## The Closing: Jeff Goldberg

*Fairstead's CEO on talks multifamily mega-deals and long-term investing*

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*Jeff Goldberg (Photos by Studio Scrivo)*

Jeff Goldberg's Fairstead— the multifamily investment firm he founded with his brother, CBRE's Andrew Goldberg, in 2014 — is a family business. It's just not the family business.

"My entire family, all my cousins, everyone owns bagel bakeries. That's the family thing you do," said Goldberg, who, in deference to the bloodline, ran his own bakery in the Meatpacking District in the 1990s before heading to law school and then real estate.

Today, Fairstead is one of the country's largest apartment landlords, with a portfolio of properties stretching across 18 states and counting some 16,500 units valued at $6 billion.

In New York City, the company's made blockbuster deals for portfolios with proper names — the kinds of holdings that are the talk of the town for multifamily insiders.

Take the Dawnay Day portfolio, the collection of 1,200 East Harlem apartments that became synonymous with the now-defunct British firm it was named after and its spectacular 2008 collapse.

Fairstead (when it was named SG2 Properties) teamed up with E+M Associates in 2009 to buy the portfolio out of foreclosure for an undisclosed price.

The company also bought the 1,000-unit Caiola portfolio for $690 million with Blackstone Group in 2015 and the 1,800-unit Savoy Park portfolio in Central Harlem for $315 million in 2016.

Goldberg serves as CEO at Fairstead, which he owns with his brother and CBRE's Stephen Siegel. (Another founding partner, Will Blodgett, left the company late last year to start his own shop.)

The firm is at an inflection point. Last year, it secured a $500 million equity investment to expand its portfolio. It's starting to get into ground-up development, and Goldberg has his sights set on growing the business to 50,000 units over the next decade. That would have it contending to be among the 20 largest landlords in the country.

"We have 650 employees at this time. Every Monday, we have onboarding that goes on, and I try to introduce myself to everyone that starts," he said. "I don't remember a day when there weren't at least five starting."

The Real Deal caught up with him at his Midtown office in April to talk affordable housing, megadeals and where to get the best bagels.

**Born**: March 7, 1964
**Hometown**: Port Washington, Long Island
**Family**: Married, three children

**You've been doing a lot of deals lately.**

Affordable housing is such an in-vogue area of real estate right now. That's helped us. So has the fact that we've gotten to our scale. We have our own general contractor, construction management, sustainability, innovation, asset management, property management, communications department and development. That gives us a real opportunity to be nimble and do deals.

**Are you from the city?**

I was born in Staten Island, and in second grade I moved to Long Island. My grandfather was in the bagel business. He had four sons who went into the bagel business. My dad was in the bagel business when I was a kid. I ran a bagel maker around 14th Street.

> **"I found one little thing wrong in a deal, I would overemphasize the risk. That caused us to miss out on tremendous opportunities. Now I understand risk a lot more."**

**Did you learn the art of making bagels from your dad?**

When I was in elementary school, I wanted to buy a boat. My mother said, “You got to get a job. You can save money for it.” I asked my dad for a job. On Saturdays and Sundays, I started working there.

**Did you buy the boat?**

By the time I actually saved up enough money to get a boat, I was a year away from being able to drive. I decided to use the money to buy a car. I bought a black Camaro. It was great.

**Tell me about your bakery.**

I owned a bakery on 14th Street between Ninth and Tenth avenues, prior to the whole Meatpacking District becoming this hot area. Literally, the day I graduated college, I started working there. We were the first tenant down there that was not a butcher.

**Did you cook?**

I knew how to be a short-order cook on anything from soups, eggs … things that you would get when you go to a bagel bakery today. I do not want to cook for a living, but I do very much enjoy cooking for my friends and family.

**Where’s your favorite place to get a bagel now?**

That’s easy: Goldberg Bagels. That’s my cousins’. They own them on the South Fork and the North Fork. I used to like Tal Bagels on 86th Street, but I haven’t had a bagel in New York City in so long I wouldn’t even know what would be a good one.

**It sounds like you’re a natural born salesman.**

Well, I grew up in a house of entrepreneurs. I think that was always in my DNA.

**How did you end up owning your own law practice?**

After law school I took a job at a large firm and then left during the dot-com era, went in-house for a little bit. My lawyer when I was in the bagel business had wanted to retire. He goes, “Why don’t you take over my practice and I’ll retire over time?” So I did that, and while that was still going on I started investing in real estate. I wasn’t a stock market investor, and I felt that this would be a great way to create wealth and create retirement assets.

**I’m surprised that real estate hadn’t come up to this point. Especially with a brother in the business.**

One of my dad’s closest friends growing up was a huge real estate developer: William Achenbaum. He did the Gansevoort. When we were kids, he was the wealthiest man we’d ever seen. My father took us to his house for a barbecue, and my brother’s eyes and my eyes opened up. We were like, “Wow, what does he do, Dad?” He said he was a real estate developer. I think that stuck in the back of our heads.

**And how did you get started?**

I met someone in the park where I was pushing my kid on a swing. He was a small real estate investor my wife knew, and we bought our first deal in Harlem together.

It was $35,000, which was just an incredible sum of money to us back in. I literally emptied my bank account. We were in a rent-stabilized apartment on East End Avenue and we had to wait for our paychecks to cash before we could pay the rent that month. It was my brother, myself and a bunch of friends who chipped in to buy this building.

At that time, I thought we’d pay down the mortgage over time and I’d hold it forever and have this great annuity stream.

**Did you consider that it was possible to be constantly buying and selling?**

I always felt that the way you made real money was you had to buy the real estate, invest in it long-term and not sell. It was just that the market got so aggressive that we were like, “Wow, it’ll take 15 years for us to make this money. We’re better off selling it.”

**It almost sounds easy. You were out there buying buildings, and people were beating down your door to buy them from you.**

Anyone that does multifamily real estate should never … It's not easy. It's a tough business. I think that it's a lot harder than people realize. It's not just about raising equity and buying a building. It's the execution. If I make it sound easy, it's not.

**How did you go from scraping money together from friends and family to building a business?**

In '08, we really refocused again and said, "Wow, we're going through a disruption period." A family office that we had partnered with sporadically earlier on deals said, "I think there's real opportunity right now if we can invest quickly."

Some of that stuff we still own and some of that we did sell, but the business plan was to be long-term holders. I think we're back to that now, especially with the affordable assets. I don't think we'll ever sell.

**Are you comfortable with risk?**

Unfortunately, for most of my life, I was way over-risk-averse — didn't understand it. It was the family office that really taught me how to evaluate risk, because they're experts in it. When we were buying a bunch of early deals, I terminated a ton of contracts because if I found one little thing wrong in a deal, I would completely overemphasize the risk. That caused us to miss out on tremendous opportunities. Now I understand risk a lot more.

**How does that play out in the business now?**

I like to think that because of the way we're capitalized, I can allow our team to fail. We can make mistakes and it's not going to be fatal.

**Steve Siegel is another partner. How did he come into the business?**

Steve and my brother worked together at CBRE. When we started out Steve had heard what we were doing and he reached out to my brother and said, "I'd like to join you guys. And I'll help you with finding deals and raising equity."

**Tell me about the Dawnay Day deal.**

It was 52 buildings in Harlem. Six-story walkups, which is interesting. When you think about walk-ups, you think about five-story. But the thing about a six-story walkup is it's very hard to keep the entire building rented. No one wants to walk up and down six stories, so you very often have issues with your sixth floor.

The properties were originally owned by the Kessner family, and they sold it to the Dawnay Day group. It was a highly levered real estate deal, and it blew up. Steve had a relationship with the special servicer on the deal, C3, and we worked to buy out the mezz and restructure the senior loan. We took over the property, paid off the senior very quickly, and then we ultimately sold it.

**And the Caiola deal has an interesting backstory.**

Everyone had heard about the Caiola deal. It was a huge deal that was going around. My recollection was Joe Sitt had put it under contract and he was having a problem coming up with the money to close. We had heard it was a busted deal. Someone told Blackstone that we were in the process of tying it up, and Blackstone really wanted the deal. They came in very aggressively with us. Literally, before we even signed anything, they came in and partnered with us on the deal from hour one.

**You say it's not that easy. But here you are tying up a deal and Blackstone comes knocking on your door and says, "Hey, we've got a bunch of money."**

It wasn't exactly that. A broker who knew where we were on the deal had been speaking to Blackstone, and said, "You guys should talk to one another." I would say that was more luck than anything else. Tying up the Caiola deal was not luck; that was a lot of hard work that we did to get that deal and make the family comfortable. And then we got Blackstone comfortable. That was the hard work. At that time, no one knew who we were, really, and you're talking about a huge deal that Blackstone had to get comfortable with us on.

**How much does luck play into success?**

I think that there's always a little bit of luck in things we do. But I think that hard work, smart people and making good decisions is probably 95 percent of it.

**How did you meet your wife?**

CSI 215 at SUNY Albany. It was one of the required classes to get into the business school. She sat one row in front of me to the left. So we've been married for 30 years and together for 37.

**Do you splurge on anything?**

I do have a 1996 Porsche convertible that I bought when I turned 50. But no, I don't [normally] splurge.

**How has Will Blodgett's departure affected the company?**

I think in some ways change is good. Will was involved in almost everything, but he was mainly dealing with acquisitions and with staffing. Now myself and others have taken that over.

**Where do you see the firm in 10 years?**

I think we're going to look to do more ground-up, public-private partnerships and really utilize our strong people and knowledge base.

We’re in 18 states right now. By the end of the year, our pipeline will bring us into 25 states.

Within the next five years, I want to be at 50,000 units.