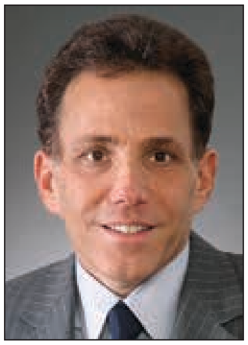
Manhattan's B+ Buildings Back in Vogue

An Interview with Scott Galin,
Principal and Chief Executive Officer, Handler Real Estate Organization



Scott Galin

EDITORS' NOTE *Scott Galin joined The Handler Real Estate Organization as a Principal in March of 2009. Prior to this, he was involved in commercial real estate for roughly 30 years. Galin began his career at G&G, a small family retail business located in New York, where he rose to President and CEO, growing the operations from 50 to 650 stores, and arranging more than $1 billion of real estate transactions. In addition to his experience as a real estate executive and corporate CEO, Galin has been involved in dozens of commercial real estate investments across various property types and funds. He obtained a B.S. in finance from New York University. He is also a licensed real estate broker and member of REBNY, and serves on the New York regional board of the Anti-Defamation League.*

COMPANY BRIEF *Handler Real Estate Organization (handler-re.com) is a boutique, full service real estate company based in New York City. For more than half a century, the "Handler Brand" has been synonymous with the management, investment, and leasing of "premium" real estate in New York City as well as throughout the country. Handler has an expansive and growing real estate platform that includes, but is not limited to: property management; landlord and tenant leasing services; real estate advisory services; investment; and property acquisitions. Handler is also an owner and investor in more than 30 commercial and residential properties throughout the United States.*

Does the New York City real estate market offer opportunities for growth today?

It's location-centric. The prices were frothy from 2013 to 2016, and valuations have come down a little in certain areas, which offer unique opportunities.

In terms of leasing, there are increasingly strong neighborhoods. We own most of our portfolio property in Midtown West, where a new city has basically taken off. I am bullish about the Midtown West Side right now.

Where do you see the greatest opportunities for growing your portfolio of buildings?

We have recently made meaningful limited investments outside of Manhattan because pricing has gotten difficult here over the past few years. The ROI with New York City investment is difficult right now.

We have been investing in a great deal of product in the other boroughs – some residential, some storage, some industrial, and some commercial office spaces. We have made several deals in Chicago, on the West Coast, and we continue to explore opportunities in other markets as well.

Cap rates are still low in Manhattan and value is high, which is a net positive as building owners. However, in terms of making acquisitions, we have been focusing primarily outside the immediate area.

With so much new development coming online in New York City, how can older buildings remain relevant?

Properties in superior locations will always be relevant. Pricing is also a giant metric variable. A new, Class A Hudson Yards District building today is going to be asking and getting over $100 per square foot, and those of us that own B-plus, loft-like, 1930s buildings are leasing them between $45 and $70 per square foot. There is a giant delta in the value paradigm.

Our buildings – which we also manage personally, are in prime locations near major transportation hubs. They provide the architecture modern tenants are looking for and have come back into vogue in terms of their footprints with big, open spaces, high ceilings, good light, and competitive prices.

Are you focused on continually investing in the buildings you have today?

Absolutely. We're in the midst of finishing a full lobby renovation in one of our properties, and in 2018 we will be embarking on full lobby upgrades at two additional properties. In addition, we recently completed two full elevator modifications. Obviously, bandwidth and Wi-Fi has become a significant requirement by almost every tenant, including how many different carriers we have. We have upgraded our systems (and will continue to do so) to meet the needs and expectations of the modern tenant.

Do you anticipate entering new markets around the country and how much growth is there geographically?

We own interests in properties coast to coast and, for those that are not in the geographic sweet spot, while we don't manage them, we advise on some. We have a few investments in Los Angeles, San Francisco, and in the Pacific Northwest. As investors, we are open to any opportunity in any market that makes sense for us.

How have you been able to punch above your weight as a firm?

I came here with some experience taking smaller operations and growing them into larger, more successful businesses. We try to anticipate market shifts rather than always chasing our tails. As an organization, we're lean by design, maximizing on efficiency, a big part of which is identifying what endeavors are not worth the time, money, and manpower, based on our short- and long-term goals.

Are you surprised by how there doesn't seem to be any part of the New York City real estate market that hasn't grown?

It's jaw-dropping. I have been working and living in the city for over 40 years and every day, I walk down a new block and just marvel at what I'm seeing.

Is there going to be oversupply in New York City?

In Manhattan, we trade in the B building stock. The denominator gets reduced every year, with many properties converted to other uses. We're fortunate enough to be in a space that is seeing an annual net decrease while demand increases.

What makes the real estate industry so exciting for you?

There are two aspects of what we do here: one is managing the business and the properties – the day-to-day operations which isn't sexy, but I enjoy it; then there are the deal aspects, which are making leasing deals or buying property. I'm a deal junkie, so it's exciting for me to interact on that side as well.

What advice do you give young people interested in building careers in the industry?

Brokerage is an excellent place to start and even to end in. However, there is a tendency to think one is going to come in and make money right away. It happens, but it's rare. Leasing brokerage requires incredible patience. On the acquisitions side, it's critical to learn the unsexy parts first – how operations work, the portfolio, and the tenants. Without understanding the nuts and bolts, there's little chance they'll develop the knowledge, skill set, or network to be involved in acquisitions. It's a great side of the business, but you need a strong foundation before you get a seat at the table. ●