Staying Relevant

An Interview with Neil Rubler,
President and Chief Executive Officer, Candlebrook Properties, LLC

Neil Rubler

EDITORS' NOTE *For the past 15 years, Neil Rubler has been responsible for directing and overseeing real estate investments and development projects, with an aggregate value in excess of $5 billion, across the multifamily, hospitality, office, and retail sectors. Rubler also serves on the Executive Committee of the Wharton Real Estate Center, the Executive Committee of the Association for a Better New York, the Board of Directors of the Real Estate Board of New York, the Board of Directors of the Rent Stabilization Association, and the Cornell University Council. He graduated magna cum laude with a B.A. from Cornell University and received an M.B.A. from The University of Pennsylvania's Wharton School of Business.*

COMPANY BRIEF *Candlebrook Properties (candlebrookproperties.com) is a leading owner-operator of apartment properties throughout New York and New Jersey, providing the highest level of residence quality and service through skilled management and operational innovation. Through its Lett9r affiliate, Candlebrook is also one of the country's largest operators of student housing properties, with locations at major universities nationwide.*

Where does Candlebrook Properties stand today and where do you see opportunity in the market?

We're constantly focused on finding ways to innovate and to contend with what we see as evolving macro-trends in the real estate business overall in order to stay relevant and productive.

Over the course of our history, we have evolved from focusing on the New York City apartment market, where we became a major player in affordable housing, to investing in thriving suburban markets, to now undertaking a massive redevelopment project in the Philadelphia area and an expansion into high-end luxury housing. Our newest foray is our entry into the student housing business, which expands our footprint on a national level.

What is the status of rent stabilization and affordable housing for the future, and is New York losing its diversity with so much high-end product?

There is obvious demand for high-end luxury product in New York City. Many have correctly identified that New York residential property is becoming a store of value for the global wealthy. Demand will remain strong as long as the U.S. maintains its global leadership and New York City remains the business and cultural capital of the world.

On the other hand, there are real challenges right now in the creation of affordable housing units – given land prices, high construction costs, and the limited availability of subsidies. The math just doesn't work.

We think that the city needs an ambitious, long-range, large-scale program akin to the Mitchell Lama program, which was tremendously successful in creating a lot of middle-income housing product.

I'm very interested in participating in the effort or dialogue to help design such a program and, if one were to come to fruition, we would be active participants in helping to solve New York's housing challenges.

I know we can make more money through continuously improving performance.

Are you optimistic? Is the dialogue even happening?

Yes. The focus recently has been on the preservation of the existing 421-a program along with the general rent stabilization regime. But people are absolutely talking about the bigger picture, and I have no doubt that the New York real estate community will prove its creativity here.

Was the redevelopment project in Philadelphia a natural fit for you?

It was a natural extension in that so much of our business has been about repurposing and repositioning existing real estate. We've done about as much of that as anyone in the industry-over 150 buildings. We jumped on the opportunity to buy a 1960s vintage property in a fabulous location in Philadelphia's Mainline. It was clear that the market there for luxury rental housing was dramatically underserved.

The project was certainly ambitious: 650 units in five buildings on a 26-acre site. Its big, and nearly everything had to come out and be redone. It's a complete gut. To date, we have completed the redevelopment of three of the five buildings, which are close to fully leased, and the remaining two are in construction. The reception has been fantastic.

Where does student housing stand today?

The student housing business is highly specialized and requires a specific skill set that we developed quickly by hiring a team of very talented people. We have the best team, in the industry. The business also depends heavily on a marketing strategy. It rewards managers who can differentiate their product and create brand loyalty. We are totally focused on this and are in the midst of developing what we believe is the most exciting brand in the space, Lett9r.

We launched our business with a major acquisition, of over 3,500 beds, which made us a very large player overnight. We then turned our attention exclusively to operations, wanting to make sure we executed on a high level, and we had a fabulous first season, reaching 99 percent occupancy. We're ready to turn our attention back to expansion. We're going to be selective, particularly at this point in the cycle, be patient, and add incrementally and strategically.

Are things better post-recession? Are you concerned we could face another problem?

I don't know anyone in our business that doesn't think the market is frothy, with high pricing heading higher. Fundamentals are generally strong, particularly in apartments, so operations are sound. I think owners run a far greater risk today of overpaying than on underperforming on the operating side.

While we are always on the lookout for the next acquisition opportunity, and want to continue to grow, we are taking a very cautious approach and spending more time than ever on improving our operations. I know we can make more money through continuously improving performance, and I'm pretty sure that I'll never look back at the summer of 2015 and feel that I missed a great buying opportunity. ●

