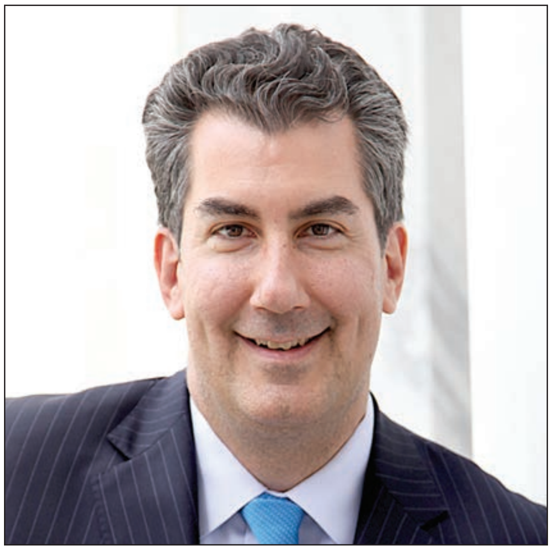
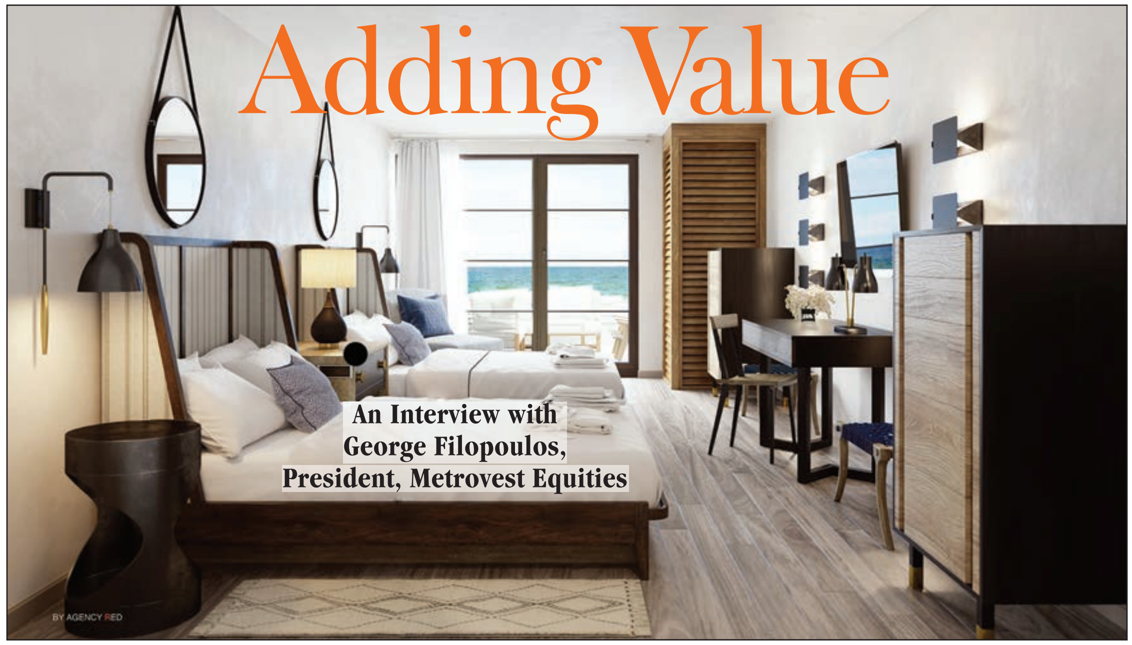


George Filopoulos

Adding Value

An Interview with George Filopoulos, President, Metrovest Equities



A newly renovated room at Gurney's by 27-year-old acclaimed designer Michael Kramer

EDITORS' NOTE *As an investor in distressed real estate, George Filopoulos has saved hundreds of co-op owners from losing their homes. Filopoulos got into real estate after dropping out of college in 1990. In 1996, Filopoulos founded his own firm, Metrovest Equities.*

COMPANY BRIEF *As a leading authority in marketplace trends, Metrovest's (metrovest.com) projects have set the standard for superiority, and have become the benchmarks for urban planning. The company has successfully acquired and redeveloped obsolete institutionally owned properties; restructured, rehabilitated, and re-energized challenging HUD-subsidized properties; and envisioned highly praised plans for urban renewal. From new construction to community renewal, Metrovest has the capacity to undertake the most complex, high-end construction projects.*

How did you get into real estate and why did you feel that 1996 was the right time to create Metrovest?

In January 1990, I started to work for a commercial sales firm specializing in investment sales. I attended college for about six months and then took a course to get licensed because I wanted to go to work for a firm that sold investment real estate.

At that time, the bottom had fallen out of the market, so I spent about a year learning a lot, but there were no deals going on.

I then did a number of things including rentals, and ended up working for a firm in the early '90s that dealt with REO properties – bank management of everything from single-family homes to co-ops and condos within a couple hundred mile radius of the city.

That started to pick up in the mid-90s and I started to buy a lot of these properties – we had the FDIC and RTC as sellers back then.

During the most recent downturn, the banks' strategy was to hold or extend bad loans. In the past, they would have marked these assets down and sold them.

We got busy and started doing deals that progressively got larger and larger. In 1996, I founded Metrovest to specialize in just that: buying distressed real estate, and brokering real estate as well.

For about five years, we did both, and beginning around 2000, we started strictly buying and restructuring troubled assets, primarily focusing on the Tri-State area with the largest concentration in New York, mainly the boroughs, as well as Upper Manhattan.

Did the speed and severity of the recent economic crisis surprise you, and, for those who said we'll never see the record high prices again, has it come full circle?

It has in many ways. Although the market bottomed in 2008, we had begun to see a slow down in velocity beginning in late 2006.

We were in the midst of selling condos at the Beacon in Jersey City, and we went from seeing 40 people coming in the doors over the weekend to a dozen.

Transactions take time to catch up to a changing market – the traffic and prospects are the data points that can tell a story earlier.

The market was running out of a pool of buyers and financing had started to change. The banks approach to lending became abruptly different and they turned the spigots off across the board. This downturn was different from others due to this age of information we are now in. We literally saw every bank pulling out of the construction lending business more or less at the same time. This ultimately created a drop in supply and the market has been trying to catch up with demand ever since. It takes time to build in markets like New York so now we are seeing a real rise in prices, mainly higher end, new product.

What is the value in mixed-use projects? Do you need that type of project going forward?

People live and work differently today than they did even 10 years ago. With more people connected from home, there is a greater value placed on onsite amenities and convenience. Marrying these uses from a project's conception can also help a development maximize the revenue side as opposed to treating the nonresidential spaces as loss leaders.

What value do public/private partnerships offer?

Developing obsolete or under-utilized municipally owned real estate can be a win-win for all parties. These properties often create blight, and are a strain on a town's budget due to costs associated with security, maintenance and/or a lack of rateables. The Beacon is the adaptive reuse of the former Jersey Medical Center, consisting of 10 buildings and approximately two million square feet. It is the largest residential historic restoration in the United States and the largest in the State of New Jersey's history. The project had been mostly vacant for decades, creating a hole in the middle of the city. Thousands of construction jobs later, the project is nearing completion, resulting in a new neighborhood and millions of dollars in annual revenue to the city of Jersey City.

What excited you about Gurney's Inn and what is your vision for the property?

Gurney's ocean-front entitlements can never be duplicated again. Constructed over a period of 80 years, the buildings have relationships to the coastline, and features that are incomparable. We have a 30,000-square-foot ocean-fed seawater pool and spa – the only one in North America. We have a one thousand foot long private beach with a restaurant and bar from which we can pamper guests. We are in the midst of a renovation and repositioning of the property that will solidify Gurney's as the only true full-service resort on the East End of Long Island. ●

