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## New Plans for Herald Square Offices

**By: Peter Grant**

Hidrock Realty, a family owned real-estate investment company, is planning to embark on what appears to be a pretty gutsy move: develop its first Manhattan hotel in a market that's recovering but still far from robust.

But Hidrock is able to move forward with some confidence because of the enormous discount it just got on a near-empty office building near Herald Square which it plans to convert into a hotel. Hidrock paid about \$40 million for the 100,000-square-foot building at 960 Sixth Ave., less than half of the \$105 million the former owner paid for the property in 2007.

Hidrock did this through a strategy that's popular with investors in this tumultuous commercial real-estate market. It purchased the mortgage on the troubled property at a steep discount and then pursued a foreclosure action against the owner. That strategy succeeded last week when Hidrock took title of the 16-story building.

"We can definitely take more risk," says Abraham Hidary, Hidrock's president.

In 2007, the building, which at one point was occupied by Atlantic Bank of New York, was purchased in a \$105 million top-of-the-market deal by the Statuto Group, an Italian investment firm.

Statuto put a \$95 million mortgage on the property from Société Générale, but soon after that the market deteriorated and the building emptied out. A representative of Statuto couldn't be reached.

Hidrock owns other office buildings in the area. Mr. Hidary, who runs Hidrock with his father and his brothers, says he had his eye on 960 Sixth Ave. for months because he didn't think it would be able to sustain its debt. Last year, he bought the Société Générale mortgage for \$40 million, he says.

"People who know this market knew that building was going to have difficulty," he says.

Hidrock initially planned to keep operating 960 Sixth as an office building. But earlier this spring the company began examining plans to convert it into a hotel that would charge about \$300 to \$350 a night. "The hotel numbers look great," Mr. Hidary says.

A conversion would take about 18 months and cost about \$25 million, Mr. Hidary says. The entire building, which was built in 1928, could be converted into a 160-room hotel. Hidrock also may decide to leave some or all of it as office space if there's tenant demand, he says.

Hotel experts say that the Manhattan hotel market has rebounded off its lows but still is far from its peak. The occupancy rate was 79% in the first four months of this year compared with 83% the first four months of 2008 and 73% last year, according to PKF Consulting. Revenue per room per day was \$173 the first four months of 2010, compared with \$235 in 2008 and \$160 last year.

Manhattan has about 75,000 hotel rooms and about 4,000 new ones are scheduled to open by the first quarter of next year, according to John Fox, a PKF senior vice president.



*Mustafah Abdulaziz for The Wall Street Journal*

**A discount price paid for 960 Sixth Ave. may aid hotel conversion plans.**