

'Golden Greek' praises Heidmar

There is a big Connecticut upside for George Economou but a 'painful' downside in a failed real-estate deal.

Greek shipowner George Economou does not often speak in Connecticut but he is no stranger to the Nutmeg State.

When TradeWinds caught up with the "Golden Greek" after his address to a packed Connecticut Maritime Association (CMA) luncheon last week, there was plenty of local business to discuss.

On the plus side of the ledger is Economou's 49% investment in pools power Heidmar of Norwalk, which by all accounts is working well for both parties.

On the down side, however, is his aborted attempt to buy a prized piece of commercial real estate in the hedge-fund capital of Greenwich, which brought about 20 million headaches.

First the good news. Aside from claiming nearly half the stake in profits from Heidmar's ever-growing pool operation, Economou has found a home for his own vessels.

"There's no surprise there, it's really developed as expected," Economou said. "The main thing we are doing is we have transferred the operation of our entire private tanker fleet to Heidmar.

"We knew that they consistently produced better returns than the market. And they've continued to show a delta [premium] of \$2,000 or \$3,000 per day over what the market is doing."

What some may not know is the scope of Economou's participation in the pools through the fleet of his private Cardiff Marine: 21 vessels divided between the Sigma Tankers aframax pool and Blue Fin suezmax pool.

Aframaxes dominate with 15 ships now operating in Sigma. And Economou will enter a third sector when his next VLCC newbuilding joins the fledgling Seawolf pool next year.

Besides the pools mentioned, Heidmar operates Star Tankers, which has the world's biggest market share in panamax, and Dorado Tankers in the products-tanker sector.

Economou bought his share in Heidmar in April 2008 from Morgan Stanley, which retained a 49% stake for its own account. The other 2% is held by members of Heidmar management.

Economou confirmed at the time that he had sought to buy the Connecticut company from founder Per Heidenreich in 2006 but was outbid by the investment bank. The sale price at the time was said to exceed \$200m.

Admirer that he is, would the entrepreneurial Greek consider expanding his stake?

"You have to have a seller to have a buyer," he said, alluding to Morgan Stanley.

Speaking of sellers and buyers — what about that Greenwich office building? As TradeWinds revealed in July 2009, Economou was the man behind the contract to purchase the former General Reinsurance building at 600 Steamboat Road.

The \$200m pact — which came just before the collapse of Lehman Brothers in September 2008 — was said to have set a local record for the price paid per square foot in the upscale community.

But as TradeWinds reported, the deal did not close because Economou was attempting to renegotiate the price with the sellers — representatives of famed billionaire investor Warren Buffett.

Economou revealed the result in last week's interview.

"They didn't want to trade, so we didn't do it in the end," he said. "The market moved south and we tried to renegotiate the price. We were dealing with one of Warren Buffett's companies and they didn't want to recognise that the market had changed. So we called it a day and went home."

Not unscathed, however. Economou acknowledges he lost a deposit. How big?

"Big," he said.

It must have been painful?

"Very painful," he replied.

Word on the street in Greenwich is that Economou and his representatives lost a deposit of \$20m, according to one expert in local real estate.

"It probably was the smart thing to do," said the source. "The market went down to about one-third of what it was. They took a huge hit but it probably pales in comparison to what they could have lost when you factor in the collapse in valuations and the cost of renovating the building."

By Joe Brady Stamford

Published: 23:01 GMT, 04 Nov 10 | updated: 21:15 GMT, 03 Nov 10