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AIG could sell real estate holdings

(China Daily)
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American International Group Inc, selling assets to repay a US government loan, may seek buyers for some of its \$16 billion in global real estate holdings.

The largest US insurer, which agreed last week to an \$85 billion federal loan to stay afloat, may find eager buyers for property it owns in more than 30 countries and 14 US cities. In Manhattan alone, it controls three office buildings with 2 million square feet.

"Many of AIG's properties could be trophy properties that don't come up for sale very often," said Ray Torto, Boston-based global chief economist for CB Richard Ellis Group Inc, the world's largest commercial real estate broker. That could spur interest from multiple bidders, he said.

AIG's plans to sell assets comes as demand for real estate slumps and banks hoard cash, creating hurdles for investors seeking to obtain financing. US commercial property prices fell 9.7 percent in July from a year earlier, according to Moody's Investors Service. The number of transactions fell 28 percent in the first half from a year ago.

Company investors may demand a shareholder vote on the federal loan plan, according to a person familiar with the situation. The investors, trying to derail the US takeover, decided at a meeting yesterday in New York City to ask for financial data from the company, said the person, who declined to be identified because the talks were private.

Chief Executive Officer Edward Liddy told CNBC on Monday the insurer's plane-leasing unit will be "an interesting business to sell." Liddy said on Sept 18 a decision on unit sales will be made "within weeks."

"I'm sure that selling off the real estate assets would be one of the first steps in that," Eric Fitzwater, senior analyst at SNL Financial in Charlottesville, Virginia, said of AIG's efforts to pay off its debt. "That's an easy thing to put up for sale."

AIG has borrowed about \$28 billion, the Federal Reserve said on Sept 18. Company spokesman Nicholas Ashooh declined to comment for this story.

New York-based AIG, founded in Shanghai in 1919, amassed a global roster of real estate under the leadership of former CEO Maurice "Hank" Greenberg. In his 38 years leading the company, Greenberg built AIG into a sprawling enterprise that now sells life insurance, annuities, leases aircraft and manages \$137.1 billion in client assets in its investments unit.

AIG acquired properties as the company grew, buying and building in major international capitals. The company also created a property investment unit, AIG Global Real Estate, to invest in and develop office, industrial, residential, retail and hotel properties around the world.

AIG owns its headquarters at 70 Pine St in lower Manhattan. The 66-story building in the financial district was finished in 1932 and has about 775,000 square feet, according to Emporis.com, a database of tall buildings.

Lower Manhattan office building prices have fallen this year from their peak in 2007, according to data from Real Capital Analytics, a New York-based research firm that tracks commercial real estate pricing.



A pedestrian walks by the American International Group Inc in New York.
Bloomberg News



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Prices for the 13 buildings sold to date averaged \$442 a square foot, down from \$504 a foot for the 26 buildings sold last year. Still, the 2008 average is almost twice the \$222 a square foot that buildings traded for in 2004. At \$442 a foot, the 70 Pine building would sell for about \$343 million.

Brilliant conversion

If AIG sells the headquarters building, the buyer probably won't use it for office space, said Dan Fasulo, managing director at Real Capital.

"I see that as a brilliant residential or hotel conversion," Fasulo said. "I don't think they'll have a hard time finding a buyer for that asset."

The building "just doesn't have the efficiencies of a modern office building," said Fasulo, who declined to speculate on how much the building may fetch.

Residential real estate developers have flocked to lower Manhattan and are constructing new luxury condominium towers or renovating former office buildings into apartments. Jeweler Tiffany & Co and Bayerische Motoren Werke AG, the largest maker of luxury autos, have opened in the area.

AIG also owns 72 Wall St. and 175 Water St in addition to 70 Pine, according to the company's annual report. AIG owns about 2 million square feet of space in New York, said Richard Economou, a senior vice president in the New York office of UGL Equis, a commercial real estate firm.

AIG listed "real estate and other fixed assets, net of accumulated depreciation" of \$5.7 billion at the end of June, according to a quarterly filing with regulators. A financial supplement on the company's Web site lists \$10.3 billion of real estate listed under "total AIG other invested assets."

Separately, the real estate investment group had \$11 billion in client assets under management at the end of June, according to the AIG Investments Web site. The real estate division started in 1987 and has more than 500 employees with more than 35 offices worldwide.

The unit has also closed 12 real estate funds that invested globally, including in North America and Asia.

In Tokyo, AIG owns a 15-floor building in Marunouchi, Japan's most expensive business district.

Tokyo market




AIG also owns at least 101 billion yen (\$950 million) of properties on the balance sheets of five insurance units in Tokyo, according to annual reports of the company's insurance subsidiaries.

The Tokyo office market has stumbled this year, as office vacancies rose for the seventh month in August. That's the longest period of increases since June 2003.

The Federal Reserve is providing a two-year loan that will give AIG time to sell assets "on an orderly basis," AIG said in a statement last week. The company almost was forced into bankruptcy after credit rating downgrades sparked a liquidity squeeze.

Agencies

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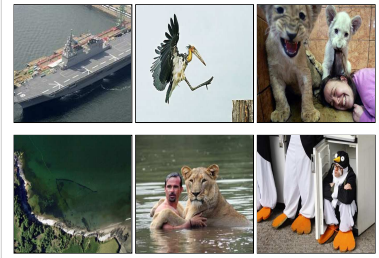


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An extraordinary oil painting depicting 103 historical figures in striking detail has become the latest internet sensation, The Daily Telegraph reports.



The [Showbiz](#) rejected Coca-Cola's plan to acquire beverage maker China Huiyuan Juice Group Ltd for \$2.4 billion, citing the country's anti-monopoly law. Tidbits on Two Sessions



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Actress Anne Hathaway arrives at the premiere of the film "Valentino: The Last Emperor" in New York March 17, 2009.



Liu Xiang is back - at the on-going the National Committee of the Chinese People's Political Consultative Conference (CPPCC) in Beijing Wednesday. What's on in Beijing,

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