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THE DEALMAKER

Metropolitan Realty Associates' Joe Farkas

(l.) The new 300 Building's two-story glass atrium lobby at Sunrise Business Center and (r.) its circular drive.



Developing at the Intersection of Vision and Instinct

METROPOLITAN REALTY ASSOCIATES



The new 300 Building at Sunrise Business Center.

By Adina Genn

There are real estate projects, and then there are development opportunities that inspire passion. Joe Farkas prefers the latter. As president of Garden City-based Metropolitan Realty Associates, a real estate investment and development firm that specializes in class-A office space and residential opportunities in New York and very selective markets across the country, Farkas knows that without passion a project becomes just another commodity. And Farkas is simply not interested in commodities.

But passion in and of itself is not enough to configure a successful class-A structure. Farkas factors in many criteria when assessing a development opportunity. The project must be as of right, that is, must have proper zoning. It must also have the support of the government and community. And it must feature a competitive edge.

But there's more. Farkas has to see the venture as an undertaking in which he will become fully hands on. And it must be a project that a professional brokerage company can market properly and competitively. If a building is a good candidate for adaptive reuse, that is if it is modified to suit a new purpose, all the better. Add to that a commitment to remain transparent to investors and tenants

alike, and, above all, the project must sit well with not only his gut instinct—something he's honed after spending 25 years in the commercial real estate business—but also that of his seasoned investors. After all, without investors, no project becomes a reality.

For Farkas, 43, this formula has proven to be a winning one ever since he started the company in 2001. His modus operandi helped him ride through the dark days of a post-Sept. 11 world, when his start-up was knee deep in due diligence as he closed his first acquisition, the Woodlands Office Park in Hauppauge. It's a blueprint that helps him navigate the current recession, at a time when the real estate market has been hit so hard. Spend an afternoon with Farkas, and it's easy to see that his recipe for success gives him confidence, even in this soft economy.

"This is not a scary time to do business," Farkas says, sitting in a well-appointed conference room nestled inside the Jericho Atrium, a 145,000-square foot, two-story, Class-A office building. "It isn't scary for knowledgeable, sophisticated investors."

If Farkas sounds self-assured, it's because he is disci-

'Joe digs into his gut. He has the skill sets, work ethic, and creativity to get things done. His tenants have a lot of faith in him. He works extremely hard and is committed to make sure that his partners and tenants are treated in a first-class manner.'

*—Adam Schwartz,
managing director, Angelo, Gordon & Co.*

plined, having gotten his real estate investment down to a science, leaving the guesswork aside. It's a practice that allows him to be nimble.

And that nimbleness has enabled Farkas to focus on growth—further proof of what he says is his "faith in the future recovery of the real estate market"—as evidenced by his company's newly created position of a director of acquisitions. The director will focus on commercial and residential investment and development opportunities in New York and elsewhere in the country.

Nimbleness also helped Farkas assemble a portfolio of more than 700,000 square feet of office space on Long Island. In addition to The Jericho Atrium, Metropolitan Realty Associates also owns the Business and Research Center at Garden City, and The Sunrise Business Center in Great River. The company also owns The Southwest Corporate Center in Houston, in partnership with the New York City international real estate investment and development firm of Young Woo & Associates, and has numerous investments in development projects in New York City and many other properties across the country. Farkas says that the ability to remain flexible in business serves him well. "I have a low leveraged portfolio," he points out. "I can maneuver and make deals. I didn't buy anything at the height of the market. As a disciplined investor, I have control."

But Farkas says that discipline has been engrained in his persistency and a desire to "never stop learning, pursuing, and being good at what you want to do." It's sage advice for those who want to pursue their dreams and are eager to get to the next level. Farkas' suggestion? "Whenever you come across anyone who can tell you more than what you know, listen."

Farkas has been listening ever since he was a little boy who loved blocks and Legos, whiling away the hours building castles and other structures. "As a kid, I dreamed of buying real estate," recalls Farkas. Growing up, he listened keenly at the dinner table as his dad Arthur, who worked in real estate as an executive at a large insurance company, spoke of leasing transactions and office development deals. Farkas' interest was piqued, and remained so, even after graduating from the State University of New York at Stony Brook, so he began working in the industry on the service side, as a broker and also in management. Seeing so many transactions come to light, Farkas grew determined to get in on the investment and development

side. He took stock in what he already knew and set out to fill in any gaps on his own.

It was a rocky time, to say the least. Operating on an analogy that those sharks that sleep die, Farkas, eager not to become endangered, kept busy, taking the opportunity to move forward every chance he could.

"In 2001, I didn't know if I'd make it past the first week," admits Farkas. "Two weeks after I started Metropolitan Realty Associates, my daughter Stefanie was born late on a Friday night. Monday morning I took her and my wife Michelle home and went to a lunch meeting. I was terrified. All I knew was survival."

Yet even in the chaos and tumult after Sept. 11, Farkas noticed that in closing the Woodlands Office Park less than three weeks later, his financial partner, the Manhattan-based and privately held investment firm Angelo, Gordon & Co., remained calm. "They were solid as a rock," Farkas says. "We closed all cash. Nobody blinked."

Winning Over the Stakeholders

Adam Schwartz, the managing director of Angelo, Gordon & Co., says his firm took on Metropolitan Realty's first transaction largely because of Farkas. "I was sold on the person," says Schwartz. "He creates value for investors and tenants."

"He had a vision to reposition the asset to cater to a smaller-sized tenant," Schwartz points out. What's more, Farkas came up with the idea to convert basement space to leaseable space at slightly less expensive rates than the above ground space. "He had a strong sense to execute his vision," Schwartz adds about the Woodlands Office Park. Angelo, Gordon has subsequently partnered with Metropolitan Realty on additional deals, including the



Lifetime Brands main lobby, 1000 Stewart Ave., Garden City.

new 161,000-square foot class-A office building at The Sunrise Business Center in Great River. "Joe digs into his gut," says Schwartz. "He has the skill sets, work ethic, and creativity to get things done. His tenants have a lot of faith in him. He works extremely hard and is committed to make sure that his partners and tenants are treated in a first-class manner."

As a for instance, Schwartz refers to The Jericho Atrium, in which Metropolitan Realty is opening a brand



200 11th Ave., New York City.



Main entrance of The Jericho Atrium, 500 N. Broadway, Jericho.



Houston's Southwest Corporate Center.

new fitness center. Schwartz points out that in the current economic climate, "most landlords are cutting down on services," whereas Farkas, in a building that is 90-percent leased, is adding amenities. On the surface, it may seem like there is no pressing need to install a fitness center, especially in these times, "but Joe knows that tenants will appreciate it and stay when their lease comes up," says Schwartz.

It is that kind of insight that has strengthened their relationships as partners, Schwartz says. "We've been doing joint ventures for eight years," he says. "In the seven projects we've done together, we've never had a disagreement. His ethics are unwavering. He is always doing the right thing."

That reputation is a quality Farkas has worked diligently to earn by ensuring that he is accessible at all times to those with whom he does business. "I pride myself on my transparency in the market with investors and tenants," says Farkas. "It makes people comfortable with me. I don't hide in the corners." He says he goes well beyond responding to emails and phone calls quickly. "I take the time, and make time, to appreciate the assets and enjoy walking through the buildings and construction sites," he says. In this manner, he gets to know all of the stakeholders who make his properties the successes that they are—and that includes not just investors, but the maintenance staffers, the janitors, and the mail distributors in his buildings, as well as the chief executive officers renting space. "It's the best way to keep my finger on the pulse," he says.

"Joe is a 24/7 type of guy," says Eric Rubenstein, a partner at the Uniondale-based law firm Ruskin Moscou Faltischek, where he also serves as co-chair of the

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Rubenstein assisted with The Business and Research Center at Garden City, a mixed-use redevelopment of the former Bristol Myers Squibb campus. The distinguished modernist architect Paul Rudolph was the original architect, while Sal Ferrara, president of the architect and design firm Combined Resources, worked with Farkas to "redesign" the building when Farkas acquired the property in 2005.

A Hit With the IDAs

Edie Longo, deputy executive director and chief financial officer of the Town of Hempstead Industrial Development Agency, shares Rubenstein's sentiment when talking about the two buildings on the former Bristol Myers Squibb campus and the pressure to keep jobs in the town. "Nobody saw that property as Joe did," says Longo, adding that the IDA provided tax abatements so the project would move forward. "Some say the site should have been razed. It was vacated for a number of years. The building is actually spectacular and is now a great gate-



Main lobby of The Golden Wheel Condominium, 139 Centre St., New York City.

way into Garden City. We were able to keep Lifetime Brands, which would have relocated out of state—a huge coup for us."

Now, the property houses 300 full-time jobs, and, last year, Nassau Community College availed itself to a 25,600-square foot office building, also owned by Metropolitan Realty on that same property, designating it for office and classroom use. The school signed a 20-year lease for that property, for which Farkas recently completed a multi-million dollar renovation for the college's specific use.

Metropolitan Realty's winning track record with Hempstead's IDA office inspired confidence from the Town of Islip IDA. In June, Islip town officials, along with Metropolitan Realty and its partners, held a ribbon-cutting ceremony to mark the completion of a new, 161,000-square foot Class-A office building at The Sunrise Business Center in Great River, a three-building 388,500-square foot office complex. The IDA provided tax abatements for the property in its goal to preserve the zoning and keep jobs in the town.

"There is very little office development on the South Shore of Long Island and on the Sunrise Highway corridor," says Bill Mannix, Islip's director of economic development. Once the site of Maxson Electronics, and then Grumman Electronics, in the late 1990s the site was purchased by a development team that aimed to transform it into a technology hub. That effort failed, largely due to the dot com bust, and subsequently the property generated interest from retail and housing developers. "We wanted to retain it as an employment center," says Mannix. "We were approached by Joe Farkas, whose concept was similar to the prior owner but saw it as more than for technology companies but as structured,



Birchwood on the Green Cooperative Apartments, Oakdale.



Lifetime Brands Global Headquarters, 1000 Stewart Ave., Garden City.

Class-A office space. He had a different approach to build out the space and aggressively market it appropriately."

Under the previous owner, the site never got above 51-percent occupied, says Mannix. Now two of the buildings are at 92-percent occupancy, featuring A-list tenants such as Netsmart Technologies, T-Mobile, Verizon, Metro Door, Aetna Life Insurance, A-C Tel, Hearst Business Media, Lessings, Citizen's Bank, and Schoenfeld Securities. Its newest tenant, Suffolk County Department of Social Services Medicaid Division, brings more than 100 new jobs to Great River. And more tenants are on the way, as construction on the new 300 Building is completed. "Joe Farkas lived up to everything he promised with The Sunrise Business Center so far," Mannix says. "Now we have the office jobs we wanted. There are currently more than 800 jobs in place, and, with full build-out, there could be as many as 2,000."

A Man With a Vision

Whereas competitors missed the potential of the Great River and Garden City projects, Farkas has zeroed in, applying his strategies for finding projects that fulfill his quest to meet his adaptive reuse, aggressive marketing, established zoning requirements, and government support criteria. Take the Paul Rudolph site, with its turreted, concrete building that many considered very difficult to work with. "Joe saw nice office space while others walked

past it," says Ferrara. "It took a finer eye to see that office space and find a tenant."

The site had an unorthodox layout, and certain construction constraints, but Farkas worked with Lifetime Brands to overcome the obstacles. "Joe took this albatross and made sense of it and was able to articulate his vision, which contributed to Lifetime Brand's interest and, ultimately, a successful deal," says Martin Lomazow, senior vice president of the brokerage firm CB Richard Ellis in Woodbury, who represented the tenant.

"The same process took place in Great River, converting the Grumman plant," Ferrara adds, noting that one of the three buildings was an unpleasant-looking metal-sided warehouse. "Joe saw the value and ability to take these buildings and make them look like they belong together, creating the look of a campus" through the use of color and texture. In addition, he added a floor to the warehouse, "achieving its maximum potential and making it more successful," says Ferrara.

The Residential Market

Farkas is now also taking part in the residential market. In March 2008, he became involved with Birchwood on Green, a 51-unit cooperative development in Oakdale, where he is building brand new one- and two-bedroom units. Listed at nearly \$200,000 a piece for a fully renovated two-bedroom cooperative apartment that means, based upon the current environment of low interest rates, you could own a unit for nearly what you would otherwise pay in rent. More than half of these units are already sold.

But Farkas is not stopping there. He is also serving as



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an investor and development manager at 200 11th Ave., a new high-rise luxury residential condominium being developed by his partners at Young Woo Associates and Urban Muse, at the corner of 11th Avenue and 24th Street where unit owners can park their cars in their very own garage on the floor of their super luxurious apartment building. But this is just the beginning, as Farkas plans to expand the company further into residential markets.

A Competitive Edge

Part of that vision is finding a project's competitive edge, positioning a building so that it is much more than a commodity. "If it becomes a commodity, the price gets driven down by the tenant" who thinks another developer will offer a better alternative, says Farkas. Take, for instance, The Jericho Atrium, located just off the Long Island Expressway next to a shopping center with a Whole Foods, Starbucks, an Italian restaurant, a spa, and more. That's a selling point for employers who want to attract and retain a high caliber of staffers who enjoy such amenities during lunch and before and after work. Or consider the Southwest Corporate Center in Houston, a former regional shopping mall that Metropolitan Realty converted to a back-office building, attracting call center tenants and other high-density uses. The configuration of this site was such that the building now provides eight parking spaces per 1,000-square feet leased, whereas the average office building provides 3.5 spaces per thousand. "I'm offering more than double [the spaces] to satisfy the needs of the particular tenant I am marketing to," says Farkas.

Insiders say Farkas' success is built on more than vision. "He's passionate," says Lomazow. "He has the drive to get deals done. He doesn't see boundaries, which adds to his creativity. He's built himself a nice reputation. People like doing business with him. All that has contributed to his evolution and ultimate success."

The likable character, the good reputation—perhaps that's what is most paramount to Farkas' achievements. After all, people enjoy doing business with the ones they like and trust. ❖