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## SQUARE FEET

### American Real Estate Investors Seek Opportunities in European Debt Crisis

By TERRY PRISTIN

While the world is anxiously watching to see how the European debt crisis will unfold, many real estate investors in the United States are eagerly seeking opportunities to reap profits from the Continent's distress.

Private equity firms, whose investors include pension funds, university endowments and foundations, have been vying to buy portfolios of European bank debt consisting of troubled commercial real estate mortgages. By acquiring these loans at deep discounts, they hope eventually to earn generous returns of 12 to 18 percent, investors and advisers say.

The asset sales in Europe could dwarf the work of the United States Resolution Trust Corporation, which was charged with disposing of the troubled mortgages resulting from the savings and loan crisis of the 1980s, said Russell Platt, the chief executive of Forum Partners Europe, an investment firm with headquarters in London. "Most of the firms looking at this came of age during the R.T.C.," Mr. Platt said. "You can see why a lot of folks are rubbing their hands and saying: 'This could be very interesting.'"

Commercial mortgage-backed securities, real estate loans that are packaged together and sold to investors, are not as common in Europe as in the United States. Instead, most European mortgages remained on the banks' books, which has been a drag on profits.

As the sovereign debt crisis continues, European banks are expected to sell such distressed assets in an effort to increase their capital and protect against future losses. Morgan Stanley estimates that such institutions may have to cut their exposure to commercial real estate by up to \$780 billion.

"Getting the banks healthy is critical for getting the European economy healthy again," said Clifford S. Wood, head of European operations for Deloitte, a loan-sale advisory firm.

So far, the pace of sales has been modest. Last year, the region's institutions received an infusion of capital from the European Central Bank, easing the pressure to trim their balance sheets.

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Mary Ricks is chief executive of Kennedy Won, a California-based firm that bids on commercial properties including British loan portfolios.

PHOTO: HARRIS FOR THE NEW YORK TIMES  
Kerily Wilson, one of the most ac-



Banks in Spain, Ireland and Britain are under pressure to sell debt.

some cases, the firm may opt to modify the terms of the mortgage, known as a workout, make improvements to the property, or foreclose.

Through a large proportion of the sellers have been British and Irish banks eager to rid themselves of mortgages outside their home turf, Ms. Ricks and other investors say banks in other countries will inevitably become more active. She said her company was opening an office in Madrid to develop relationships with Spanish banks. "Spain is our next target," Ms. Ricks said.

Like their American counterparts, European banks have often extended loan terms in the hope that values will improve, a process that is known as "extend and pretend." In addition, the European Central Bank helped ease some of the pressure on banks by pumping money into them.

Consequently, banks have been slower than expected to put their bad loans on the market and write down their losses. "We all sort of thought there would be a greater flow of deals," Ms. Ricks said.

But in Europe, at least, no one there

#### RECENT SALE

\$2.575 million

41-18 24th Street (between 41st Avenue and Queens Plaza North) Long Island City, Queens

A developer plans to build a residential condominium on property that includes the site of this 6,200-square-foot warehouse, which offers 34,000 buildable square feet.

BUYER: SMR Equities  
SELLER: Irwin Green  
BROKERS: John Gallina and Kyle Maltz, Greiner-Maltz

#### FOR SALE



FRANK R. CONNORS FOR THE NEW YORK TIMES

\$9.2 million

424 West 55th Street (between Ninth and 10th Avenues) Manhattan

This vacant three-story building, with 13,180 square feet, was home to Theater Four, where the play "Boys in the Band," which opened in 1968, was performed. The building includes a 3,000-square-foot performance space. The site, which offers 18,500 buildable square feet, is in the Special Clinton District, where zoning generally restricts building height to seven stories, or 66 feet.

OWNER: Sweet Holdings  
BROKERS: Lisa Lieberman, David Schechtman and Paul Nigro, Eastern Consolidated

#### RECENT LEASE

\$55/square foot

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