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## COMMERCIAL REAL ESTATE

### *A Conversation With Eric S. Margules*

#### The 30-Minute Interview

Mr. Margules is the founder, president and chief executive of Margules Properties, a New York-based company that specializes in residential rental buildings, many of which are rent-stabilized or rent-controlled walk-ups. He founded the company in 1992. *Interview conducted and condensed by VIVIAN MARINO*

**Q. How do you pronounce your name?**

**A.** Like Hercules.

**Q. You work alongside your son, Teddy, and your wife, Leah Carr. What do they do at the company?**

**A.** My ex wife, you know, oversees Management and has recently started working alongside our Acquisitions Director Perry Lee. I work with my son very directly. We do acquisitions. He also gets involved in management. He's 24, so he's being trained.

**Q. So how big is your company's portfolio?**

**A.** We have about 40 buildings and a little over 1.3 million square feet of development rights in Manhattan and Jersey City.

The first building we bought was in '92. I actually still own the same building — that was in Chelsea, on 26th and Eighth. It was a tough time to buy at that point. There was no bank financing. You had to inherit bank financing from the seller, and also it was very tough to get investors, because real estate had really taken a bath in the late '80s, early '90s.

**Q. Are most of your apartments rent-stabilized or regulated?**

**A.** In New York City, most of them are rent-stabilized; in Jersey City, they are rent-controlled.

We have 30 buildings in Manhattan, one in Brooklyn and one in Queens. We have something in Long Island, 15 buildings in Jersey City.

I would say about 60 percent are rent-regulated.

**Q. What's your occupancy rate portfolio-wide?**

**A.** About 98 percent.

**Q. And rental rates?**

**A.** In Manhattan, the rent-regulated rents are probably about \$30 a foot. The free-market units range probably from about \$60 to \$80 a foot. In Jersey City, both rates are about half of that.

**Q. Seems like you're filling a need of providing homes for the less affluent in the city.**

**A.** Well, I like to think so.

We have income requirements. We have credit requirements, previous landlord requirements and a stable job, and if those four criteria are not met then we need a guarantor.

**Q. Why the focus on rentals instead of condominiums?**

**A.** Well, because I'm a long-term investor. I have developer friends who started around the same time as me, but they don't own the stuff that they bought back in '92 and I still do, so I've seen the appreciation.

**Q. Could you see the company expanding into bigger developments?**

**A.** Well, actually — under the development rights that we have in Jersey City — for our first time we’re doing a joint venture with a very big name, national developer. In that place we’re going to build 25 to 30 stories, glass tower in Journal Square.

**Q. *Who is that developer?***

**A.** I can’t say right now. We haven’t inked the deal yet.

And on our own, we have another mixed-use project in Jersey City, which is going through the approval process. We expect to build about 200,000 square feet of residential, retail and parking.

**Q. *Your focus seems to be on Jersey City.***

**A.** It’s a great market for us — the Journal Square area. It’s not nearly as evolved or as efficient, I should say, a market as New York, where you’ll have 10 nationally known brokers who know about a property. So the competition to buy is very substantial.

In Jersey City, you have mostly local brokers. People know us. We have a pretty big presence there, so brokers come to us first. We get a lot of off-market deals and we’re able to buy those kind of things for pretty good prices.

**Q. *It’s harder to find properties in New York City.***

**A.** Well, they’re not hard to find. They’re hard to get.

**Q. *Have you acquired anything recently?***

**A.** We just bought a property recently in Manhattan — a parking garage — on Seventh Avenue and 17th Street. It’s a parking garage in a condo building. We’re just going to continue to operate it. It’s a little bit off our bailiwick.

**Q. *Do you live in any of your buildings?***

**A.** No. I’m living in Flatiron. I’m just renting right now.

**Q. *Were you always interested in real estate?***

**A.** I was a double major at Wharton — real estate and finance — and I went to work on Wall Street originally. The stock market crashed and I had to do something.

I actually decided before the crash that I wasn’t really finding meaning in what I was doing — I was just selling bonds to institutions. I always had this second major. My father had dabbled in real estate. In the ’70s, he bought a shell of a building on 85th, between Columbus and Amsterdam, and

renovated the whole thing, actually he and my mother, and they sold it out as co-ops.

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