

# Spring 2009 Newsletter



Real Estate Excellence  
Since 1906

## From the President

Since its founding in 1906, the Kislak Organization has skillfully navigated changes in the real estate and financial services markets, including achieving success in banking, mortgage, and insurance.

In 1996, after observing drastic changes to the mortgage banking industry, J. I. Kislak Mortgage Corporation sold its \$12 billion mortgage servicing portfolio to several banks. In the same year, J.I. Kislak Insurance Agency was also sold to a large, national insurance firm, and in 2004, the remaining portion of the mortgage business, The Kislak National Bank (in excess of \$1 billion in assets), was sold to Banco Popular.

The experience of our exiting the then-booming mortgage banking business industry (maybe too early) left us in a very liquid position enabling us with the potential to acquire more real estate. Continuing our success in today's economic downturn is no exception.

Today, the Kislak Organization is an integrated real estate investment, asset management, and brokerage services company. The organization has acquired over 5,000 multifamily units and brokered more than 800 transactions with more than \$3 billion in gross sales since 2000.

Based in Miami, FL, J. I. Kislak, Inc. currently has a portfolio of properties located throughout the United States, with primary emphasis in multifamily; and The Kislak Company, headquartered in Woodbridge, N.J., is one of the dominant investment sales companies serving the multifamily and retail markets in the mid-Atlantic U.S.

### J.I. Kislak, Inc.

Although J.I. Kislak Inc.'s strategic plans for the past few years included significant acquisition goals, careful evaluation of pricing and market conditions led to the purchase of only one property since 2006.

We began observing deteriorations in the multifamily market almost two years ago and in consideration of these deteriorations, the overall market conditions, and the wide bid-ask gap, the majority of deals presented were not aligned with our investment goals and risk tolerance. Prudent investment analysis, experienced management, and oversight of current real estate investments ensures that the organization remains poised for growth.

### The Kislak Company

Despite the challenges in today's economy, The Kislak Company continues to close investment real estate transactions as it has in previous difficult economic periods. However, given today's limited financing options available for clients, Kislak's sales team is further developing relationships with reliable lenders and assisting clients throughout the financing process.

Kislak's reputation for integrity, customer service, and its network of real estate owners, sellers, and lenders is key to its unparalleled record of achievement.

After more than a century of maintaining the values of its founder together with its willingness to change, the Kislak Organization remains a stable, well-capitalized, financially-sound, family-investment office with a successful track record - which today, is a success in and of itself.



Thomas Bartelmo

## The Multifamily Housing Market

As national economic conditions continue to decline and unemployment rates increase nationwide, there has been an increase in annualized turnover, a decrease in effective rents, and a rise in non-payments and evictions nationally as well as within our multifamily property portfolio. Homes that have not been sold are now on the rental market, serving as competition to the multifamily housing market. Additionally, given today's competitive rental market, renters are diligently shopping properties for the best deal and focusing on the value proposition of each property.

However, there may be reason to be optimistic about the future as the multifamily market has remained stronger than others in its asset class possibly due to the credit made available through government-sponsored entities. Additionally, according to the U.S. Census Bureau, there will be an increase in the number of households over the next 20 years increasing the number of rental households as well as a decline in multifamily starts. Furthermore, with Class A renters seeking more affordable housing, tight mortgage standards limiting new homebuyers, temporary homeowners returning to the rental market, and the emergence of Generation-Y renters, the attrition from the renter pool may be reduced<sup>1</sup>.

Despite these difficult times, the Kislak properties continue to produce positive cash-flow. Through innovative marketing initiatives and disciplined cost control, Kislak believes that the outlook in multifamily fundamentals are strong, and we remain diligent in our efforts to identify and act upon opportunities as we have the capital to deploy during the opportunistic times we expect to come.

## 2008 Kislak Company Deal of the Year



Congratulations to Vice Presidents Barry Waisbrod and Jonathan Greenberg for completing The Kislak Company's 2008 Deal of the Year.

In November, Waisbrod and Greenberg completed the \$27.5 million sale of Northwood Estates, an apartment complex located at 500 Adams Lane in North Brunswick, NJ. Waisbrod represented the seller, an estate, and Greenberg represented the buyer, a private investor, in the transaction.

"This sale is representative of Kislak's knowledge and fortitude in the investment real estate marketplace," commented Waisbrod. "Even though residential real estate is in decline and the stock market is faltering, investors remain willing to trade multifamily properties and yield high returns in the process. Our clients look to us for leadership and direction in these uncertain times."

Northwood Estates is comprised of 253 residential units, which include 17 townhomes and 6 ranches. There are separate utilities and tenants pay for their own heat and electricity. The property was built in the 1970s and has private entrances and private basements. The property is also conveniently located near shops, major highways, commuter trains and buses. At the time of closing the property was 93% occupied.

"Working for an investment real estate broker with 103 years of experience provides us with access to a vast network of clients," commented Greenberg. "Barry and I along with our other Kislak colleagues often work together. Pooling our resources enables us to get deals done time and time again. This sale is yet another example."

<sup>1</sup> Marcus & Millichap's 2009 National Apartment Report and "Apartment Market Shows Cracks", *Multi-Housing News*, January 2009

## Why Multifamily Remains a Good Investment

Jeffrey P. Wiener and Jason A. Pucci, *The Kislak Company*

With the value of residential real estate in decline and the stock market plummeting, investors are wondering where to put their money. Even “safe” investments such as savings accounts, money market funds and CDs hold little allure. But there is one investment that continues to yield a solid return despite the ailing economy: multifamily properties.

Whether the economy is booming or busting, people always need a place to live. As more people leave homes because of foreclosures, are unable to buy a home due to tight credit or are unwilling to buy a home due to market uncertainty, demand for rental housing increases.

Because of this demand and despite the recession, Kislak continues to close multifamily transactions. Our clients look to us for leadership, direction and market knowledge, especially in these uncertain times. The economic downturn and stock market volatility have left many of our clients concerned about how and where to invest. Real estate, especially multifamily properties, continues to provide investors with a solid return on cash invested, a shelter for earned income due to depreciation, increased equity from mortgage amortization, and long-term appreciation resulting from inflation and rent growth.

A recent survey of more than 400 executives in commercial real estate conducted by DLA Piper found that 50 percent ranked multifamily properties as the most attractive commercial real estate investment.

While unemployment is a concern and apartment occupancies have dipped slightly, rents will most likely increase long-term. Multifamily properties, some with annual returns of at least 6%, are very compelling. Mortgage rates also remain relatively low.

Investing in multifamily housing also offers other advantages besides the satisfaction of a solid return, and in this economy the most important one may be tangibility. In contrast to equities, whose value may evaporate overnight, multifamily investors have the security of owning a tangible asset in the form of the structure and land it rests upon.

Another appeal is that of control. While investors in equities have little control over an investment that is in the hands of professional managers, investors in multifamily properties have the ability to affect the return on their investment. Indeed, some of the greatest investment opportunities lie with the acquisition of down-at-the-heels properties with good upside potential. As a result of good management and often, sweat equity, investors can improve their properties, resulting in increased rents and value.

Many of our longtime clients recognize the significance and value of multifamily properties as stable long-term investments. And with the economy stagnating, other investment options dwindling and a new class of renters emerging; newer investors are learning this as well.

## Jay Kislak's Rare Collection on Display

What *Fine Books & Collections* magazine called “one of the world’s most significant private holdings of materials relating to the early Americas” is now on permanent display at the Library of Congress in Washington, D.C. Assembled by Jay Kislak and his wife Jean, the Jay I. Kislak Collection was donated to the Library in 2004 and the exhibition opened December 13, 2007 in its permanent home in the Great Hall of the Thomas Jefferson Building, across from the United States Capitol.

“Exploring the Early Americas”



showcases many of the nearly 3,000 rare books, maps, manuscripts, historic documents, paintings, prints and objects collected during the past 50-plus years.

Mr. Kislak’s passionate interest in the history and cultures of the Americas has resulted in an exhibition that combines important historical treasures and state-of-the-art interactive technology.

Among the most notable Kislak gift items on display are manuscripts and documents from Christopher Columbus, George Washington, Cortes and Pizarro; pre-Columbian sculpture dating back thousands of years; classic Maya objects and hieroglyphics; historic maps and rare book treasures; and splendid paintings from the Mexican Colonial period.

The Kislak Collection is the centerpiece of an ongoing and extensive program of research, education, publications and other public programs.

## J.I. Kislak, Inc. Seeks Multifamily Properties

J.I. Kislak, Inc. has established a successful track record of acquiring, repositioning and managing properties with concentration primarily on value-add and core plus multifamily. J.I. Kislak's strong capital base and excellent credit has enabled the company to acquire over 5,000 units in the last ten years.

J.I. Kislak, Inc. is currently interested in considering multifamily properties nationwide with primary interest in those with the following criteria:

- Asset Size** 200+ units
- Primary Markets**
- Las Vegas, NV
  - Dallas and Houston, TX
  - Tucson and Phoenix, AZ
  - South Florida and Tampa Bay, FL
- Deal Structure** All cash transactions or subject to existing financing. We will also consider partnership interest structures, note purchases and joint ventures.
- Direct submissions to:** Stephen Braun, SVP, Transactions  
sbraun@kislak.com  
tel 305 364 4103

## J.I. Kislak, Inc. Ranks #7 Best Places to Work

J.I. Kislak, Inc. ranked #7 on *South Florida Business Journal's* Best Places to Work in the Small Business Category (10-50 employees).

According to the *South Florida Business Journal*, J.I. Kislak, Inc. "employees appreciate being a part of the team, with their input valued and an acknowledged role of responsibility. The company holds weekly breakfasts that encourage a family atmosphere, and celebrates birthdays, special events, and anniversaries. Such attention to its employees has enabled it to retain staff an average of nine years - with some celebrating more than 20 years."



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