

PROFILE OF THE WEEK: THE CHESHIRE GROUP

White Knight moves on to new activities as well

This past fall, The Cheshire Group began its fifth year of operation as a prominent "White Knight" to the co-op business, after rescuing thousands of cooperative units from sponsor default.

During its existence, the Manhattan-based real estate investment firm has emerged as a leading player in the business of buying and restructuring co-op related assets. To date, Cheshire has restructured more than over \$54 million worth of underlying mortgages at no fewer than 12 co-ops in the metropolitan New York region. As a result, it has returned some 2,250 individual cooperative apartments to financial health.

In the early 90's, the combination of the S&L crisis and a local market slump had put the co-op market on shaky ground, according to Susan Hewitt, Cheshire's founder and president.

"Co-ops everywhere had fallen from public favor - there was a crisis," said Hewitt. "Sponsors had overleveraged their properties, and when they defaulted on their maintenance payments, the co-op boards faced foreclosure. They needed a way out - an intervention of outside expertise with the necessary resources to restore failing co-ops to health, both financially and physically."

Recognizing the potential, Hewitt joined with Enterprise Asset Management and World-Wide Holdings, two privately-owned, Manhattan-based real estate investment companies, to form The Cheshire Group in 1993. The response to Cheshire's emergence was overwhelming, according to Jenifer Steig, Cheshire's senior vice president.

"The first co-op board we became involved with practically begged us to take over the underlying mortgage," she recalled. "They were in a very critical situation and desperately needed our help, since their previous sponsor had ceased paying the mortgage and the real estate taxes, and the maintenance of the building and grounds had been neglected."

"The board asked us to restructure the co-op's finances to make it solvent once again, and we did," Steig said. "Five years after that original deal, we are still one of the first choices for co-op boards looking for responsible sponsors."

A recent example of Cheshire's success is Hyde Park Gardens in Kew Garden Hills, NY. Cheshire restructured the 750-unit, garden-style cooperative apartment complex's underlying mortgage. Extensive renovations and an aggressive marketing campaign resulted in a virtual sell-out of available units in a little more than a year, noted Steig.

"More than 60 fully-renovated one-, two- and three-bedroom residences sold at prices ranging from \$39,750 to \$69,500," she said. "That's a sales pace close to one a week - an exceptional accomplishment in the highly competitive Queens co-op market."

A similar success is building next door at Kew Village Estates, a 423-unit cooperative. The co-op had been in receivership for years after the sponsor defaulted. Cheshire restructured the underlying mortgage with a loan securitized by C.S. First Boston.

To date, 30 sales have been recorded at



Jenifer Steig and Susan Hewitt

Kew Village Estates, and more than 20 new families will be moving in by the end of the year. One-bedroom units start at \$45,500, larger one-bedrooms with dining alcoves are priced from \$49,500, and two-bedroom apartments start at \$58,500.

Buyers can also take advantage of Kew Village Estates' "Custom Finish Program." The novel offer allows buyers to select from a vast array of kitchen and bathroom finishes at no additional cost. This includes a variety of countertop, floor tile and cabinet styles in kitchens, and several floor and wall

tile designs in bathrooms.

Hewitt and Steig have a combined total of more than 25 years experience in real estate and investment. In addition, both have extensive backgrounds in areas that cover all variations of the co-op business - from financing to sales to marketing.

"You would be hard pressed to find another investment firm where the principals have such well-rounded experience," said Steig. "Our professional backgrounds are quite different from many people in the co-

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HRH Construction working with conservators to restore Mayfair Hotel lobby

The historic Mayfair Hotel will re-open its doors in late 1998 as New York's newest luxury condominium, and its refurbished lobby will reflect painstaking restoration by HRH Construction to its past glory of the 1920's.

Located at 610 Park Avenue, The Mayfair building is being restored in accordance with a variety of city, state and federal preservation requirements designed to preserve its exterior Neo-Gothic architectural style.

Closing on more than 70 hotel suites converted to luxury condominiums have begun at the former 16-story hotel.

The lobby of The Mayfair is Spanish Renaissance Revival Style, made popular in the 1920's and intended to create the feeling of a country castle or renaissance villa of Spain. The restored two-level lobby will retain the original cast stone and marble on the lower level, and use Bulgarian limestone fabricated in Italy throughout the upper level.

A removable wall will separate the residential portion of the lobby located by the elevator banks from the area that will be used by the new Daniel's Restaurant. The "wall" will be constructed of wood panels and support an 18-inch-high glass transom

at the top designed to permit an unobstructed and clear view of the entire restored ceiling from the top of the stairs by the Park Avenue entrance.

HRH has worked painstakingly with restoration specialists to match intricate design features of stencils, wood beams,

carvings in the marble and wall colorings.

The Mayfair was purchased in a foreclosure sale by Colony Capital, a Los Angeles real estate investment group, in 1996. HRH is the construction manager for the project, which is being developed by the Trump Organization.

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op business."

An alumna of Harvard College and Harvard Business School, Hewitt has been a developer, manager and investor in New York City's residential market for more than 15 years. She is a past president of the Association of Real Estate Women and a past chair of the Habitat for Humanity - NYC.

A licensed real estate broker, Steig has 10 years experience in the marketing and sales of residential real estate in New York. Prior to joining the Cheshire Group, she was an asset manager for the REO Marketing Division of Crossland Federal Savings Bank, where she sold over \$100 million in residential real estate. She earned her MBA in finance and marketing from the University of Chicago.

While The Cheshire Group plans to continue its commitment to the "White Knight" rescue of ailing co-ops, the past two years have seen a shift of emphasis, from distressed offerings from institutions to well-functioning co-ops from performing sponsors and investors.

The transition was spurred by a new venture formed by Cheshire and Sterling Equities, in which the two firms plan to invest \$50 million over the next two years in the acquisition of cash-producing cooperative and condominium units throughout New

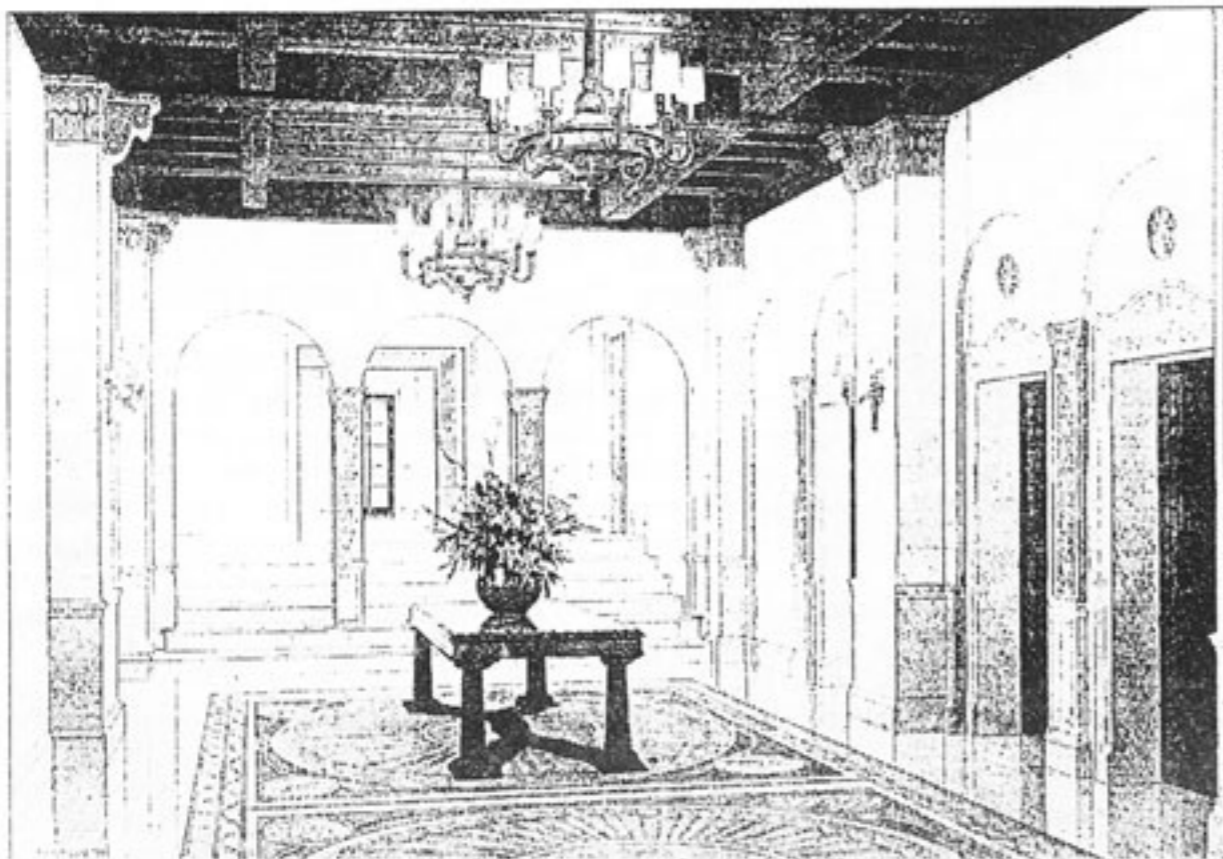
York City and its suburbs. Sterling is injecting capital from Sterling American Properties II LP, a \$150-million real-estate investment fund.

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Since the agreement with Sterling, Cheshire has purchased more than 700 cash-producing cooperative and condominium units from solvent sponsors throughout New York City and its suburbs. The list includes the Upper West Side in Manhattan; Riverdale in The Bronx; Richmond Hill and Holliswood in Queens; Hartsdale, Yonkers and Bronxville in Westchester County; and Spring Valley in Rockland County.

With Sterling's help, Hewitt expects Cheshire's new direction to grow substantially over the next few years.

"In 1999, we expect The Cheshire Group to become a major investor in well-functioning co-ops with positive cash-flows, in addition to continuing its prominent role in turning around co-ops with financial problems," she said.



Artist's rendering of the new Mayfair Hotel lobby