

TAKING OFF IN NEWARK



MATT RAINEY/THE STAR-LEDGER

Newark real estate moguls Rodney Propp, right, and Joseph Tahl plan to start helicopter service from the pad on the roof of Three Gateway Center to Manhattan this summer.

the
sky's
the
limit

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STAR-LEDGER STAFF

From atop Three Gateway Center, an office tower in Newark, the concrete canyons of Manhattan look just a stone's throw away.

At ground level, it's not nearly so close, especially after Rodney Propp and Joseph Tahl battled midtown traffic to get to Newark — 40 minutes late for an appointment.

"We wouldn't have been late if we had a helicopter," Tahl, 38, said.

They may not have to wait for long. They plan to revive flights this summer between New York City and Three Gateway, the office they purchased last fall. "It's another statement that Newark in general, and Gateway in particular, is vibrant," said Propp, 36, standing on a dormant helipad 19 stories up on Gateway's roof.

Helicopters suit their style, but the pair are

Real estate's young guns
put their faith in the city's
rising property values

far from the caricature of real estate fat cats — there's no chauffeur, no bulging paunches, no fat cigars, no graying combers.

Tahl and Propp are MTV, Internet and designer coffee kind of guys. They are of the "Take your time and hurry up" generation. They are poster boys for a generation of baby-faced tycoons, reared in New York City, bankrolled by Wall Street investment banks and now finding their way to Newark.

They see value in Newark's architecture.
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The sky's the limit

commuter rail and highways, and abundant fiber-optic backbone. Most importantly, the price tags for Newark buildings are cheap compared with the sticker shock of New York's five boroughs.

"It doesn't surprise me the youth is looking at Newark," said James Hall, a client services executive at Lehman Brothers, which has financed several large building purchases in Newark. "That age group has sort of grown up faster and there's more of an entrepreneurial spirit. These young men and women have seasoned early."

Wall Street cares more about the bottom line than the age of the deal-maker, he said.

"If you have the property, the age doesn't matter," he said. "You're going to get financed."

The cadre of young Newark investors is led by the five partners of Cogswell Realty Group, all age 40

or younger, who have snapped up three landmark office buildings in three years. One of them, the National Newark and Essex Building at 744 Broad St., has undergone a \$50 million renovation.

Then there is David Braka Jr., 28, of the U.S. Realty and Investment Co., owner of the old Westinghouse building and several smaller properties, and Andy Cohen, 37, owner of Rock Management, which owns and manages 250 apartments in Newark.

An older member of the group, Charles Kushner, 46, is one of the region's largest real estate developers. His firm, Kushner Cos., owns and manages properties across the state as well as the former Mutual Benefit Life Insurance Co. building, which today is the Newark corporate headquarters of telecommunications giant IDT Corp.

Tahl-Propp Equities, meanwhile, acquired Three Gateway Center as part of a \$125 million buying spree late last year. The company's portfolio has 2.3 million square feet of apartment houses and commercial offices in five states.

"We're opportunistic investors,"

Propp said. "If that takes us to Cleveland or St. Louis or Newark or Massachusetts, where we have done a lot of stuff, we will go there. We don't say, 'Location, location, location.' We say, 'Value, value, value.'"

At \$57 million, Gateway was a long-term investment for Tahl-Propp. It was sold by Gale & Wentworth and TishmanSpeyer Properties for far less than the \$70 million some market experts expected it to fetch. Prudential occupies Gateway 3 under a 15-year lease. The \$10 a square foot rent is below market rate, which hovers around \$28 a square foot.

That means Tahl-Propp's acquisition will generate small returns for the immediate future. One and Two Gateway, the buildings retained by Gale & Wentworth and TishmanSpeyer, have greater short-term value. They have multiple tenants with leases up for renewal and demand is high for space in the buildings.

But Tahl-Propp is gambling. Three Gateway could pay huge dividends if plans to build an arena in Newark for the Nets and Devils become reality. The glass and steel of

the tower is a block from the proposed arena site and Tahl-Propp already has plans in the works for a 300-car parking structure nearby.

Prudential has publicly acknowledged preliminary talks on developing a new office tower at the southeast corner of Market and Mulberry streets. The building would form the grand entrance to the proposed arena. If that happens, Prudential might move some or all its workers out of Gateway, creating highly sought-after space for Tahl-Propp to sign new tenants. Of course, any new tenants would pay market rate rents, a potential threefold increase in rent revenue.

"That is the play," Tahl said. "The arena would be a tremendous added value for us, but also for all of Newark."

Chalk up the helicopter to Tahl-Propp's occasional homage to the bombast of Donald Trump in the firm's three years in business.

Tahl, a lawyer, is a former associate general counsel for The Trump Organization. Propp, a former analyst at Drexel Burnham Lambert, went into his family's real estate business when the junk-bond juggernaut folded in the early 1990s.

Propp's father and two uncles own Propp Brothers, whose interests include real estate and chemicals (and Christmas tree lights in their pioneering days). In 70 years in business, Propp said, the brothers have sold only a single property — a hotel in midtown Manhattan — and the outcome of the sale provides Tahl-Propp with their guiding business principle.

In 1974, the brothers sold a 20-story building on 38th Street and Park Avenue for \$1 million, a hefty sum at the time. Then came Manhattan's real estate boom. Today, the same building, Propp said, is worth an estimated \$50 million.

"We find good deals. We probably look at 100 deals a month and probably only do one or two," Propp said as Tahl shook his head in agreement, anticipating his partner's next observation.

"We are long-term holders of real estate," Propp said matter-of-factly. "We treat our buildings like members of the family. We're here to stay. We don't sell."

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