

Building Quality

An Interview with Izak Senbahar, Alexico Group LLC

EDITORS' NOTE *Izak Senbahar moved to the U.S. in 1977 to attend The Catholic University of America in Washington, D.C. After graduating with a B.A. in mechanical engineering, he moved to New York, where he earned his master's degree in finance from New York University. Senbahar was a Gold Trader for the French financial firm Sucre et Denrées before he entered the real estate market.*



Izak Senbahar

COMPANY BRIEF *Based in New York, Alexico Group LLC (Alexicogroup.com), a real estate development firm with a portfolio of projects including The Mark Hotel, The Laurel, 165 Charles Street, and 56 Leonard Street. Alexico Group partners, Izak Senbahar and Simon Elias, collectively have more than 50 years experience in development, construction, ownership, and management of Manhattan real estate. With a portfolio that has included some of New York's most prestigious properties, they are recognized leaders in their field.*

New York has been heavily affected economically over the past 24 months. Were you surprised by the severity and speed with which the economic crisis came about, and where are we today in terms of stabilization?

We have gone and are still going through very difficult times in our industry. It has stabilized somewhat, but it's a slow progress. The banks are practically shut down in our business; there is virtually no construction lending going on; and the underwriting has been very difficult.

You try to understand the problems that the banks had and maybe lax underwriting led us here, but now we're going to the other end of the spectrum, which is equally bad for business, the economy, and employment.

It's serving the banks' purpose not to lend right now; it's better for their balance sheet. But in the long run, they will need to make money in different ways than they're making right now, so things are going to change.

Have you been happy with how the market has received The Mark, both former guests and new guests, and how is the property developing?

The guests are in love with the product and it is one of the best, if not the best product,

in New York. The food and beverage department is run by Jean-Georges, who does a superb job, and it has been a hit from day one.

Where we have had issues is with rates. To be able to carry a hotel like this and make money with the type of monies we spend, you need a certain rate, which it is not a surprise that we're not getting right now. There is a lot more competition for the same client now, and less business travel and less tourism in New York on the high end.

Also, businesses have been very reluctant to come back to luxury properties because of the image problems.

So the entire luxury industry has lost some business-to-businesses. There is less of a pie to share and that puts pressure on rates.

How has the residential component for The Mark been received? Have there been any changes in that area?

It has been difficult, but we are pushing ahead. Any time you come into a terrible market like the one we faced with a very high-end product, it's an uphill battle.

But there are a lot of billionaires in the world, and when you have a trophy product, such as The Mark, you see interest from all over the world. People are starting to get into the mood to buy again.

The Alex Hotel has carved out a nice niche and attracted a lot of buzz. Are you happy with the way that product has evolved and how do you characterize the market for it?

The market for that product has been steadier. The Alex is a high-occupancy hotel due to the location on Third Avenue and 45th Street, and it draws a lot of business.

But we have suffered with rates. We were the best product around that area, and that carried the rate with it. Lately, with hotels starving for business and reducing rates, we had two choices: either we kill the occupancy and keep the rates or the other way around.

The old hotel modus operandi is that you never drop your prices because it's really hard to get them back up. But in the past two years, we had to do what we had to do to survive and we're still doing that.

On the residential side, during this time period you opened The Laurel. How has that been received, and how deeply has the residential component been hit?

The Laurel also went through a dry patch. The concept of The Laurel was to build the best building in that area and charge a few dollars more for it. That worked at the opening and then the recession hit.

For about a year and a half, the market was pretty dry and our sales were very slow. But right after New Year's, we decided to match or beat our competition in prices. So we took our prices down 10 to 15 percent, depending on the line.

With those incentives, we sold \$80 million worth of apartments – we are now at 60 some percent sold.

Our retail is also fully leased. We've done tremendously well, but it took a long time. I attribute our success to the fact that it is a well built building. We have three pools and 12,000 feet of amenity space including a gym, a triathlon training center, a screening room – it's a very exciting product. The sales progress was slow. Two years ago, people were not paying a little more because they got more. But that is coming back.

How has 56 Leonard progressed?

We had just finished the foundation when the world economy started to fall apart, and we lost our construction financing. It's a \$600-million project and the construction loan is \$300- to \$400-million and there is no bank out there that is looking to do a deal of that size. My worry is that when banks come back, they're just going to want to do mid-size deals so it's going to take longer to do a project like ours.

On the plus side, it's a tremendous landmark for the city and we have been given a lot of incentives to build. But the environment has to change and the administration should understand that if Obama wants to move unemployment to lower levels, then the banks have to be involved or we're not going to be able to create jobs.

Do you ever take time to celebrate what you've created?

All the time, but celebration comes in different ways. It doesn't have to be popping champagne and partying with people. You walk in on a Sunday morning to a building you built, look around and say, it looks good. It's an inner celebration. ●