

The Philadelphia Inquirer

THURSDAY, NOVEMBER 24, 2011



ED HILLE/Staff Photographer

Developer Carl Dranoff, appointed receiver of the unfinished 10 Rittenhouse luxury-condos project, overlooks 18th Street.

Rittenhouse Rescue

Dranoff's team redeems troubled condos.

By Alan J. Heavens
INQUIRER REAL ESTATE WRITER

The fog of uncertainty that has enveloped the 10 Rittenhouse Square condominium project is finally lifting, says the property's receiver, Carl Dranoff.

Two years after its developers took the wraps off the \$300 million, 33-story building at 18th and Walnut Streets, enough of the haze has dissipated that 15 units have closed in the last five months.

All but one went for \$1 million or more, and the lowest-priced sold for \$890,000, said Dranoff's marketing director, Marianne Harris. Fifty of 10 Rittenhouse's 150 units

have now closed.

Dranoff, president of Dranoff Properties, was appointed receiver June 7, but "it took us at least 30 days," he said, "to figure everything out."

When his team arrived, no one even knew how many units the Robert M. Stern signature building was supposed to have.

"There are . . . uncompleted floors in the building, 28 to 32, and no one had decided whether they were going to have single units or more," said Dranoff. "We are selling 32 as a single floor and have a buyer who hasn't yet closed, and 31 is sold and divided, but we are trying to

make that one unit."

Floors 28, 29, and 30 now will have four units each. Raw (unfinished) space runs \$900 to \$1,100 a square foot.

As his own projects - from the Left Bank in University City, to 777 S. Broad St. in Center City - have demonstrated, Dranoff is into details.

"Until now," he said, handing over a slick new brochure for 10 Rittenhouse, "there wasn't even one of these."

Pricing was another hurdle. As the project faced legal and public-relations difficulties, prospective buyers began trying to set their own prices, often prolonging negotiations



A redesigned unit, many of which sell for \$1 million.



Exterior view of the 33-story, 150-condo building.

for as long as two years and scaring off those who feared the haggling would whittle away the value of the units they had already purchased.

In addition, Dranoff said, some lower-floor condos were priced higher than those on the more-desirable upper levels.

Both situations have changed, he said: Prices have been firmly established, and higher floors command more.

Crucial for Dranoff will be restoring confidence in the product, which took several knockout punches after developers Robert Ambrosi and Harold B. Wheeler, operating as ARCWheeler, launched 10 Rittenhouse Square on Nov. 10, 2009.

Among them: The grand opening came almost 21/2 years later than planned, missing the real estate boom by a mile because of legal appeals, which added at least \$100 million to construction expenses.

"It was delivered at the wrong time," Dranoff said.

The delay and its accompanying costs led many who had signed contracts for units to pull out or pay higher prices, further compounding the effect the real estate market's downturn had on sales.

Wheeler's death in January 2010 added to the building's troubles. In July 2010, the project's mezzanine lender, Delaware Valley Real Estate Investment Fund, took over the project. That September, Istar Financial of New York, the senior lender, sued to foreclose.

On Dec. 30, just as Common Pleas Court Judge Albert W. Sheppard Jr. was

ready to name Dranoff receiver, the investment fund, then operating as the developer, filed for federal bankruptcy protection. That bid was rejected in May, and the developer agreed not to contest Istar's foreclosure.

The building will go to sheriff's sale Jan. 10, Dranoff said, noting that "Istar goes from being lender to owner" when the deed is transferred about 30 days later.

When Dranoff was appointed receiver, Istar Financial vice president Cynthia Tucker said that he was in charge of operations and that the lender "will act on his recommendations."

That has, indeed, happened, Dranoff said.

"Istar's strategy is to roll out the building as an elite Robert M. Stern product, like 15 Central Park West in New York," he said. "I didn't know what to expect, but I've been pleased and surprised at how closely I've been able to work with Istar as the de facto developer."

From the \$225,000 redo of one of the 3,700-square-foot, \$3.2 million, three-bedroom, 18th-floor units that is critical to the sale of 15 others like it, to the renovation and expansion of third-floor amenities, to turning the second level into a "bicycle floor with its own concierge," Dranoff has put his stamp on 10 Rittenhouse.

Harris heads a brand-new sales team there, but she and Dranoff stressed that moving the condos would depend on real estate brokers and their agents.

"They account for 70 percent of sales,"

Harris said, and to get brokers and agents to bring prospective buyers to 10 Rittenhouse, they had to be able to demonstrate that the situation had changed for the better.

So demonstrated, said Prudential Fox & Roach vice president Joanne Davidow, who was involved in selling the units even as the building was under construction.

"It is being run as a first-class operation. There has been a respectable amount of sales since Carl has taken over. There is lots of interest," Davidow said. "I just sent clients information about it this morning, and I plan to take them to see the new models soon."

As he walked through the building last week, Dranoff said he would not have done many of the things ARCWheeler did. There seemed to be an overemphasis on million-dollar-plus units, he said, even though a studio goes for \$375,000 and a one-bedroom for \$575,000 .

Opening the door of one model, he said, the first thing you see is a bedroom at the end of a hallway that overlooks Rittenhouse Square.

"They lacked the seasoned experience of a residential high-rise developer," Dranoff said. "It should have been the living room."