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Waterman Completes 75-Year Master Lease at NYC's 400 Park Ave.

By Barbra Murray



Waterman Interests Inc.'s ownership of the leasehold interest on 400 Park Ave., an office and retail building in the Plaza district of Midtown Manhattan, is now secure — at least until the 21st Century nears its end. The real estate investment and operating company, which owns the asset in joint venture with institutional investors advised by J.P. Morgan Asset Management, just signed a new 75-year master lease with Benenson Capital Partners, the longtime owner of the land beneath the 250,000-square-foot property.

The closing of the lease transaction comes approximately three years after Waterman Interests purchased the leasehold interest at 400 Park from RFR Holdings L.L.C. Waterman Interests didn't originate debt for the acquisition then, and the asset remains unencumbered today.

Extension of the master lease frees Waterman to expand upgrades at the 21-story tower without the constraints of the previous lease, which was scheduled to expire in 17 years.

"The asset has already attracted 'best-in-class' banks, private equity firms and hedge funds, which have leased over 100,000 square feet as we commenced, and completed, Phase I of our capital improvements," Philip "Tod" Waterman III, founder & managing member of Waterman Interests, told *Commercial Property Executive*. Recent commitments have come from Malayan Banking Berhad, which leased the entire 11th floor of the building in December 2012. Additionally, City National Bank took the entire 15,000-square-foot retail space and some office space last June.

Currently, 400 Park is roughly 70 percent occupied, and Waterman Interests is confident that, with the freedom to move forward with Phase II of its improvement program, it will be able to reel in even more tenants. As it implements upgrades — including renovation of the entryway, improved exterior and interior lighting, installation of a redundant chiller and emergency generator, and replacement of high-rise windows to match those in Phase I — and completes

construction of the new City National Bank branch at the corner of the building, and “we expect momentum to continue and accelerate,” said Waterman.

Also working in the property’s favor is the fact that the Manhattan office market is faring relatively well. The national vacancy rate in the first quarter was 15.4 percent, according to a report by commercial real estate services firm Cassidy Turley, while Manhattan recorded a vacancy of 11.8 percent. “(Demand is being spurred by the) intellectual talent pool, cleanliness and safety of the city, compared to other large cities around the world, and the diversity of the New York economy, which is constantly evolving and demanding diverse office occupancy choices,” Waterman added.