

East 8th St. Retail Strip Up for Bids

AFTER a 15-month leasing campaign a foundering 36-store retail strip at the heart of the East Eighth Street shopping corridor in Greenwich Village has been restored to financial health. Next month it will go on the bidding block as part of an auction of properties, with an appraised value of \$750 million, reclaimed by the Federal Deposit Insurance Corporation.

The 67,000-square-foot retail condominium occupies the blockfronts of East Eighth Street, Broadway and University Place, with the East Ninth Street side of the block mostly residential. It is one of 270 properties taken over from failed banks across the nation that the F.D.I.C. will auction on Dec. 1 and 2. They range from apartments and shopping centers to hotels and industrial buildings. Of them, 24 are in Connecticut, 13 in New Jersey and 5 in New York. The only one in Manhattan is the East Eighth Street retail blockfront, which the F.D.I.C. inherited when it seized the Goldome Savings Bank of Buffalo, which held a mortgage on the property from VMS Realty Inc. of Chicago.

The auction, to be conducted by the Grubb & Ellis/Ross-Dove Company Auction Partnership, will be held at the Fairmont Hotel in Dallas with hookups by two-way satellites to bidders in Boston, Los Angeles and Miami. The F.D.I.C. is making financing available to successful bidders of the properties, which will have undisclosed reserve prices, meaning the bids have to be over a certain minimum before the agency will accept them.

The East Eighth Street retail strip is considered one of the most prized properties, and its appraised value is

among the highest. It is expected to be sold somewhere from \$14 million to \$22 million, said Norman K. Livingston, vice president of James Felt Realty Services, which is handling the properties in the New York metropolitan region. It is the local brokerage and consulting division of Grubb & Ellis, which is among the nation's largest real estate companies and has its headquarters in San Francisco.

Among the reasons for its prized status are its location and size. It spans three sides of a city block, is topped by three residential condominium buildings and is not far from New York University. Gristedes, Woolworth's and a Strawberry's clothing store are among the tenants at the property, which represents a large chunk of the East Eighth Street retail area, extending from Broadway to Sixth Avenue and including some 150 stores.

"It's like a shopping center, which is a rare commodity in the city," Mr. Livingston said, adding that it was not a distressed property.

But the property has had its problems. It was owned since the mid-80's by VMS, the overextended Chicago syndicator that in the market's heady days charged tenants rents so high that many subsequently stopped paying. In April 1991, VMS, which owed more than \$450,000 in real estate taxes and was in default of its mortgage, put the property in bankruptcy.

That blocked a move by Goldome, which held the first \$18 million mortgage, to foreclose. The Banyan Management Corporation, a VMS affiliate, held a second \$25.8 million mortgage.

Ultimately, the property was not able to work out its problems even with the protection of the bankruptcy proceeding, and in June the F.D.I.C., which by then had taken over Goldome, foreclosed on the property.

The seizure slowed but did not dash revival of the Eighth Street property. In the last 15 months the Brookhill Group — a nationwide investment and management company in Manhattan, approved by the Federal Bankruptcy Court in Manhattan —

carried out a campaign that turned it around.

"The goal was to stabilize the property and increase its value," said Ronald B. Bruder, Brookhill's presi-

A prized property in F.D.I.C. auction Dec. 1 and 2.

dent. Mr. Livingston added that now the F.D.I.C. could get the highest price possible in today's market.

Mr. Bruder said 57 percent of the leases had been renewed, extended or renegotiated. A workout schedule was also devised to recoup back rents and unpaid real estate taxes with tenants, who were required to guarantee the leases.

The rest of the stores, which on average are 1,000 to 2,500 square feet in size, were released to new tenants, most of whom also guaranteed their leases. Among them is Aromas of Seattle, which sells coffees and pastries.

Rents are from \$75 to \$85 a square foot, on par with the market, and include increases over the term of the lease, which averages 10 years. In some cases several months of free rent were given to tenants who paid to upgrade the space.

Rental rates along East Eighth Street, like other markets throughout the city, have fallen by as much as 30 percent from the boom years, and empty stores can still be found. Though an overall vacancy rate is hard to come by, retail analysts said markets citywide have firmed up in the last six months.

Mr. Bruder said three stores remained vacant at the property, where the annual rental income now is slightly over \$2 million, up from \$1.1 million in June. Also, \$150,000 in improvements were made, including replacing cracked sidewalks.



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