

THE REAL DEAL

NEW YORK CITY REAL ESTATE NEWS

Gary Barnett reveals how he won the Ring portfolio

Extell's chief offers an inside look at his purchase of F.M. Ring's prized Midtown South package

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From left: Gary Barnett (Credit: STUDIO SCRIVO), 251 Park Avenue South and Frank Ring

In a market where rents are on the upswing and demand is strong, an empty building is a rare prize. In the case of the F.M. Ring portfolio, there were 14 of them. Brothers Frank and Michael Ring, long at odds, left about a million square feet vacant for years in Midtown South – a neighborhood where average asking rents are now north of \$65 a foot. Not surprisingly, many of the city's top developers tried in vain to get their hands on the properties. The one to finally pull it off was Extell Development's Gary Barnett.

Last month, as part of a larger [interview for a profile](#), the developer offered details on the complex transaction for *The Real Deal*. He described how he was able to outmaneuver the hostile sellers as well as industry rivals to take control of the portfolio.

Barnett has already cashed in, selling [ground leases for four of the buildings for about \\$175 million](#) and selling 212 Fifth Avenue to Joseph Sitt's Thor Equities for about \$200 million.

Below, in Barnett's own words, is the saga of the Ring portfolio acquisition. (The interview has been edited and condensed for clarity.)

Drawing blood

"We started with this seven years ago, when we were assembling the site for the International Gem Tower [at 50 West 47th Street]. The Ring family owned one of the buildings on 47th Street [20 West 47th Street], but they only owned 25 percent of it, while another family owned 75 percent.

People used to always say 'Ring, Ring, you can never do a deal with them,' so we never got anywhere. Then that building came to us — the other family wanted to sell. They wanted somebody that would actually transact and was prepared to go into a situation in which they'd only have a 75 percent interest, which is difficult to finance, and could turn into a fight with the Rings.

Since we had an interest in that block, we said, 'OK, we're ready to go and do that.' We did purchase it. We spoke to Frank Ring, who controlled the portfolio. We could never do a deal with him, as professed, so we filed for partition [selling the entire property and

dividing up the proceeds among the owners].

That took us a couple years, we went through the court process. The court agreed that it should be sold at auction. And at auction we bought the whole building. That was transaction number one.”

Digging in

“The market continues to go up. Transaction number two comes to us, which is a 50 percent interest in 251 Park Avenue South [16-story, 120,000 square feet). It’s the same family — they owned 50 percent of 251 Park Avenue South, the Rings owned the other 50 percent. Then it’s the same discussion [file for partition in court], but this time, the judge acts much more quickly. They [the courts] have no patience for the Rings, they know the story. They set a partition sale for less than a year away. At that point, Frank realizes he’s in trouble. We spoke to him about buying the whole portfolio, but again their numbers were impossible to deal with.

Meanwhile, we’re going through this lawsuit on 251 Park Avenue South. He starts getting nervous, Frank. The first property, [20 West 47th St.] when it goes up for auction, a few people showed up looking to buy, but we bought it. Obviously, we’re playing with funny money here. Because we own 75 percent of it we’re paying ourselves — no one’s going to outbid us.

When we go to auction on 251, he knows very well we’re going to buy it too. He starts getting nervous about that.”

Enter Michael

“While we’re going through this process, Michael Ring decides he wants to do something with the portfolio. He enters into the transaction with Tabak [Princeton Holdings’ Joseph Tabak] and some other smaller players and into a very, very unfavorable transaction. He’s in with Tabak but he’s not getting that much cash. It was a transaction he regretted pretty shortly after going into it. He wants to try and get out of it, so he files a lawsuit, which is winding its way through the courts. But he’s nervous about it, so he comes to us. He knows that we are honorable businessmen, so to speak. Someone, frankly, that he can trust in a world in which it’s very difficult to trust anyone. We also transact with Tabak and the others — they agreed to take a large check to walk away from the deal. Michael gets a very reasonable transaction for himself. He’s still in the deal, to a small extent.”

Game, set, match

“Once we do that [make a deal with Michael], we instantly file for partition for all of the other Ring properties with Frank. I think at this point, Frank, who’s a very smart guy, realizes that the jig is up. It’s not just that with the partition that he’s going to lose control of the properties anyhow, but he also runs the risk that nobody shows up at these auctions. Because auction number one, we bought it out, auction number two is coming up — we’ll buy that too. Well, who’s going to bother showing up for auctions 3,4,5,6,7 and 8? He could actually lose it a relatively low price. So he realizes that it’s time to make a deal.

To give him credit, he charged us a high price. We paid through the nose. He gets a very big check. And we kind of end up with a whole portfolio under our control.

Overall, an interesting transaction, a truly New York transaction.”

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