

L&L Holding Pays \$140M for Lehman's 90% Interest in 425 Park Ave

BY JUSTIN SUMNER | JULY 29, 2013 | COSTAR GROUP

L&L Holding Company LLC has acquired 90percent interest in the office building at 425 Park Ave. in New York City from Lehman Brothers for \$140 million, or about \$240 per square foot.

L&L Holding originally acquired the site in 2006 in partnership with Lehman, and has now secured longterm investment partners for a planned development that will see the property torn down to its steel and redesigned as a worldclass, 21stcentury office tower. The project will be the first blockfront building to be developed on Park Avenue in more than 50 years. The buyers have retained Lord Norman Foster of Foster + Partners to design the project, which L&L will start development on in 2015 with an expected completion date at the end of 2017.

The site, currently home to a 41story, 649,651squarefoot office building constructed in 1957, totals 0.67 acres in Manhattan's Plaza District submarket, between 55th and 56th Streets. TIAACREF currently owns the ground beneath the building and fee interest in the improvements, encumbered by a ground lease and master lease, which it acquired in May 2011 for \$315.9 million, according to CoStar Data.

See CoStar COMPS #2124849 for more info.

Current plans call for a 650,000squarefoot tower designed to high LEED sustainability standards. Park Avenue's doublewide boulevard separated by green medians and broad sidewalks is known for its modern art and architecture.

"We are excited and privileged to be developing a future iconic asset on Park Avenue that will redefine the modern office building experience," said Robert T. Lapidus, who cofounded L&L Holding Company with David W. Levinson. Manhattanbased L&L Holding is a privatelyowned real estate investment company with a current portfolio exceeding 6 million square feet, primarily in New York City.

Adam Spies and Joshua King with Eastdil Secured facilitated the sale. The offmarket deal was quietly marketed, and closed in approximately 60 days.

Ashish Gupta, a senior vice president in the Lehman Brothers real estate group who is responsible for managing the firm's office investments including 425 Park Avenue, said, "Over the last two years in particular, Lehman and L&L Holding have systemically de risked the development opportunity by investing discretionary capital to fix several design and cost variables. The achievement of certain key predevelopment milestones, including the selection of Foster & Partners as the project architect, created a more defined project which shifted the risk profile of the investment and allowed the partnership to complete a recapitalization that replaces Lehman's ownership interest with new, longterm capital alongside L&L Holding."