

# PROPERTY management

*Case Studies*

**SIERRA**  
REAL ESTATE

# SIERRA REAL ESTATE CASE STUDIES

## REINVIGORATING 648 BROADWAY

### Property

648 Broadway

- Commercial building
- 50,000 SF
- 10 floors
- Owner-managed for over 25 years
- Sierra Real Estate assumed management from ownership in September 2009

### Challenge

- Significant rent arrears
- Over 15-percent vacancy rate
- Building-wide improvement program more than 1 year behind schedule and substantially over budget



### Solution

- Established and implemented efficient rent collection procedures
- Reviewed building improvement program
- Redesigned capital improvement plan to reflect NoHo tenant environment
- Implemented an aggressive marketing program to effectively attract higher paying tenants
- Renegotiated contracts and completed renovations at reduced cost
- Evicted non-paying tenants

### Result

Within 18 months of assuming management, the building achieved near 100-percent occupancy, significantly increased rent rates and revenue, effective collection procedures were in place, and more than \$1 million in savings from adjustments in the building improvement programs were realized.

### Today

The building operates at nearly 100% occupancy with rents increasing over 50% in five years. Lobby, hallway, and restroom, renovations were completed in 2013.

# SIERRA REAL ESTATE CASE STUDIES

## A BUILDING RESTRUCTURED

### Property

43-45 West 55th Street

- 16,000 sf mixed-use property

### Challenge

- An underperforming asset
- When Sierra assumed property management in 1996, the building had a stated annual rent roll of \$313,000; less than \$200,000 was being collected. The property was in poor physical condition, with over 400 outstanding violations
- Neither the building nor its tenants had been registered with the Department of Housing and Community Renewal



### Solution

- Chronically delinquent tenants were evicted, including a bankrupt restaurant and rent-regulated apartment occupants
- Vacated spaces were renovated and re-rented, increasing the rent roll
- The property's severe structural and maintenance issues were resolved
- Legal issues, including a 12-year delinquency on building registration, were resolved

### Result

- First year of Sierra management:
- Recovered possession of six apartments
- Evicted two retail store tenants
- Re-leased the vacated retail space at significantly higher rent
- Rectified most violations
- Significantly upgraded physical infrastructure of the building
- Registered it correctly with the Department of Housing and Community Renewal

### Today

- Current rent roll is \$732,000 per year
- Rent payments collected are 100 percent

## A GOOD INVESTMENT

### Property

1594 York Avenue (501 East 84th Street)

- 5-story walk-up
- 2,200 sf of ground floor corner retail
- 10 apartments above the retail space
- Purchased in 1997
- Purchase price: \$1,050,000, with a \$750,000-mortgage from Immigrant Savings Bank

### Challenge

- Despite good bones, property suffered from long-deferred maintenance
- Substantial number of outstanding violations at time of purchase
- Retail tenant's rent was significantly under market
- Most apartment rents were low
- All apartments were rent regulated
- Annual rent roll was \$228,000 at time of purchase

### Solution

- Sierra re-negotiated retail tenant's rent
- Considerable upgrades to the building and the apartments were performed
- Several rent-regulated tenants were replaced through buyouts and legal actions for non-primary residence and illegal subletting

### Result

- Property began producing favorable returns every year since purchase
- By 2004, the rent roll had increased to \$348,000
- Property sold for \$4,027,000 in 2004, when rents reached a maximum and stabilized in the current market; Sierra did not believe rents were sustainable for the long term

### Today

To minimize the tax impact on the sale, Sierra performed a tax-deferred 1031 like-kind exchange and purchased a similar property with proceed from the sale. All investors in 1594 York received returns more than eight times their initial investments.



# SIERRA REAL ESTATE CASE STUDIES

## REPOSITIONING A 1920s OFFICE BUILDING TO COMPETE

### Property

875 Avenue of the Americas

- Northwest corner of 31st Street
- Commercial building
- Class B
- 243,000 RSF
- 25 floors
- Sierra Real Estate assumed management in 2000

### Challenge

- The building exterior was dark with age
- The building interior was worn and tired
- Elevators were old and slow
- Lighting was inefficient
- Available space was not aggressively marketed for re-lease
- Rentable square footage measurements were inconsistent
- Operating expenses were high

### Solution

- Initiate capital improvement plan
  - Upgrade public spaces, including bathrooms and corridors
  - Upgrade main lobby, including new fixtures and finishes
  - Modernize six-passenger elevators
  - Modernize one freight elevator
  - Clean brick and stone exterior
  - Install new operable windows in tenant suites
  - Install high-speed internet connectivity
  - Retrofit property with energy-efficient systems
- Establish rentable square footage (increase from 208,000 to 243,000)
- Marketing campaign to attract higher paying tenants
- Renegotiate service contracts
- Upgrade retail storefronts

### Results

- Operating expenses decreased by 15%
- Rent rolls doubled in five years
- Higher grade of tenants occupy space

### Today

875 Avenue of the Americas is an appealing and attractive property to credit-worthy tenants. It now competes with the new developments that have gone up in the neighborhood. Available spaces are now marketed aggressively and professionally.





## HALE AND HEARTY

### Property

12 East 46th Street

- 8-story low-rise office building in Midtown
- 37,000 RSF
- Class B
- Built in 1915
- Well-situated location near Grand Central Terminal

### Challenge

A long-term restaurant tenant, Qdoba Mexican Restaurant, announced it was closing all its Manhattan locations. Sierra Real Estate owns and manages the property; we were willing to allow Qdoba to break its lease only if a new restaurant tenant, able to pay higher rent and with comparable credit, could immediately take the space.



### Solution

Hale and Hearty, a soup and sandwich restaurant had just lost its lease nearby, on 47th Street between Fifth and Madison Avenues because the building was being demolished. Our leasing brokerage affiliate (Lee NYC) accomplished the transaction to relocate Hale and Hearty and meet ownership criteria.

### Result

Our property management approach for the building is to install only qualified tenants in the building; our leasing approach is to locate suitable tenants in the shortest period of time. The Hale and Hearty lease transaction was completed in four weeks, and an amicable surrender of the Qdoba lease was achieved.

### Today

The building will have a new credit-worthy and always busy restaurant on its ground floor to serve as both a building amenity and a neighborhood amenity.

Construction is scheduled to begin in December 2013, in advance of the demolition of Hale and Hearty's current space, so it can move into its new space with no down time or loss of customers.



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