

Hines

Rescuing and Repositioning a Valuable Asset

Challenge:

Creating demand in an oversupplied market

In the late 1980s, a glut of office space in New York City had left 1585 Broadway, a 1.3 million-square-foot office tower in Midtown Manhattan, with one million square feet of empty space. With its debt service payments and construction funding suspended, its major tenant withholding rent and its developer filing Chapter 11, the tower's eight-bank funding consortium moved to foreclose.

Solution:

A strategic repositioning plan that accommodates value and risk

In mid-1992, the three lead banks, Swiss Bank Corporation, Bank of Montreal and The Toronto-Dominion Bank, selected Hines to reposition its distressed asset. Hines' strategy was to pursue both leasing and disposition options simultaneously, taking into account the potential range of values for the building as well as the capital implication of selling versus leasing. While conducting leasing and disposition activities, Hines also instituted on-site property and construction management. Competition amongst interested buyers and potential tenants gave the bank group the flexibility to structure the best economic deal. Once significant interest in the building was generated, Hines organized a sealed-bid auction.

USA New York
1585 BROADWAY



Result:

Sold for \$26 million above expectation

Hines' expert asset management resulted in a dramatic turnaround. Morgan Stanley Group Inc. purchased the 1585 Broadway for \$176 million cash - a figure well above both the market's expectations and the bank group's minimum \$150 million price. Upon taking possession, Morgan Stanley tapped Hines to continue managing the building.