

COMMERCIAL OBSERVER

Owners Magazine: Ken Horn President and co-founder at Alchemy Properties

By: The Editors
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Are you going to buy in '25? If so, what asset class?

We analyze projects property by property, but we are certainly bullish on New York City ground-up construction for either rentals under the 485x incentive, fair-market rentals or condo, provided you have the right basis. In 2024, we did two transactions: on Second Avenue and 88th Street, where we are building a 100 percent fair-market rental building, and on First Avenue between 77th and 78th streets, where we are building a 485x. Neither of these were theoretically distressed, but they took a lot of effort as there were many issues to deal with when putting the assemblages together.

We are also bullish on ground-up Class A office, which is evident in the interest that we are beginning to get at our new project at 125 West 57th Street.

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Is there a single “good” sign you see in a distressed property that makes you want to buy it?

It’s a property-by-property analysis, and you just have to pencil it out. Each property is so specific.

If you could stack the new administration with people you know and do business with, who would you choose?

I’d want to work with individuals who understand business and not politics.

Let’s talk about multifamily. Do you ever see yourself building normal, middle-class rentals again? What would stop you?

Rentals are very hard to pencil out in New York City, even with the new rebates, as the cost of construction and land is so substantial. We have the 485x, and interest rates are going down, which is helpful, but there have to be government incentives concerning financing to make middle-class deals work again.

Which market (outside of NYC) do you like best?

We are developing a condo in Wynwood in Miami; 68 townhouses in Durham, N.C.; and a combined condo in Raleigh, N.C. Each of these areas is very developer-friendly, and we believe in the opportunity in these markets.

What’s going to be your biggest expense in 2025: Capital, insurance, labor, land or supplies?

All of the above: the general cost of development, which is an aggregate of everything, including capital, insurance, labor, land, etc.

How’s the financing climate for new development and redevelopment — hot, cold or just right?

We are beginning to see several things. Debt is clearly available for experienced developers. Six months ago, equity wouldn’t even discuss new development, and now we are beginning to see some more movement in terms of funds, which have begun to contact seasoned developers. We are seeing a little light at the end of the tunnel, and it may increase even more after the election.

What are your predictions for the mayor’s City of Yes, especially given the controversies within the Adams administration?

The controversies within the Adams administration are irrelevant. I think City Planning and the folks who are championing the City of Yes have done a great job. If it passes, it will have a

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potential positive effect on new developments because it increases the floor area ratio. New York City must do that to attract developers to build.

Lightning Round:

Your social media of choice?

My understanding of social media is slim to none.

AI: Helpful in CRE or a fad?

Helpful, but a bit scary.

Last movie you saw in a theater?

I haven't been to a movie theater in years, but I go to theater, ballet and concerts.

Will interest rates be below or above 4 percent on July 1, 2025?

We hope that they go below 4 percent.

If you could partner with one person in the business on a property, who would it be?

My current partners.

What are you tired of talking about?

The downside of the real estate world. Real estate is cyclical. It always comes back! There's always a limited supply of what you can build and a never-ending amount of people who want to live and work here. You never bet against NYC.

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