

THE COMMERCIAL OBSERVER NOW

Online August 31, 2011 - THE LAST WORD By Jotham Sederstrom

HERALD SQUARE PROPERTIES IN THE NEWS

Gloss on the Lipstick

Since 2009, **Gerard Nocera**, Michael Reid and John Monaco have been at the helm of Herald Square Properties, an investment and operating company that, since launching, has provided asset management services on more than 800,000 square feet of Manhattan office properties. Mr. Nocera, 54, spoke about the company's revitalization program at the Lipstick Building at 885 Third Avenue. Check out *The Commercial Observer* next Tuesday for the full interview.



The Commercial Observer: Apparently big plans are brewing at the Lipstick Building. Can you share some of the details?

Mr. Nocera: We've developed a line of third-party asset management, which allows us to put our considerable skill set into acting as owners for other owners. And that's why we were hired at the Lipstick Building.

There are two major ownership groups—Irsa International and the Marciano Investment Group—and the very first act they did was to hire us to bring our expertise of operating in this New York City market; that was January of 2011. The asset was troubled, it had gone sideways. It's had some financial difficulties over the last two years, and the previous operating partner did as effective a job as possible with the limited budget they had.

But we had the luxury of coming in to a re-capitalized stack. Irsa, who had a very small, silent position in the building, brought us in to right

the ship, and get it back to that icon status that it used to enjoy. It wasn't that far off, but it was enough heavy lifting that you needed the focus of seasoned professionals.

What kind of renovation efforts are being planned? Give me some details.

We're embarking on a repositioning of the lobby and the outside plaza area, and we've hired Moed de Armas & Shannon to be the architect of record for that project.

And we've embarked upon a pre-built program throughout the building.

Our approach is we're going to divide these floors up into smaller units. We have a couple larger full floors—like our 33rd floor—but I think we've come up with a layout that will be unsurpassed in the marketplace.

It's hard to believe that it was just four years ago that Bernard Madoff, who was a tenant in the building, declared bankruptcy. Did that put the building in danger?

From what I understand, almost a week after the initial group purchased, which was in 2007, Madoff declared bankruptcy very soon after. And then there was a whole spiral—I mean, they were on three floors; and they paid top dollar in the market; they didn't overpay—at that time in the market, it was a big number.

And once you lose three floors of rent income, it's hard to service your loan; and that was the first thing to happen when they got into it.

But that's all behind them. That's history. —

Jotham Sederstrom

