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Building Expectations

Joseph Chetrit, the Most Mysterious Big Shot in New York Real Estate

By Tom Acitelli 7/05 7:04pm

Joseph Chetrit, right.

One summer Friday in 1994, Ron Cohen, one of the top commercial brokers in New York City, picked up the phone in his office at the old Insignia/ESG, a precursor to today's mega-brokerage CB Richard Ellis. A man named Joseph Chetrit was cold-calling him about a 16-story office building at 19 West 44th Street that Mr. Cohen's client was selling.

"Sorry," Mr. Cohen said. "We don't work with people we don't know."

He hung up and went back to work.

Minutes later, three men walked into Mr. Cohen's office. They were Joseph Chetrit, his father Simon, and his brother Jacques.

"Well, now you know us," Joseph said matter-of-factly.

Within a few days, Mr. Cohen was in Connecticut, meeting with his client and helping broker what would become Mr. Chetrit's first commercial real estate deal in the United States: $13 million for the 231,928-square-foot building between Fifth and Sixth avenues. Mr. Cohen would go on to work with the Chetrits—Joseph, his three brothers and his father—on several more deals, here and in Philadelphia.

Like all those in the real estate industry interviewed for this story, Mr. Cohen, now with Jones Lang LaSalle, spoke of Mr. Chetrit in laudations, painting a portrait of a discreet and coolly shrewd negotiator: "He's a brilliant, brilliant person." Another source: "He is aggressive, but not abrasive." And another: "I wouldn't say he was a Type A personality. He had a presence—I wouldn't say it was a verbal presence." Finally, another: "Chetrit is not about being on the front page of the paper."

Instead, he is known to be part of that nebulous group of New York real estate moguls wary of the attention garnered by the likes of Douglas Durst and Bill Rudin. Mr. Chetrit has more in common with men like Lloyd Goldman, perhaps the city's biggest individual private landlord, who takes the subway to inspect his dozens of buildings, and Ruby Schron, who controls his estimated 15-million-square-foot empire from Brooklyn, with the help of several sons. They deal in the shadows, content to cultivate auras of savviness and even fear, emerging only reluctantly. Characteristically, Mr. Chetrit and members of his family, a Moroccan clan who made their initial money in textiles, did not respond to several interview requests.

But for a man who seems to so thoroughly eschew the spotlight, he continually scoops up very high-profile properties, including one of the most famous buildings in the world, the former Sears Tower. Most recently, he acquired one of New York's most notorious properties, the Chelsea Hotel, for $80 million in May.

While Mr. Chetrit and his family seem to have navigated the past three years relatively unscathed, the Chelsea deal casts the spotlight on a firm confronting a host of troubles just as the recession seems to be abating in New York. He currently faces special servicing (a pit stop toward foreclosure) on a large downtown office building, a hurried stake sale for his most prominent possession, and the effects of a discrimination lawsuit from a former employee that provides details of life inside the Chetrits' orbit.

JOSEPH CHETRIT EMERGED 20 years ago in New York, the brother sent to America to further a family's fortunes, first through apartment buildings in Brooklyn and Queens, and then through commercial property all over, ascending by the middle of the last decade to the peak of real estate in this country. He had a rocky start in the U.S. as an importer/exporter of textiles. In early 1990, he pleaded guilty to one felony count of violating customs laws and was sentenced to three years' probation. The wrist-slap may have turned his attention to something more substantial than fabric.

He began with outer-borough residential properties, spinning together a portfolio that sold for $70 million at the tail end of the early-'90s recession. With that money, he turned to commercial properties, starting with the West 44th Street tower in 1994.

Through that decade and into the next, as the commercial real estate market took off, Mr. Chetrit took his empire national from a 400,000-square-foot warehouse in Philly to Giannini Place in Los Angeles, the birthplace of what became Bank of America. Mr. Chetrit bought low, sold high and repeatedly made a killing.

During this run, he reportedly made hundreds of millions and had staggering amounts of cash at his disposal. One broker remembers Mr. Chetrit's proving his solvency to a potential seller by showing him his checking account balance: $100 million. He also reportedly used financing from Wachovia—but, mostly, it was his family's wealth and that of his partners.

In 2004, the family name was planted atop the summit of North American real estate. With a down payment of $30 million, Mr. Chetrit led the $840 million purchase of the 110-story Sears Tower in Chicago with partners that included Lloyd Goldman, Joseph Moinian and Jeffrey Feil, a New York landlord. (Mr. Feil declined to comment for this story; Mr. Goldman could not be reached; and, through a spokesman, Mr. Moinian offered a typically positive statement regarding his partner. The ownership group would change the tower's name in early 2009, after the British insurance brokerage Willis signed a major lease.)

The deal gave Mr. Chetrit his first taste of major press, but he doesn't appear to have found it particularly sweet: Of all the reams run on the Sears Tower trade, none appear to contain an interview, or even a comment by phone, from the elusive Mr. Chetrit. The Observer did eventually learn that he was born in Morocco in the 1960s; he speaks four languages—Arabic, Hebrew, French and English; he is married to Nancy Chetrit, and they have four children; he practices Orthodox Judaism (his former rabbi described Mr. Chetrit as "an extremely generous and warm person"); and he recently moved from a mansion in Engelwood, N.J., to the city. But his life revolves primarily around the deals.

By the peak of the real estate boom in 2007, Mr. Chetrit's sprees were titanic even by the frothy standards of the age. In New York City alone that year, according to an analysis by The Real Deal, he bought the old Standard Oil Building at 26 Broadway for $225 million; a row of mixed-use buildings at 855-871 Sixth Avenue for $140 million; a former nursing home at 1760 Third Avenue for $80 million; the N.Y.U. buildings at 90 and 100 Trinity Place for $64 million; the 21-story office building at 989 Sixth Avenue for $49 million; the office building at 240 West 37th Street; six contiguous townhouses at 110-120 East 76th Street; and three properties on Metropolitan Avenue in Williamsburg. He also sold the old home of the Daily News, the so-called Death Star at 450 West 33rd Street, for $700 million; and the old International Toy Center at 200 Fifth Avenue and 1107 Broadway, for over $700 million.

All totaled, he made nearly $2 billion in trades. The momentum seemed unstoppable.

THE 15-STORY 200 FIFTH Avenue and its neighbor via skywalk, the 16-story 1107 Broadway, were for most of the 20th century the nexus of the American toy industry. Hasbro and Mattel had offices there, and the building's annual Toy Fair drew hundreds of hawkers. Mr. Chetrit ended all that. In early 2005, his group bought the buildings for $355 million. Given the location across from Madison Square Park and the fact that Manhattan apartments had the year before, for the first time ever, begun selling for an average of $1,000 a square foot, he planned a condo conversion at 200 Fifth.

First, the toy tenants would have to go—though not without a fight. Dozens sued Mr. Chetrit, alleging harassment: toilet paper wasn't replaced in the bathrooms; the A.C. was cut in the lobbies and hallways; a lot of the elevators were shut off. According to a New York Post story at the time headlined "Rage in Toy Land," a Manhattan judge said during a hearing: "In the old times, they used to send people to beat the crap out of people [to get them out]. We have gotten a little past that but not as much as I would like."

It was Mr. Chetrit's first round of bad press in New York. Even so, he managed to stay mostly in the shadows until he unloaded both buildings for $715 million in 2007. (Keeping with a general theme, David Jaroslawicz, the toy tenants' attorney, spoke only well of Mr. Chetrit when reached by The Observer: "Tough negotiator—when we shook hands, he kept his word … He was not a screamer and a yeller.")

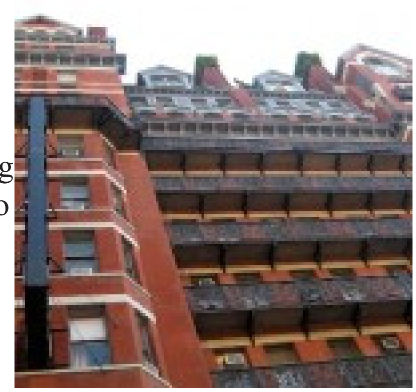
The Toy Center fiasco might have been a tipping point for Mr. Chetrit, but, as Lehman Brothers pulled the economy under, he seemed to weather the ensuing storm better than most. Mr. Moinian, his sometime partner, faced debt problems on several buildings. Kent Swig, Harry and Billy Macklowe, Tamir and Alex Sapir, and even Speyers (see: StuyTown foreclosure) faced high-profile property troubles in 2008 and 2009.

It seems, however, that Mr. Chetrit was not immune to the downturn, but just late to its effects. His 123 William Street, a 27-story downtown office building acquired in July 2005, went into special servicing in May of this year, with $79.6 million in outstanding debt, according to research firm Real Capital Analytics. Five Beekman Street, a 10-story office tower, also downtown, has actually been foreclosed upon.

In early June, too, the Chetrit Group and its partners on the Willis (née Sears) Tower announced they were looking to take on another partner—or to sell the icon altogether, relinquishing Mr. Chetrit's shiniest trophy. Also in June, he and two partners, including Yair Levy—a local developer perhaps best known for once hitting Mr. Swig with an ice bucket during contentious talks—put up for sale the Bed Bath & Beyond building at 620 Sixth. Finally, the Chetrit brothers recently settled a discrimination lawsuit with a former employee who alleged he was hired because he was Jewish but later marginalized because the Chetrits learned he was not Orthodox.

The Chelsea.

AS FOR THE CHELSEA HOTEL, Mr. Chetrit's highest-profile buy since the Willis Tower in 2004, no one expects it to go the way of the Toy Center, a seemingly ceaseless loop of litigation that ends with its sale. In fact, a broker who has worked with Mr. Chetrit says that he remains interested in keeping it a hotel. He might spruce up the notoriously ramshackle creation dating to 1883, add some space on the ground floor by eliminating storage or by revamping the rooms to rid them of their spinster-aunt quality. Gene Kaufman, best known for work with hotel chains like Holiday Inn, will oversee any changes.



"When I first walked Chetrit through the hotel, he got it immediately," said Doug Harmon, a top broker with Eastdil Secured who marketed the hotel and who also handled the $1.9 billion sale of nearby 111 Eighth Avenue to Google. "He has a keen aesthetic and a talent for transforming and repositioning all different types of real estate."

But it's a powder keg of a building, and certainly won't keep Mr. Chetrit's name out of the papers. Just one example—in the tumultuous wake of the ousting of long-time manager Stanley Bard in 2007, the new manager called the NYPD bomb squad to check a suspicious package sent to him; it turned out to be a fish head.

According to a source, no announcement as to the Chelsea's fate under Mr. Chetrit is expected this calendar year, which will no doubt keep the speculation in the press very much alive. For now, it sits as always on West 23rd Street, blood-red and eccentric, the latest enigma involving the mysterious man from Morocco.

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