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Alchemy-ABR, Cain Land \$250M in Debt on Billionaire's Row Office Project

The loan is part of a \$330 million capitalization that will see a new spec office property rise at 125 West 57th Street in Midtown Manhattan

By **Mack Burke**
Impressions: **104,991**



If you need any sign that confidence in New York's future is on the up, look no further than the \$330 million capitalization of a planned spec office development at **125 West 57th Street** in Midtown Manhattan that just recently closed.

A joint venture partnership between **Alchemy-ABR Investment Partners** and **Cain International** secured \$250 million in debt as part of a [\\$330 million capitalization](#) that will see the existing structure at 125 West 57th demolished and replaced with a 26-story, roughly 260,000-square-foot spec office tower. The senior mortgage closed on June 15.

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“Our commitment to this project reflects our view on the long-term recovery of New York City,” said **Eric Poretsky**, Senior Managing Director and Head of U.S. Equity at Cain International. “We are delivering a very unique project that will attract tenants seeking best-in-class space that will be differentiated from anything else offered in the market —there’s no other development quite like it.”

Ackman-Ziff Real Estate Group had pieced together the joint venture equity partnership about four years ago, bringing in Cain International, who ultimately supplied the bulk of the roughly \$80 million in equity in this deal, according to the firm’s President and co-founder **Simon Ziff**, who lauded Cain for sticking it out through various hurdles created by the pandemic.

“Most equity investors don’t have that patience,” Ziff said, adding that Cain also provided some predevelopment funds. Ackman-Ziff Principals **Marc Warren** and **Adam Steinberg**, along with Ziff, spearheaded the equity arrangement.

The joint venture development group had a senior construction lender lined up in late March 2020 and was ready to hit the ground running with the development before that lender abruptly pulled out due to COVID-19, according to recent commentary from Alchemy-ABR Managing Partner **Brian Ray** that was reported by the *New York Post*.

It was an affiliate of Cain International, **Security Benefit Life Insurance Co.**, that came through at this stage to provide the senior construction debt to get the \$330 million project underway. The broader deal included Alchemy-ABR and Cain purchasing all but the base of the building from **Calvary Baptist Church** for \$120 million. The joint venture is now set to move forward with the development, which was designed by **FXCollaborative** and will include about 185,000 square feet of attractive office space.

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JLL Capital Markets' Max Herzog, Evan Pariser and Marko Kazanjian advised the partnership on the debt financing and market conditions. The Cain International team bought in Security Benefit Life Insurance to provide the loan, which — based on the amount provided — was made at a roughly 71 percent loan-to-cost.

Security Benefit Life tackled the whole loan, but it's unclear whether the company will sell off a piece of it.

Life companies were attracted to the asset due the business plan and the how and where the office will be positioned once it's completed.

"Once it's built it's going to be a core asset, and life companies like to be in A-plus, core assets," he said.

Calvary Baptist Church had once wholly owned the building, as well as the neighboring **Salisbury Hotel at 123 West 57th Street**, and has occupied the property for its ministry since the late 1800s. Calvary will retain ownership of, and occupy, the current space at the base of the property, which is in line to be redesigned, expanded and modernized as part of the redevelopment.

Alchemy-ABR and Cain had ironed out plans with the church for the building a few years ago, prior to the onset of the pandemic. Alchemy-ABR principal **Ken Horn** told the *New York Post* that they were able to quickly get on board with the development, due to their history working with other religious institutions. FXCollaborative had introduced the church to Alchemy-ABR a number of years ago, while Calvary was exploring ways in which to approach much-needed renovations to its facilities.

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Above the church, Alchemy-ABR and Cain are planning to build out large floor plates, averaging 10,000 square feet, with ceiling heights that will reach 14 feet. One full floor will house amenities, including a lounge, meeting spaces, a board room and about 4,000 square feet of outdoor common area. Some floors will also sport private terraces and, given the location, more than 90 percent of the office space will provide for north-facing views of Central Park.

Demolition work on the project is expected to get going in the fall and they'll start going vertical by early 2022, with an expectation that the developers will have it wrapped up in 2024, according to release detailing the deal.

"What speaks volumes is that the seller (the church) and the sponsors all stuck together to get the deal done despite the challenging times," Herzog said. "It's an amazing site; the location is great; the basis is really good; and the product they're going to produce is really unique."

"If there's an office deal that's going to do well next cycle I believe it's going to be this one," he added.

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