



The Carlton Group sells 600 Community Drive for \$65 million

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600 Community Dr. has been sold by a partnership led by Carlton Group chairman Howard Michaels. This 252,000 property was sold to North Shore LIJ for an effective purchase price of \$65 million or \$260 per s/f.

An industry spokesman indicated that this was a "win win" for both the owners of 600 Community Dr. who made a substantial profit, and North Shore LIJ who was able to use its good credit rating and formidable balance sheet to transact a credit lease financing allowing it to make a significant profit the day it closed on the building. North Shore LIJ had been a sub-tenant at the building for the last eight years, as 600 Community Dr. is walking distance from the North Shore - LIJ Hospital campus.

During its sub-tenancy, North Shore LIJ played possum showing no interest in buying or leasing space in the building. However, it was not until the building's master lease held by United Business Media (UBM) was set to expire on October 31st of 2014, that in months leading up to that expiration, North Shore LIJ finally expressed interest in buying the building. Although it was only after the 600 partnership, led by Michaels, had totally repositioned the asset, prompting North Shore LIJ to step up and make a deal to acquire the building.

Michaels also owns The Carlton Group, one of the country's top boutique real estate investment banks specializing in raising large amounts of equity and debt for large commercial real estate transactions.

Over the last few years Michaels and his firm have been moving more into the principal business acquiring, managing and growing a portfolio which currently includes over 3 million s/f of assets including the largest private dorm at the University of Texas at Austin, over 1,000 apartments in Columbus, Ohio, a major office building leased by Tyco in New Jersey as well as equity interests in well over \$1 billion of prime Manhattan real estate. Carlton's principal business arm, Carlton Strategic Ventures (CSV), is also in contract to acquire a large shopping center in New Jersey and has other imminent acquisitions in the pipeline.

Faced with the imminent UBM lease expiration, Michaels and his principal transaction team jumped into action by petitioning the Village of North Hills ultimately achieving zoning approval to lease 80,000 s/f of the building for medical office use. This was a huge victory for the 600 partnership as medical office rents proximate to North Shore LIJ Hospital are significantly higher than typical office rents. Michaels also engaged a local architect who developed a renovation plan for the building which included interior improvements and a new façade entrance which was approved by the Architectural Review Board in September. Michaels was also able to renew two key leases in the building (one of which was for North Shore LIJ) earlier this year. Michaels then hired Richard Travaglini, a leasing specialist who had worked for the last ten years at Mack Cali. Travaglini, working with Michaels and others on the CSV asset management team, had developed a solid

pipeline of new tenant activity which would have allowed the partnership to operate the building as a successful multi-tenanted building.

Based on the developments at the building, North Shore LIJ realized they had to make their move or else the building would forever become a multi-tenanted building.

From a real estate prospective, this sales price is one of the highest ever paid for a Long Island office building but given its proximity to the North Shore LIJ campus it was obviously an asset which North Shore LIJ could not let pass.

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