

THE REAL DEAL

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NYC's property management powerhouses

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Cashing in

Property management can be a lucrative business, especially for the cream of the crop. The industry — which consists of 263,580 companies in the U.S. — generated \$77 billion in revenue nationwide in 2016, according to a 2017 report from the business research firm IBISWorld. There are thousands of property management firms operating in New York's five boroughs, according TRD's analysis, though a breakdown of the number of active businesses and the revenue they generate wasn't available.

For condos and co-ops, property managers typically charge a flat annual fee, including maintenance costs, of \$500 to \$1,000 per unit, according to those in the business.

The standard monthly rates that managers charge at rental properties, meanwhile, have traditionally ranged from 3 to 5 percent of a building's rent roll. But some industry players say that model is growing outdated due to soaring rents in the city. For a rental building whose stabilized units have gone market-

rate, even 3 percent can be an outrageous ask, said Jonathan West, president and chief operating officer of Charles H. Greenthal & Co. (His firm ranked sixth in Manhattan with 13,008 units in 90 buildings).

“You are going to price yourself out of the market,” he noted. “You want to do what’s right, and you want to do what’s respectful.”

As a result, many property management firms have started charging flat fees for both condo and rental properties based on the building’s size and the kinds of services the client expects. Greg Kalikow, vice president of the family real estate firm Kalikow Group — which runs its own management arm — said one of the biggest challenges property managers face is convincing clients that “cheaper is not always better.”

“If [the client] expects the service of a new Mercedes on the budget of a 30-year-old Daihatsu — those expectations are not realistic,” Kalikow said. “We always preface in our interviews that we are not the cheapest option; however, we believe that as owner-managers we have a significant advantage.”

Rental landlords who plan to hold onto their buildings for decades, or for several family generations, have traditionally handled their own property management. Those firms include the Durst Organization, Related Companies, Silverstein Properties and Douglaston Development.

Midboro’s president, Michael Wolfe, said the owners who don’t hire third-party property management firms for rental properties are often driven by a desire to “control their own destiny” — especially when it comes to new development projects.

But Michael Rothschild, the vice president of AJ Clarke, noted that property management can be very demanding, and owners of multiple properties often want to focus their energy elsewhere.

“If they have an unlimited amount of time to spend on their buildings, they’ll do their own property management,” he said. “Most of our clients don’t want to do that.”

Wurtzel of FirstService said third-party management firms boast “broader market experience” that allows for greater control over building expenses. Developers and owners need to invest heavily in personnel and infrastructure to properly manage a rental building, whereas outside firms already have those in place, he said. For condos and co-ops, property management companies are often better equipped to negotiate better energy and insurance rates, Wurtzel argued.

“The skill sets required for development and property management [in the rental business] are very different, and those differences can lead to gaps in execution and delivery,” he said.

Jeff Levine, chairman and principal of **Douglaston Development** as well as the firm’s construction arm, Levine Builders, and its property management arm, Clinton Management, said that while self-management can be tough work, it pays off in the long run.

“Property management is a punishing business,” he said. “The reason you do [it] is to ensure that your tenants are content, so they continue to occupy the apartment.

“Having a high quality of management maintains your asset value,” Levine added, calling that the “whole point of being in real estate.”