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END USERS STEP UP TO THE PLATE

By, James Nelson, Partner, Massey Knakal Realty Services

Some would think that user groups would be paralyzed from purchasing in today's transitional marketplace. However, many user groups are stepping up to expand their operations and take advantage of pricing that is well below previous levels. These organizations range from schools to cultural centers to foreign governments.

One of the most notable product types these groups have pursued is perhaps the most price affected: land. With developers shying away from this asset class due to the lack of construction financing, users have supplied all equity in many cases to build new facilities. In Manhattan in 2009, three of the 10 sites south of 96th Street were sold to users.

To mention a few this past year: a Korean community center purchased 122-26 East 32nd Street for \$28,500,000 or \$366 per buildable square foot (bsf). NYU purchased a site from the Archdiocese on Washington Square Park for \$25,000,000 or \$575/bsf, as it was adjacent to their academic center in the heart of their campus. Recently the Government of Senegal paid \$24,000,000 or \$266/bsf for a 90k sf site on East 44th Street; they renegotiated the \$25m contract that they signed in 2008. The UAE also made a \$44,700,000 purchase for a partially completed project on East 46th Street, presumably for their own use.

With more families raising their kids in the city, schools have been actively expanding. The City and Country School paid \$9,000,000 or \$2,400/sf for a townhouse on 13th Street that was adjacent to their property. This might have been their only chance to expand their current location. There have also been three recent school purchases on the UWS: the Stephen Gaynor School, Columbia Grammar, and the Westside Montessori School.

When raising money, it is much easier for organizations to fundraise for new facilities as opposed to relying on ongoing capital projects. Naming rights can often play a part.



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We are currently handling a variety of commercial spaces for sale. They have attracted several different types of user groups attracted to the stability, the benefits of ownership, and the establishment of a permanent home. For not-for-profits, there is an added benefit, as they do not pay the city's real estate taxes.

It's an encouraging sign that these groups have forged ahead at this time. For some, they might see a property as a one time opportunity. That was certainly the case when Sotheby's bought back their headquarters at 1334 York Avenue for \$370,000,000 from RFR or when The Mosdot Shuva Israel Synagogue bought 122 East 58th Street for \$28,500,000. They probably realized that those specific properties presented rare opportunities that required action. Those who have decided to try and wait out this market may not find some of these properties offered again any time soon, if ever.

For more information on this article, please contact James Nelson at 212-696-2500 x7710.