, into the purchase of 450 Park.

Mr. Rubenstein said the company then bought out the leases of its small retail tenants and then signed a lucrative deal with the auction house Phillips de Pury & Company to lease all of the ground floor space.

More recently, Somerset brought in Mr. Harmon, Adam Spies and Kevin Donner from Eastdil to handle the sale of the property.

Mr. Harmon's team is on a roll, having sold the Sony Building, 650 Madison and the office space at Time Warner Center. Ultimately, more than a half-dozen finalists bid for 450 Park.

"We survived because we only had 30 percent leverage," Mr. Rubenstein said. "It turned out to be one of the best investments we ever made."



The buyers of a property at Park Avenue and 57th Street are hoping that a taller tower being built next door will add to its value. Credit Ruby Washington/The New York Times