

Going it alone

Brokers buck the bear market and open own firms

BY GABBY WARSHAWER

As the faltering economy forces some brokerages to cut employee rolls and agents to compete for pieces of a more humble real estate pie, some brokers are walking away from bigger firms and starting their own companies.

Those moves may seem counterintuitive because small, independent firms are often more vulnerable in a down market. However, the brokers who are making a go of it expect to succeed by focusing on niche expertise that they gained at their former firms.

For a couple of the commercial brokerage start-ups, that means sticking to certain product types or geographical territories. At some of the new residential firms, it means focusing on bargain or no-fee rentals and staying away from both high-end rentals and for-sale listings.

Hitting the outer boroughs

Since the beginning of the year, three new commercial brokerages have popped up in the outer boroughs — two in Brooklyn and one in Queens. Former employees of the commercial brokerage Massey Knakal started all three firms — TerraCRG and CPEX Real Estate in Brooklyn, and Falco & Isak Realty Services in Queens.

As *The Real Deal* reported in early October, Massey Knakal has shrunk its agent pool from 191 to 146 since the beginning of the year, with most of those layoffs in the outer boroughs.

While CPEX and Falco & Isak both started up after Massey Knakal began letting go of employees, Ofer Cohen, TerraCRG's founder, says he laid the groundwork for his own firm before Massey's downsizing.

In the case of CPEX, the divorce from Massey Knakal hasn't been the smoothest of transitions: One of CPEX's founders, Tim King, filed a lawsuit against his former employer in October.

For his part, Cohen has added three additional brokers since he launched TerraCRG in January. (One of Cohen's former Massey Knakal associates, Melissa DiBella, jumped ship with him.) The new firm is mainly focusing on the sales and leasing of industrial properties in Brooklyn and is billing itself as "the first commercial firm to focus only on the Brooklyn market."

In its first seven months of operation, the firm has listed about \$24 million of assets for sale and completed a total of six lease and sales transactions, with three more deals under contract, including a 20,000-square-foot hotel conversion site on Atlantic Avenue in Bedford-Stuyvesant that was listed for \$3.3 million.

Cohen says the main challenge of open-

ing during a sluggish market is trying to broker deals amidst the financing freeze.

"What we're doing is ramping up listing activity, which requires no financing, to compensate for the length of time it takes to have deals closed," he says.

When it comes to sales, he says TerraCRG is "trying to work closely with banks

same bet with their new brokerage, Falco & Isak Realty Services.

"I don't think there's any other company that's only doing Queens commercial sales," says Rubin Isakharov, who started the firm with John Falco in October. "We know the area and feel comfortable in the area. We're completely devoted to one thing."



Rubin Isakharov and John Falco started up their new brokerage in January.

"Some people will say the timing is questionable, but I disagree. There's not as much competition ... so there's a lot of time for us to catch up and grow."

Rubin Isakharov, Falco & Isak Realty Services

and mortgage brokers — bring them in very early on, so we know there's a certain level of interest from the bank. We're trying to preempt any trouble down the road.

"Before, there was a sense that things would eventually get funded, but that's not there anymore," he said.

Despite the downturn, Cohen expects to hire a few more senior brokers by the end of next year and expand into multifamily and mixed-use sales.

"There's not a lot of competition when it comes to commercial real estate in Brooklyn," he says. "Massey Knakal really opened up the market six or seven years ago. When I look at Brooklyn, I think it's like Manhattan 10 or 15 years ago. We see a great opportunity to be one of the top commercial firms here."

In Queens, a couple of other former Massey Knakal employees are making the

Isakharov thinks opening in a bear market is better than grabbing a bull by its horns.

"Some people will say the timing is questionable, but I disagree," he says. "I think it's better. There's not as much competition, and the market isn't moving as fast, so there's a lot of time for us to catch up and grow."

"And, when the market does clear, we'll still be here."

Isakharov says the firm intends to expand by breaking Queens into different territories, with one broker in charge of each.

"We look forward to competing with the big boys out there," he says. "Every broker wants to eventually run their own business."

Raking in rentals

Andre Campodonico — who started the residential rental firm Standard Living Realty in

January — worked for Rapid Realty, a firm with about 70 agents that primarily concentrate on Brooklyn rentals, for five years.

"I worked my way up to be one of the main people there," Campodonico says of his former employer. "Basically, the company started growing and added a lot of people, but I didn't think there was any room left for me to grow. I hit a ceiling."

Standard Living's focus is exclusively on Brooklyn rentals, "a niche," according to Campodonico, that's keeping the company afloat. Another support has been its no-fee listings.

"No-fees are one of our specialties and they've helped keep us alive," Campodonico says. "When I started and had a listing, the phone would not stop ringing. Now, you're

just waiting for a call to come in. You have to handle every deal like it's your last.

"People respond a lot less to advertisements now, but no-fee listings still bring in a lot of calls."

The company now has 40 agents, as well as branches in Park Slope and Williamsburg, according to Campodonico.

Although no-fees and rentals under \$1,500 are the company's bread and butter, Campodonico sees Standard Realty expanding in the short term with higher-end listings for buildings that were originally planned as condos, but are instead becoming rentals.

Back on the other side of the river, Keith Burkhardt is trying to keep renters in Manhattan.

Burkhardt formed his own company, the Burkhardt Group, after leaving Citi Habitats

Continued on page 100

New brokerages *from page 26*

in June; he is specializing in no-fee rentals.

"I left Citi Habitats because I sort of saw the writing on the wall," says Burkhardt. "I've been a broker in Manhattan for over 17 years. When I started, the market was terrible and we rarely collected a fee from an incoming tenant."

Burkhardt is the only agent on staff at his firm, but he says he might eventually look to take in a partner.

"The 15 percent model is going to have to change, or someone like me is going to have to change it," he says, referring to the percentage cut of an annual rent which listings agents typically pocket. "Firms are going to have to agree that they're going to make less money but do more business and have happier clients."

Although Burkhardt has been a sales agent in the past

and still has a few sales listings, he thinks there's more money to be made right now in Manhattan rentals.

"I wouldn't recommend that anyone buy in this market unless they just didn't want to pay rent," he says. "Plus, it's almost impossible to get financing for a co-op or condo, and foreign buyers are drying up. On the other hand, rents really haven't gone down that much. The Village and prime areas are holding up."

A trend?

So will there be more independent commercial and residential brokerages opening in the near-term? Cohen, TerraCRG's founder, thinks so.

"I think it's a trend," he says.

In a slower market, "top producers at established firms need more ground to cover, and the ability to make more money, and they see a lower opportunity cost at finally branching out on their own."

"Transitioning markets in general are good for brokers; with the dislocation of talent elsewhere and power shifting from sellers to buyers, the upside in establishing a new brand in a down market is enormous," he says.

Burkhardt, on the other hand, thinks a good number of residential agents are going to abandon the real estate game, whether they work for large or small firms.

"New and inexperienced brokers are going to shake out," he says. "This market is just not going to be able to bear the thousands of brokers running around the city." **TRD**