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A Developer Makes a Shift From Offices in the Suburbs to City Housing

By JULIE SATOW

Over the years, the property at 142 North Sixth Street in Williamsburg, [Brooklyn](#), has gone through many changes. It has been a popular flea market, a condominium development with a bamboo garden, and, most recently, luxury rental apartments. Now, the 44-unit building has changed hands once again.

Steiner NYC closed late last month on a \$38 million purchase of the building, which it intends to keep as a rental property. It is the developer's latest residential acquisition in the borough, and part of its larger strategy to reposition its portfolio into multifamily properties in [Manhattan](#) and Brooklyn and out of suburban office buildings.

Recently, Steiner NYC has been on a buying spree. It acquired a vacant building at 815 Broadway in Bushwick that it will gut and renovate into a rental building with 40 to 60 units, and a 60-unit rental building at 204 Huntington Street in Carroll Gardens that it plans to renovate. It also plans to break ground next year on the Hub, a 720-unit rental high-rise at 333 Schermerhorn Street in Downtown Brooklyn and is in the midst of closing on its first Manhattan site, land south of 23rd Street where it will build a 100-unit luxury rental building.

"Residential properties are the future of this company," said Douglas Steiner, the company's chairman, perched on a chair in his sprawling office at Steiner Studios, the Hollywood-style movie and television lot he opened in 2004.

The Williamsburg property, known as Jardin, also includes two retail units and an underground parking garage. It had been marketed as condominiums and was about half-sold when, about six months ago, the developer rescinded the purchases and converted the property into rentals. It leased the units in just three weeks, according to David Behin, president of investment sales and capital advisory at MNS, who represented Mr. Steiner and the seller, the Read Property Group.

“In my world, if you rent something very quickly, typically it means it is undermarket,” Mr. Behin said, adding that the units rented for roughly \$53 a square foot, about 10 to 15 percent below their market value.

“It is a great building in a perfect location, and Doug saw an opportunity to increase the value of the asset by buffing up the rents,” he said.

Founded in 1907, Steiner NYC was originally Sudler Construction. Mr. Steiner’s father, David, 82, was Samuel Sudler’s partner for more than 40 years. In 1996, shortly after Mr. Sudler’s death, the Steiners took over the company and created the Steiner Equities Group; it later created Steiner NYC as its New York arm. In addition to development, the company also does property management, leasing and construction.

Originally focused on industrial real estate, in recent years the company has become a large holder of commercial office parks and retail properties. Now, Douglas Steiner hopes to shift the focus again, toward residential real estate.

“There is infinite demand for residential properties, it is just a question of price,” Mr. Steiner said. “Over the years, many families in New York have built vast fortunes by investing in residential rental properties here.” He added that office properties, on the other hand, “have a limited universe of tenants, and manufacturing is slowing and it is difficult to find large industrial sites.” The company also hopes to continue investing in retail properties, which Mr. Steiner calls “a noncommodity business where, if you do it right, you can gain a monopoly.”

A Stanford graduate, Mr. Steiner, 51, has worked at his family’s company off and on since high school. He splits his time between an East Village apartment and a suburban [New Jersey](#) home where he lives with his three children.

He is perhaps best known for Steiner Studios, a 20-acre complex inside the Brooklyn Navy Yard that employs 1,300 people, where the likes of HBO’s “Girls” and the film “Mr. Popper’s Penguins” have been produced. Mr. Steiner, who enjoys driving his [golf](#) cart around the lot and peeking into the sets, is currently overseeing the studio’s fifth expansion and hopes to enlarge the business over the next decade to 50 acres and as many as 6,000 employees.

He is hoping to use the name recognition he has earned with Steiner Studios to sell apartments. “Just as Donald Trump gets a premium for his name, we also want to brand ourselves,” he said. The company’s only condominium project, for example, at 58 and 80 Metropolitan in Brooklyn, features the Steiner name and an article on the developer in its marketing materials.

“In so many condominium developments, you never know who is behind the project, but we want people to know what Steiner stands for,” he said.

Mr. Steiner has been using proceeds from the \$100 million sale in April of a 265-acre commercial building complex in Middletown, N.J., to finance the bulk of these recent purchases. “We used to be rigid about not selling any of our properties, but we have become more pragmatic,” Mr. Steiner said.

In many cases, Steiner NYC has been using so-called 1031 exchanges for the recent deals. In a 1031 exchange, a seller can defer paying capital gains taxes on a sale by plowing the money directly into a new real estate purchase. It is possible to continue investing proceeds from sales into new acquisitions, and in that way defer the taxes indefinitely.

While 1031 exchanges can provide major tax savings, “there are several hurdles to completing these transactions, such as a tight timeline,” said Wayne B. Heicklen, a partner at the law firm Pryor Cashman, who does not represent Mr. Steiner. To complete a 1031 exchange, a seller must identify new properties within 45 days of the sale and close on the acquisitions in 180 days.

“It was quite a puzzle. I didn’t sleep for months,” Mr. Steiner said of trying to complete the deals in time.

The first transaction the firm completed using a 1031 exchange was the acquisition of the land on which it is building the Hub, the rental project, near the Brooklyn Academy of Music. In this case, Steiner NYC needed to buy the Downtown Brooklyn site, where there are existing buildings and a parking lot, before the sale of the New Jersey complex closed, said Michael Utevsky, Mr. Steiner’s lawyer on the deals. So a third-party intermediary bought the site, and when the sale closed, Steiner NYC took over ownership, in what is known as a 1031 reverse exchange.

The purchases at 204 Huntington Street and 142 North Sixth Street also involved 1031 exchanges.

The use of a 1031 exchange to acquire the Hub is unusual, said lawyers who structure these deals, because it is a development site. Usually, sellers use proceeds from a sale to invest in something safe, like a chain of drugstores or a rental property that produces income, Mr. Heicklen said.

But in this case, Mr. Utevsky said, “Doug is a developer and he is eager to add value to his investments.”

Proceeds from the sale of the New Jersey property have now been used up, but Mr. Steiner said he continued to look for new residential deals. As for selling another commercial property as part of the overall strategy to reposition the portfolio, the company does not currently have any properties for sale, but Mr. Steiner said, “We will consider sales from the existing portfolio if the right opportunity comes along.”