

## Commercial Real Estate

### **A Conversation With Kenneth S. Aschendorf**

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Mr. Aschendorf, 52, is a founder and principal of APF Properties, a real estate investment company that specializes in Class B office buildings, mainly in Midtown [Manhattan](#), including the Club Row Building at 28 West 44th Street and 1156 Avenue of the Americas.

Mr. Aschendorf, who has a background in electrical engineering, founded the company in New York in 1995, along with Berndt Perl.

*Interview conducted and condensed by*

**VIVIAN MARINO**

**Q.** *How does your role in the company differ from that of Mr. Perl, the other principal?*

**A.** In my prior life I was an electrical contractor working primarily in Manhattan. I always wanted to get into the real estate business. I was able to bring to the table a lot of practical experience about running office buildings, as most of my clients were commercial building owners. Berndt's background was as a banking consultant — he is more of a numbers guy.

He can sit in the office and look at a spreadsheet and know whether he wants to buy a building. I don't need to look at the spreadsheet. I'll look at the building and know whether I want to buy a building. So we complement each other very, very well.

Photo



Kenneth S. Aschendorf Credit Earl Wilson for The New York Times

**Q.** *What is the current value of your portfolio?*

**A.** With increased valuations now it's over \$900 million. That includes seven properties: Five are in New York, one in Philly and one in [New Jersey](#). All office.

**Q.** *Why the focus on B Class buildings in New York?*

**A.** They are easier to buy. We did start our business in the B office building, and we found ourselves in that niche and felt very, very comfortable there. B buildings are very management-intensive, because there are many, many tenants involved. But we find that we do that very well and we can create value.

We like to give our tenants a high-quality office environment. We don't want them to think that they're in a low-quality, traditional, old-fashioned B building, where they feel like they're giving something up.

**Q.** *Would you ever consider investing in Class A buildings?*

**A.** Absolutely, but right now it would not be possible given the competition.

**Q.** *You buy and hold, mainly.*

**A.** Absolutely. With rare exceptions we like to hold on to them, especially in New York. We love creating the value.

We invest in the buildings. Every one of the buildings has gotten new lobbies, elevators, upgrades, windows, all the public areas.

**Q.** *Your next makeover is at 1156 Avenue of the Americas.*

**A.** That's a building that we've owned since 1999. I was looking at the building and I said, well, if this building was for sale now and one of the major brokers had it on the market it would come with a high-gloss book and it would show all of the possibilities a buyer could do with the building. So I thought there's no reason we shouldn't do it. We own it. We could do what a broker would say could be done.

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It's about an 84,000-square-foot building, so it's rather on the small side, and on that we're spending \$4 million.

**Q.** *What's your occupancy rate portfolio-wide?*

**A.** We're over 96 percent. We have a high renewal rate as well — in excess of 70 percent.

**Q.** *And your rental rates per square foot?*

**A.** Rental rates, depending on the building and the location, are anywhere from the low- to mid-\$50s up through the high \$60s.

Our tenants, on average, are about 6,000 to 7,000 square feet.

**Q.** *So what else do you have in the pipeline for this year?*

**A.** There are a couple of things that we are looking at here in the city, but it's too early to speak about right now. My biggest challenge in 2015 is to find assets to buy.

Just before the Christmas break we just finished a recapitalization. We bought Prudential out of 28 West 44th Street — the Club Row Building. We owned the building with them for three years and they were closing down a fund and they needed to exit the fund and we wanted to stay in the building.

**Q.** *Where else do you get the capital to make your investments?*

**A.** Historically the principals of APF Properties — myself and Mr. Perl — co-invest with our investors. We have worked with institutional investors. We've also worked with a group of high-net-worth investors; many of them are in the real estate business. We have a pool right now of about 100 individuals.

**Q.** *Where would you like to see APF in the next several years?*

**A.** Since the competition for buying properties is so fierce, we have a two-prong approach: One is to make what we got the best we could, and 1156 Avenue of the Americas is the perfect example. And we're going to keep our eye open for new deals and new buildings, not only in New York. We're going to keep our eye on Houston. We think that there will be opportunities there, and we like the market very much.

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