



Executive of the Month: Question & answer session with Steven Kachanian, managing principal of Klosed Properties

June 06, 2017 - Front Section

Steven Kachanian, Klosed Properties

110 Madison Avenue - Manhattan, NY

Great Neck, NY The New York Real Estate Journal recently met with Steven Kachanian, managing principal of Klosed Properties. His vertically integrated firm focuses on the purchase, repositioning and management of well located and under performing assets in the NY metro area.

Q: Congratulations on celebrating 10 years since starting Klosed Properties! How did you get into the business?

A: I moved to the U.S. almost 14 years ago from Italy to attend Baruch College. While in school I got involved in the family business that owned retail and office properties out of state. I was involved in all aspects of the business, acquisitions, leasing, management you name it! The beauty of a family business is that you are exposed to all aspects of the business. Those training days molded me and taught me some very valuable lessons and values: honesty, passion, hard work, perseverance and creativity. After I obtained my master's degree from NYU I ventured out on my own and started Klosed Properties with my father. Instead of focusing on retail centers and triple nets in markets far away from home, I decided to focus on my own backyard—New York. Being able to see your property with ease is critical.

Q: In the last 24 months you have been one of the most active private investors in New York, how were you able to source so many opportunities?

A: Again, honesty, passion, hard work, perseverance and creativity. Over the years we have built a very strong reputation with brokers, owners and lenders for being real and reputable buyers.

We have built a niche for complicated and hairy transactions. Being a family business allows us to act and make decisions very quickly. This grade of flexibility and speed helped us in completing over 32 acquisitions in the last 36 months.

In 2012 we formed Bluesky Acquisitions as our direct acquisition arm of the business. Our team of

highly trained and experienced associates follows a territorial system to canvass and source properties directly from owners. It took us a long time to build the platform but today Bluesky Acquisitions sources 40% of our yearly acquisitions and it's constantly growing and improving.

202 Spring Street - Manhattan, NY

Q: How many properties do you currently have under contract?

A: We currently have 5 properties under contract:

- A 19-unit mixed-use building in the Bronx;
- An 8-unit mixed-use property in central Harlem;
- A vacant retail condo in East Harlem;
- A four-story church in Clinton Hill, Brooklyn; and
- A shopping center in Buffalo.

Q: A shopping center in Buffalo? Do you still buy and own retail outside of New York City?

A: Absolutely, we still own retail properties outside of NYC and we are constantly looking to acquire well positioned and under valued shopping centers, NNN and medical buildings.

Q: What is your business model?

A: Our business model is very simple. Buy, reposition, refinance and put it away.

On my desk I have a sign that says,

“IT CAN BE DONE.”

This simple and short sentence perfectly depicts our attitude, confidence and level of expertise. We focus on well-positioned but mismanaged/distressed assets. Our contrarian approach allows us to purchase assets that most other investors don't want to deal with. 20 St Marks Pl., Manhattan; 507 Myrtle Ave., Brooklyn; 2809 Third Ave., Bronx; or 837 Second Ave., Manhattan are all great examples.

Q: What were some of the greatest challenges of going on your own?

A: While working for my family I was mainly exposed to retail assets. But since there aren't many

value added shopping centers, strip centers and NNN in New York and the boroughs I had to tweak my business model and decided to focus on vacant but well positioned retail condos. We were able to purchase 302 Broome St., 176 Mulberry St., 110 Madison Ave. and 202 Spring St. in Soho among many others.

Another big challenge for us was entering the multifamily game. It's a much more regulated asset class that requires strong management, accounting and legal departments.

In 2013 we formed Bluesky Management, the property and construction management arm of Klosed Properties. Being vertically integrated allows us to oversee the whole life cycle of the asset: due diligence, acquisition, financing, repositioning, leasing and management.

Learning all these aspects of the business was very painful but critical in our success as it allows us to execute our business plan more efficiently and effectively. I take great pride in the quality of housing and service we provide our tenants.

Q: Looking back, how has Klosed Properties changed since its inception?

A: We started as a retail focused company and today we purchase and manage different asset types. As we grew, gained experience and added talented members to our team we also ventured into mixed use and multifamily. When I first started Klosed I never thought I would get into the multifamily game but we did. I also said that we would never get into ground-up development but I have a feeling that I was wrong...

Q: Where would you like to see Klosed Properties in the next 10 years?

A: I am expecting to continue with an organic and sustainable growth. The slow down in the market will create even more opportunities for well-capitalized firms such as ours.

Eventually we will transition into larger properties and keep expanding our footprint in New York and out of state.

Since we are a family business with a long-term approach we are building a very valuable and diversified portfolio for the next generations. I hope that one day my children and grandchildren will take over the company and continue with our investment philosophy and family tradition to build wealth and help our community.