Developer J. Brian O’Neill is fighting back after the recession nearly knocked him out. Read how he is working to rebuild his company and regain his standing.

BY NATALIE KOSTELNI, 16-17
It’s a cold, cloudy December day and J. Brian O’Neill is giving me a tour of the Royal Worthington, a newly constructed apartment complex at his Uptown Worthington development in Malvern.

The five-story building just about shoots up out of nowhere on the flat landscape along Route 202 and, at first blush, looks like a gigantic Embassy Suites. Once inside, however, Royal Worthington’s modest exterior is quickly displaced by the look and feel of a five-star hotel right down to the droning Euro lounge music pumped through the speakers at one notch too loud.

“Don’t ever change the station,” O’Neill tells an employee working to put the finishing touches on a lobby area replete with a bar and reception desk that one would commonly find at a hotel and not necessarily at a suburban apartment complex.

The last time O’Neill took me on a tour of one of his projects it was the Corinthian condominiums in Bala Cynwyd and it was the summer of 2006 when the real estate market was on fire. It’s an understatement to say a lot has happened to the world of commercial real estate and O’Neill since then.

“He’s had to work through things like many developers,” said Dean Adler of Lubert-Adler, a real estate investment firm that has been an equity partner of O’Neill’s for the last 15 years. “He’s in the process of turning things around. When the financing market dropped in 2008, the one thing you didn’t want to be involved in was big development deals and pretty much all of Brian’s deals were big development deals.”

That O’Neill is constructing new apartments at Uptown Worthington and planning for more work at the project at Route 202 and Route 29 is something many observers in Philadelphia’s commercial real estate scene doubted would have happened. In fact, many thought O’Neill might not survive the recession, which hit both commercial and residential real estate owners and developers hard and O’Neill was at the forefront of those struggles. The experience humbled him.

“I got shellacked in the recession and I’m working my way out of a deep hole. It was a big life lesson and it was tough,” he said. “I got a lot of ground to make up.”

While there’s no playbook on how to survive a recession let alone the Great Recession, O’Neill managed to do so when others either couldn’t or essentially counted him out.

“I just went into the office every day and dealt with every issue and told people the way it was,” he said. “I showed up at 7 a.m. and worked until 7 p.m. I also had no distractions. I lead a simple private life
but a complicated business life. I also surrounded myself with winners.”

They were dark days for O’Neill. In the fall of 2009, Citizens Bank secured a $60.9 million judgment against his O’Neill Properties Group, which had borrowed money from the bank to finance Uptown Worthington. At one point, the bank tried to put the development in foreclosure and filed a petition to appoint a receiver until it was time to bring the property to sheriff sale. O’Neill sued and a settlement was reached. Other judgments were lodged against the developer and it appeared the entire O’Neill empire stretching from Philadelphia to New Jersey to the tony enclaves of Newport, R.I., was crumbling.

O’Neill declined to go into details about how deep things got during the recession, how many judgments ended up being filed against him and exactly how bad his situation was.

“It’s irrelevant,” he said. “That’s history. If I focused on history, I’d never get out of the bed in the morning.”

Some familiar with O’Neill’s situation at that time estimated lenders lost tens of millions of dollars if not hundreds of millions though that can’t be confirmed. In a strategic move deployed by others who had the financial wherewithal, he and his partners bought debt back at steep discounts. For example, one loan that was originally $120 million was reportedly acquired for less than $40 million. He also spent a lot of time taking projects through the land approval process so they would be teed up when the economy recovered.

During the run up to the bubble bursting, O’Neill Properties Group had 175 employees and that number dwindled down to 40. It’s now back up to 100 employees. O’Neill did disclose that for six years, his company recorded no profit and he took no paycheck. Last year was the first year of profitability for the company, and O’Neill expects this year to be a repeat. Would O’Neill do anything differently? “I’m not personally guaranteeing loans,” he said.

A humbling experience

O’Neill said he experienced deep humility while dealing with the fallout of the recession. At a real estate forum last fall before about 400 people, he launched into a soliloquy about it. Things got a little uncomfortable and nervous laughter spread through the audience though no one was really surprised at how dramatic O’Neill was and that’s part of O’Neill that hasn’t changed. He’s still a consummate, charming showman with a knack for real estate.

“In time, when people look back at the commercial real estate landscape of Philly and its suburbs Brian O’Neill will go down in history as one of the most forward-thinking and impactful developers our area has ever seen,” said Scott Gabrielsen of Bin Swanger. Gabrielsen is an office broker who has worked with O’Neill over the last decade.

“Warehouse space conversions to office, new office buildings, brownfield redevelopment, apartments, retail, creative refinancing, you name it. He has done it,” Gabrielsen said. “He is one of the smartest developers there as it relates to timing. He knows cycles and when to switch from product to product.

When office starts to cool he moves to residential, from residential to retail then back again. He is a cat. Nine lives and always lands on his feet.”

“Brian’s greatest strength is he has unlimited enthusiasm and entrepreneurship,” Adler said. “He’s a good developer and a good marketer. He’s energetic.”

Back at Royal Worthington, O’Neill puts this on display as he walks the halls and model apartments of the complex pointing out scratch marks on doors, bedding that needs smoothing out, objects d’art cluttering up end tables that need to be removed and wrinkled curtains that need steaming.

His approach with Royal Worthington, a $60 million project, is to provide a high-end rental option to the tens of thousands of employees working in Great Valley. It will be the marquis example of a new “Royal” brand the company is rolling out.

“It’s all about being top quality and providing people with the best in the marketplace,” O’Neill said. “It’s designed to create a superior feeling.” Royal Worthington has 250 apartments of which 50 are set aside as hotel rooms. Rents on the apartments range from $1,300 for a one-bedroom to $10,000 a month for a furnished three-bedroom unit. It has a heated outdoor pool with cabanas with flat-screen televisions and fire pits.

O’Neill is just halfway through building Uptown Worthington. Royal Worthington joins a 125,000-square-foot Wegmans and a 125,000-square-foot Target already at Uptown Worthington. Cobb Theatres signed a lease for an 85,000-square-foot movie palace slated to open this fall. Future development will include 500 additional apartments, 181,000 square feet of additional retail and restaurants, 230,000 square feet of office space and two, 75-room hotels. At build out, Uptown Worthington will cost $500 million and have a total of 1.7 million square feet.

O’Neill has other multifamily projects in the works including 600 apartments in Conshohocken, 315 units off Rock Hill Road in Lower Merion, 350 units in Valley Forge, 600 at the Connelly Container site in Lower Merion, 250 apartments off Moore Road in King of Prussia, 300 in Cambridge, Mass., and has approvals for nearly 2,000 units in North Jersey. His company is also constructing a $2 billion retail complex in Sayreville, N.J.

He is also venturing into establishing drug and alcohol recovery facilities called Recovery Centers of America and has secured $200 million to launch it.

O’Neill shuns the idea that he’s back on top and bristles when people call him the new “Apartment King.” He is, nonetheless, optimistic about the future.

“We gutted through the recession and it was tough and things are coming back for us because we worked hard for it,” he said. “I think we will be bigger than ever.”