

# For what it's worth in New York

*In the real world, big parcels and premier properties prove tough to value*



The West Side rail yards, left, were appraised at \$1.3 billion. Peter Cooper Village and Stuyvesant Town, right, may sell for \$5 billion, despite difficulties in appraising them.

By LAUREN ELKIES

It took about three minutes for appraiser Jonathan Miller to put a \$528 billion price tag on Central Park.

Miller, the president of Manhattan appraisal firm Miller Samuel, estimated the real estate value of the city's most famous park for *New York magazine* last year, coming up with the startlingly precise figure of \$528,783,552,000.

The fanciful appraisal was made using the following math: Central Park is comprised of 843 acres, the equivalent of 36,721,080 square feet. Subtract 3,672,108 square feet for infrastructures such as roads, bridges and sidewalks. Figuring a maximum floor area ratio of 10, the 33,048,972 square-foot net footprint would translate into 330,489,720 buildable FAR. Employing the \$700 per FAR figure used for the 15 Central Park West site, slash the num-

ber down to \$400 per FAR because of loss of views and the loss of a Central Park West address. A developer would pay about \$132 billion for the site; so, four times the developer's cost would equal the \$528 billion estimate.

Real appraisals can be just as simple, in some cases. With mammoth New York properties now on the block, the determination of a property's value can mean a difference of billions of dollars.

The Metropolitan Life Insurance Company, owner of the middle-class enclaves Peter Cooper Village and Stuyvesant Town, put the two complexes on the block, seeking bids by Oct. 5. The 11,230-apartment, 110-building complexes, which span 10 East Side blocks, could fetch between \$4 billion to \$5 billion - a national record. CB Richard Ellis is marketing the properties.

Brian Corcoran, global head of valuation

services at Cushman & Wakefield, said the complexes are easy to appraise because they are existing improved properties with tenants and established income streams. Surrounding properties can be used for meaningful comparisons.

A source familiar with the properties said their cash flow doesn't justify a \$5 billion price tag, and opined that investors willing to pay that much would likely come from outside the New York market. Potential buyers of the apartment complexes include the Lefrak Organization, the Related Companies, Starwood Capital Group and ING Clarion.

As the Metropolitan Transportation Authority learned this year, some appraisals can be a real headache. The agency got a lesson earlier this year when it tried to value the 26-acre West Side rail yards.

The city bid \$500 million for property

off 11th Avenue between 30th and 33rd streets this summer. Last month, the MTA received an appraisal from Jerome Haims Realty that estimated the rezoned price at \$1.3 billion, nearly triple the city's offer.

The city offer got savaged by New York Attorney General and Democratic gubernatorial candidate Eliot Spitzer, who called it "grossly under market value" in an interview with the *New York Times*. Even if the authority subtracted the \$400 million cost for a platform over the rail yard to facilitate development, the appraised value still approaches twice the amount the city offered.

(At press time, the MTA board voted to sell the land to private developers. The city will instead control development rights for half of the yards at a price of \$200 million.)

The rail yards "are much more difficult to appraise," Corcoran said. "They are subjective because they are massive parcels of land that require numerous assumptions about what would be developed."

The rail yards appraisal depends on the zoning changes and how soon the No. 7 subway extension occurs, said Robert Von Ancken, executive managing director at Grubb & Ellis. Von Ancken said that the 80-acre property is tricky to assess because it has "a lot of moving parts."

Unlike Corcoran, Von Ancken does not think appraising Peter Cooper Village and Stuyvesant Town would be easy.

The main difficulty, he said, is calculating the projected income. "You're dealing with rent-stabilized apartments and free-market apartments," Von Ancken said. **TRD**