



Pre-Building a New Identity

FiftyOne Ecommerce and its quest to expand at 292 Madison Avenue

BY DANIEL EDWARD ROSEN

Billy Cohen, an executive vice president and principal at Newmark Knight Frank, was guiding *The Commercial Observer* through the construction of a new prebuilt office on the 17th floor at 292 Madison Avenue last week when he honed in on the exquisite lighting throughout the space.

"All the light is ambient," said Mr. Cohen, pointing to a long, silver light fixture that aimed its luminescence toward the prebuilt's high and stark white ceiling. "It's more ergonomic, because it doesn't cast a glare on the monitors. That's all anyone gives a rat's ass about."

Mr. Cohen was joined by Gerald Nocera and Michael Reid, principals of Herald Square Partners who serve as asset managers at 292 Madison. They walked past a construction worker standing on a pair of drywall stilts—which gave the raw space a Cirque du Soleil touch—and into a conference room inside the 6,035-square-foot office space, where they sat themselves around a plastic table.

Once finished, the space will house FiftyOne Ecommerce, a tech start-up that creates e-commerce platforms for large U.S. companies and boasts Cabela's, Guitar Center, Guess? Jeans and Macy's as clients. The firm will be moving from fifth-floor offices at 8 West 40th Street for two floors of prebuilt space, totaling 17,148 square feet, at an asking rent of \$55 per square foot.

In addition to the 17th floor, FiftyOne Ecommerce will be taking a larger, 11,113-square-foot space on the fifth floor. The company was represented by Wendy Miller of Cassidy Turley.

For Mr. Nocera and Mr. Reid, the building at Madison Avenue had become a recurring assignment, with both men having previously dealt with the asset when it was owned by SL Green, the real estate investment trust in which each served as chief operating officer during back-to-back stints.

"It's kind of funny for Mike and me. When we were at SL Green, we used to own this building," said Mr. Nocera, who served as COO between 2004 and 2007. "We knew the asset very, very well."

Both were at SL Green in 2007 when it sold its operating leasehold for the 187,000-square-foot building to a partnership of Metropolitan Real Estate Advisors and the Marciano Investment Group, a company run by the fraternal founders of Guess? Jeans, for a reported \$140 million.

In 2010, SL Green purchased the fee (the ground space under 292 Madison) from Gramercy Capital for \$78.04 million and assumed the building's mortgage in the transaction. The Marciano Investment Group then purchased that fee for \$85 million last March, while taking over the mortgage, valued at more than \$59 million at the time.

The Marcianos, meanwhile, tapped Herald Square Properties to oversee the building and help shake off its long-held reputation as catering primarily to legal tenants.

"It was kind of a stepchild south of 42nd Street," said Mr. Nocera. "Three years ago, this building was not well-capitalized, not flowing money, not well-managed."

The Marcianos, however, saw the building as one with enormous potential to be improved upon and repositioned, especially with regard to the bones of the building. With its high ceilings, natural light and tower floors, the Marcianos saw the building's potential as a premier asset in Midtown.

"They had the vision ... and the stones," said Mr. Cohen of the ownership team.

Unlike the building's previous owner, which, like most real estate investment trusts, focused on short-term investments, MIG intends to hold onto the asset longer than the standard seven-year lease.

"They make their instincts more from gut than from spreadsheets,"



said Mr. Cohen.

Herald Square Properties embarked upon its prebuilt program for 292 Madison Avenue aiming to alter the building's law-firm image and reimagine it with a tech-friendly and contemporary feel.

It hired Ed Von Sover of the Mufson Partnership to design the prebuilts, which boast un conventionally large floor plates. Indeed, normally prebuilts range from 3,000 to 6,000 square feet.

"Six [thousand] used to be the upper end of that threshold," said Mr. Cohen.

Ownership, both Mr. Nocera and Mr. Cohen say, wanted this building to be a mousetrap for "the next generation" of tenant: namely, tech.

But to say owners want 292 Madison Avenue to collect the spillover from nearby Midtown South, which has become the de facto location for tech companies, is to miss





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the point. The building wants to be the city's tech location. It's blocks away from Grand Central, a healthy walk from the Port Authority.

Even building an 11,000-square-foot prebuilt took some collective chutzpah. But the gambit paid off, with both spaces becoming a "mousetrap" for a variety of firms that were in growth mode.

The figurative "mice" in this instance came in the form of several different potential tenants, each of whom expressed immediate interest in the prebuilt space on the 17th floor. "This floor has drawn multiple bids, each one higher than the next," said Mr. Nocera of the 17th floor.

Halfway through the development of the 17th floor, FiftyOne Ecommerce caught wind of the new space and paid a visit during its aggressive search for new offices in the Midtown South market.

"They saw it when we were basically snapping and laying track," said Mr. Cohen. When FiftyOne Ecommerce visited the space, the floors, ceilings, and glass were not in presentable shape. All that Mr. Cohen and Herald Square Properties could show the tech company was a set of renderings and plans, selling it on the MIG's "vision" of its new kind of prebuilt space.

The pitch worked.

"It's highly unusual to lease space midstream," said Mr. Cohen.

The group even blew off a "well-established hedge fund" in favor of FiftyOne Ecommerce for the deal.

With leases like Young & Rubicam's coming up for expiration soon, the group may replicate its prebuilt plans for future tech tenants. For now, Herald Square Properties is also exploring ways to reposition the retail space for 292 Madison Avenue, which includes "reskinning" the exterior of the top three floors.

"The building will have quite a pop from as far as the eye can see," said Mr. Cohen.

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