Related's Finkle Is Bullish on Affordable Housing

Matthew Finkle became president of **Related Affordable**, one of the nation's largest owners of affordable housing, a year ago. The New York City–based firm was ranked No. 3 on the latest **AHF 50** list of owners, with 21,068 units. Finkle, who joined Related in 2003, has been responsible for closing nearly $1 billion in affordable housing transactions nationwide. We recently caught up with him.

What did you spend most of your time on during your first year as president?
The first year [was] exciting and very busy. Mostly, I've been focused on finding acquisitions that allow us to take advantage of the tremendous financial strength of Related and our expertise in affordable housing preservation. I've also been spending a lot of time on growing the development team and cultivating new relationships with sellers, partners, and financing sources.

What recent move has the firm made that others may learn from?
We recently looked at our low-income housing tax credit [LIHTC] portfolio and segmented it into deals that fall into three stages: Stage I (years 1–5), Stage II (years 6–10), and Stage III (years 11–15). This framework enables us to critically evaluate each of our assets and make important portfolio management decisions that maximize value. As deal people, we are always focused on the next deal, but it's equally important to strategically manage our existing portfolio.

Tell us about one of your recent deals.
We recently purchased a group of Sec. 8 deals that are in years 13 and 14 of the tax credit compliance period. We were able to finance the acquisition with an innovative, low-cost debt and equity structure that provides a strong return until year 15 yet also provides us with the flexibility to recapitalize and rehabilitate the deals immediately after year 15. Deals like these are a large part of our acquisitions strategy.

What are your goals for 2014?
They are really four-fold:

- Continue to grow the platform through undertaking smart, well-priced, properly financed acquisitions.

- Implement robust asset and portfolio management practices so that we are maximizing our NOI and cash flow.
- Continue to invest in the communities and neighborhoods where our properties are located. We believe strongly that such investment improves the lives of our residents, which in turn improves our properties.
- And, of course, hire best-in-class people to help accomplish our goals.

What will be your appetite for acquiring projects? Will you be a seller, as well?

We take a strategic approach to our acquisitions, as opposed to just chasing deals when they become available. We seek to compete in markets that we feel have favorable characteristics and fit well with our strengths and appetite for projects. We're currently evaluating new markets to enter in 2014, and I suspect we will be active in the ones where we choose to pursue opportunities. Historically, we haven't been a seller, other than the occasional one-off, since we're a long-term holder and a patient investor in property.

What's your housing outlook for 2014?

I think the opportunities for affordable housing are strong. We're really in the beginning stages of the post–year 15 bell curve of properties that need to be recapitalized. Pricing is always an issue with so many "yield" buyers chasing deals, but gradual increases in interest rates will ultimately lead to higher cap rates and more favorable pricing. Also, I am always concerned about potential tax reform and threats to **the LIHTC program**, so we're dedicating a lot of time and resources to making sure the tax credit program, which most people consider to be one of the most successful government programs ever, survives and thrives.

Besides the usual work items, what's in your office?

Sitting on my desk, I have a 12-inch, molded Siberian tiger that was given to me about 20 years ago by a friend. It's very ferocious looking and stares right at me all day long. Looking at the tiger reminds me that you have to be fast, tough, and nimble in this business. I also have an ax that was an actual set prop from the television show *Breaking Bad*, a show I really enjoyed watching. It looks tough and scary and it's fun to swing around, but the ax head is really made of soft foam rubber, and it's not dangerous at all.

If you could take a course in any subject, what would you like to learn, and why?

I am fascinated by sophisticated investment products like options, futures, and other de-

rivatives, and I wish I knew more about them. If I come back in another life, I could easily see myself on a trading floor, reveling in the energy and action of that environment.

Best advice you've received?

If you don't know it, learn it. The human brain has an endless capacity to learn, and there is an endless supply of information out there, right at our fingertips.

I was encouraged at an early age to be inquisitive, to tinker, and to learn on my own how things worked. If you take the time to seek out information, rather than have it given to you, you will be amazed at what you can learn.

Best advice you can offer?

Strive for congruence in all aspects of your life. Do something professionally that is congruent with what you are as a person, and you will be happy and successful.

Favorite business book and why:

One of my favorites is an older book called *Customers for Life* by Carl Sewell. Sewell runs a bunch of car dealerships in Dallas and the book is about how he treats his customers so well that they come back to buy new cars from him over and over again, up to 20 times or more over the course of their lives. However, what the book is really about is the lifetime value of a customer, and how spending money to create loyal customers turns into much bigger, long-term profits.

I think the same concept applies to real estate. We could write a book called *Residents for Life* and talk about all the great things Related does to keep our residents in our buildings year after year as their lives and circumstances change.