

Real Estate ALERT

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Merchants' Buying Manhattan Offices

A year after hiring a new leader for an expansion push, **Merchants'** National Properties has struck its first New York office deal, agreeing to buy two buildings for about \$48 million.

The fully leased properties, at 135 and 161 Bowery on the Lower East Side, are roughly the same size and total 50,000 square feet. The purchase price works out to \$960/sf and a capitalization rate of 5%. Two joint ventures that include Caspi Development of White Plains, N.Y., are the sellers. The off-market trade is being conducted without a broker.

The buildings are a block apart on the east side of the Bowery, between Delancey and Grand Streets. Caspi and RWN Real Estate of New York developed the eight-story building at 135 Bowery in 2017, outfitting it with pre-built suites designed to appeal to "creative" office tenants. The rent roll includes co-working firm Breather. Restaurant Tang Hot Pot occupies ground-floor retail space.

The seven-story building at 161 Bowery is owned by Caspi and Artemis Real Estate of Chevy Chase, Md. It was constructed in 1920 and renovated last year to feature the loft-style space popular with creative firms. Tenants include Ansatz Capital, Brainly and Kik Interactive.

New York-based **Merchants'** could look to boost rents as leases roll over. The surrounding neighborhood, once dominated by lighting and kitchen-supply retailers, has been gentrifying, which is pushing up rental rates for the limited office supply.

The company has been looking to expand its holdings in New York, Washington and Atlanta since hiring Craig Deitelzweig last year as chief executive and president. Its first acquisition since the hire was an 11,500-sf retail condo at 124 Hudson Street in Manhattan. It paid \$15.2 million in that yearend deal.

Including subsidiary Marx Realty, **Merchants'** owns some 4.3 million sf of office, retail and residential space nationwide and has five mixed-use projects under development.