

# The State of Real Estate

An Interview with Kent M. Swig, President, Swig Equities, LLC

**EDITORS' NOTE** Kent Swig is Owner and Co-Chairman of Terra Holdings, LLC, which is the parent company of Brown Harris Stevens, Halstead Property, and Vanderbilt Insurance. He is also Owner and President of Helmsley Spear, LLC; Owner of Falcon Pacific Construction, LLC; Chairman of Dignity Holdings, LLC; and Principal in The Swig Company. Swig holds a bachelor of arts degree in Chinese History from Brown University. He attended Hastings College of Law in San Francisco, where he was selected for the Law Review.



Kent M. Swig

## What is the state of the residential real estate market in New York City today?

It is an interesting environment at present: We have the lowest unemployment rate in 50 years and the highest employment rate in the Nation's history. You have among the lowest interest rates that we have ever had, and the stock market has reached all-time highs recently.

However, across the country we're seeing a slowdown in new residential transaction activity, especially in New York City. In 2018, Manhattan experienced the lowest transaction volume in 15 years. So you have this strong economy and low interest rates, but the least amount of transaction volume in 15 years. Why is that?

I think there are two reasons. One is that there is an oversupply of apartments priced over \$20 million. There are only 2,500 billionaires in the world and how many of them are going to buy an apartment in New York City who don't already have one?

In the past four years, we've averaged 50 to 70 apartments in all of New York City that trade at over \$20 million. And yet, developers have built over 700 units along the 57th Street corridor, river to river, a couple blocks north to 59th Street and a couple blocks south to 53rd Street, that are priced over \$10 million and many of which are priced over \$20 million.

These are being built for a miniscule population in the world. As a result of that, these apartments are not selling quickly, thus creating a false impression that the market is weak, which is actually not true.

Secondly, when one examines our national economy, it is evident that businesses see

confusion and a lack of clarity from the Administration. Businesses need a consistent and predictable future. When you look at what's happening in Washington D.C., there is chaos. The business world looks at this and freezes because it doesn't know what to do. In essence, a "mental" recession has been created.

## How are your businesses handling this environment?

Our residential firms, Brown Harris Stevens and Halstead, are very large companies with a good slice of the market. We are cautiously optimistic since, in my opinion, this is a good time to buy residential real estate. The prices are reasonable right now and I think it's a great time to pull the trigger to make a purchase.

On the commercial segment, Helmsley Spear is doing very well. We've grown to over 31 agents right now. We just closed a 56,000 square foot deal with WeWork at 83 Maiden Lane and closed another retail space there as well. We're also the managing agent of that building. I am very optimistic about that end of the business.

Our construction company, Falcon Pacific, is growing as well. We now have over \$250 million of new development construction projects in progress consisting of four hotels, a few residential buildings, and even some large storage facilities.

So our operating enterprises are doing quite well. From a Swig Equities standpoint, we are working in Jersey City on developing an 83-unit residential rental building that is well-priced for the market. I think Jersey City is a very opportunistic place to make investments.

## Are all of these businesses interrelated?

Brown Harris Stevens and Halstead have common ownership. I separately own Helmsley Spear, Falcon Pacific, and Swig Equities. They are interrelated in many ways as, for example, our Helmsley Spear brokers refer a lot of business to Brown Harris Stevens and Halstead. Additionally, our construction company is able to refer business to Helmsley Spear and Brown Harris Stevens and Halstead as well.

## When you see the impact of Hudson Yards and the development of the West Side and Lower Manhattan, is Midtown Manhattan still as sought after as in the past?

Yes, because of the rezoning that occurred in Midtown East. There are several new buildings under construction which will accommodate the sophisticated type of real estate product that tenants demand, such as One Vanderbilt and 425 Park Avenue. Extraordinary projects like what is happening at 270 Park Avenue are also bringing in advanced product to the marketplace which, in this case, will accommodate the growth demands of JPMorgan Chase. Midtown is going through a huge resurgence that will keep the area competitive. ●

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