

TAHL PROPP EQUITIES

A firm built on a friendship

One worked on Wall Street, seeing the ups and downs of the financial markets as a research analyst at Drexel Burnham Lambert. The other was a real estate lawyer, navigating through the highs and lows of the real estate market as an attorney for The Trump Organization.

Then a mutual friend introduced Rodney Propp and Joseph Tahl. The two hit it off, formed Tahl Propp Equities, and have been making their mark ever since as aggressive, savvy real estate investors.

"There has to be added value or we won't do a deal," says Propp, who left Wall Street for real estate. "We don't buy at the top of the market and cross our fingers. Requirement number one is a lack of appreciable downside."

So far, that strategy seems to have served the 3-year-old Park Avenue firm well, allowing Tahl Propp to buy aggressively but still pay discounted prices for prized properties.

In the fourth quarter of 2000 alone, Tahl Propp closed on about \$100 million in properties that, by most accounts, were worth closer to \$130 million. The firm spent \$57 million for Three Gateway Center, a 500,000-square-foot office tower in downtown Newark that most analysts felt would sell for \$70 million; \$22 million for the landmarked glass trophy building at 510 Fifth Avenue, whose true value is closer to \$30 million; and \$20 million for apartment buildings in Manhattan.

"There's a story behind each one. There has to be, or there's no point in making the deal," said Tahl, who learned the art of the deal as an attorney for The Trump Organization.

Tahl Propp bought Three Gateway during the summer, when, Tahl says, most prominent New York investors were off duty in the Hamptons, German investors were struggling with unfavorable currency exchange rates, and most REITs were out of the market. "We were shown the deal, and it took us about five minutes to realize that the numbers more than made sense," Tahl says.

"Prudential net-leases the entire building for \$10 per square foot in a \$20 market, so there's almost no downside and we'll live to see the upside on this building," said Tahl, 38. "We strongly believe that Newark will grow as a submarket for Manhattan. This is a sound play because of what Newark has become and because of where it is going. It's a vibrant, thriving city, and it's a 12-minute train ride from New York. This one is definitely a buy and

hold."

In keeping with its strategy of not only finding value in a deal but bringing added value to a property, Tahl Propp plans to revive Three Gateway's rooftop helipad — dormant since the mid-Nineties — in the near future and build a five-level, 300-car garage on a surface lot it owns adjacent to its building. The location is strategic — shortly after Tahl Propp closed on Three Gateway, the

state announced approval of a plan to build an arena, three blocks away, that will house the New Jersey Nets and the New Jersey Devils, the basketball and hockey teams that currently play in the Meadowlands.

The firm was able to buy 510 Fifth Avenue at a steep discount because the building was at the center of litigation between its owner, Chase Manhattan Bank, and the fashion

designer Elie Tahari. Because Propp's family had established friendly relationships with both — banking with Chase almost 90 years and leasing office space to Tahari at a nearby building — Tahl Propp was able to buy the building after convincing both sides to settle their claims.

"In that case, we were uniquely positioned to be the buyer, even though all the usual suspects were bidding against us," says Propp. "Chase wanted the buyer to indemnify it against all claims — past, present and future — and our relationship with Tahari enabled us to get a handle on what those claims were worth. We're on excellent terms with both Chase and Tahari, and we intend to keep it that way."

Tahl first became interested in the real estate business as a real estate lawyer. "I first met Donald Trump as a summer associate at Dreyer & Traub in 1986. I realized immediately that I wanted to use real estate law as a vehicle to become a developer and principal," Tahl says. "If I could handle the acquisition, financing, leasing and restructuring of deals for someone like Trump, I might as well own the buildings myself."

Though Propp comes from a prominent New York real estate family, his start in the business was at the bottom. "I was doing leasing work for the family during the real estate depression of the early nineties. My first deal was six bucks a foot for office space on lower Broadway and I was lucky to get it, Propp says, noting that he and Tahl spent their formative years in recessions. "We're not surprised by down markets — we anticipate them. And we make sure our acquisitions are sustainable and profitable in that context."



'There's a story behind each one. There has to be, or there's no point in making the deal.'