

## Grand Slam! No More \$1K a Foot For Trophies

BY **DANA RUBINSTEIN** | 7:09 PM JANUARY 20, 2009 | TAGS: REAL ESTATE CB RICHARD ELLIS EASTERN CONSOLIDATED GM BUILDING WILLIAM SHANAHAN WORLDWIDE PLAZA

At some particularly fantastical point in the run-up to the commercial real estate implosion, it became commonplace for one square foot of high-end office space in Manhattan to sell for \$1,000. Put another way, one square inch of space—barely enough room to accommodate a buyer's little toe—would sell for \$6.94.

In June 2006, the Dubai-based Istithmar paid \$1,000 a square foot for 280 Park Avenue's 1.2 million square feet. In February 2007, in a move it would soon come to regret, Macklowe Properties paid \$1.73 billion, or \$1,000 a foot, for Worldwide Plaza at 825 Eighth Avenue.

Throw that vestige of the go-go days onto the growing trash heap of recession casualties, right atop the \$100-a-square-foot lease and non-negotiable asking rents.

The last time that anyone paid at least \$1,000 a foot for a Manhattan office tower was, according to CB Richard Ellis, when Boston Properties and partners bought the GM Building last June.



Property Shark

The GM Building.

"The \$1,000 sale will definitely come back, but you may not live to see it," said **Eric Michael Anton**, an executive managing director at **Eastern Consolidated**. "We always hit new highs. But this time it could take a long time to get there, because it's so bad and it got so inflated."

**William Shanahan**, vice chairman for investment properties at **CB Richard Ellis**, described the phenomenon in slightly different terms during his talk at the firm's fourth-quarter market report breakfast last week: "The spread between Class B and Class A pricing is decreasing," he said.

That's largely a function of basic math.

"If pricing uniformly falls 20 percent, a \$500-a-square-foot building will fall to \$400, while a \$1,000-a-square-foot building will fall to \$800," Mr. Shanahan said.

Or, as Mr. Anton put it, "Class B has less far to fall."

The factors pushing down sale prices have become familiar. There's the growing sublease market, and the paucity of tenants, particularly financial firms, which have historically been the biggest users of Class A space in Manhattan.

That means falling rents. And falling rents mean falling sale prices.

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“As we go forward in 2009, we’re going to see that gap [between Class A and Class B] shrink even further,” Mr. Shanahan said. And \$1,000 sales will become an ever-more-distant memory.

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