

Growing Candlebrook

**An Interview with Neil Rubler,
President and Chief Executive Officer, Candlebrook Properties, LLC**

EDITORS' NOTE For the past 15 years, Neil Rubler has been responsible for directing and overseeing real estate investments and development projects, with an aggregate value in excess of \$5 billion, across the multifamily, hospitality, office, and retail sectors. Rubler also serves on the Executive Committee of the Wharton Real Estate Center, the Board of Directors of the Real Estate Board of New York, and the Cornell University Council. He graduated magna cum laude with a B.A. from Cornell University and received an M.B.A. from The University of Pennsylvania's Wharton School of Business.



Neil Rubler

COMPANY BRIEF Candlebrook Properties (candlebrookproperties.com) is a leading national developer and owner-operator of apartment properties with expertise in luxury, workforce, and affordable housing. Through its Letter9 affiliate (letter9.com), Candlebrook is also one of the country's largest operators of student housing properties, with locations at major universities nationwide.

Will you talk about the state of the business for Candlebrook Properties today and where you see the opportunities?

We think of ourselves as value-added multifamily investors across a spectrum of product types. Our business started off being New York City focused, but today we're active in seven states and continue to expand opportunistically.

By way of example, we are making excellent progress on a very large-scale development project in King of Prussia, Pennsylvania, called 251 DEKALB. It is 650 units in five buildings and one of the largest construction projects going on in the Philadelphia housing market. The project's size and complexity scared a lot of competitors away, but we saw it as an opportunity to create real scale, unbeatable amenities, and a unique luxury product in a market starved for high-end rentals. We're in lease-up now and doing great.

We're also focused on Letter9, which is fast becoming the hottest brand in the student housing space. We think the opportunities for us in the space are very exciting and we will add meaningfully to this portfolio in the coming months.

Most recently, we launched an affordable housing business called CB3 that is focused on developing or redeveloping affordable housing properties in partnership with federal, state, and local governments.

Generally, market conditions remain challenging, and we're trying to be very patient and pick our spots. The diversity of our business helps a lot there.

Are the New York and suburban markets strong today?

That depends on whether we are discussing operations or the transactional market. Most markets in which we're operating are showing real strength in terms of tenant demand and rent growth. While rents didn't rebound to the extent we all would have hoped for immediately after the recession, patience has paid off and we are now seeing decent rent growth across the board. Our student and affordable businesses are fairly insulated from the cyclical-ity of wage and employment cycles. In those businesses, there is always a lot of demand.

The transactional market is another story. Multifamily pricing has been somewhere between high and just crazy, and so we've been sitting on our hands a lot, trying to avoid doing anything we'd come to regret. Last year, we didn't buy a thing, which is a first in our company's history, and happily sold a few things. Here and again, there are signs that things may be ready for a correction, but we aren't jumping at much yet other than on the affordable side of our business. I'm pretty sure that no one will ever look back on 2015-16 as a crazy buying opportunity.

Are the incentives there today that are needed to build and make affordable housing work?

If we are talking about affordable housing in New York City, the answer, generally, is no. There just aren't enough subsidy dollars available to overcome high land and construction costs, and the loss of 421(a) means that the city's super-high real estate tax rates will exacerbate the challenge of future affordable housing development. There are, of course, major projects happening, and local government is doing what it can, but demand still far outstrips supply.

Outside of New York, the picture is much better, and we are having a ton of success. Our affordable housing platform is headed by Josh Levy, who's a true expert in the space and a master at orchestrating the intricacies of the various

programs to create a successful project. This is key, and gives us a big leg up. Josh has already put several deals under contract, and we have many deals that look promising in our pipeline. We really hope to differentiate ourselves in affordable housing, as we have in our other business lines, and figure out a way to really outperform and set a new bar. I think we can do it, and want to do it. It's important. Our country's affordable housing problem is only getting worse, and the industry needs innovators who are committed to making a difference.

Is New York still the best place for opportunity?

New York is still the best housing market in the country-maybe in the world, and so it's a wonderful place to own property. But New York's pricing at the moment makes profitable investing very difficult, and the challenge of generating meaningful returns over the near term profound.

The projects we are looking at in New York these days are very large-scale, long-term development projects that will take years, if not decades, to come to fruition. I know we'll love owning them, but this is like planting trees, and as the saying goes, if you really want a nice one, you'd best have planted it 40 years ago.

How important is brand awareness from a Candlebrook point of view?

It's absolutely critical. Our brand has to mean something to our customers, and it's also got to mean something to our investors. Sometimes we can accomplish both the goals simultaneously, and sometimes they are in conflict, but without a brand, we're just one of the pack.

How critical is the focus on building a broader lifestyle product?

The experiential aspect of apartment living now extends well beyond the four walls of an apartment. Take our student housing platform, Letter9. We own the best property in every market we're in; great layouts, great locations, great amenities, but what really makes us stand out is the lifestyle we've created. We've got a bespoke health and wellness program called CiRCUIT. We host a music festival called MUS101. We teach classes, on-property, as part of our Life Hack & Leg Up series, because our residents want us to augment their college education. We even launched a clothing line called Letter9 Gear (letter9gear.com) in partnership with Lisa Kline, who's a genius in the world of fashion and retailing. We're not renting apartments so much as leasing a lifestyle. ●