

# Investment Firm Moves Into Koreatown Condos

**ACQUISITION:** Purchase gives Kennedy Wilson control of Mercury project.

**K**ENNEDY Wilson Inc., a Beverly Hills real estate investment firm, has purchased the 149 remaining condos at the Mercury high-rise in Koreatown, giving the company control of the development.

Terms of the June 9 deal with seller Forest City Enterprises Inc., the Cleveland developer of the two-year-old project, were not disclosed. However, Kennedy Wilson and its equity partner, LeFrak Organization Inc., look like they got a sweet deal.

Kennedy Wilson has said that small, lower-floor condos at the building on the southwest corner of Wilshire Boulevard and Western Avenue will start in the low \$200,000s. That price for the



Koreatown: Mercury high-rise building.

roughly 800-square-foot units would be significantly lower than the mid-\$300,000 price at which similar units had previously been marketed.

"We've been fortunate enough to get it at an acquisition price where we think we will be able to offer unbelievably good prices," said Stuart Cramer, senior managing director of Kennedy Wilson.

The 238-unit building is an adaptive reuse of the former Getty Oil Co. headquarters built in 1963. Forest City's renovation included adding a rooftop deck, which features a fitness room, pool and panoramic views of Los Angeles.

But selling units at the development, which opened in April 2007 as the housing market was starting to weaken, proved challenging. Just 89 condos were sold before Forest City stopped sales last year because of the pending Kennedy Wilson deal.

"They had a trophy building that got caught up in a declining market," said Vince Norris of Hendricks & Partners Inc., who represented both the buyer and seller.

Cramer said that his company will upgrade the building's parking and lobby areas, landscaping and signage, with sales beginning in early July. Larger units will be priced in the high \$700,000s.

The building, which is across from a Metro subway station, has a 23,000-square-foot ground floor and mezzanine-level retail pavilion. Forest City sold the retail portion of the building in 2007 to Dr. John Kwon, a Koreatown real estate investor.

Forest City did not return calls.

**No Big Deal**

Despite news reports to the contrary, Korean Air Lines Co. Ltd. is not spending \$20 million on a renovation of the Wilshire Grand Hotel, the downtown hotel it plans to tear down.

Instead, the hotel will only undergo \$2.9 million in renovations until it is razed perhaps as soon as 2011 to make way for a \$1 billion mixed-use development, said Jim Thomas, chief executive of Thomas Properties Group Inc., an L.A. company partnering with the airline on the project.

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"We need to be somewhat competitive in the next two years," said Thomas, noting the new Los Angeles Convention Center-area hotel project featuring a Ritz-Carlton and J.W. Marriott will open early next year.

Korean Air began a planned \$42 million renovation of the aging Wilshire Grand in 2006 and had spent about \$22 million before deciding to

redevelop the site with a 60-story office tower and 40-story mixed-use building. The only improvements that will proceed are to room interiors.

It's expected to take about two years to secure all entitlements for the \$1 billion development, Thomas said.

**Santa Monica Sale**

A 20-unit apartment building in Santa Monica has traded hands. **Dorchester Capital Inc.**, the entity of an L.A. real estate investor, paid \$5.34 million for the 420 California Ave. building sold by Santa Monica real estate investor Jack Dell.

The June 2 deal breaks down to \$266,750 per unit. About half of the apartments had recently been rehabbed.

Tony Azzi, a Marcus & Millichap Real Estate Investment Services Inc. broker who represented Dell, said his client sold the building to "free up some cash" to rehabilitate a 28-unit apartment project in Santa Monica.

"I think the sale price was very fair," said Azzi, adding that the 45-year-old property, which is protected by Santa Monica's rent control ordinance, was listed in February for \$5.78 million.

Richard Ringer, a Marcus & Millichap broker who represented Dorchester, said his client will make renovations of his own, including adding gated parking.

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