The Industry Game-Changer

An Interview with Peter Hauspurg, Chairman and Chief Executive Officer, Eastern Consolidated

Peter Hauspurg

EDITORS' NOTE *Peter Hauspurg's innovative and visionary approach to deal-making has made Eastern Consolidated an industry game-changer. He has been the dynamic force at the helm of the firm's global deal-making and property-sourcing activities over the past 30 years. Hauspurg is also an accredited tax attorney. He sits on the New York City Board of Directors and the Mortgage Committee of the Manufacturers & Traders Trust Co. of Buffalo. He is a member of the Board of Governors of the Real Estate Board of New York (REBNY) and is a past Chairman of its Sales Brokers Committee. Hauspurg was recently elected as the President of the Board of Trustees of the Jewish Child Care Association (JCCA). Hauspurg is a graduate of Duke University and received his Juris Doctor degree from Fordham Law School with a specialization in tax law.*

COMPANY BRIEF *Founded in 1981, Manhattan-based Eastern Consolidated (www.easternconsolidated.com) is one of the country's preeminent full-service real estate investment services firms, offering unrivaled expertise in the greater New York marketplace to an impressive worldwide roster of institutional and private investor clients. The 50-person team of brokers, who combined offer fluency in 12 languages, comes from an array of entrepreneurial and professional backgrounds. With annual sales up to $4 billion, Eastern Consolidated focuses on the acquisition, disposition, and finance of all types of properties.*

What were the origins of Eastern Consolidated?

I started practicing tax and trademark law with Northwest Industries in 1979. One of my good friends had gone into the commercial sales brokerage business in New York City and began making ten times what I was making. So after two years of practicing law, I jumped into a sales broker position. It took me a year to make my first deal, but then the deals started coming in. I made partner at the company I had joined, and then Daun Paris and I struck out on our own. Two years later, we got married. We then began assembling some terrific people to work with us.

Are you happy with the awareness of the size and scale of your company?

It's well-known among professionals in the industry.

We accidentally found ourselves falling into what I would call the mid-market, which is the $15- to $150-million range with a lot of our deals in the $40- to $60-million range, which is where a lot of the trading takes place in New York City. This puts us in a niche above the boutiques that were doing deals under $10 million and below the bigger companies generally focusing their ammunition above $150 million.

Is it possible to truly differentiate in this space?

We're a lot different in that we're extremely horizontal. I don't give orders for a broker to work in one area of town, so we have attracted a group of people who didn't fit in a corporate slot but who are good sales brokers.

We haven't paid a salary in over 15 years, so when you don't know where your next check is coming from, you draw a self-disciplined, creative group of people. We make more money being around each other than we would separately.

Half of the 50 brokers have been here 10 to 15 years and there is a large group that has been here over 20 years.

We have a number of rock stars here, but instead of focusing on Daun or myself as the face of the company, we encourage our people to get out and speak – the brand has become successful because of the collection of talented people.

Also, in this competitive business, the group is very collegial, so despite how talented everyone is, if they're not nice, we don't hire them.

Is the success of the broker based more on intellect or personality?

Part of it is personality but it's also a real work ethic because you constantly have to be out networking.

Also, some brokers do things that are not on the up and up. We found that by adhering to normal rules – meaning full disclosure with clients and following the laws of agency of New York State – you end up setting yourself apart from a lot of the people in this business.

Were you surprised at how quickly the financial crisis occurred in 2008 and where do you see the real estate market today?

We were shocked because the sales brokerage business was down 90 percent in 2009 almost nationwide. You can plan for being 10 to 25 percent off but you can't plan for 90 percent.

We knew in 2004 and 2005 that things were getting out of hand and, as a result, we put away a lot of money. We had a big enough cushion so we were fine, and in the second quarter of 2010, things started to come back, though we didn't anticipate how quickly the market would return.

Today, New York City is 30 to 50 percent above the peaks in 2006 and 2007, depending on the category.

Have we learned anything from the mistakes of the past?

We have learned something because in the last cycle, we saw 95 percent lending: people put 5 percent down and the banks took up the rest. The banks did learn this time and most of the deals we're seeing all pretty much require 40 to 50 percent equity, which is the biggest difference from the run-up in 2006 and 2007.

So if we do get the correction that all of us expect, it has to be coming soon because we're in a cyclical business.

From the banking side, if we do have the correction, we think that will happen when interest rates rise. You're not going to see the disastrous banking consequences that we saw the last time around.

Is there an argument to be made that the engine of New York's economy is less finance and more real estate?

Real estate is at least a topic that is on everybody's mind and Wall Street has lost its popularity.

There is no question that the tax base is a huge driver and contributor to the city's health. They have put an overwhelming burden on real estate when they're taxing buildings now on the order of 25 to 30 percent of the gross rent roll, which is what a new apartment building is taxed at. That has eliminated the ability for developers to do rentals in Manhattan without having a tax abatement under the 80/20 program – that is the only way you can build a rental in Manhattan. Otherwise, the taxes are so expensive and land is so expensive that it has driven Manhattan into an almost all-condo market, which pushes the workforce off the island into the boroughs. The impact of this is not good because part of what has made Manhattan great is that it's a melting pot. ●

