

## Silverstein Loses Trade Center in Attack, After Hard-Won Lease

New York, Sept. 12 (Bloomberg) -- Developer Larry Silverstein, who became New York's biggest commercial landlord when he bought the lease on the World Trade Center, lost more than half his holdings in Tuesday's terrorist attack.

Less than three months after Silverstein bought the 99-year lease for \$3.2 billion, terrorists crashed two hijacked airliners into the twin towers. The 10-million square-foot complex and his 2-million-square-foot building to the north burned and collapsed. The July transaction was the biggest real estate deal ever involving a single property.

As New York officials placed the death toll in the thousands, the financial loss is estimated at \$30 billion, at least some of which is expected to be shouldered by insurers. Silverstein faces undetermined losses and the end of a decades-old dream to own the Twin Towers.

"I couldn't begin to tell you" what Silverstein's family run company lost, said Bruce Mosler, president of U.S. operations for Cushman & Wakefield, one of New York's largest property brokerages. "I know our hearts go out to them."

Silverstein, who started out in the New York real estate business in the 1960s buying run-down buildings in the Madison Square and Chelsea neighborhoods, couldn't be reached.

A person in the Silverstein Properties Inc.'s office, who wouldn't give his name, said the developer is unhurt, as are the two of his three children who are involved in the business, Lisa and Roger. Four staff members are missing, people familiar with the situation said.

'Profound Pain'

"It is with deepest sorrow and profound pain that we mourn the loss of lives in this horrific tragedy," Silverstein said in a statement. The courage of firefighters and police officers who died trying to save lives "will become a permanent part of American history."

The statement, issued by the Rubenstein Associates public relations firm, said the company would have no further comment.

In July the 71-year-old New York developer negotiated the lease while nursing a broken hip suffered in an auto accident earlier in the year. The Port Authority of New York and New

Jersey, following a mandate by New York's and New Jersey's governors, wanted to put management of the 10 million square-foot complex in private hands so the agency could focus on the metropolitan area's transportation systems.

Silverstein beat out two groups that New York brokers said had a better chance at winning the lease, one led by Vornado Realty Trust, and the other a joint effort by Boston Properties Inc. and Brookfield Properties Inc.

### Builds Team

To acquire the World Trade Center, and its \$200 million a year in revenue, Silverstein assembled a team of investors and debt servicers, to take stakes in the project. These included the family of Lloyd Goldman, which once co-owned the Chrysler Building.

He brought in Westfield America Inc., the U.S. subsidiary of Sydney, Australia's Westfield Holdings Inc., to run the complex's 427,448 square-foot underground retail concourse, paying \$420 million of the \$3.2 billion package.

Silverstein and his partners made a \$616 million down payment, secured by a \$726 million loan from GMAC Commercial Mortgage Corp. Last month, GMAC sold \$563 million of bonds backed by that loan, with Deutsche Bank AG and Goldman Sachs Group serving as underwriters.

Speaking at a July ceremony on the plaza in front of the twin towers, Silverstein called the \$3.2 billion, 99-year takeover "a very humbling experience."

### No. 1 Landlord

Silverstein doubled his Manhattan holdings with the transaction, surpassing Vornado as New York's No. 1 landlord.

In addition to the Trade Center itself, 7 World Trade Center, a 2 million square-foot tower built in the late 1980s on land across Vesey Street, also collapsed after the attack, reducing Silverstein's holdings to about 8 million square feet of space, from 20 million.

Silverstein had to battle to fill 7 World Trade Center, which he built in the late 1980s on ground leased from the Port Authority.

Salomon Brothers was the original anchor tenant when 7 World Trade was still on the drawing board. Boston Properties instead signed the company into a tower it was planning for the site at Columbus Circle where AOL Time Warner Inc.'s future headquarters is being built today.

### Setback

Silverstein then turned to Drexel Burnham Lambert Inc., which in late 1986 became enveloped in an insider trading scandal that would eventually force it into bankruptcy. When the Columbus Circle project stalled, Salomon came back to Silverstein and became the anchor tenant.

American Express Co. and the U.S. Securities and Exchange Commission also had space at 7 World Trade.

Last year, Blackstone Group Inc. bought \$500 million of debt on the tower from Teachers Insurance and Annuity Association.

Initially the Authority awarded the property to Vornado, which had bid \$3.25 billion. But the deal unraveled when, according to Authority commissioners, Vornado's chairman and chief executive, Steven Roth, tried to change the terms while he held exclusive negotiating rights. The agency then turned to Silverstein, who submitted the second-highest bid.

### Evaluating Other Damage

Most of Silverstein's remaining 8 million square feet is in Lower Manhattan, where structural engineers are checking for collateral damage from the catastrophe. Among his other holdings are the 52-story 140 Broadway, where Brown Brothers Harriman & Co. agreed in July to rent one-third of the 1.2 million square foot building. The tower is one block southeast of the Trade Center.

He also owns the 40-story Equitable Building at 120 Broadway,

and the 615,000 square-foot Association Center at 120 Wall Street.

The New York Times reported, without citing sources, that Silverstein Properties executives canceled a meeting Monday night to discuss the risk of terrorism to the towers, because one person was unavailable. The meeting was to have taken place on the 88th floor of one of the towers.