Real Estate Finance & Investment
The weekly issue from Real Estate Finance Intelligence
www.realestatefinanceintelligence.com

February 4, 2013

Madison International Foresees Steady Investment Pace

Madison International Realty, a New York-based investment company that focuses on acquiring partial interests and capital partner substitutions, is expecting a steady stream of opportunities in 2013.


Ronald Dickerman

In today's market, valuations seem to have recovered but rental rates have not yet reached the high watermark of 2006 and 2007 due to a stagnating economy, according to **Ronald Dickerman**, president. Before the crash, rents for core office properties were hitting highs of $90 per square foot. "Now they're $60 per square foot, so investors are waiting two or more years to sell," he added. Still, there are situations where a capital partner needs to opt out of a deal, which is where Madison comes in.

The company sources deals via relationships with owners, landlords and sponsors. "What's fascinating is that [a large number of opportunities] happen when sales fail to occur. We represent an alternative asset strategy in those situations," Dickerman said, noting that Madison doesn't want to manage properties. "We are purely financial investors, and tend to work really well with sponsors who actively manage real estate because we're not in conflict with them," he added.

The stalled sale of **Beacon Capital Partners**' 1211 Avenue of the Americas in Manhattan could represent a possibility for the company, as could the $1.5 billion sale of 11 Madison Avenue and the $1 billion sale of **George Comfort & Sons**' Worldwide Plaza. "Those are definite possibilities. It would seem logical that [a partial sale] would be the case, but we've had no specific conversations," Dickerman noted.

Europe's struggling market is increasingly a point of focus. The firm recently closed on a 56.95% stake in downtown Frankfurt's Trianon Office Tower from **Morgan Stanley**'s distressed open-ended fund. "[Europe] is a keen area of interest. It's not going to dwarf our activities in the U.S. but it is compelling right now," he said. By investing in properties that are leased long-term to investment-grade credit tenants, the company feels like it is in a good place to wait out a recovery. "Those properties have a 6-8% dividend yield, so it's the perfect solution to the credit crisis," he noted.

> "We are purely financial investors, and tend to work really well with sponsors who actively manage real estate because we're not in conflict with them."
>
> —Ronald Dickerman

Dickerman is aware that the present market conditions may not hold. If the economy improves, investors could shift back to seeking total ownership of buildings. "This is a very dynamic investment and sourcing environment. But the fact of the matter is, if the economy were to improve, it would increase liquidity," he acknowledged. "But the scenario we see [for the next few years] is a muddle-through as opposed to a dramatic recovery."