

Old Linens 'n Things HQ sold; Paramus group pays \$6M in cash

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A real estate investment fund that has been snapping up distressed commercial properties at steep discounts has made another purchase: the former Clifton headquarters of bankrupt housewares company Linens 'n Things.



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This office property on Brighton Road in Clifton, acquired by KABR Group for \$6 million on Wednesday, last sold for \$18 million in 2001.

The Paramus-based KABR Group paid about \$6 million for the three-building complex on Brighton Road in an all-cash deal that closed Wednesday, according to a source familiar with the transaction.

The office property last sold for \$18 million in 2001 but was appraised at \$20.6 million around the real estate bubble's peak in 2007, according to tax records and loan data provided by Bloomberg News.

The sale marks the latest, if incremental, step by which prices in the anemic commercial real estate market are resetting as the recession drags on.

"This is part of the healing process," said Scott Tross, an attorney at the law firm Herrick Feinstein LLP in Newark, which represents the loan servicer that sold the Clifton property, LNR Partners Inc.

Commercial property prices nationwide fell 41 percent in June from their peak in October 2007, according to the Moody's/REAL Commercial Property Price Index released Thursday. The index stood at 112.51 in June, down from 191.87 at the top of the bubble.

The plunge in prices has wreaked havoc upon banks and holders of bonds backed by commercial mortgages, making it more difficult for the financial system to recover.

Linens vacated its headquarters in early 2009 after filing for bankruptcy, a victim of the housing downturn and competition from rivals such as Union-based Bed Bath & Beyond Inc. Then-owner Daibes Enterprises of Edgewater took steps to relinquish the property and stopped making payments on a \$15.2 million mortgage secured by the property. LNR Partners then foreclosed on the Brighton Road property.

The commercial real estate brokerage Newmark Knight Frank, which has offices in Rutherford, oversaw the sale that involved 15 bidders, according to one source familiar with the transaction.

KABR — headed by Kenneth Pasternak, a co-founder and former chief executive officer of the market-making firm now known as Knight Capital Group of Jersey City — made its most high-profile purchase last year: an empty office building at 85 Challenger Road in Ridgefield Park. KABR renovated the structure and leased it to Samsung, which KABR lured from another office building down the street, a coup in the commercial real estate industry.

Pasternak, reached by phone in Florida on Friday, confirmed KABR had been in the process of buying the building for about \$6 million and said the deal was set to close this week while he was traveling.

KABR planned to renovate the Clifton property and may lease it to companies that want about 5,000 to 20,000 square feet, attracting them with discounted rents. The complex consists of 164,034 square feet.

"We're going to have a better building than the competition in Passaic County," Pasternak said.

He estimated KABR would offer rents in the "high teens" as well as "generous" allowances for tenants to improve their spaces. The average asking rent for Passaic County office space was \$20.04 per square foot in the second quarter, when 23.7 percent of space in the county was listed as available for rent, according to the brokerage Grubb & Ellis.

Michael Seeve, president of Mountain Development Corp., a Clifton-based real estate company, said KABR's deal would come with challenges.

"The market is soft, the location is off-beat and the condition of the building is not great," said Seeve, who added that his company did not bid on the property. "On the other hand, those guys [at KABR] clearly are creative and good real-estate deal guys, and you've got to take some risk in this market."

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