

# THE WALL STREET JOURNAL.

## GREATER NEW YORK

January 2, 2013

### PROPERTY

# Keeping It Rich on Madison Avenue

*Thor Equities Acquires Prime Retail Space for \$277 Million*

By LAURA KUSISTO

Joseph Sitt, a major retail landlord in trendy areas like SoHo and the Meatpacking District, has purchased the block-long retail space in the former Helmsley Carlton House on Madison Avenue for \$277 million, according to people familiar with the matter—among the highest total prices ever paid for a retail property on the street.

Mr. Sitt, the Brooklyn-born founder and chief executive of Thor Equities, beat out Vornado Realty Trust, one of the city's largest landlords, for the property.

Vornado had offered to pay about \$280 million for the coveted retail spot on the corner of Madison Avenue and 61st Street, wedged between Barneys and Hermès. But negotiations on the deal fell apart, according to multiple people familiar with the matter.

For Mr. Sitt, the purchase of the 35,000-square-foot space is nonetheless a big gamble: It's among the highest prices he's ever paid for a single retail property. It's also his first purchase on Madison Avenue, a street that has faced deep challenges in recent years.

During the prerecession boom, Madison Avenue between 57th and 72nd streets flourished and rents soared as high as \$1,500 a square foot, according to bro-

kers. But much of the street's success was built on ultraluxury niche products, especially high-end watch stores, which were hard hit when the economy crashed.

Rents plummeted to about \$500 a square foot and the street had more than two-dozen vacant spaces.

Mr. Sitt said he's confident the street's luck has turned. "Madison Avenue is the stron-

**'Madison Avenue is the strongest street in terms of increasing rents of late,' said Thor Equities CEO Joseph Sitt.**

gest street in terms of increasing rents of late. Fifth Avenue popped a little earlier, and Madison Avenue came to the party a little bit later."

Indeed, on a street where once just a handful of society matrons strolled on most weekdays, tour buses now bring Chinese, Brazilian and European tourists to check out new stores, such as Escada, Buccellati, Agent Provocateur, Perrin Paris and Paul & Shark.

But some have warned that Madison Avenue's rebirth could

be shaky, given lower Wall Street bonuses, uncertainty in Europe and the possibility that taxes on the wealthy will rise this year.

Gary Barnett's Extell Development Co. and Angelo, Gordon & Co. purchased the Carlton House for about \$170 million in 2010 and are converting the upper floors to co-op apartments, where they plan to launch sales within the next month.

Mr. Barnett said he had deals lined up to lease at least half of the retail space, but ultimately decided to sell the space to Thor instead, in part due to uncertainty about the fiscal cliff.

While Fifth Avenue, SoHo and the Meatpacking District have built success in the past few years by mixing luxury retail with affordable fashion like Uniqlo and Joe Fresh, Madison Avenue has stayed in the luxury niche. Brokers say that could give it long-term stability.

"The luxury market through thick and thin always maintains. When people are losing money, it's not the ultrarich," said Jeffrey Roseman, a retail broker at Newmark Grubb Knight Frank.

Indeed, rents on the street appear to be back to prerecession levels. Mr. Sitt said he plans to ask about \$1,800 a square foot for the space—a jump from the \$1,500 a square foot Mr. Barnett was asking a year ago.

Average asking rents on Madi-



Natalie Keyssar for The Wall Street Journal

Thor Equities plans luxury-brand tenants for its new retail space at 680 Madison Ave., above right.

son Avenue have indeed climbed nearly 30% in the past year to more than \$1,100 a square foot in the third quarter of 2012, ac-

ording to the real-estate brokerage Cushman & Wakefield.

Mr. Sitt said he hasn't yet begun talking to tenants, but plans

to seek luxury brands. "What's critical to the ongoing success of Madison Avenue is keeping it pure luxury," he said.