BANKRUPTCY

Trouble in NYC’s Rent-Stabilized Market

By Jodi Xu Klein

Welcome to WSJ Pro Bankruptcy's Daily Briefing. It's Thursday, February 5. In today's briefing, Pinnacle Group’s bankruptcy sale will force its mortgage lender Flagstar Bank to take a loss exceeding $100 million, a massive haircut that highlights a collapse in the valuation of New York City’s rent-stabilized housing, Akiko Matsuda reports.

Top News

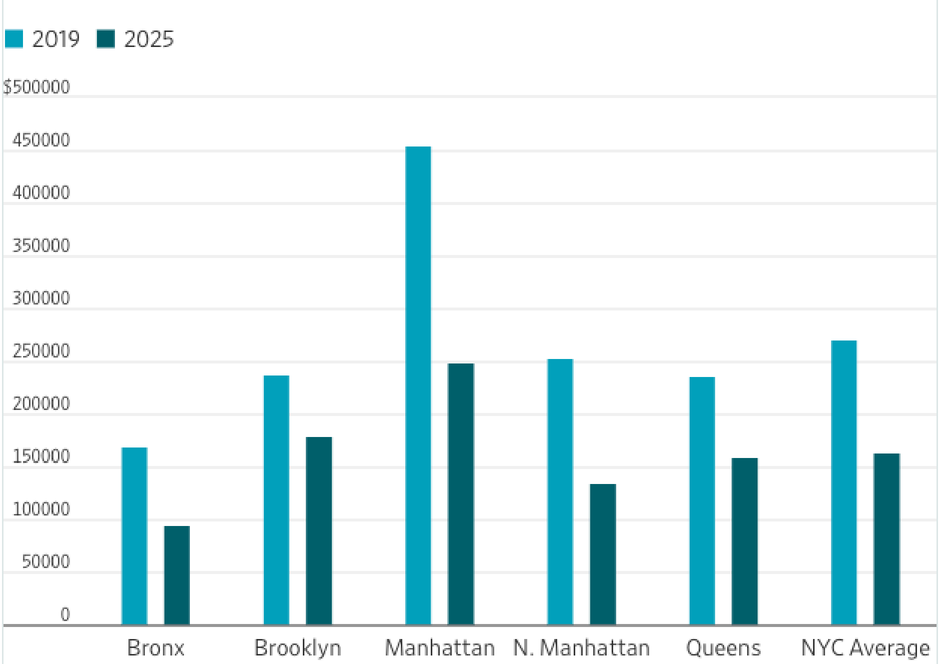
Pinnacle Lender’s $100 Million Loss Spotlights NYC Apartment Distress

The bankruptcy sale of Pinnacle Group’s rent-regulated apartment portfolio is expected to generate losses north of $100 million for its mortgage lender, highlighting a continued devaluation in New York City apartments since the 2019 regulatory overhaul.

Flagstar Bank originally extended $564 million in mortgage loans secured by the portfolio of more than 5,000 units. Under the approved sale to a real-estate investment firm, Summit Properties, the bank will remain the lender, but the mortgage balance will be reduced to $338.5 million. As Pinnacle’s largest secured creditor, Flagstar is expected to receive most of Summit’s $113 million cash contribution for the purchase. But even after applying that cash, Flagstar is expected to incur a loss of more than $100 million on the loan.

Flagstar's loss reflects an erosion in asset valuation of New York City's rent-stabilized apartment properties following the enactment of the Housing Stability and Tenant Protection Act of 2019. The legislation put restrictions on landlords' ability to increase rents, contributing to lower income growth expectations.

The average unit sale price for buildings with more than 75% rent-stabilized apartments in 2025 declined by roughly 40% below 2019 levels, according to Ariel Property Advisors, a commercial real-estate advisory firm in New York City. Declines were more pronounced in Northern Manhattan, Manhattan, and the Bronx, where values fell by 47%, 45%, and 44%, respectively.



Note: 2019 v 2025 average sale price per unit for buildings with more than 75% rent-stabilized units.
Source: Ariel Property Advisors

Consistent with these market trends, the $451 million sale price for the Pinnacle portfolio represents an approximately 45% drop from the $826 million valuation previously carried on the company's balance sheet.

Adding to the problem, a rise in rent arrears in post-pandemic has drained cash flow, and high interest rates have made refinancing harder, according to Greg Corbin, president of Northgate Real Estate Group.

Corbin, whose firm specializes in the sale of bankrupt assets, estimates that at least half of New York's roughly 20,000 predominantly rent-stabilized buildings are now financially troubled. "I can't imagine that any more than 50% of them, as a conservative number, are healthy," said Corbin.

Bankruptcy

Jack Nicklaus speaks with the media at a golf tournament in May. Photo: Michael Reaves/Getty Images

Bankrupt Nicklaus Picks Iconix as Stalking Horse

Nicklaus Cos., the bankrupt business formerly owned by golfer Jack Nicklaus, has selected Iconix International as the stalking-horse bidder for its golf business assets.

Iconix has offered $50 million in cash for certain marketing and licensing assets of the golf services business, assuming certain liabilities, according to filings in the U.S. Bankruptcy Court in Wilmington, Del.

The licensing company that manages such brands as London Fog, Starter and Mossimo will serve as the lead bidder that puts a floor under the sale price. Iconix is offering a $5 million deposit and would receive, subject to court approval, bid protections including a $1.5 million breakup fee if the assets are sold to a competing bidder.

Nicklaus, a Florida-based golf course designer and marketer of Jack Nicklaus products, [filed for chapter 11](#) in November after a court awarded founder Jack Nicklaus a $50 million defamation verdict. The lawsuit stemmed from allegedly false statements that Nicklaus wanted to take a leadership role with the Saudi-backed LIV Golf league.

–Becky Yerak

Private Markets

Brookfield Sees AI as Fuel for Growth, Not Decline

Brookfield Asset Management's newly appointed chief executive downplayed concerns about the effects of artificial intelligence on the holdings of the infrastructure-focused firm, saying that rising demand for data centers and power plants helps its business.

Law Firm

Leader of Paul Weiss Resigns Over Epstein Ties

Brad Karp, the leader of Paul Weiss, one of the country's biggest law firms, resigned as chair in the wake of new revelations about his association with Jeffrey Epstein.

Karp is an influential lawyer in corporate circles, who advised boards of directors and business leaders, including the Apollo Global Management co-founder Leon Black. Karp faced criticism in legal circles last year after he brokered a deal with President Trump to resolve an executive order that cracked down on law firms.

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