

# The **RPG** Newsletter

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



## PURCHASER'S CASE STUDY

Quinn Fable Advertising, Inc. purchased the entire 9th floor of 131 West 35th Street in July 2016.

131 West 35th Street is a 12-story, 91,000 RSF office cooperative located in the Penn Plaza submarket between Broadway and Seventh Avenue.

The following are excerpts from an interview with Kathy Fable, CEO and President of Quinn Fable Advertising, Inc.

### ABOUT THE PURCHASER, QUINN FABLE ADVERTISING, INC.

Quinn Fable is a NYC-based marketing agency that works with Fortune 500 companies - providing creative solutions to solve business challenges, brand development and marketing technology applications.

Clients include AT&T, Microsoft, MasterCard, Kraft Heinz, Mercedes-Benz and other consumer products and services, as well as some digital application start-ups.

The agency was founded by Kathy Fable over 25 years ago, after working as an Art Director for some of NYC's biggest and best agencies. While climbing the ranks within the agency world, a number of clients/vendors had independent assignments, which quickly became more fast-paced, exciting and profitable, establishing Quinn Fable as a creative boutique with unique data capabilities.

### THE HISTORY OF QUINN FABLE'S OFFICE SPACE

During the first decade, Quinn Fable rented office space in Midtown. As expansion of the agency continued, and leasing became more challenging in the Fisk Building, the idea of buying an office space was first suggested by an attorney of the agency, who knew of a building for sale on 55th Street and Sixth Avenue. The first



building pursued was a beautiful brownstone owned by an Italian fashion designer. However, during the due diligence process, it was revealed that the designer was in Italian bankruptcy court, so that deal fell through. The next five deals were each quite unique, with everything from a twin brownstone on 26th Street and Broadway that was built by John Astor, to a Midtown building totally gutted, but would require two years to prepare for occupancy (which was too long a wait and too tall a task). It seemed that there was a large selection of inventory, but a number of challenges that presented road blocks.

## QUINN FABLE'S TOWNHOUSE OWNERSHIP EXPERIENCE

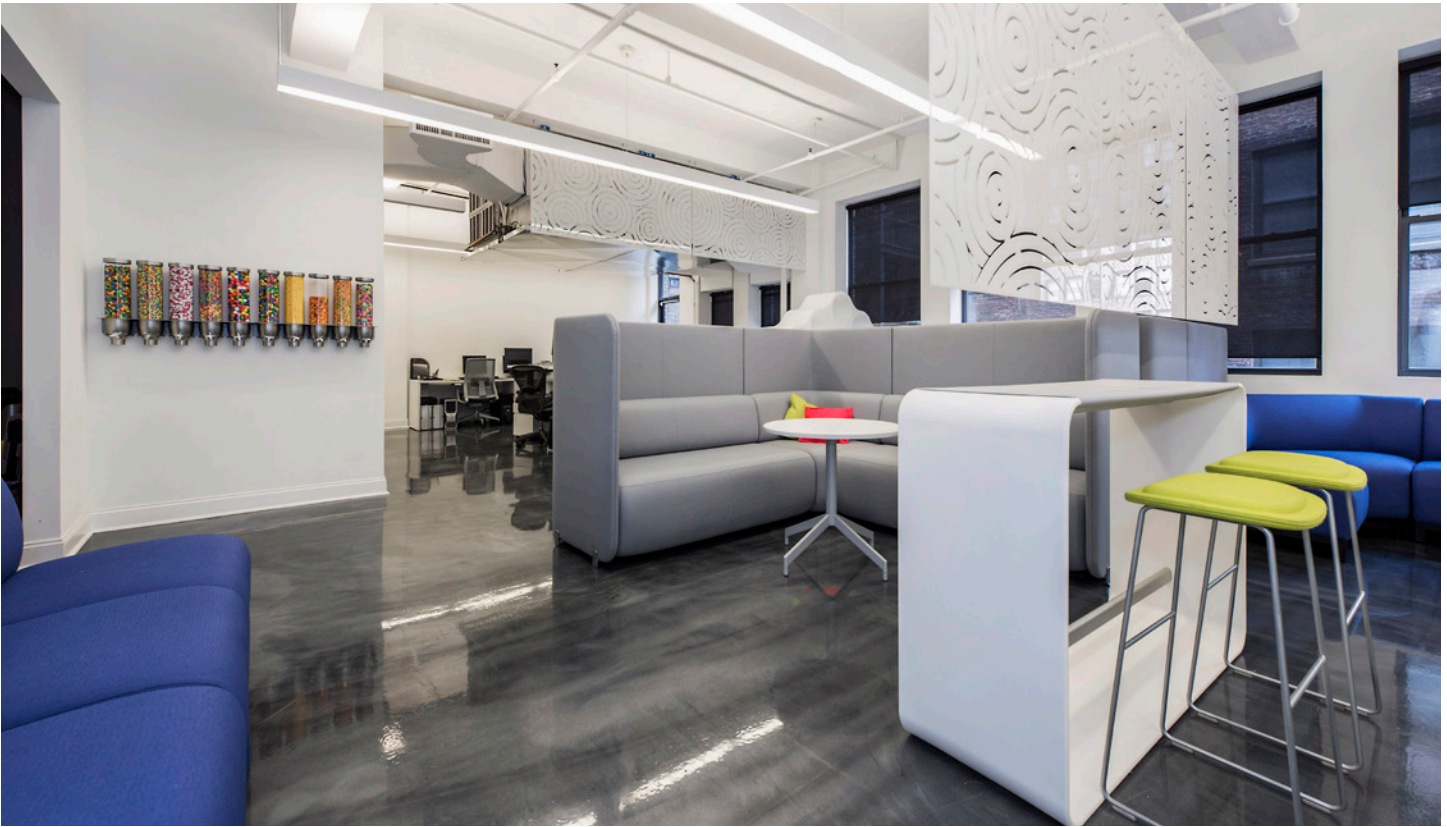
After almost a year of contracts and disappointments, a pristine brownstone on 55th Street and Park Avenue came back on the market, once the previous buyer defaulted. The owner was anxious to sell, and while it wasn't the ideal location or the perfect floorplan, the deal went through with a 30-day closing. Finally the search was over. For the next decade and a half, this

beautiful five-story building was headquarters for Quinn Fable. Buying a townhouse for our business was one of the best business decisions.

During the first decade, there was a constant need for more space, and/or reconfigured work/data storage. After 9/11, we lost all of our co-location support in Tower One, so we knew we needed to have various support locations in alternate cities. As the agency continued to expand, virtual work options, a West Coast office, co-location sites for data storage and alternative sharing became the norm. We were friendly with our neighbors, and if we needed an extra conference room, they'd always help us out.

## THE SALE OF QUINN FABLE'S TOWNHOUSE

As Park Avenue and 55th Street began to change, the owners of the adjacent brownstones wanted to sell, particularly since there was a major development site planned for an office building that occupied all of Park Avenue between 55th and 56th Streets. While



not interested at first, by 2015 we agreed to entertain joining our neighbors, forming a development site with the union of the four contiguous brownstones. While there were a number of buyers/offers, the one that was ultimately selected to go to contract turned out to be a bad choice, as ultimately, they defaulted.

The entire experience was so distasteful that we really lost interest in pursuing the sale with our neighbors and focused on other options. However, within the year, the major construction began, and the adjacent neighbors were relentless in exploring offers, until ultimately, an attractive buyer came along. That in combination with the multi-year major construction (and associated hazards) made the timing of the sale much more attractive.

## THE ACQUISITION OF 131 WEST 35TH STREET

With many staff members commuting into Manhattan via Penn Station, we wanted to be on the West side, eliminating a two-fare commute. But with Hudson Yards

development under way, there was very little inventory. The Herald Square location had improved quite a bit since the last time we were looking for office locations, so 131 West 35th Street became a serious consideration. Ultimately, there were a number of issues with some of the other buildings, so we decided that 131 West 35th Street would provide an entire sunny floor, giving us great privacy in a larger building, right near major transportation hubs. The high ceilings and open space, combined with a much higher level of peace and quiet became very attractive (after being on 55th Street, one of the noisiest blocks in all of Manhattan).

## THE PURCHASE PROCESS

The process of finding the space was more difficult than actually completing the purchase process. There were a number of brokers in the city that simply wanted to “make a deal” on office locations that didn’t even have a proper Certificate of Occupancy. As we came across some of the facts associated with certain locations, it became apparent that we had wasted time looking at buildings/spaces that were totally unsuitable for a

business and/or a legitimate company. We found that the reps from Rudder Property Group really were the only ones who had access to true commercial spaces that were for sale. Once we connected with Michael Rudder, and he understood what we were looking to buy, we had a number of options under consideration.

## THE CLOSING PROCESS

The closing process was a bit more complicated, as the space was a co-op (rather than a condo). Rudder Property Group helped guide us through the process, gathering and preparing the right content to share with the Board at 131 West 35th Street. Their assistance was great, as they had a formatted document that organized what was necessary. All that we needed to do was populate the sections with specific information. It was straightforward and easy. We were fairly well-versed in the due diligence process, so we knew many vendors and had a checklist of 'must-do' items.

## THE CONSTRUCTION PROCESS

As far as construction, we again had a few trusted vendors that were relied upon to complete our build-out in record time. Rudder Property Group was helpful in making the space available before the closing, so we could obtain estimates, proposals and inspections without losing any time. We didn't require any financing, yet had certain timeline requirements for a 1031 Exchange. Rudder Property Group was helpful in identifying additional properties, had there been any issues with our primary offer.

## OWNERSHIP ISSUES

It doesn't matter how thorough or prepared you may be, there will always be issues. For instance, while we had all of our mechanical equipment thoroughly inspected, we began to have AC-unit issues within the first few months, which were totally counter to the results of our pre-purchase inspection(s). There were also a number of issues with the building itself (roof leaks, exterior compliance issues, etc.), some of which were not revealed until a few months after our closing. In the end, it's the surprise expenses that were not anticipated, even though we had felt that we conducted a thorough due diligence period.

## OFFICE PURCHASING ADVICE

Make sure you're working with a brokerage firm that knows the commercial condo/co-op market in NYC. While everyone professes to be an expert, there are few that truly have an inside track.

Make sure you have an attorney who knows NYC real estate and who has the resources to define and resolve the issues. For instance, our attorneys identified zoning issues when the one NYC brokerage group assured us that the lack of a proper C of O was "not an issue, since the building hadn't had one since it was built". With the proper resources, we learned exactly how BIG an issue it could develop into, and that understanding caused us to walk away. If you can afford to buy your office space, it's the BEST investment you could ever make...so go for it!

View the photo gallery at: [www.rudderpg.com/qf](http://www.rudderpg.com/qf)

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## RUDDER PROPERTY GROUP

Rudder Property Group is the New York metropolitan area's premier office condominium sales firm. With over a decade of experience in this niche market, the principals of Rudder Property Group have sold over 1,000,000 square feet of office condominiums with a dollar value in excess of \$500 million. In the small, highly specialized field of office condominium sales, Rudder Property Group is the market leader.

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