Halpern Bullish on New York City Real Estate

By: **John Jordan** Posted date: **April 22, 2011**

Jon Halpern in his Manhattan office.

From his offices in the West Village looking out to the Hudson River, veteran real estate executive Jon Halpern firmly believes that the time has never been better to invest in the New York City real estate market.

"I think there is an enormous opportunity for real estate investment in the next five to 10 years," he said. Specifically, Halpern believes a wealth of potential exists in the five boroughs where there are hundreds of stalled residential and mixed-use projects that are just waiting for the right investor to come in, finance and complete construction on the development.

From 1985 until 1996, Halpern, 48, was the head of a family real estate business that owned or managed more than 4 million square feet of commercial office space, as well as a number of multifamily and mixed-use real estate assets in Westchester County. In 1995, Halpern sold most of the company's commercial office assets to Reckson Associates in an UPREIT-structured transaction valued at approximately $89 million. Since then he has been an executive or board member with a number of national and international private and public real estate-related services firms and investment funds, including: Reckson Associates, Reckson Opportunity Partners, On-Site Access, HQ Global Workplaces, Marathon Asset Management and recently formed a company with a group of investors that is building affordable housing in India.

However, last year he decided to embark on still another chapter in his real estate career, establishing a real estate investment platform – Halpern Real Estate Ventures – that is looking to take advantage of what he believes is an improving real estate market in Manhattan and the other four boroughs. Halpern said that initially the platform, which will most likely be renamed when funding goals are met, will invest in the New York City and tri-state area and target multi-family residential, hotel and lodging, commercial office and retail properties.

Another familiar face in the Westchester real estate industry – Bruce Berg – helped co-found Halpern Real Estate Ventures last year. Berg, a former executive vice president with Cappelli Enterprises of Valhalla, has more than 25 years experience in real estate operations and development and is chief operating officer and partner with Halpern Real Estate Ventures. Rounding out the executive team are: Previn Raheja, director-capital markets and investor relations, who formerly was a founder and director of BroadArch Capital LLC, an alternative asset management company; and John Sterling, vice president, who joined Halpern Real Estate after having spent the last four years at The Praedium Group, a private equity firm based in New York City.

When asked why the time is right for real estate investment, Halpern pointed to a number of key reasons including available capital and rising values of residential properties in many sections of New York City.

The Real Estate Board of New York (REBNY) reported April 14 that although home sales in New York City were flat in the first quarter of this year, values rose 4 percent from a year earlier to $732,000. The average sales price of an apartment in New York City during that time rose 3 percent to $875,000. In Brooklyn, the average sale price of a condominium or co-op rose 9 percent in the past year to $498,000.

REBNY President Steven Spinola pointed out in the sales report that a number of neighborhoods, including the Upper East Side and Williamsburg, performed well in the first quarter of 2011.

“There is a vast amount, and in this moment in time, an excessive amount of (global) capital sitting on the sidelines waiting to invest in real estate,” he said. “The capital is sourcing and seeking great opportunities, but those opportunities are less than what was expected.”

He continued, “A year or two ago, many of us in real estate thought it was going to be like the 90s all over again where there was going to be a lot of low hanging fruit—really great value buys to make. It hasn’t turned out that way.”

Halpern said lenders are now looking to sell two very different types of assets. The first involves stabilized properties that occupied and can boast income-producing yields. This asset class has seen values substantially recover from their peaks in 2007, he noted. The other asset class being sold by lenders is transitional properties, which Halpern characterized as busted development projects, stalled development deals, and properties with very significant operational dislocation. He said that banks and other financial institutions that have these developments on the books don’t know how to deal with them so therefore are trying to get those assets off their books.

“In some cases those properties are wasting,” Halpern said. “If you have a partially completed construction project and you don’t have the roof on it yet, the steel is rotting and corroding. You can’t sit around and wait forever.”

While Halpern said that banks are starting to increase the bid prices on these assets of late, he related that the gap between the value of the transitional property and the stabilized property “may have the greatest margin in my career.”

Halpern is especially bullish on the New York City region, which he said has “decoupled the rest of the U.S, economy,” although he said sections of San Francisco, Los Angeles, and even Miami, which has a significant amount of excess supply, have seen increases in investment demand.

“We fully expect that this recovery in New York, as I have seen it several times before in my career, will begin to trickle down into the New York suburban regions,” he said. “Yes, I do believe that Westchester is on the verge of a recovery.”

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