

APF Properties expands holdings out of thin air

APF Properties, the Manhattan-based real estate investment firm, is using the proceeds from the sale of air rights at a Midtown office building to buy the equivalent amount in another location and get two additional office buildings.

Kenneth Aschendorf and Berndt Perl of APF Properties LLC bought 286 Madison Avenue and 290 Madison Avenue from SL Green Realty Corp. for \$63 million or slightly more than \$400 psf. The two properties, located near Grand Central Station, have combined leases totaling 155,500 s/f..

Perl said 286 Madison Avenue also includes 47,000 s/f of air rights — just slightly less than the air rights APF is in the process of selling at 1156 Avenue of the Americas. APF is in contract to sell the air rights at the building to an undisclosed buyer for \$14.9 million or more than \$300 per square foot.

“It was a sound and significant investment. We are selling air rights in one location and using the equity to acquire two office buildings and about the same amount of air rights in another very desirable location,” Perl said.

“The air rights make one of the two properties especially attractive for future development.”

APF is purchasing the two properties through a reverse 1031 exchange with 1156 Avenue of the Americas air right sale, which will enable it to defer substantially all of the taxable gain on sale. Aschendorf said that 286 and 290

Madison Avenue are centrally located in the heart of Manhattan and have significant untapped potential. “SL Green maintained the buildings very well and we plan to build on this foundation by adding more value,” he explained.

Although the buildings are primarily office space, they also have more than 8,000 s/f of street level retail, Aschendorf said.

Perl added that the existing leases in both buildings are considerably below market values. However, even at current income levels, the buildings are operating at a cap rate of almost 5%.

Built in 1918, 286 Madison Avenue is a 22-story tower facing 40th Street. The lobby, elevator cabs, mechanicals and common corridors were recently renovated.

The building is 99.8% leased to tenants including Certified Movings & Storage, Doctors’ Council Welfare Fund, Rivellas, Pawa & Blum LLP, Bechtel Corp. and McGovern & Company.

The second property, 290 Madison Avenue, is a six-story building built in 1951. The 37,500 square-foot building is fully leased to Career Blazers Inc., The Villa OPC Inc., Young & Rubicam and a retailer, Britches.

APF Properties LLC, formed in 1995, is a real estate investment partnership comprised of Berndt Perl, Kenneth Aschendorf and German developer, Robert Faktor. The firm invests in real estate in New York City and Germany.