Real Estate Report [GTA]
Focus: Retail
March 5, 2014 Volume #21.02

OUR RECENT SALES

110-114 Cumberland Street

A 13,350 square foot leasable building. Closed Feb 25, 2014 at $9,450,000 or 4.2% Cap Rate.

Click for our case study

26-32 Cumberland Street

A 7,700 square foot leasable building. Closed Mar 13, 2013 at $6,550,000 or $850 per SF.

Click for our case study

1119 Fennell, Hamilton

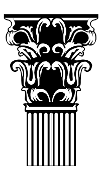
A 109,083 square foot leasable building. Closed May 31, 2013 at $18,000,000 or 7% Cap Rate.

Click for our case study

OTHER RECENT RETAIL PROPERTY SALES

Source: Marshnet.com

3105-3133 Sheppard Avenue East – Scarborough – A 20,000 SF building located east of Victoria Park Ave. Closed January 15, 2014 at $9,000,000 or $450 per SF	**411-443 The Queensway South – Georgina** – A 39,940 SF building located north of Glenwoods Ave. Closed January 6, 2014 at $11,500,000 or 7.2% Cap Rate
14721-14729 Yonge Street – Aurora – A 19,009 SF building located north of Murray Drive. Closed January 6, 2014 at $9,200,00 or $484 per SF or 6% Cap Rate	**1020 Islington Avenue – Etobicoke** – A 128,355 SF building located north of Gardiner Expy. Closed December 20, 2013 at $24,500,000 or $191 per SF
3087 Winston Churchill Boulevard – Mississauga – A 25,000 SF building located north of Dundas Street West. Closed Dec 13, 2013 at $6,425,000 or $257 per SF	**772 Queen Street East – Toronto** – A 19,500 SF building located east of Broadview Avenue. Closed December 5, 2013 at $6,185,000 or $317 per SF
1370-1490 Major Mackenzie Drive – Vaughan – A 177,000 SF building located east of Dufferin Street. Closed Nov 22, 2013 at $60,000,000 or $339 per SF	**130 Cumberland Street – Toronto** – A 6,742 SF building located west of Bay Street and north of Bloor Street West. Closed November 18, 2013 at $3,750,000 or $556 per SF
1450 Clark Ave. West – Vaughan – A 73,667 SF building located east of Dufferin Street and north of Steeles Avenue West. Closed November 15, 2013 at $20,500,000 or $278 per SF or 5.6% Cap Rate	**5710 Main Street – Whitchurch-Stouffville** – A 41,000 SF building located west of Ninth Line. Closed Nov 1, 2013 at $8,700,000 or $212 per SF



INDUSTRY COMMENTARY:

The Syrian Retail Touch

- "An inside look at the Syrian Jewish investors dominating New York City retail, including how much revenue they're pulling in".

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The Real Deal, New York Real Estate News
January 1, 2014

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Petrus Commercial Realty Corp. supports Olympic hopeful for 2016 - Lesson #64

We are supporting a young athlete Lizzy Bates who is an Olympic hopeful for 2016 in sprint flat water kayaking. Last year at spring training camp Lizzy was hit by a bus and had to sit out her competitive season while she underwent surgery. This meant she forfeited her eligibility for government funding for the entire 2014 season. Since her surgery, she has been training flat out, and is now stronger than ever. However, in order for her to continue to train full time and to make the push for Rio in 2016, she is in desperate need of funding. Please play the short video at www.road2rio.ca to hear her story, and make a donation if you can.

INDUSTRY COMMENTARY:

The Syrian retail touch

An inside look at the Syrian Jewish investors dominating New York City retail, including how much revenue they're pulling in.

January 01, 2014
By [Adam Pincus]

If you trace the origins of the most aggressive retail deals in the last dozen years in Manhattan's high-profile shopping districts, most lead back to Brooklyn.

On Upper Fifth Avenue in 2002, American Girl Place transformed a stodgy building into a retail destination. In Times Square in 2007, American Eagle Outfitters struck a record $300 million lease. Then three years later, and several blocks north that was matched by Uniqlo's lease at 666 Fifth Avenue. And more recently, in May, luxury retailer Valentino inked a deal at 693 Fifth Avenue, where despite its small floor plates, it broke through the $2,500-per-square-foot barrier. Each of these deals, along with other record breakers, has one thing in common: a member of the tight-knit Syrian Jewish community had an ownership stake in the property.

The leaders of the community — including Jeff Sutton, Joe Sitt and Stanley Chera — make headlines in the real estate press almost daily and have made fortunes for themselves and others. They are the stars that a younger generation of investors is now emulating. They are the landlords that rival companies complain are paying too much for properties, and are making Fifth Avenue look like just another mall.

The Syrian Jewish community, which informally refers to itself as SYs, is a major owner of apparel and other retail companies. The interwoven community of investors, many of whom are related to each other, sometimes work on deals together, as well.

Yet despite the community's Brooklyn hub — many of its members live around Ocean Parkway in Flatbush and Gravesend — and their seaside enclave in Deal, N.J., its members employ remarkably different strategies for creating wealth. Indeed, some buy and hold, some reposition and sell, and some buy and flip. A few have also turned to earning brokerage or management fees. And they all tap partners and investors in different ways.

To be sure, not every market-making retail deal is in a property owned by a Syrian. But in recent years, the Syrian Jewish retail community has dominated.

The SYs, which first settled in New York in the early 20th century, have been the most aggressive Manhattan players in the last 10 years, insiders say. And during that time, Manhattan retail has exploded, with average asking rents in some districts doubling and even tripling or more. In 2001, asking rents on Upper Fifth Avenue were $700 per square foot, according to data from Cushman & Wakefield. In July, Prada renewed its lease at 724 Fifth Avenue for about$4,000 a square foot on the ground floor — more than five times that.

Insiders credit the community's success to its deep understanding of the retail business.

"I think there is a connection through being able to speak their language," said Ralph Tawil, president of Centurion Realty and an SY. "[Retailers] come out of a meeting surprised about how much insight you have in their business, and that puts you on a separate playing field."

Even as the community is viewed with respect, there are critics who complain some SYs use the courts to tie up deals. And within the community, as with any band of brothers, there are rivalries.

But for every complaint, there are dozens of partners, including major real estate and finance players like SL Green Realty, the Carlyle Group, Lloyd Goldman's BLDG Management, and Oxford Properties Group who've gotten a piece of the action on some of the aggressive SY deals.

In addition, there is a farm team of younger SY investors, including Jack Terzi, who founded JTRE in 2008, now beginning to amass portfolios. They closely watch these senior players, like rookie basketball recruits once watched Michael Jordan or Kareem Abdul-Jabbar glide past opponents to the basket.

This month, *The Real Deal* looked at some of the big players in the SY community, examining the structure of their firms, their business strategies and their assets. In addition, *TRD* estimated each firm's Manhattan retail revenue through a first-ever analysis of income from 2012 tax appeal records compiled by Genesis Computer Consulting, as well as city tax records, industry sources and news reports.

Most firms declined to comment or provide any financial information, and *TRD* was able to obtain more updated lease information for some owners than for others. Nonetheless, below is a first-ever snapshot of where these big retail players stand.

Firm: Wharton Properties
Manhattan retail revenue: $220M

Jeff Sutton, 53, is the undisputed king of the hill in the retail sector. He has amassed a fortune with a net value of about $3 billion in New York City retail.

Of his 100-plus properties, 51 are located in Manhattan. Those include 717 and 724 Fifth Avenue, which are home to Armani and Prada, respectively, and combined are worth more than $1 billion. Sutton typically owns 100 percent of his properties, although he has joint ventures, for example with SL Green on several major buildings.

Sutton began his real estate career after graduating from the Wharton School of the University of Pennsylvania in 1981. He's employed a similar business model since he began investing in the late 1980s, when he would buy retail leases in the Bronx and then find a tenant to pay him more than the current rent. The difference, of course, was his profit.

His primary strategy is to buy, add value and then hold, which is unlike some others investors who sell after upgrading their properties.

In his building buys with SL Green, the REIT typically puts up all (or most) of the equity. Then Sutton brings in a retailer, often in a creative fashion, like he did at 1552 Broadway, where the partners paid the over-market price of $136.6 million. Sutton then struck a deal with Newmark Holdings at the adjacent 1560 Broadway to convert office space and less-valuable side street retail to highly coveted retail space with Broadway-grade rents. Then he lured in Express as a high-paying tenant, thus earning his stake in the deal.

Sutton's other recent inventive deals include inking a 49-year lease for the retail at 650 Fifth Avenue with the U.S. government, which is seizing the building from the Iranian government. Sutton bought out the tenant, Juicy Couture, for $51 million, and is expected to announce a new, higher-paying tenant soon.

In addition, in a partnership with SL Green, Sutton acquired the retail space at 747 Madison Avenue in 2011 for $66.25 million, and then bought two residential co-ops directly above it so he could increase the ceiling height. He then signed on luxury fashion tenant Alexander McQueen and handbag designer Givenchy, at rental rents that increased the value of the retail by $100 million. And, last month, he bought out SL Green and became the sole owner.

In addition, Sutton and SL Green generally structure performance benchmarks that provide for Sutton to purchase SL Green's stake once they are hit.

Sutton's Manhattan retail properties yield an estimated $220 million per year, far more than any others ranked here, *TRD*'s analysis found. (That figure could be as much as $254 million, depending on how revenue from his leases is counted.)

Sutton's Wharton Properties, along with its affiliated brokerage arm NYC Prime Realty, is a small operation, with fewer than a dozen employees located at 500 Fifth Avenue.

Firm: Aurora Capital Associates
Manhattan retail revenue: $74M

In the 1980s, brothers Stanley, Joseph and Kenneth Cayre, made the family's fortune through their company GoodTimes Entertainment, which produced and sold videos to retail giant Wal-Mart. That fortune was used to build the family's real estate business.

Stanley's son Robert "Bobby" Cayre, followed in his family's entrepreneurial footsteps and launched Aurora Capital Associates in 2001, in close partnership with his uncle, Alex Adjmi, who is also an SY and is in his 50s. (Bobby's family now owns a major apparel firm, the Cayre Group, which Aurora shares office space with at 1407 Broadway.)

Aurora has stakes in at least two-dozen properties in Manhattan, Brooklyn and the Bronx, city property records show, as well as dozens more nationwide. The 17 Manhattan retail properties *TRD* identified generate annual revenue of about $74 million. Insiders said most of the properties are co-owned with Adjmi, who with his brothers runs A&H Acquisitions.

Cayre, who's in his mid-30s, often uses a heavy value-add business model. He typically buys underperforming properties and repositions them through major construction. For example, in partnership with the Adjmi family and the Sigfeld Group, Aurora purchased a development site at 301 West 125th Street in Harlem, and constructed a 100,000-square-foot shopping center with DSW as a major tenant, that opened in 2013. Along with the Adjmis, Aurora is also constructing 242 Bedford Avenue in Williamsburg, which is slated to open this year and to be anchored by Whole Foods. The two companies operate a construction arm together that's headquartered at 1412 Broadway and has about 20 employees, according to sources.

"What is little known about Aurora is the fact that we have over 1.5 million square feet of ground-up construction in various stages of development," said Jared Epstein, a vice president at Aurora. "We have quickly become one of the largest commercial developers in [New York]."

Aurora's other properties are home to major retailers including Victoria's Secret, Hollister and Levi's.
The company, which has fewer than a dozen employees, co-owns 21-27 Ninth Avenue in the Meatpacking District, where the cosmetic chain Sephora has a large store, and the restaurant Catch is above. Next door, at 9-19 Ninth Avenue, the firm is partnered with William Gottlieb Real Estate and is reconfiguring the retail long occupied by the restaurant Pastis.

Firm: Thor Equities
Manhattan retail revenue: $51M

Joe Sitt, 49, has gone the farthest, fastest in terms of the breadth of his business. He started as many other Syrians did, in the apparel business. His father Jack Sitt was a wholesaler with Baby Togs, selling children's clothing to Wal-Mart and others. The younger Sitt started in his 20s, launching the urban brand Ashley Stewart. But by 2000 he had sold most of his interest in that business to focus on real estate.

Thor Equities, which Sitt founded in 1986 and is now CEO of, has grown rapidly in the last decade. It is now a global property and brokerage business with investors and assets worldwide, based in 25 West 39th Street.

While all of the other companies on this list are smaller operations or family run, Thor has expanded far beyond its local roots, and is now owned by a wider group of partners who, other than Sitt, are not connected to the SY community at all. In fact, the majority of his partners are not even Jewish, according to sources. In addition, Thor is the most institutional of the firms on *TRD*'s list.

The company owns a stake in at least 44 New York City properties, according to its website, with the bulk of its properties concentrated on Fifth Avenue and in Soho in Manhattan.

The properties bring in an estimated $51 million annually, according to *TRD*'s analysis. However several of Thor's largest assets, including 837 Washington Street in the Meatpacking District and 520 Fifth Avenue, are under redevelopment, and are currently earning no income.

Thor's business model offers a direct contrast to Sutton's. Indeed, while Thor does hold and manage properties, it's more active in development and sells more frequently than Sutton.

That's because Thor's Urban Property Funds has backing from institutional investors — including pension funds, investment banks, college endowments, and foundations — that typically want to sell assets within five or seven years. Thor also operates a brokerage division and has expanded into residential development.

Thor occasionally unloads a building before it's executed a specific business plan, but after it's appreciated in value substantially. For example, at 129 West 29th Street, it bought for $26 million in 2007 and sold in 2012 for $54 million.

So far the firm has kept away from the center of Times Square, but Sitt announced over the summer that the company would buy the retail at the Milford Plaza at 700 Eighth Avenue on the edge of that district for $65 million. And in the past three years, Sitt's been the city's most aggressive buyer on Lower Fifth Avenue, which has seen a nearly 100 percent increase in asking rents. In addition to 520 Fifth, Thor is in contract to buy 562 and 564 Fifth and has stakes in 445, 590 and 597 Fifth, which are all currently listed with available space, suggesting the company is looking to cash in on the rising rents.

One of Thor's most notable deals was a lease last year at 693 Fifth Avenue, known as the Takashimaya building. It paid an eye-popping $142 million for the 20-story tower in 2010, and started shopping the retail space while it was occupied by a temporary tenant. Sitt aimed to get at least $2,000 per square foot at a time when asking rents had barely passed that number. Defying skeptics, he sat tight, and finally landed Valentino in May, which is paying a reported $16 million per year, or upwards of $2,600 per square foot on the ground floor.

Thor, which insiders say employs hundreds of people, is also a significant owner and developer in Chicago, London, Paris, Mexico City, and other locations.

Firm: Crown Acquisitions
Manhattan retail revenue: $49M

The Chera family also started in the apparel business, investing in the buildings that housed its chain of children's clothing stores known as Young World, which patriarch Isaac launched. By the late 1980s, Isaac's son Stanley was investing in major Manhattan real estate, teaming up with another SY, Morris Bailey, to snag a piece of the Herald Center.

Chera, who's now in his early 70s, launched Crown Acquisitions, but has handed much of the daily operations to his sons Haim, Isaac (Ike) and Richard.

Crown, based in the GM Building, typically sells its properties after repositioning, so publicly available records do not show it to be a major Manhattan landlord today. But the 14 Manhattan retail properties that *TRD* identified Crown as owning a stake in bring in an estimated $49 million per year. The firm also derives significant revenue from negotiating leases for other companies through its brokerage arm, Crown Retail Services, and from asset management fees.

When Stanley Chera first began investing, he was typically a junior partner to other players, like Bailey or the Feil Organization. But in the mid-2000s, the company began getting more aggressive.

In 2008, for example, it partnered with the Carlyle Group and Kushner Companies to pay $525 million to acquire and reposition the retail at 666 Fifth Avenue. Over four years, the trio transformed it into two commercial condominium units that then sold for more than $1 billion, although Crown owned only a small equity stake, insiders said.

The firm struck two similar high-profile deals last year. The first was with Oxford Properties and the Onassis Foundation to reposition the retail at the Olympic Tower on Fifth Avenue; the second was with Oxford, Vornado and others, at 650 Madison Avenue, where the group paid more than $1.3 billion and is planning to revamp or rebuild.

It was also part of a large partnership that included Feil Organization and BLDG Management, which sold the retail at the St. Regis Hotel at 2 East 55th Street in 2012 for $380.6 million three years after buying it for $117 million.

When the company, like Thor — Stanley is actually Sitt's uncle — expanded into third-party brokerage and launched Crown Retail Services in 2011, it hired two senior brokers from the now-defunct brokerage Madison Retail Group to run it. The firm now has major clients such as the rapidly expanding gym Planet Fitness and Spanish sandwich chain 100 Montaditos.

Firm: Sitt Asset Management
Manhattan retail revenue: $28M

The Sitt brothers — Eddie, Ralph and David — own a stake in at least 10 retail properties in Manhattan, with a concentration on Soho, where their firm Sitt Asset Management has five.

Those five include 113 Spring, which houses the shoe store Frye; 138 Spring, which has eyewear retailer Ilori; as well as 145 and 169 Spring and 450 Broadway.

The firm's largest investment by far is 2 Herald Square, which it controls through a long-term lease with the ground owner, SL Green. In addition, in a joint venture with Ashkenazy Acquisition, Sitt Asset, based in One Penn Plaza, closed late last month on the $47 million purchase of 711 Madison Avenue, a five-story building with fashion retailer Roberto Cavalli on the ground floor.

Its Manhattan retail properties bring in an estimated $28 million in revenue annually. The Sitt Asset brothers are distant relatives of Joe Sitt. The company's focus is on buying and re-leasing. It rarely engages in ground-up construction.

Last month, it also sold 414 West 14th Street — which it partnered to reposition with the Carlyle Group — for $94 million. The buyer was an affiliate of the Spanish apparel firm Inditex, which owns Zara.

Firm: United American Land
Manhattan retail revenue: $25M

The family firm — run by brothers Al, Jody and Jason Laboz — owns about three dozen retail properties in New York City, predominately clustered south of Houston Street in Manhattan as well as in Brooklyn.

Indeed, the company is by far the largest owner of retail frontage on Canal Street between West Broadway and Centre streets, with 11 properties that include roughly 400 feet of frontage.

Some of the units are leased to national tenants, including Bank of America, but many are leased to local operators.
The firm, based at 430 West Broadway, has a total of 30 Manhattan retail properties that bring in an estimated $25 million in revenue a year. In addition to Canal Street, the company also is a major retail owner on lower Broadway and West Broadway. Those properties stand to benefit from rising prices in the heart of Soho, which are breaking $1,000 per square foot.
In Brooklyn, the company owns the retail space in the borough's Municipal Building at 210 Joralemon Street, where it just renovated the ground floor and installed Sephora, and 505 Fulton Street, among a handful of others.
But the company hasn't focused exclusively on retail. It has developed residential condos in Manhattan and Brooklyn, as well.
The trio's father Jack acquired many of the properties in the 1970s and 1980s.

Firm: Centurion Realty
Manhattan retail revenue: $20M
Ralph Tawil, 38, founded Centurion Realty in the late 1990s. He had expected to enter the family's garment manufacturing business after graduating from college but stumbled into real estate while trying to find billboard tenants for a property the family owned south of Times Square, he told *TRD*.
Centurion's most valuable property is 103 Prince Street, which is home to the Apple store. The firm partnered with Crown and Imperium Capital to buy the property in 2011 for $70.9 million.
Indeed, the firm's assets are concentrated in Soho, where nine of its 18 properties are located. But it's been buying actively over the past year, largely because the company made a windfall as a minority partner along with Crown, the Safra Group (an internationally based SY family) and others on the $380 million sale of St. Regis retail in 2012.
In July, it made two Soho purchases. It partnered with Bethesda, Md.–based institutional investor ASB Capital Management to pay $41 million for 413 West Broadway, a retail-and-office property, and then again with Crown and Imperium to pay $19.6 million for 120 Prince Street.
Tawil said he expects the ties between institutional funds and retail investors to grow in the coming years.
"We are learning a lot from the institutions, and they are learning from us," he said. For example, some institutional investors are recognizing the advantage that smaller, nimble firms have when it comes to deploying capital fast.
Centurion's Manhattan retail assets bring in an annual estimated revenue of $20 million, according to *TRD*'s estimate.
The company, which manages properties as well, has about 30 employees, and is located at 512 Seventh Avenue, which is also the headquarters for Tawil's family's apparel company.

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