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Taxi-medallion auctions are bringing out wealthy bidders

A new kind of investor is ready to bet that prices have hit bottom



By [Matthew Flamm](#)

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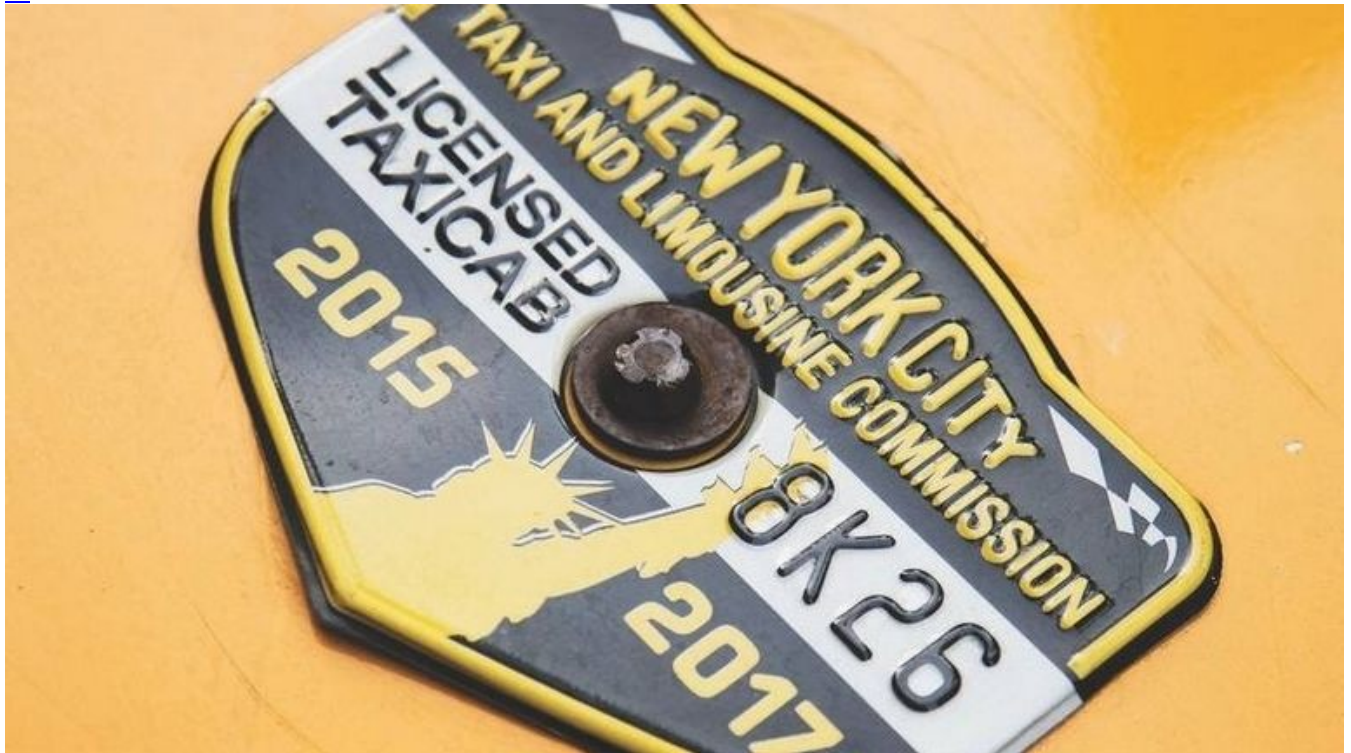


Photo: Buck Ennis

Troubled times—and distressed assets—can lead to strange bedfellows. As 46 foreclosed taxi medallions that once belonged to "taxi king" Gene Freidman go on the auction block in Queens next week, private investors with no previous connection to the taxi industry are preparing bids, according to an industry veteran who is working with them.

A different group of investors has already put in a stalking-horse bid, which sets a floor of \$7.7 million, or \$167,500 per medallion according to a filing in U.S. bankruptcy court in the Eastern District of New York.

The agreement between the bidder, MGPE Inc., and the trustee for the bankrupt properties, Gregory Messer, provides for 4% "overbid protection," meaning the next bid would have to be at least \$174,200 apiece. Medallions sold for as much as \$1.3 million only three years ago.

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The auction, which will be held Monday morning at an East Elmhurst hotel, follows an auction of 49 foreclosed medallions held by Capital One at the Marriott East in Midtown Tuesday. According to two people with knowledge of the matter, the bank started the bidding at more than \$300,000, did not get the bids it was looking for and bought the medallions itself for \$335,000 apiece, or \$16.4 million. Both sources said they expected the bank would now try to sell the medallions on its own rather than at an auction.

Capital One did not respond to requests for comment.

"We were prepared to bid, but not at the prices they were looking for," said Andrew Murstein, president of taxi lender Medallion Financial, who was advising what he described as a "large private equity firm" that is looking to purchase medallions. He said there were representatives from at least three other private-equity firms or hedge funds at the Sept. 12 auction.

"It's a great opportunity for investors that have the cash and are able to move quickly," he added. Murstein said he will attend Monday's auction with a group of five "high net-worth individuals" who believe that medallions have reached the "bottom of the market." He added that they think taxis are not going away, despite competition from Uber and others, and that eventually the venture capital-backed ride-hail operators are going to have to raise prices or go out of business.

The investors, Murstein said, plan to lease the medallions to fleet operators, who typically pay \$1,500 a month for each one. Medallions acquired for \$200,000 apiece would yield a 9% return.

There is some concern in the industry that low-priced auction sales could [hurt the value of medallions](#), which have been under siege over the past couple of years as Uber and Lyft have [taken business away](#) from cabs.

"Public foreclosure auctions are not necessarily indicative of true medallion values," countered Matthew Daus, a former head of the Taxi and Limousine Commission and partner at law firm Windels Marx, which has taxi industry clients.

There is a question though, whether lease managers are looking to add medallions to their fleets.

"Call around to the garages and see if they will manage five medallions for \$1,500 a month," said James Hickman, an analyst and investor well known in the industry for [shorting Medallion](#)

[Financial's stock](#). “Whoever told you that probably also told investors in 2016 that they were seeing stabilization” in the New York City taxi industry.

Inquiries with several fleet operators yielded a range of responses. One major fleet owner said that under no circumstances would he add medallions or pay \$1,500 a month for them. Another said that while he had no interest in adding more, he knew of others who would be open to them, and thought at the right price they were “a great investment.”

Murstein, for his part, sent *Crain's* a copy of two signed, nonbinding letters of intent from fleet operators agreeing to lease medallions from him.

The Wall Street Journal first reported news of the stalking-horse bid for Monday's auction.