THE WALL STREET JOURNAL.

A8A THE WALL STREET JOURNAL TUESDAY, SEPTEMBER 8, 1992

Italian Investors Buy Properties In New York

By NEIL BARSKY
Staff Reporter of THE WALL STREET JOURNAL

Attracted by low prices and little competition, Italian investors are emerging as a quiet force in the New York real estate market.

Over the past year and a half, Italian companies have scooped up at least four New York residential and hotel properties, valued at about $100 million, and are negotiating to buy more.

The Italian investors are new on the scene because during real estate's heyday in the 1980s they could only sit and watch while Japanese and others drove up the price of trophy properties. Barred by inflated U.S. prices and tight currency restrictions, the Italians were non-factors in what may have been the greatest bull market in real estate history. It also helped them avoid the subsequent bear market, of course.

"There is a new breed of Italian investor," said Guido Pompilj, an Italian-born real estate broker who recently arranged for an Italian company to buy 53 Manhattan condominium units in a foreclosure auction for $6.5 million. "The lira is strong, the dollar is weak and it's easier for Italians to invest than before."

That is because, he said, three years ago the Italian government relaxed 20 years of currency restrictions that barred investors from purchasing real estate outside the country.

Other major recent purchases by Italian companies include two hotels, and a vacant condominium building.

With the sharp drop both in real estate values and the U.S. dollar, property experts have said for more than a year that it's only a matter of time before foreign dollars come pouring into the market.

But with the exception of the Italians, foreigners have not yet begun spending serious sums of money. Spanish and German investors have purchased properties in Washington, D.C., and New York, and there has been a lot of talk about French buyers coming into the market. Recently, for example, the Omni Georgetown Hotel was sold out of foreclosure to a Spanish company for $13.7 million, said Charles Bendit, a managing director with Jones Lang Wootton USA, a real estate consulting company.

He said many European institutions were putting together real estate funds to invest U.S. real estate, but so far none have made major purchases.

The largest recent purchase by a foreign company was the German media company Bertelsmann AG's purchase of a vacant midtown Manhattan office building for $119 million, or 47% of the $253 million mortgage held by a Citicorp-led group. Recently, an Italian hotel company purchased the Park 51 Hotel out of foreclosure for $39 million; the original mortgage of $55 million was held by Mitsubishi Trust.

"The foreigners are just getting ready to invest heavily in the U.S.," Mr. Bendit said. But so far, he said, the buying has been spotty.

Even among the Italians, most of the investors are private investors or hotel companies – not big institutions such as pension funds or insurance companies. "We have discussed with institutions the possibility of investing, but so far they're not ready," said George Pavia, an attorney whose firm specializes in representing foreign clients. Early last year, Mr. Pavia represented an Italian purchaser of the Madison Tower Hotel in Manhattan for what he described as "over $50 million." He said he is working on other transactions with Italian investors, as well.

While it is taking place on a much smaller scale than the Japanese entry in the real estate market last decade, the Italians' experience mirrors the Japanese in many ways. The Japanese wave was begun by private investors lured by a cheap dollar. Also, both the Japanese and Europeans find U.S. real estate cheap compared with their own turf.

"The U.S. has always shown extreme strength and they just need something now to bring them back," said Giovanni Campagnoli, the owner of Beni Internazionali USA, which purchased the 53 condominium apartments. And, like the Japanese, the Italians are launching their strategy in major cities they are most familiar with, such as New York. "New York is the most cosmopolitan city," Mr. Campagnoli said.