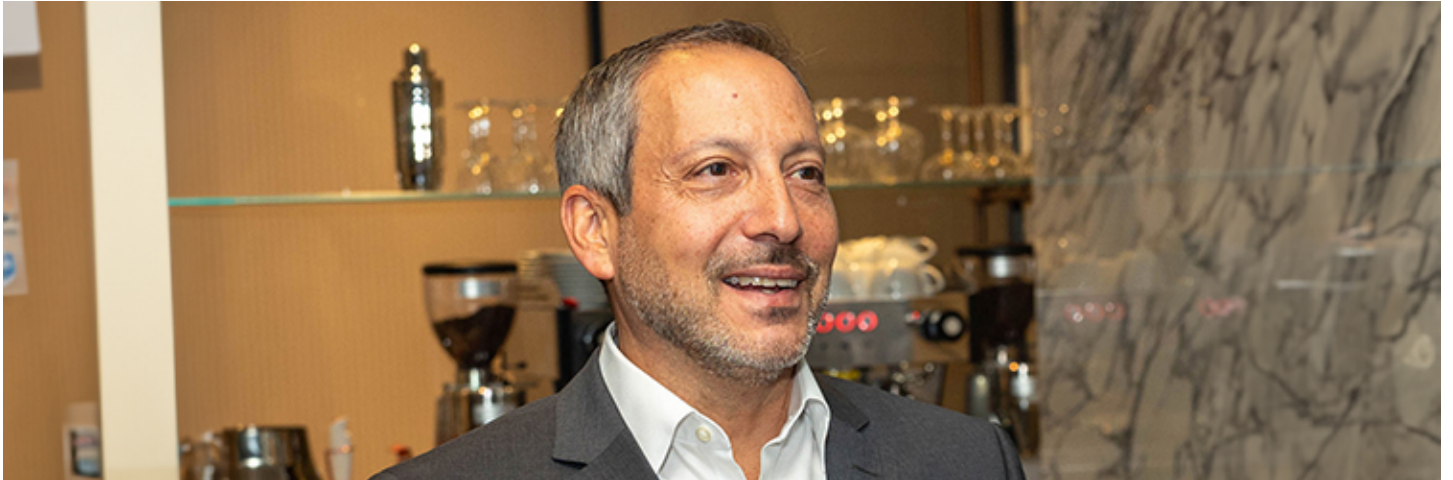




## Question and Answer with Marc Kotler, president, new development group at FirstService Residential

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Marc Kotler at One Wall Street

How are you leveraging current market trends to deliver successful residential developments, especially in today's challenging economic climate?

It comes down to making sure a building can operate at the highest level for the lowest cost. We do everything we can to make that happen and scrutinize every line item. In new developments, this is especially true for utility cost projections, which need to be as accurate as possible, and reserve funds, which are a major budget line item essential for unexpected repairs and capital improvements down the line.

What innovative strategies are you implementing to ensure your developments remain competitive in a saturated market?

We help developers make sure that every common space in their building creates value — be it revenue from membership costs or curb appeal to stand out from competing projects. The challenge is balancing trending amenities with spaces that residents will use for years to come. “Work-from-home” is more of an era than a trend that's shifted favor to coworking spaces, business

lounges with coffee machines, and upscale outdoor entertaining areas as some of the most attractive amenities. We also recommend that developers consider significantly larger package rooms to handle a continued influx in online shopping, as well as storage rooms which New York City residents always pay a premium for.

What are the most critical factors you consider when assessing the viability of converting a commercial property for residential use?

There's a great opportunity to repurpose underperforming assets, and the first step is to assess the building's core. When I advised on the conversion of The Plaza Hotel, the biggest challenge was separating hallways, back of house spaces, access points, and elevator shafts for residential and hotel use, while the property remained in operation.

Traditional office buildings tend to have larger floor plates with a greater core-to-window depth. While this design works well for modern offices with large, open floor plans, it's challenging to repurpose for residential use, which requires more natural light in central living spaces. For some developers, the solution is to carve a courtyard in the center of the building to provide more light, but this is expensive and not always feasible. Commercial buildings also have significantly fewer plumbing and sanitation lines, less complex water supply systems, and fewer sprinkler heads. Installing the necessary systems can add a significant cost to conversion.

Marc Kotler participating in a video shoot at The Huron, luxury condominiums in Brooklyn, NY.

Can you share insights on a recent project where your team successfully helped convert a commercial property into a class-A residential building?

We advised on the conversion of One Wall St., one of the largest residential conversions in New York history. The 50-story bank tower was completed in 1931 and now comprises 566 pristine condominiums, more than 100,000 s/f of amenities, a multi-story Life Time Fitness, a luxury department store, and a sprawling Whole Foods Marketplace. One of the biggest challenges was location. One Wall St. sits adjacent to The New York Stock Exchange. The surrounding area has strict security protocols and narrow winding streets, which would complicate access for residential move-ins, deliveries for commercial tenants, postal workers, and building contractors. We worked with the design team to create multiple security checkpoints on the building's ground floor and basement-level elevators and strategically placed loading docks to manage these changes effectively.

In your opinion, what are the most significant challenges facing the real estate industry today, and how are you helping clients navigate these obstacles?

New York City real estate taxes are sky-high, and there's significant pressure on the sponsor to create an environment of luxury with a high level of service, while also keeping operating expenses as low as possible. It's a difficult balancing act. To support our clients, we lean into the size of our management portfolio and our local affiliates to secure more competitive pricing on utilities, banking products, and building supplies. Rising insurance costs and diminishing coverage limits are another pain point for owners and developers. Our affiliated insurance brokerage specializes in placing policies that cost less and offer more favorable terms than typically available in the open market.

How does your work shift perceptions or misconceptions about the real estate sector, particularly in urban development?

I live in a suburb where people often ask if I think New York City will ever "come back." My answer is always the same: it's already back. Many properties in our new development portfolio are flourishing, and I'm also seeing projects showing robust sales before construction has broken ground. There's a misconception that our industry is underperforming across the board. It's not universal.

What personal values or principles have guided you in overcoming the complexities of modern real estate development?

It's important to stay realistic and ask yourself, 'What will it take to deliver a level of service that makes the purchaser proud of their home and proud to live in their building when the project is complete?' This needs to be real, not aspirational, and it comes down to the smallest details of design and function.

As you continue to innovate within the industry, what legacy do you hope to leave at FirstService Residential and in the broader market?

I've been in the industry for over 30 years and it's humbling to know that my work has a direct influence on people's lives. I've also seen the ebb and flow of the market — periods of prosperity and periods of uncertainty. I always remind my junior colleagues that the market is cyclical and it's important to remain optimistic, especially when supporting sponsors, developers, and unit owners

who have made substantial investments in their properties.

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