



Executive of the Month: Polsinelli joined Compass as vice chair and launched their new Commercial Sales Division

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New York, NY The New York Real Estate Journal sat down with Adelaide Polsinelli, vice chair of Compass for a question and answer session.

Why did you choose to join Compass?

262 Mott Street - Manhattan, NY

The real estate industry in general, and brokerage in particular are in a state of flux. The very foundation of how business is conducted is changing. Brokerage firms are being bought, sold, merged or closed. The small boutique shops are facing significant change if they are not well capitalized. Large national firms have their sights set on Wall St. Adding to that, the decrease in velocity of sales' transactions which is indicative of the cyclical nature of real estate, and we are in the eye of the storm.

In market downturns, players shift and we see more activity in brokers than in sales. Change is here and it is just a matter of time before it will transform how we do our business. One can either embrace it or be left behind. We chose to be part of the revolution of change. My commitment to being able to service my clients with the most advanced tools of the future, and a platform to support me, was critical to my decision. I chose to affiliate myself with the new market dominator—and leader—Compass!

My decision to join Compass and be an integral part of helping build the investment their investment sales division was a challenge we couldn't refuse. My colleague, real estate veteran, Ronda Rogovin, and I, decided to partner on this venture and bring our experience and relationships to Compass where we believe we can create a tech and talent based platform superior to any other. We are honored to partner with Compass on the forefront of today's ever-changing real estate industry.

The industry is ripe for change which comes in the shape of new advances in technology, women having seats in every boardroom, and diversity being welcomed. Compass celebrates—and values—the uniqueness of talent and understands how to support brokers so they can excel in any cycle.

How do you start a commercial investment sales division in a residential firm?

The commercial brokerage industry is in disruption. The old models are flawed and unsustainable. Firms are consolidating, being sold, or closed.

They are not evolving as competition grows from the newer models that are based on technology and culture.

Compass is uniquely positioned for success. At Compass, we view the agent as the client and do our best to provide the most advanced support, technology and services through a collaborative platform that will make every agent better equipped for success. Not only are we on the cutting edge of technology, but we have defined a culture that revolves around the agent experience that also embraces diversity and ethnicity.

Starting a commercial platform was easy. The foundation is here, now it is about building systems.

How is the investment sales market doing these days?

Contrary to popular belief, I am seeing strength in retail sales.

I recently sold a 9,000 s/f retail co-op with a 40-car garage in Greenwich Village and shortly thereafter flipped three retail condos in Nolita. The fact that I was able to resell these condos for 25% more, a week after they were originally sold by another firm, shows real strength in the retail market.

Retail has hit its low and is now starting to solidify as the new reality of lower rents starts to take shape.

Manhattan's multifamily properties have started the New Year in a positive position as the latest market reports point to a recovery in the sector. My Compass analysis puts 4Q 2018 transaction volume up by 35% compared to the third quarter. Pricing may have reached its floor as the number of closed sales indicates an uptick following several quarters of inflated pricing. 58 multifamily buildings were sold in Manhattan during 4Q 2018. During the third quarter, 50 buildings traded. This bodes well for the start of a new year as the market adjusts to new dynamics at both local and state levels, which have left buyers jittery. I believe we may look back on 2019 as the year the market corrected itself.

What issues do you think will affect values in 2019?

We are facing some challenges ahead that can affect values across the board. Commercial rent control, lists discriminating against landlords, Local law 50, CONH, including the rent regulations coming up in June, are all impediments to addressing the real issues. Fortunately, we also have some rainbows on the horizon that may counter some of the negatives: Midtown east rezoning, Opportunity Zones, steady interest rates and the marijuana industry.

How will the rent reforms impact investment sales?

It's contraindicated. It will widen the divide between low-income housing and free-market rents even further. Mom and pops, and small business owners, the largest group of landlords, are being targeted and will bear the biggest burden. This pendulum swing will change the demographics of who NYC landlords will be. Through economies of scale, large firms can withstand the expense and low yields of not being profitable for a longer period than small investors, leaving institutional owners to become the majority of property owners.

Rent regulation reduces the quality of stabilized housing by removing incentives for property owners to maintain and improve apartments. It makes market-rate housing less affordable by removing stabilized units from the supply side of the market equation and thereby adding to the upward pressure on rents. It hurts the very people it is meant to protect, as rent-stabilized tenants become hostages to their apartments, bound by artificially low rent while prices around them surge to unaffordable levels. If left to the basic economic laws of supply and demand, the market will find its equilibrium and rents will actually decrease.

What would legalized marijuana do to the investment sales market?

This is just what retail needs, a new use to fill retail spaces. It will bring additional activity and uses to malls and the industrial market. Many investors are buying buildings, industrial properties, strip malls and shopping centers, to retrofit them for marijuana uses. The opportunity is just too big to ignore.

How will Opportunity Zones help the investment sales market?

Opportunity Zones are a completely new source of capital for real estate investments, which expands into Wall St. and other investment vehicles. Because the Opportunity Zone law allows exchanges from other industries, it will dramatically influence the supply of funding into these properties and change the type of investors waiting to take advantage of the tax efficiencies of the program. This is a wall of equity that is swelling and waiting to pounce into real estate. The result will be gentrified neighborhoods that may not have seen development for years to come.

How will the commercial rent control bill affect the investment sales industry, if it passes?

This bill has been tossed around for years and repackaged in an attempt to regulate—and blame—property owners for the issues small businesses face. Rather than address the city's role in the problem, such as real estate taxes, fines, payroll and business taxes, the city believes more regulations are the answer. Most of the landlords it affects are small business owners, making the problem a double-edged sword.

The market will self-correct if left to its natural cycle. What would our neighborhoods look like if we still had Blockbuster Video on every corner or typewriter repair shops instead of new, exciting

retailers who are coming up in the ranks to test new concepts? In effect, the bill will jeopardize ingenuity and the vitality so many neighborhoods need to survive.

What do you do to promote women?

I have been mentoring for over a decade. I have had an intern program in place since 2007 for young woman who want to see what brokerage is like before making a career decision.

Do you see women progressing in the commercial real estate industry?

At Compass, women are not only respected, but are also in senior level positions. It's our job to educate the industry on the value of women in commercial real estate. I believe 2019 will be the year of women making great strides in the industry.

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