



## COMMERCIAL REAL ESTATE

# A Prime Portfolio in Manhattan, Coming Back to Life

## Long-Neglected F.M. Ring Properties in NoMad Being Revived for Tech Tenants

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Square Feet

**By C. J. HUGHES**

In a city that can seem to be wringing every last drop of value out of its real estate, while giving block after block a squeaky-clean gloss, a Manhattan loft building at 13 West 27th Street stuck out glaringly on a recent tour.

Rubble filled an elevator cab inside the Beaux-Arts structure, which is near Fifth Avenue, and peeling paint and graffiti marred a stairwell. The wood floors were so buckled that they resembled ripples on a pond.

That a property could be so decrepit in a neighborhood teeming with trendy restaurants, coffee shops and hotels would seem to defy all business logic. But the situation at the 11-story structure is hardly typical.

Until recently, it was owned by F. M. Ring Associates, a rather reclusive family-owned development firm that in recent decades seemed to have essentially abandoned its high-rises, most of which are found in the neighborhood known as NoMad (north of Madison Square Park).

While many factory and office buildings in the area once used by toy-makers and furriers were transformed into fashion boutiques and

technology companies, the Rings' buildings were a blight, according to many brokers, residents and property owners.

"It hurts a neighborhood when you have these dark buildings, these retail holes," said Leslie Spira Lopez, the president of Kew Management, a longtime landlord that has six buildings in the area. "It can hold back a neighborhood."

But after a complex battle that lasted for years, the Extell Development Company has purchased the bulk of the Ring portfolio, which at its peak was made up of 15 Manhattan buildings.

And though Extell officials have not detailed plans for most of the Ring properties, several will soon be revived. This spring, Extell leased four of the buildings, including 13 West 27th, to the Kaufman Organization, a development firm, for \$115 million in a 99-year deal.

After improving the buildings, which has involved adding air-conditioning and discarding old mannequins, Kaufman plans to lease them to some of the technology companies flocking to the area. Long-empty retail spaces at the sidewalk level will gain restaurants as well.

"The trick is to keep the old building but make it relevant for tech tenants," Grant Greenspan, a Kaufman principal, said on a recent afternoon inside the skylight-lined top floor of 119 West 24th Street, a 12-story tan-brick building near the Avenue of the Americas.

To do so, Kaufman is tearing out internal walls to create open floor plans; multiple vendors are wiring those floors, so backup power will be available. The building will also offer sensors so tenants can monitor the energy consumption of their offices remotely, Mr. Greenspan said.

It's supposed to open this fall, along with 19 West 24th Street, a 12-story former Ring building near Fifth Avenue that's being similarly renovated. Asking rents for both are about \$65 a square foot.

The other two Ring buildings that Kaufman now controls, 45 West 27th Street, which contains about 65,000 square feet and dates from 1909, and 13 West 27th Street, which is about the same vintage and size, will take longer to fix up because of their dilapidated condition. Special

approvals are also required, as the buildings sit in the Madison Square North historic district.

It would seem to be a good time, and the right place, to cater to the tech industry.

Venture capital continues to buoy the industry in New York, even if it may not have produced many breakout hits so far.

And that industry is increasingly choosing the NoMad, Union Square and Flatiron neighborhoods, brokers say.

This year through May, tech companies and media companies with a tech focus have leased 900,000 square feet in those areas, out of a total of 1.8 million feet leased, according to Cushman and Wakefield, the commercial brokerage. The company recently unveiled a website, TechBeat, to address that market segment.

Jamie Katcher, a Cushman senior director, said that Sony's lease for 525,000 square feet at 11 Madison Avenue, at East 24th Street, accounted for much of the tech growth in the neighborhood.

"Companies are drawn here because they want an ecosystem to live, work and play," he said. Among the attractions, he added, are Eataly, the Italian market, and the Ace Hotel, which also has a Stumptown cafe and restaurants, along with the refurbished Madison Square Park.

Why the Rings did not tap the same types of tenants for their buildings, which operated below capacity for years, or any other tenants for that matter, is not entirely clear. Reached for comment, Frank Ring, a principal of the firm, would not discuss the conditions or sales of the buildings and called reports of tensions with the other principal, his brother Michael, over the properties overblown. Attempts to reach Michael Ring were unsuccessful.

Real estate experts say things changed for the worse for the brothers' buildings after the death in 1988 of their father, Leo Ring, who had amassed much of the portfolio.

Some brokers and landlords blame Frank Ring, who they say played a larger role in day-to-day building operations than Michael Ring in recent

years. And court papers indicate that Frank Ring was involved in the contentious negotiations with the Gay Men's Health Group, an AIDS-focused nonprofit group that was the longtime tenant at 119 West 24th Street.

Before moving out in 2011, the group met with Frank Ring to discuss retrieving its security deposit, according to court papers, minus the cost of any basic repairs that were needed.

But Mr. Ring insisted the money be spent replacing the roof, windows, a water tank and plumbing and electrical systems, as well as "decorative stonework" on the facade, according to the documents.

Arguing his requests were excessive, the group, one of the Rings' larger tenants, sued its former landlord for \$2.8 million in 2012. The suit was dropped last year but terms of any settlement have not been disclosed. The G.M.H.C. did not return calls seeking comment. In a telephone interview, Mr. Ring said he could not discuss the dispute with G.M.H.C., citing a confidentiality agreement.

Other buildings required major upgrades, some brokers said. At 13 West 27th, for instance, there are 57 open violations that carry fines dating back to 2000, some of them for hazardous conditions, according to building department records.

Even in boom years, the Ring brothers did not sell their buildings, leaving some vacant for long periods.

But Michael Ring began taking steps in 2011 to unload his properties. Last summer, after a series of events that included Mr. Ring's promising his stake to a different buyer, then seemingly changing his mind, Extell swooped in and purchased much of his share for about \$100 million, giving it control of 14 of the Rings' buildings. Michael Ring retains a minority stake, Extell officials said.

Next, Extell filed a lawsuit for every building in which Frank Ring still had a stake, claiming that his mismanagement made it impossible for them to be co-owned effectively and basically seeking court approval to force a sale.

Extell successfully used the partition tactic to gain control of 20 West 47th Street, an office building in the diamond district in which Extell and the Rings had a stake. That property was later sold.

In the end, the court system proved an effective weapon. In January, Extell closed on Frank Ring's half of the portfolio for about \$330 million. That gave Extell control of 14 buildings estimated to be worth more than \$500 million, brokers say.

But the people who have lived and worked around these spectral structures, or even just passed them by, should also benefit by their being cleaned up, said Gary Barnett, president and founder of Extell, who acknowledged the deal was among the most complicated he's faced.

"At the end of the day, it's a happy ending for everybody," he said.

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