

## HERALD SQUARE PROPERTIES IN THE NEWS

### Lipstick Building Gets a New Coat of Gloss



NEW YORK CITY-After a short-period of trouble, the current ownership of Manhattan's famed Lipstick Building is pushing the property back up to top-tier status. New York City-based Herald Square Properties is working with co-asset manager with Argentinean real estate firm Irsa International to give the 34-story, 636,000-square-foot building at 885 Third Ave. a makeover.

Current capital improvements here include renovations of the lobby and plaza, as well as the implementation of a pre-built, Gensler-designed office space program, says Gerard "Jerry" Nocera, head of HSP, who tells GlobeSt.com that the building is undergoing a transformation after several years of distress. "This is a positive cash flowing asset right now that's well capitalized," he says. "It's no longer a building that suffers from a choke-hold of a mortgage."

The building went through an ownership and structural change at the end of last year and again in January 2011, Nocera says. The previous owner, Metropolitan Real Estate Investors LLC, ran into financial troubles almost immediately after purchasing the building from Tishman Speyer in 2007. "It was right at the advent of the whole market collapse and they just got caught in that," he says. "It took about three years to unwind."

According to Real Capital Analytics, the owner defaulted on a \$210 million loan from Royal Bank of Canada. But Nocera says the building is being restored to its former glory after being recapitalized by the current ownership, Irsa and the Marciano Investment Group. "The new ownership group and the controlling entities have a clear vision for this asset," he says. "They are putting this money back into it."

HSP has tapped Moed de Armas & Shannon Architects to enhance and update the lobby and surrounding plaza area. Designs are also being prepared for a lobby-level gallery with revolving art installations.

In addition, HSP has selected a team from Newmark Knight Frank that includes Mark Weiss, vice chairman, Scott Klau, executive vice president and principal, William Cohen, executive vice president and principal and Erik Harris, senior managing director.

In total, Nocera expects the renovations to cost approximately \$10 million and be completed by 2012. The building is 92% occupied and its largest tenant is law firm Latham & Watkins. "We are two-thirds of the way done through our first floor, Nocera says, "and we are going to continue that program of lease-up and build until we are fully leased."

