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Friday, February 17, 2012 - EVENT COVERAGE - By Jacqueline Hlavenka - Online

NYC Multifamily Developers Go Back to Basics

The event was moderated by Joshua Stein of Joshua Stein PLLC.
Photo by Jacqueline Hlavenka

NEW YORK CITY-The days of complicated loans with multiple moving parts may be becoming a thing of the past. Panelists agreed at the **Mortgage Bankers Association of New York Inc.**'s "Meet the Developers" conference that the simpler the transaction, the easier it is to get a loan for multifamily construction and refinancings.

The event—moderated by **Joshua Stein**, of **Joshua Stein PLLC**—focused on the challenges and opportunities in the rental and condominium market across the city. And despite the emerging strength of the outer-boroughs, the majority of panelists are still putting their chips on Manhattan.

Joseph A. Tahl, president of **Tahl Propp Equities**, has focused the company's strategy on FHA rental housing as well as condominiums in Harlem. "It is clearly a growth market," he said. "It's become more mainstream, more diverse and the financial market up there is pretty strong, so we think it is a good stable business to be in, and hopefully, to grow in."

While Tahl ventured to Harlem, **David Kramer**, a partner at **the Hudson Cos. Inc.**, headed into Brooklyn. Since 1986, Hudson has developed 4,500 units across the city and run the gamut of construction, from market-rate condominiums—like its Riverwalk Court project with the **Related Cos.** on Roosevelt Island—to affordable housing, such as the 774-unit Gowanus Green, a 790,000-square-foot, mixed-income complex on the grounds of a former brownfield.

In terms of the financing markets, Kramer said "It's been a tough couple of years" for ground-up construction. "When I look at the most recent financings we've done, a lot of them are not ground up," he said. "They are refinancings, stabilized assets, affordable housing, which is a different category than market-rate lending."

Relationship lending, he said, could also present challenges for new developers to the area. "You hear a lot these days if you are new and trying to do ground-up development, good luck – it is going to be hard for you," Kramer said. "People want to see that you've done this before, preferably if you've developed loans with banks before. And then there are different categories: if you are rental versus condo, it makes a huge difference. If you are Manhattan versus not Manhattan, it makes a huge difference."

While financing is available for ground-up in stabilized locations, Kramer said making it work is the hardest part. "You are going to get a low-leverage conservative loan from a commercial bank, you're going to mix it with some expense of some investment equity and it makes it hard to be a developer these days," he said. "Having said that, the rental market is very strong and the condo market is getting better."

That's why **Henry Justin**, president of **HJ Development LLC** and **H. Justin Realty Services**, is currently developing 211 E. 51st St., a rental-to-luxury condo conversion. The company is also known for condominium conversions at the Cass Gilbert at 130 W. 30th St.; the Heywood at 263 9th Ave.; and the Parkwood at 313 E. 28th St.

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At the same time, Justin is concerned about end loans throughout the market. "With the crunch of the mortgages on the end loans, we are not going to see any significant condominium improvements or sales improvements until perhaps securitization comes back and there's a feeling that people can afford and there's a sense that the market will prevail and they will be part of that market," he said.

With the condominium market still in-flux, others are ramping up their efforts in the rental space. **Robert Franco**, vice president of the **Albanese Org.**, has rapidly expanded into Manhattan's multifamily scene. The company's recent projects include the Vanguard Chelsea, a $77 million 30-story, a 300-unit apartment building at 77 W. 24th St. in Chelsea; the Solaire, a $117 million 27-story, 293-unit LEED Gold residential tower in Battery Park City; and the Verdesian, a $102 million 24-story, 250-unit residence that was the first residential tower in the US to go LEED Platinum.

"When I joined the firm four years ago, we made the decision to diversify in Manhattan," Franco said, noting that "relationships help" in getting financing. "In the three projects that we currently financed, it is all about relationships, and the lender wanted to work with us because they worked with us previously," he added.

Outside the city, the firm was designated by the Town of Babylon as master developer of Wyandanch Rising, an $80 million 225-unit affordable mixed-use development on Long Island. In Westchester County, the firm will be developing the first-phase of a 525-unit rental/condo project on a former city-owned site in New Rochelle.

In addition, the Albanese Org. is designing a 180,000-square-foot, class A office building in West Chelsea near the High Line, and a 294-key Hilton Homewood Suites Hotel on West 37th Street off 8th Avenue.

"We are starting to be more bullish now on rentals because people who have bought land and paid as recently as the last 18 months, they are actually having trouble getting those condo construction loans," Franco said. "We think over the next five years or so, there will be more of a push for rental rates."

(left to right)
David Kramer of the Hudson Cos. Inc; Joseph A. Tahl of Tahl Propp Equities; Joshua Stein of Joshua Stein PLLC; Henry Justin of HJ Development; and Robert Franco of the Albanese Org.