

Developer Sturner Teams With Crown to Acquire Fifth Avenue Tower

New York developer Norman Sturner and Crown Acquisitions agreed to buy a 26-story office tower on Fifth Avenue in midtown Manhattan from a partnership that includes Joseph Moinian and Joseph Chetrit.

The Sturner-Crown joint venture plans to raise rents at 530 Fifth Ave., which is located at West 44th Street and has 500,000 square feet (46,000 square meters) of space, Sturner said in a phone interview. He declined to disclose the price.

"Fifty percent of the building is up for renewal in the next four to five years at sub-\$45 rents," Sturner said. Midtown rents averaged \$63.35 a foot at the end of the second quarter, according to Cushman & Wakefield Inc. "This offers us a great opportunity," Sturner said.

The property, built in the 1950s, also may benefit from a jump in retail rents on Fifth Avenue between 42nd and 49th streets, north of the New York Public Library, said Peter Hauspurg, president of Eastern Consolidated Properties Inc., a New York-based investment sales brokerage. Asking rents for ground-floor spaces in the corridor were \$515 a square foot, up 21 percent from a year earlier, according to a May 19 report by the Real Estate Board of New York.

North of 49th Street, on the stretch of Fifth Avenue between Rockefeller Center and Central Park, retail rents average \$2,250 a square foot, the highest in the world, according to New York-based Cushman.

Sturner said he brought in Crown Acquisitions, whose principals include Haim Chera, for its retail expertise. Crown partnered with Carlyle Group in 2008 to acquire an interest in the retail portion of 666 Fifth Ave. from Kushner Cos. Since then, Japanese clothier Uniqlo signed a record lease there, and the parent of Spanish apparel merchant Zara bought a portion of the space for its own flagship store.

'Better at Retail'

"Crown is better at retail than we are, and there's a big retail component here," Sturner said.

The building has about 50,000 square feet of retail space, including a JPMorgan Chase &

Co. bank branch. The area below Rockefeller Center, once home to low-cost electronics stores and gift shops, has been attracting higher-priced tenants in the past five years, including such clothiers as H&M, Urban Outfitters and Tommy Bahama, said Joanne Podell, a senior director for retail brokerage at Cushman.

"You used to have people with placards outside," she said. "There was no control. Now you're looking at the same foot traffic or better, and better opportunities to be among good tenants."

Moinian and Chetrit

Two of the sellers, Moinian and Chetrit, both have sold buildings, invested additional equity or brought in partners to avoid default on loans. The Fifth Avenue tower was on a loan servicer's watch list until this month, with its cash flow 17 percent above its debt service as of June 30, according to Morningstar Inc.

Chetrit was unavailable for comment yesterday, said Kathleen Cudahy, his spokeswoman. Roxanne Donovan, a spokeswoman for the Moinian Group, said Moinian had no comment.

The two men are co-owners of Chicago's Willis Tower, the tallest U.S. building and formerly known as Sears Tower. They are trying to sell the skyscraper.

The deal for the Manhattan building is scheduled to be completed by the end of the year, Sturner said. The building has a \$175 million senior securitized mortgage, according to Morningstar.

The buyers are seeking an investment bank to take over the mortgage, Sturner said. They are in talks with three firms, he said.

Purchased in 2004

The Chetrit-Moinian partnership paid \$210 million for 530 Fifth in 2004, then refinanced it in 2006 in a deal that valued it at \$315 million, or \$631 a square foot, according to data from Real Capital Analytics Inc., a New York-based company which tracks commercial real estate sales.

Office tenants include JPMorgan Chase, whose 83,500-square-foot lease expires in 2013, according to CoStar Group Inc., a property-data service. The tower's vacancy rate is 76 percent.

Moinian last year brought in SL Green Realty Corp. as a partner on 3 Columbus Circle, an office tower near Central Park, rescuing it from a potential foreclosure. The building was among several whose debt he has restructured, often with new partners, in the past two years.

Chetrit was among the partners who last month agreed to sell 620 Avenue of the Americas, an office and retail building in Manhattan's Chelsea neighborhood. In January, the partners put additional equity into the property as part of a restructuring. He was also part of a joint venture that lost 1107 Broadway, a building next to Madison Square Park, to debt holders, according to Real Capital.

Chetrit also led a group of investors that acquired New York's landmark Hotel Chelsea in August.

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