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COVER STORY

A Tale of Five Cities

Leave it to Jonathan Kalikow, the president of Gamma Real Estate, to tell it like it is. "In New York City, it's ridiculously expensive," the veteran investor said in an interview last month. Pick your poison: property values, legal expenses and most of all taxes—all can conspire to make the cost of real estate deals in the Big

Apple as inflated as the price of a pack of cigarettes at a Wall Street newsstand. Not so long ago, that tab was just the cost of doing business. But with flagging infrastructure investment dinging New York's livability, ever-improving communications technology rendering geography less relevant and hoards of under-30s flocking to regions with more affordable housing rents, New York might

want to reconsider resting on its laurels. The squeeze tightened considerably last month when Donald Trump signed the Republican tax overhaul into law. The new code, finalized just before Christmas, caps deductions for state and local taxes at \$10,000—previously, such deductions were unlimited. It's a move that stands to hit New Yorkers and Californians especially hard—and

most of all those with significant real estate holdings. Residents in the two states alone receive about a third of the deductions the Internal Revenue Service hands out for state and local taxes. In Westchester County, N.Y., more than 73 percent of residents pay more than \$10,000 in property taxes—to say nothing of New York State's top-line income tax bracket of 8.82 percent on income over \$1

million. (For more details on the reforms' provisions, see story on page 32.) At a time when New York's streets and development market have never been more crowded and expensive, some savvy market players are striking out across the country in search of greener pastures—and better deals. Here are five cities that real estate pros told Commercial Observer they are eyeing.

With tax reform tipping the calculus, real estate executives are pivoting to dynamic, low-cost states

By Matt Grossman | Illustrations by Cristóbal Schmal

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GEORGIA

Kalkow, a New York-based investor and developer, has long luxuriated in the business-friendly climes south of the Mason-Dixon line.

"The states we like have a few distinguishing characteristics," Kalkow said. "They have tax regimes that are not nearly the onerous type in the northern states. And for lack of a better phrase, [Southern] politicians get it. They try to make their communities business-friendly."

Most recently, that line of thinking has drawn Kalkow's sharpest focus to the Peach State. Capital investment at Savannah's thriving port and at Hartsfield-Jackson Atlanta International Airport—one of the world's busiest—has made the state one of America's best-equipped for international commerce, he said.

In the 1990s, "the downtown and midtown areas of Atlanta were as bad for inner-city safety as you'd find anywhere in America," Kalkow said. "In the last 10 years, you've had such a renaissance that has been driven by increases in new building, tech-focused startups and college expansion."

Along with a helpful glut of top-notch graduates from regional institutions like Atlanta's Emory University and Duke University in North Carolina, the Gamma Real Estate president said that smart local policymakers have been central to the city's turnaround. Even progressive politicians from urban areas speak developers' language.

"We understand that they might have a left-leaning agenda on affordable housing and gentrification, but these same guys are absolutely aware that if we're able to build state-of-the-art facilities and buildings, it's going to trickle down and help out the lower end of the community," Kalkow said. "In New York, the thought is, 'Let's punish people at the top.'"

STATE UNEMPLOYMENT RATE

4.3%

STATE CORPORATE TAX

6%

STATE PERSONAL INCOME TAX

Six brackets,

topping out at

6% on income

above \$7,000

