NEW YORK

# Stash Pad

**The New York real-estate market is now the premier destination for wealthy foreigners with rubles, yuan, and dollars to hide.**

By Andrew Rice Published Jun 29, 2014 Share Comment

One57, on West 57th Street, where a penthouse is reportedly in contract for $90 million.

*Additional reporting by Michael Hudson of the International Consortium of Investigative Journalists.*

## PART I.
## THE BUYER

The buyer, an Italian, was in town for a week, with a million or so dollars to spend. We met one Sunday morning at 20 Pine, a Financial District condo building. She wore a red scarf, jangly jewelry, and a pair of lime-green sunglasses perched atop her curly hair, and she told me she would prefer to remain anonymous. Working through a shell company, she was looking to anchor some of her wealth in an advantageous port: New York City.

The building's lobby, designed in leathery tones by Armani, swirled with polylingual property talk. As the Italian and I waited for her broker, an Asian man sitting on a couch next to us asked, "You see the apartment?" But he didn't wait for an answer, leaping up to join a handful of women speaking a foreign language heading toward the elevators.

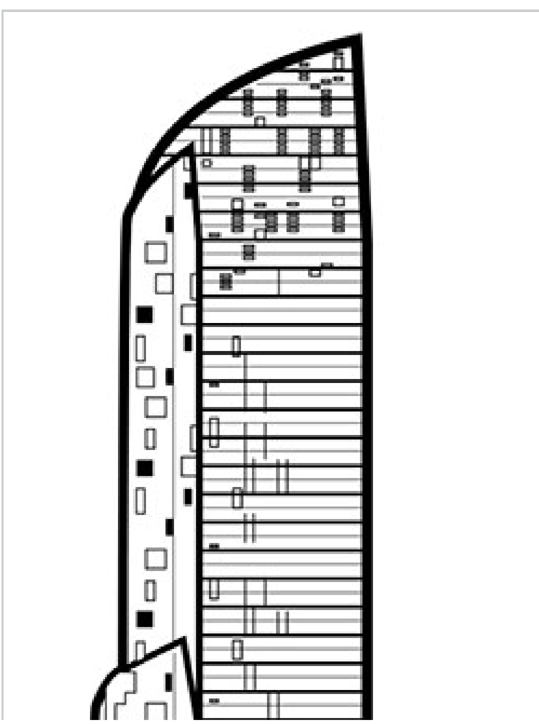
After a few minutes, a fashionably stubbled young man swung through 20 Pine's revolving door: Santo Rosabianca, a broker with Wire International Realty. The firm, run by Rosabianca's brother Luigi, an attorney, specializes in catering to overseas investors. A first-generation American, Santo greeted the buyer with kisses and briefed her in Italian. She was searching for a property that would generate substantial rental income. "Wall Street is not my favorite place," she told me. "But he says it is very good for rent."

Like several other buildings she was being shown, 20 Pine was developed at the height of the real-estate bubble. After the crash of 2008, it became an emblematic disaster, with the developers selling units in bulk at desperation prices, until opportunistic foreigners swooped in with cash offers. The salvage deals are long gone, but 20 Pine retains its international appeal. The one-bedroom the Italian was looking at, on the 27th floor, had a view of the Woolworth Building, sleek finishes, a bachelor-size kitchen, and access to an exclusive terrace reserved for upper-floor residents. It was first purchased by an investment banker in early 2008 for $1.3 million, was resold in 2011 for $850,000, and was now back on the market for close to its prerecession price. Rosabianca told the Italian it would rent for more than $4,000 a month, enough to assure a healthy cash flow while its value appreciated. "There's really no safer way to get that kind of return," he said, "than in New York City real estate."

This is not exactly true—there's plenty of risk in real estate, as the original crop of purchasers at 20 Pine discovered—but that hardly dampens the enthusiasm of foreign buyers, who have become an overpowering force in New York's real-estate market. According to data compiled by the firm PropertyShark, since 2008, roughly 30 percent of condo sales in large-scale Manhattan developments have been to purchasers who either listed an overseas address or bought through an entity like a limited-liability corporation, a tactic rarely employed by local homebuyers but favored by foreign investors. Similarly, the firm Corcoran Sunshine, which markets luxury buildings, estimates that 35 percent of its sales since 2013 have been to international buyers, half from Asia, with the remainder roughly evenly split among Latin America, Europe, and the rest of the world. "The global elite," says developer Michael Stern, "is basically looking for a safe-deposit box."

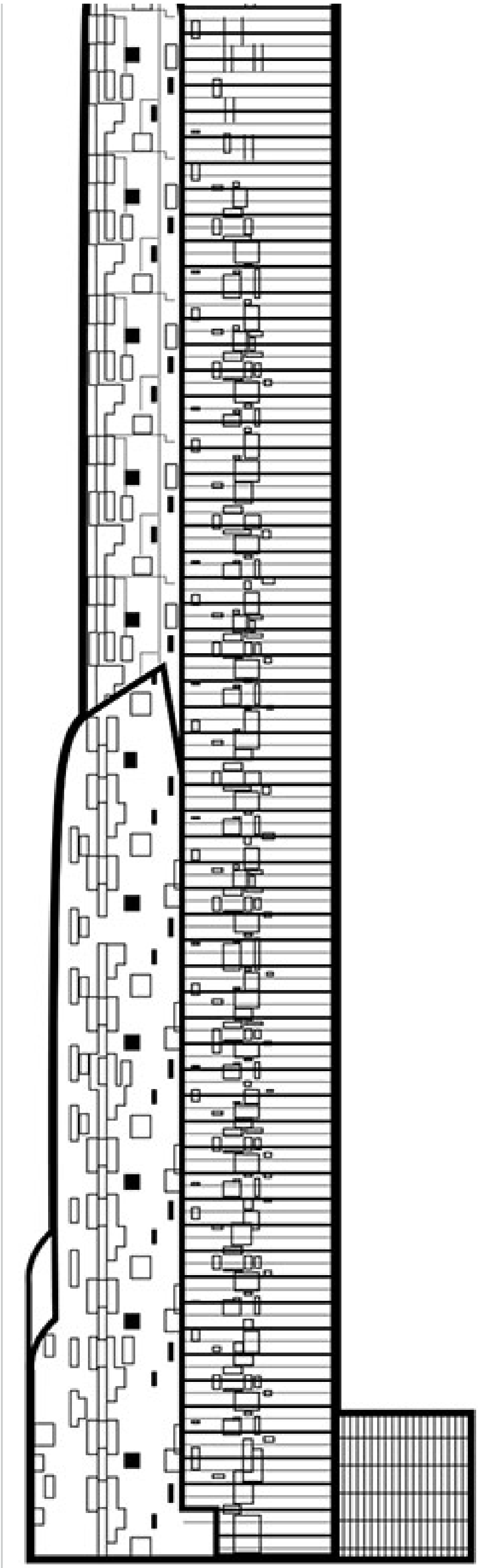
The influx of global wealth is most visible on the ultrahigh end, as Stern and other builders are erecting spiraling condo towers and sales records are regularly shattered by foreign billionaires, like the Russian fertilizer oligarch Dmitry Rybolovlev, purchaser of the most expensive condo in Manhattan's history ($88 million), and Egyptian construction magnate Nassef Sawiris, who recently set the record for a co-op ($70 million). But much of the foreign money is coming in at lower price points, closer to the median for a Manhattan condo ($1.3 million and rising). In fact, if you've recently been outdone by an outrageous all-cash bid for an apartment, there's a decent chance that, behind a generic corporate name, there's a foreign buyer and an offshore bank account.

"A decade ago, it was just a small number of elite investors," says Andrea Fiocchi, a lawyer at Reinhardt LLP, which caters to an international clientele. But now the market is broad and diversified: Fiocchi's firm handled not only two of the ten most expensive residential sales in the city last year, but also a large volume of transactions at more mainstream prices. Buildings around Times Square and the Financial District are being marketed heavily overseas. One development project on John Street is "crowdfunding" $50,000 financing shares via the Prodigy Network, a marketing firm with offices in New York and Bogota. The Related Companies is using a federal program that promises green cards to foreign investors to raise cheap capital for its Hudson Yards project. (A website features a rendering and the slogan "Your Gateway to the U.S.A.") Shortly before departing on a road show to Monte Carlo and other redoubts of European wealth a couple of months ago, one broker told me about his most adventurous strategy: buying, emptying, and renovating brownstones in Crown Heights. An Australian investment fund has done something similar in Bushwick.



And so New Yorkers with garden-variety affluence—the kind of buyers who require mortgages—are facing disheartening price wars as they compete for scarce inventory with investors who may seldom even turn on a light switch. The Census Bureau estimates that 30 percent of all apartments in the quadrant from 49th to 70th Streets between Fifth and Park are vacant at least ten months a year.

To cater to the tastes of their transient residents, developers are designing their projects with features like hotel-style services. And the new economy has spawned new service businesses, like XL Real Property Management, which takes care of all the niggling details—repairs, insurance, condo fees—for absentee buyers. "I feel like



**Will Anyone Sleep in One57?**
*The development, still under construction, has closed sales on 25 units to date. Of those, more than half were purchased by corporate entities.*
**62nd floor:** Escape From New York LLC, $31.7 million

foreign investors have gotten a bad rap," says Dylan Pichulik, XL's boyish chief executive, who recently took me to see a $15,000-a-month rental at the Gretsch, a condo building in Williamsburg, which he oversees for a Russian owner. "Because, you know, *They're evil, they're coming in to buy all our real estate*. But it's a major driver of the market right now."

Even those with less reflexively hostile reactions to foreign buying competition might still wonder: *Who are these people?* An entire industry of brokers, lawyers, and tight-lipped advisers exists largely to keep anyone from discovering the answer. This is because, while New York real estate has significant drawbacks as an asset—it's illiquid and costly to manage—it has a major selling point in its relative opacity. With a little creative corporate structuring, the ownership of a New York property can be made as untraceable as a numbered bank account. And that makes the city an island haven for those who want to stash cash in an increasingly monitored global financial system. "With everything that is going on in Switzerland in terms of transparency, people are being forced to pay taxes on their capital that they used to hold there," says Rodrigo Nino, the president of the Prodigy Network. "Real estate is a great alternative."

Those on the New York end of the transaction often don't know—or don't care to find out—the exact derivation of foreign money involved in these transactions. "Sometimes they come in with wires," says Luigi Rosabianca. "Sometimes they come in with suitcases." Most of the time, the motivation behind this movement of cash, and buyers' desire for privacy, is legitimate, but sometimes it's not. An inquiry by the International Consortium of Investigative Journalists, a Washington-based nonprofit, has uncovered numerous cases in which New York real estate figured in foreign financial- and political-corruption scandals. "It's something that is never discussed, but it's the elephant in the room," says Rosabianca. "Real estate is a

**61st floor:** L & HP Family LLC, $30.4 million
**60th floor:** Rainbow Choice International Limited, $30.6 million (Hong Kong)
**59th floor:** Efstalmar LLC, $30 million (Greece)
**58th floor:** Sso Enterprises LLC, $30.6 million
**51st floor:** Mjjms LLC, $20.4 million; Parksville Investments Corp, $7.6 million
**50th floor:** Andrey Dubinskiy, $7.5 million; Yu-Ting and Yu-Wen Huang, $19.1 million
**49th floor:** Shi-Tang Yeh, $17.8 million; Leland A. Swanson, $7.6 million
**48th floor:** Andrea and Richard Kringstein, $17.8 million; Professional Leasing and Consulting LLC, $8.1 million
**47th floor:** West 57-47B Realty Corp, $8.8 million
**45th floor:** Eli Lomita and Alice Sim, $6.9 million
**44th floor:** 44B LLC, $7 million
**43rd floor:** Metty Properties LLC, $7.3 million
**42nd floor:** Diane and Angelo A. Montagna, $6.6 million
**41st floor:** Core Apparel LLC, $6.8 million
**40th floor:** LSF 57 US Corp, $9.1 million; Condo 40C 157 West, LLC, $6.7 million: Shirley and Lillian Ea, $4 million (Canada)
**39th floor:** Tao Liu, $3.5 million (China); Terry B. Johnson, $9 million; NYC Condo LLC, $7.5 million

wonderful way to cleanse money. Once you buy real estate, the derivation of that cash is forgotten."

More typically, though, foreign buyers are searching for a favorable investment climate and the identity protection provided by an LLC. Rosabianca's client, the Italian, lives in Nigeria, where her husband is in the oil business. But she said she was still a tax resident of her home country, giving me a knowing look. Italy taxes its citizens' overseas assets—if it can find them. "To invest in Italy now is terrible," she said. So the Italian spent most of her Sunday in taxis, bouncing from Gramercy to Tribeca to the High Line in search of the right place to store her wealth.

She ended up back downtown at 75 Wall Street, where she saw a unit she liked: a one-bedroom belonging to a Panamanian-owned company. She ended up making an offer on both that one and the condo at 20 Pine, but ultimately settled on yet another unit at 75 Wall for $1.3 million. The seller was also an LLC, its true owner unknown.