

Extreme value loss in US office high-rises

– 500 million dollar high-rise sells for 100,000 dollars

There are several recent reports chronicling the forced auction of American office high-rises that were sold at a fraction of the property value. The latest example concerns a well-located, 40-story high-rise in New York. The building at 1330 Avenue of the Americas, only a few meters from Rockefeller Center and Central park, registered a property value of ca. 500 million dollars 3 years ago. It has now been sold for just 100,000 USD.

Similarly, Boston's highest skyscraper, the John Hancock tower, was recently auctioned for only 20 million dollars. During this month, another auction will take place involving the 35-story Equitable Building in the center of Atlanta because the owner is debt-ridden with more than 50 million dollars outstanding.

Credit losses are the reason for these featherweight prices. In the middle of the heaviest real estate crisis for decades, an increasing amount of poor real estate credit in the USA is indicated, where non-payment risks amount to a value of many billions of dollars. Throughout the entire country, auctions have become the order of the day, and real estate is being obtained for low prices despite quality location.

The auction of the Hancock Tower in Boston and the high-rise 1330 Avenue of the Americas in Manhattan are in our eyes only the precursors to an entire series of further forced auctions. Many of the high-rises that will come under the hammer were acquired during the booms three to five years earlier where they reached their maximum value. About half of all the buildings' values - and sometimes dramatically higher as seen in the current examples - will be forfeited at auction.

For us at König Pyne & Cie., we view the forced auction of high net worth buildings as the worst of solutions to the credit crunch, for all parties. We see the real estate, despite the current crisis, as a good that is, above all, a long-term investment. Through our decades of experience, it is possible for us to offer our investors advising to navigate through this difficult storm of real estate decisions. We analyze the situation and the possibilities with you for your real estate - from financing and management to well-planned disposition. Our goal is to consider the power of the real estate property to improve and to promote the highest durability and yield for our investors.