

# The **RPG** Newsletter

*News and Insight on New York City's Office Condominium Market*



## Hidrock Properties Finds Success in Selling Office Condos During Leasing Lull

The effects of the pandemic on the commercial office market has reinvigorated interest in converting buildings from the traditional leasing model to selling office condominiums. Hidrock Properties, an active New York City-based real estate investment firm, is one such company that has successfully converted its property in Herald Square to office condos available for sale.

Due to COVID-19, a flood of available office space came onto the market. The New York City leasing

market reeled as tenants rushed to downsize, cancel their leases or sublet their existing office space. At one point, the New York City office vacancy rate hit a 30-year high of 25%. During the same period, the office condo market has fared much better than the leasing market due to a host of reasons, including limited supply, price corrections, recession-resistant buyers and aggressive financing. By converting its building to office condominiums, Hidrock found success in sales during COVID-19. Had they continued leasing, they'd likely still be sitting on empty space looking for tenants.

Hidrock started the process of converting of 35 West 36th Street in January 2020. Their office condominium offering plan quickly received Attorney General approval and the company engaged Rudder Property Group (RPG) as the exclusive sales agents of the 12-story, 24-unit, 80,000-square-foot building.

In the first two months on the market, RPG began issuing contracts at \$850-\$925 per square foot. With the uncertainty of the pandemic, momentum cooled—but not for long. In the summer of 2020, interest in the units increased following a price reduction on select units, and RPG once again signed several contracts between \$625-\$700 per square foot. Fast forward to now, and prices are currently hovering around \$775 per square foot,—prices are now expected to rise to \$800 per square foot by the end of 2021.

To date, RPG has either sold (or put under contract) 10 units totaling \$25 million in sales. These sales will nearly pay off Hidrock's \$30 million mortgage. The remaining 14 units in the building will be sold at a pure profit to Hidrock.

35 West 36th Street is a textbook example of the demand for small and mid-sized office condominium units in Midtown. After the market bottomed out last spring,

buyers are back—and they're back with a vengeance. From jewelers and doctors to apparel companies and foreign governments, these largely recession-proof buyers are taking advantage of the current market. Historically low interest rates and low inventory, coupled with loans of up to 90% of the value, make purchasing an office condo a more favorable financial decision than signing a long-term lease.

Hidrock redeveloped the building into first-class office spaces complete with unique qualities and finishes that surpass market standards. This building, once again, sends a declarative signal that the project is—and will continue to be—a success.

For more information on available units at 35 West 36th Street, visit [35w36.com](http://35w36.com).

## Q&A: 35 West 36th Street is a Perfect Fit for Apparel USA

For our Q&A this month, Rudder Property Group interviewed Sanjay Israni of Apparel USA, one of the buyers at 35 West 36th Street. Apparel USA, a subsidiary of R.K. Industries, purchased Unit 6W, a 3,261-square-foot office condominium for \$2,299,005 (\$705 per square foot).

### **Please tell us about yourself and your company**

Apparel USA is an apparel design and trading company with manufacturing facilities in India and North Carolina. We are a part of R.K. Industries, which was established in 1973. Each month, we produce about 350,000 garments including formal shirts, blouses, kids wear, pants and scarves for many of America's most well-known retailers, including J.Crew, Calvin Klein, Polo by Ralph Lauren, Tommy Hilfiger, Abercrombie & Fitch and Orvis. R.K. Industries employs about 3,000 people worldwide.

### **How long have you been renting in NYC?**

Prior to purchasing our office condominium, we had been renting in New York for about nine years. During this time, we invested a great deal of money into leasing our office space. With the downturn, and knowing we wanted to remain in New York long-term, we were looking to find ways to maximize the money we were spending each month.



RK Industry's office condominium unit at 35 West 36th Street



### Why did you decide to purchase your space rather than continue renting?

There were a few reasons why purchasing an office condominium was better suited for our business. One, office ownership is far more prevalent in India, where our board is located, than it is in the United States. Additionally, with property prices much lower than in years past, and the ability to get financing at a low cost, now was an ideal time to buy. We're confident in our decision that this is an excellent investment opportunity, all while giving us better control over our occupancy costs.

### How did you find out about 35 W 36th Street and what attracted you to the building?

With this building being new to the market, we had read We had read about the building coming to market in an article and then did some additional research online. We were attracted to the central location in the thriving Herald Square submarket. We also liked the unique qualities, finishes and the clean floor plan of the building.

### What are your plans for the space?

We often have buyers come into our office, which is why it's important that we maintain a modern workspace. We plan to build a showroom for our clients to see our latest apparel collections and create office space for our employees.

### What is your long-term outlook for the NYC office market?

Manhattan is the financial capital of the world. It will bounce back—and we're already starting to see it bounce back. We see long-term growth and opportunity in New York, which is why we elected to buy our office space. With the current slowdown in commercial office space and a huge opportunity to build equity, it's a great time to buy.

### What advice do you have for companies considering purchasing their space?

Office condominiums are a small segment of the Manhattan office market, so many people do not explore the possibilities. We would recommend comparing the costs of owning vs. buying, particularly if you're in an industry with high infrastructure costs or you plan to stay put long-term. With the recent corrections in pricing, it makes sense to buy and invest your money instead of renting and being subjected to fluctuating occupancy costs.



## RUDDER PROPERTY GROUP

Rudder Property Group is a commercial real estate services firm that specializes exclusively in the sale of office condominiums in the New York metropolitan area. With 20 years of experience in this niche market, the principals of Rudder Property Group have sold over two million square feet of office condominiums with a dollar value in excess of \$1 billion. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

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## RPG Featured Office Condominium Availabilities



### 35 W 36TH ST

Availabilities from  
3,300 RSF to 6,600 RSF



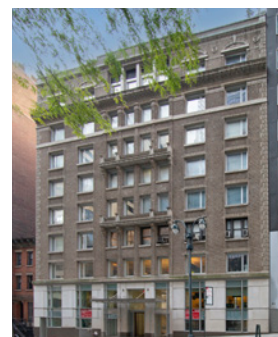
### 134 W 29TH ST

Entire 4th Floor  
11,065 RSF



### 25 W 31ST ST

Entire 12th Floor  
5,930 RSF



### 110 E 40TH ST

Partial 3rd Floor  
6,033 RSF



### 88 GREENWICH ST

Commercial Unit  
43,564 RSF



### 438 W 37TH ST

Entire 2nd & 3rd Floors  
14,384 RSF - 28,768 RSF



### 545 W 45TH ST

Entire 8th & 9th Floors  
11,252 RSF – 22,504 RSF



### 137 W 25TH ST

Entire 4th Floor  
7,690 RSF



### 236 W 26TH ST

Partial 4th Floor  
7,250 RSF



### 10 W 46TH ST

Entire 11th Floor  
4,658 RSF



### 820 SECOND AVE

Partial 6th Floor  
3,146 RSF



### 36 W 44TH ST

Partial 6th Floor  
2,300 RSF