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Business

Sinatra deal will double his apartment space in city

Acquiring nearly 600 units from Hananel at 44 sites

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Developer and real estate manager Nick Sinatra has struck a \$35 million deal that doubles his Buffalo apartment business, agreeing to acquire nearly 600 units in 44 buildings from WNY Metro Horizon owner Michael Hananel.

The deal for Hananel's entire Buffalo-based portfolio, all in the city, also includes the WNY Metro Horizon real estate brokerage, adding to Sinatra's own brokerage operation in the city. Additionally, the portfolio has 20,000 square feet of commercial space in the city, which will also become part of Sinatra's Better Buffalo Apartments LLC.

The transaction, which has been in the works since August, is expected to close by Friday.

"We are bullish on Buffalo," Sinatra said. "The rental market in Buffalo is strong, and getting stronger. This allows us to leverage both what we have built internally and the properties we have bought over the last five years."

WNY Metro Horizon's operations and real estate management team will shift to Sinatra & Company Real Estate's downtown headquarters in the Market Arcade building at 617 Main St. over the next 60 days. In the meantime, the companies said, Metro Horizon tenants should continue making rent payments or requesting maintenance as usual through Metro Horizon.

The acquisition marks the latest big move for Sinatra, who has risen from virtual obscurity to a major player in the city's real estate and development market just in the last few years. After working in state and national politics under then-Gov. George E. Pataki and then-President George W. Bush, the Western New York native obtained a master's degree from the Wharton School of the University of Pennsylvania and returned home in 2009 to invest in real estate.

Backed by over \$100 million in capital from the Pritzker/Vlock families and private-equity firm Colony Capital, Sinatra has snapped up apartment buildings, offices and retail space throughout the city.

Most recently, he acquired and is upgrading the Market Arcade building in downtown Buffalo, where he will move his firm's corporate headquarters within a week to 8,000 square feet on the second floor. Additional enhancements should be completed by spring, and he is working on other retail tenants for the first floor.

He also is redeveloping the former Phoenix Brewery building at 847 Washington St. into 30 loft-style luxury apartments in a \$5 million project.

Sinatra's firm is now one of the area's largest owners of apartment buildings, with about 1,200 units in Buffalo and the Northtowns, and 350,000 square feet of commercial space, including in Rochester, Waterloo and Port Jervis. He also redevelops residential housing in Southern California.

"It's a very strategic acquisition for us," Sinatra said. "I couldn't envision a better apartment portfolio for us to buy, because they're in great locations and many of them are literally right next door to properties we already own. My hope is we can operate them a little less expensively than he could because we're able to leverage some of our strengths and resources."

Hananel, who is based in Los Angeles and is CEO of Strategic Growth Real Estate, entered the Buffalo market a decade ago, buying a portfolio of older buildings. Most of his buildings are relatively small, with half of them having fewer than 10 units each. Only nine have more than 25 units, and only two have more than 40.

"Mike has been a phenomenal operator," Sinatra said. "When he bought them, the units were very run-down, sort of amongst some of the worst units in the city of Buffalo. He upgraded them ... and he's

getting market rates now with market-rate tenants.”

Both Hananel and Sinatra said they hadn't been seeking a deal, but were approached by broker Chris Greco of Greco Real Estate with the concept of a strategic deal. Greco brokered Hananel's deal 10 years ago.

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