



Fifth Annual Spring Symposium

Commercial Real Estate Development in NYC: A Golden Age or a Cooling Market?

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The last couple of years have seen a dearth of new real estate development in New York City. Facing real estate prices that have increased for six straight years, low vacancies, and rising rents, new development seems both necessary, lucrative, and potentially a good alternative to acquisition of existing assets. Yet, declining sales transactions suggest that real estate markets have peaked, a sentiment aggravated by macro-economic headwinds and widening spreads in commercial real estate debt markets. This conference will explore recent development activity in several major sectors and confront the experts with the question of where we are in the cycle.

Panel 1: Hotel Development in NYC



From Left to Right: Simon Turner, Tyler Morse, Jared Kelso, Ian Schrager, Stijn Van Nieuwerburgh, and Harry Chernoff

NYC has added hotel rooms at a fast clip, more than 18,000 since 2010, with 26,000 additional rooms in the short and long-term development pipeline. While business and leisure travel to NYC have increased, are we building too much for a realistic future demand? How is the dearth of hotel development in downtown Manhattan and Brooklyn reshaping these areas? How are traditional hotels remaining competitive with new and innovate hotel substitutions like AirBnB and similar home sharing applications?

Panel 2: Luxury Condo and Multifamily Development



From Left to Right: Scott Alper, David Von Spreckelsen, Izak Senbahar, Bill Rudin, and Stijn Van Nieuwerburgh

In a three-year period (from 2015-2017) over 14,500 luxury condo units are set to hit the NYC Real Estate Market. At the current rate of sales, it will take almost five years for all of those to sell. But with land and construction prices at an all-time high

in NYC, luxury condo development often seems like the only viable option. What are the current economics of high-end development? What are the latest sales trends? How feasible are conversions to multi-family rentals? How are developers differentiating their product?

Panel 3: Affordable-Multifamily: Progress on the Affordable Housing Agenda



From Left to Right: Stijn Van Nieuwerburgh, Robert Ezrapour, Marc Jahr, Vicki Been, Aaron Koffman, and Ingrid Gould Ellen

The “Progress on the Affordable Housing Agenda” panel was comprised of professionals representing the public and sectors who discussed the current market and policy environment shaping the future of affordable housing in New York City. Ingrid Gould Ellen, faculty director of NYU’s Furman Center, moderated a discussion among Vicki Been, commissioner of HPD, Robert Ezrapour, vice president of Artimus, Aaron Koffman, principal, Hudson Companies and Mark Jahr, from Community Development Futures.

Commissioner Been opened the panel by defining what qualifies as “affordable” housing in New York City. The city recognizes families of three or more spanning the range of incomes 40% - 165% of the metropolitan area median income of \$77,000 a year. Been noted that there is a tremendous need for housing at all levels of affordability, especially “deep affordability” at the lower end of the spectrum. These goals along with many others are

highlighted in Mayor Bill de Blasio’s “Housing New York: A Five-Borough, Ten- Year Plan” and have been signed into law by City Council in March under the “Zoning for Quality and Affordability” zoning text amendment also known as “ZQA”.

Robert Ezrapour and Aaron Koffman both provided their perspectives on the challenging nature of developing affordable housing in the current market. Koffman highlighted the current high land prices and construction costs as major challenges to overcome in underwriting projects. Hudson Companies has been able to work within the new ZQA framework and add 27 affordable units to a current project on which they are partnering with a religious institution in Crown Heights, Brooklyn. Ezrapour stressed that affordable housing projects in New York City require highly-sophisticated layered financing as developers must correctly structure national, state, and local government subsidies, bonds, and tax credits, with private capital. He also shared how the social aspect of having a range of incomes in a building is “remarkable” as Artimus has delivered multiple projects with a 50% market rate, 30% moderate rate, and 20% affordable breakdown of units.

Ezrapour noted that his firm has utilized the 421a program in many of its projects in Harlem and Queens successfully to enable the market rate units to “cross subsidize” the affordable units. However, Ezrapour stressed that not having 421a “was a sin” as it is an essential tool to incentivize affordable housing (which many other municipalities are now emulating). On the subject, Aaron Hoffman stressed that a Union Labor requirement in a new iteration of the program would pose a threat to maximizing creation of affordable housing as it would increase construction costs up to 40%. Overall, the panel was hopeful that a new state incentive would emerge but in a different form.

When asked what keeps her up at night, Vicki Been stated that despite all that HPD and the Mayor’s Office are doing to provide additional affordable

housing she fears there will not be enough for the city's growing population. She stressed the importance of density and the need to balance concerns over gentrification and quality of life with creating more housing.

Marc Jahr celebrated the success of public policy in revitalizing neighborhoods and creating affordable housing over the past thirty years. He conveyed the dramatic changes that have occurred by likening New York City to Detroit with urban flight and entire neighborhoods falling into disrepair. Public policy and government intervention spurred reinvestment and revitalization of the worst areas of the city. Jahr has confidence that the real estate minds and public sector will work together to solve the threats posed by a growing population and income inequality.

After a lengthy discussion on the many challenges of developing affordable housing, the panelists concluded with a shared a positive outlook on the city's future and cooperation of the public and private sector.

Panel 4: University Development: NYU, Columbia, and Cornell



From Left to Right: Stijn Van Nieuwerburgh, Joseph Ienuso, Tim Milam, Diana Allegretti, Andrew Repoli, Kurt Becker

During the fourth panel of the day, real estate professionals representing universities from around

New York City came together to discuss the latest projects their respective institutions are undertaking as well as the physical future of higher education in New York. Moderated by Kurt Becker (Vice Dean for Research, Innovation and Entrepreneurship at the NYU Tandon School of Engineering), panelists included Joe Ienuso (Senior Vice President for Capital Project Development and Financial Operation at Northwell Health), Diana Allegretti (Assistant Director for Design & Construction, Cornell University), Tim Milam (Partner, Managing Director, FXFowle) and Andrew Repoli (Director, Global Facilities & Construction Management at New York University).

The panel began with presentations from NYU, Columbia and Cornell on the highlights from their capital projects in New York. Andrew Repoli from NYU gave an overview of the 370 Jay Street project that is a part of the expansion of the NYU Tandon School of Engineering. The building was formerly occupied by the Metropolitan Transportation Authority and was acquired by NYU in 2012. The building will feature various state-of-the-art retrofit technologies such as variable-recessed windows that will create a uniform heat profile for the building, minimizing costs on heating and air conditioning due to the sun exposure of the building facades.

Joe Ienuso of Northwell Health and formerly of Columbia University gave a presentation on the Columbia Manhattanville expansion, a 17-acre expansion of Columbia University in Morningside Heights that will feature publicly accessible open space, retail, and innovative academic buildings.

Lastly, Diana Allegretti presented on the Cornell Tech campus project on Roosevelt Island, the first phase of which will include 5 buildings across 12 acres of land. The new development will include hotel and office space along with residential and academic facilities that will be home to Cornell's newly created "Cornell Tech" program.

All three presentations went into depth on the significant role that community collaboration plays

in the development process. In Columbia's Manhattanville expansion, for example, rather than building an "inward" facing campus such as the current Morningside Heights campus, the new expansion will include "outward" facing retail space featuring local business embracing the surrounding community.

Universities in New York are also taking great strides by investing in science, technology and engineering complexes, which is evident by all three projects that were presented. Both the NYU and the Cornell projects will feature co-working incubator space for startups that originate within their university.

The panel concluded by noting that the growth of Universities in New York City is critical to the City's success. Joe Ienuso noted that the college student population of New York far outnumbers equivalent populations in most cities, making New York a "college town" even though it may not always be thought of as such. Panelists agreed that colleges and universities have always held an important role in New York City and will have to make investments in order to continue to do so in the decades to come.