

Chinese Firm Plans Condo Tower at NYC's Subway Inn Site

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Kuafu Properties LLC, a New York-based Chinese investment firm formed two years ago, plans to build a condominium tower at the Upper East Side site that once housed the Subway Inn dive bar.

The company signed a contract to buy the property on East 60th Street, near Lexington Avenue, from World Wide Group, Chief Executive Officer Shang Dai said in an interview. Kuafu intends to demolish the buildings at the site and add about 60,000 square feet (5,570 square meters) of retail space in its ground-up project, he said.

<http://www.bloomberg.com/news/articles/2015-07-27/chinese-firm-kuafu-plans-condos-at-nyc-s-subway-inn-site>

The deal is the fourth in Manhattan for the company, whose name means “beyond wealth” in Chinese. This month, Kuafu agreed to buy One MiMA Tower, a luxury rental property on West 42nd Street that it plans to convert to condos. Chinese investment in New York real estate has surged in the past two years, with deals including Anbang Insurance Group Co.’s \$1.95 billion purchase of the Waldorf Astoria hotel and the sale of 1 Chase Manhattan Plaza to Fosun International Ltd. for \$725 million.

“In the long run, Chinese investment in U.S. will definitely grow stronger,” Dai said in the interview in his Times Square office. “It is only the beginning of Chinese capital investing abroad, while the U.S., with its active market and robust economy, undoubtedly is the first choice.”

The purchase of the East 60th Street property is scheduled to close in October, said Dai, who didn’t disclose the price or details such as the planned height of the tower.

Kuafu agreed to pay \$300 million for the six-building site at 143-161 E. 60th St., according to a person with knowledge of the deal, who asked not to be named because the details are private. The Real Deal reported the site purchase and the price last month.

‘Low Key’

Dai, who is a lawyer, and architect Shan Zengliang, both from China’s northern port city of Tianjin, founded Kuafu in 2013. The company is backed by Chinese state-owned companies, such as Shanghai Construction Group and China Cinda Asset Management Company Ltd., and some Chinese high-net-worth individuals, according to Dai.

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“People think we are mysterious, but we are not,” said Dai, who graduated from William & Mary Law School in Williamsburg, Virginia, in 2003 and has lived in New York for more than a decade. “We are used to playing low key as it is part of Chinese culture. But we are very different from other Chinese companies. We know the U.S. much better.”

Kuafu bested its competitors for the East 60th Street site because it didn't hesitate, said Robert Knakal, the broker for the property. The firm signed a contract for the deal and paid a deposit within two weeks after the first marketing e-mail was sent out, he said.

“They just moved faster than anybody else and that's what won it for them,” said Knakal, a chairman overseeing New York investment sales at Cushman & Wakefield Inc. “They have proven to be folks who mean what they say and say what they mean.”

World Wide had been preparing the site for development about a year ago when it told tenants they needed to vacate. The Subway Inn, at 143 E. 60th St. since 1937, relocated two blocks away.

Sun Tzu

Dai, who already had a law firm in New York, started the property company after investors back home asked if he could connect them with deals in the U.S. Kuafu's modern offices share a floor at 1500 Broadway with the law firm, Dai Associates, where the more traditionally Chinese decor includes a wall with quotes from Sun Tzu's “The Art of War.”

“The general who wins a battle makes many calculations in his temple ere the battle is fought,” according to one of the passages, written in Chinese calligraphy.

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Kuafu has two other projects under development in Manhattan: a hotel and condo tower called Hudson Rise, across from the Jacob Javits Convention Center on 11th Avenue; and a residential-and-retail building at East 86th Street and Lexington Avenue.

The new company has moved swiftly to break into the New York market, hiring local executives with deep ties to the city's established real estate players.

Jeffrey Dvoretz, who helped oversee the construction of Manhattan's One57 tower for Extell Development Co., joined Kuafu last year as its head of development. Stephen Muller, the firm's chief investment officer, worked for 10 years at Greenwich Group International LLC, a real estate investment banking firm that completed more than \$30 billion in deals since its founding in 1995, according to its website.

Kuafu plans to hire two more professionals from New York property firms and expand its offices, Dai said.

Manhattan is the top U.S. area for Chinese investment in real estate this year, with \$3.9 billion of deals, according to research firm Real Capital Analytics Inc. For all of 2014, Chinese investment in the borough totaled \$645.1 million, putting it in second place behind Los Angeles.

Looking Elsewhere

Kuafu is building as prices for Manhattan condos and co-ops are at record levels. Apartments sold for an average of \$1.87 million in the second quarter, up 11 percent from a year earlier and the highest in 26 years of data-keeping, according to appraiser Miller Samuel Inc. and brokerage Douglas Elliman Real Estate. Units in new developments sold for \$4.18 million on average, a 19 percent jump.

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Kuafu has started looking for acquisitions in areas such as Brooklyn, New Jersey and Washington, D.C., because land and property prices in Manhattan are already “too high,” according to Dai. He said the company’s next two projects might be rental buildings.

“It will be a bit unrealistic to continue to chase condo deals, unless they are in great locations or have perks such as Central Park views,” he said.