

L&L Holding Recapitalizes 150 Fifth Avenue

Firm continues to yield large appreciation in fourth recap deal

By: Daniel Geiger

L&L Holding Company has completed a recapitalization of 150 Fifth Avenue, a 200,000 square foot building that it had owned in partnership with the German syndicator GENO. In the deal, GENO sold its majority position in the building to the State of Florida Pension Fund in a sale that valued the property at about \$155 million, significantly above the \$100 million that the building was worth when the German fund purchased its stake in 2005.

The recapitalization is the fourth time L&L has exchanged partners on the deal and cashed in on the building's steady appreciation. L&L, a real estate investment and management firm whose holdings include 200 Fifth Avenue, Metropolitan Tower and 600 Third Avenue, originally purchased 150 Fifth Avenue with the investment fund Carlisle. L&L has taken a long-term investment approach to many of the buildings it has purchased, whereas on a number of occasions the institutional investors it partners with on acquisitions have cashed out for quick gains.

L&L Holding, a firm named after and run by Robert Lapidus and David Levinson, has had no trouble finding other investors to partner with. Lapidus said that his company has completed 14 recapitalizations since he and Levinson started the firm.

The company usually takes the role of operator, leasing and improving buildings to generate higher returns and boost the value of their assets while their partners typically take a less active role managing the buildings but put up the bulk of the cash for acquisitions.

Given the company's numerous successes, it has developed a strong reputation among institutional money holders, including the massive investment fund GE Asset Management, with whom it purchased 600 Third Avenue.

"The State of Florida is absolutely one of the top pension funds in the country and to get to partner with them is an incredible opportunity," Lapidus said. "We look forward to hopefully doing more deals with them."

Lapidus said that the State of Florida's purchase translates into a 5.6% cap rate, a higher rate of return than the sub 5% cap rates that became common during the recent commercial real estate boom. The higher cap rate means that the pension fund paid a price that likely would have been higher a few months before the summer's debt crisis set in. But because GENO had purchased its stake in the building at a time when the city's commercial real estate market was still poised for significant appreciation, it was able to yield large returns.

"We've distributed \$800 million to our financial partners since we've started," Lapidus said.

L&L Holding of course bought the property when it was worth just a fraction of what it is today. Even though it usually takes a minority stake in properties, L&L has reaped sizeable returns because it has typically held assets long enough to ride out long stretches of the city's streak of record appreciation and also cash in on the improvements it has made.