

# NEW YORK POST

## SL GREEN'S DILEMMA

By STEVE CUOZZO

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THE investment-sale market for office buildings is so bad - i.e., dead - that every tip and rumor about a possible deal sets off a frenzy of excitement.

Maybe this time, the hope goes, a breakthrough will finally get the market going again, even if prices are nothing like those of 12 months ago.

In that spirit of optimism, we now hear about yet another major sale that might actually be poised to happen. Of course, numerous other supposed deals over the last six months have tanked.

The nutty thing is that if this latest one fails, too, it might be partly the result of our column last week about an entirely different property - but we'll get to that.

According to sources, publicly traded SL Green is weighing an unsolicited offer from **Norman Sturner's** Murray Hill Properties for 485 Lexington Ave., the nearly 1 million square-foot tower a few blocks north of Grand Central Terminal.

The sources said Murray Hill has a "highly speculative soft contract" - meaning its deposit is refundable - worth around \$600 a square foot. That would be much less than the \$1,000 a foot the address might have fetched a year ago, but a lot more than anything else is commanding now.

Green bought both 485 Lexington and adjoining 750 Third Ave., with which it shares infrastructure, for \$480 million in 2004. The 485 Lexington tower has stable, long-term financing and is more than 95 percent occupied by credit tenants including Citibank and Condé Nast. None of the leases will roll for at least seven years.

But, as good as the building's fundamentals are, how could Murray Hill finance a nearly \$600 million purchase in a world without credit?

In October, when the dimensions of the liquidity freeze were becoming clear, Sturner wrote in his company's newsletter, "Murray Hill Properties Real Estate Fund IV has available equity when an attractive opportunity presents itself."

Now, we understand, some of that equity for 485 Lexington would come from an unidentified Israeli investor. Moreover, buying it wouldn't require that much cash, because the deal would include "a high level of assumable debt" on a \$450 million mortgage from Wachovia.

Last summer, my colleague **Lois Weiss** reported that an unidentified foreign investor had "kicked the bricks" at 485 Lexington, but also that the tower wasn't on the market and that Green had let the investor

have a look merely "as a courtesy."

Asked yesterday if SL Green was now talking to Murray Hill about a sale, a Green spokesman said the company had no comment.

Sturmer did not respond to a detailed message left at his office.

However - and here's where things get *really* murky - a source told us the wannabe deal actually collapsed on Friday, after the Israeli investors read our column last week about the possible sale by Deutsche Bank of 1540 Broadway, which the bank took back from **Harry** and **Billy Macklowe**.

We said the Times Square property's office portion might be sold to an unidentified suitor for \$400-\$450 a square foot. Then, newsweekly Real Estate Finance & Investment reported that the prospective purchaser was CB Richard Ellis Investors - a subsidiary of publicly held CB Richard Ellis - but that the deal had "scuppered" before it even went to contract.

In fact, we heard yesterday from a very reliable source that the 1540 Broadway sale was still very much alive after all, despite encountering a glitch.

But meanwhile, Murray Hill's Israeli partners apparently felt \$600 a foot was too much to pay for the 1950s-vintage 485 Lexington after they read here that 1540 Broadway - a 1990 skyscraper with more vacancies than 485 Lexington, but blessed with better views and more modern amenities - was fetching nearly one-third less per square foot.

The alleged change of heart could not be confirmed. Nor could word last night that the deal is back on.

The investment sale scene now recalls Macbeth's line, "Nothing is but what is not" - a rumination on a world gone mad.

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