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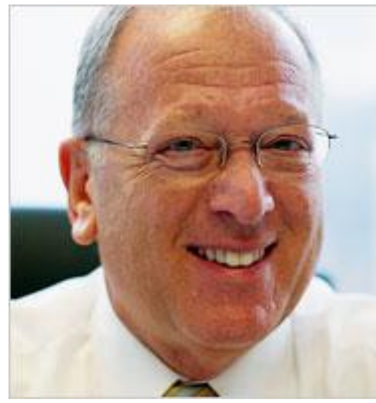
SQUARE FEET

The 30-Minute Interview: Jeffrey E. Levine

Mr. Levine, 56, is the president of Levine Builders, which operates Douglaston Development and Clinton Management, among other partnerships and affiliates focused on residential developments. His current projects include The Edge, a mixed-use development in Williamsburg, Brooklyn.



Interview Condensed and Edited By:
Vivian Marino

Q. How would you describe the current market conditions?
A. They're challenging.

But New York City was one of the last to enter the fold of the downturn — we sustained values for many good reasons for a much longer period of time — and I do believe that we will also be the first to come out. The barriers for creating residential units are what protect values, and nothing has changed that. New York City is a very tightly traded market. Even when we were experiencing the boom, we only built 25,000 to 30,000 new units in a city of eight million.

Q. Even so, what do you see as the biggest barrier to recovery?
A. Financing — the banks are not lending. But don't blame them at this juncture until we find out what the new paradigm is in terms of sales price, sales pace and rentals as well. We were involved in a number of projects where we had contracts subject to financing, where, in fact, we are not proceeding. We had been the designated developers for a very attractive piece of property on the campus of Fordham University; we chose to withdraw because it was prudent.

Q. Are you comfortable with your company's debt level?
A. My debt level on the meter is quite full. I would be a fool not to be concerned about debt coming due, but I'm very fortunate. My debt is structured debt, and much of my debt is predicated on a very low spread over indexes that are historically at low points. There are ample reserves to carry our debt and take us far further into the future, giving us an opportunity for this market to recover. We as developers try never to go into a room that doesn't have an exit plan.

Q. Phase I of the Edge will include two market-rate condo towers. How are sales going so far?
A. Sales have a very important demarcation here in New York: before Lehman failed and after Lehman failed.

We are over 20 percent sold — that occurred in our first six to eight months of sales, which began in late spring of '08 — and we continue to sell one or two units every week at our current price point. We have the largest single sale of a penthouse unit in Brooklyn's history, where a buyer combined two high Manhattan-viewing units for a total purchase price of $5.25 million.

Q. And what's happening with Phase II of that development, which is supposed to include more condos as well as retail space?
A. You tell me when the banks will be lending. Financing for Phase II may be a few years in the offing.

Q. Are you offering any incentives or price reductions to spur occupancy?
A. We have not reduced prices at all. Obviously, if we have a willing partner who wants to buy a unit, we will work with them to facilitate their purchase — whether that means we help with their closing costs or help them with their parking requirements.

Q. Where are the opportunities right now?
A. Because we are hands-on developers and contractors, our skill sets enable us to step into projects, and that might be completing construction. We are very anxious to help various lending institutions complete projects where they might have lost faith in the development team or the development team no longer wishes to continue. The distress that I'm seeing right now is all on the residential side — residential condos that may not end up being condos. We may step in and convert those distressed, or broken, condos and convert them to rental properties, which are most preferable.

Q. Can you be specific about any developments?
A. There are certain projects, without getting into particulars. We were approached by a senior lender on the Upper West Side of Manhattan. The developer does not have the funds to complete the job.

Q. And where will you be next year?
A. I do believe that the economy is recovering and will be in a much better place a year from now. While the residential market has softened like so many sectors in the city, it seems to have stabilized.

You have to believe that there is light at the end of the tunnel, because if you're a fatalist you can't go forward. In order to be a developer in the first place, you have to be a cockeyed optimist.