



Acquisition Date:	January 2007
Purchase Price:	\$122 million
Occupancy Rate:	88%
Year Built:	1952
Total Sq Ft:	915,000
Price per Sq Ft:	\$133
Cap Rate:	7.28%

Property

1407 Broadway is a 42-story, office tower in midtown Manhattan. The architect of the building is Kahn and Jacobs, and the building is considered one of Ely Jacques Kahn's great works. The New York Times referred to the building as "dashing inventive" where "strip windows punctuate the intelligent, angular structure, and the green brick and rich red window framing make it an oasis in the desert of early postwar architecture..."

Location

The building fronts on Broadway, 39th Street and Seventh Avenue in midtown Manhattan. The area has been the beneficiary of continuing southward expansion of the Times Square office market, resulting in the conversion of many garment district buildings. It is within walking distance of Penn Station, the Port Authority bus terminal, Grand Central Station and at least five subway stations. The building across the street (1412 Broadway) sold recently for \$444 per square foot.

In order to accommodate the fund's cash available for investment and diversification objectives, the building was purchased in joint venture between David Lichtenstein and Lightstone Value Plus Real Estate Investment Trust.



The Opportunity

Among the factors that helped us buy at the price we paid:

- The building is 88% leased to over 300 tenants, all with leases that restrict use to ladies apparel. Average lease terms are three to five years. Costs necessary to re-position the building (including lobby renovation, elevator modernization and window replacement) will total \$24.3 million.
- 1407 Broadway and the ground under it have different owners. The land under 1407 is controlled by Abraham Kamber Company (“AK”). So we now own the building and are leasing the ground from AK on a lease that expires at the end of 2048.

Separate ownership of a building and the ground under it is common in New York, with the Empire State Building just one example. But relations between AK and the former building owner were strained. Litigation between them precluded potential buyers of the building from obtaining a

conventional mortgage. This shut out some number of prospective bidders and was significant in enabling Lightstone to buy at the price we paid.

Lightstone's Value Approach

Financing for the purchase came from Lehman Brothers, who provided a \$106 million participating loan for the acquisition, plus \$21 million of funding for improvements. Redevelopment work, which is already underway, will allow Lightstone to transition the property from a garment center facility to a mainstream, midtown office building.