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Hedge fund buys taxi mogul's foreclosed medallions at 1990s prices

Auction reveals just how far values have fallen in the Uber age

By [Matthew Flamm](#)



Photo: Buck Ennis

An auction at a Queens hotel on Monday gave a stark indication of how beaten-up the once mighty taxi industry is, as 46 medallions sold for \$186,000 apiece, according to two people

familiar with the matter. A 6% premium that's owed to the auction house pushed the price to around \$198,000 per medallion, or \$9.1 million in total.

Taxi medallion prices topped \$1 million in 2013 and reached \$965,000 at an auction held by the city in early 2014. They have been falling at an escalating rate ever since Uber and other ride-hail companies began taking business away from yellow cabs in late 2014.

Medallions auctioned for under \$200,000 in the mid 1990s. Among the most prolific buyers in the 2000s was [Evgeny "Gene" Freidman](#), who owned the 46 auctioned medallions until they were foreclosed upon by Citibank.

The winning bidder was MGPE, Inc., which had been identified in court papers last week as the stalking-horse bidder for the sale. MGPE, an out-of-state hedge fund, according to one person familiar with the matter, [had set a floor for Monday's auction](#) of \$167,000 per medallion.

Hedge funds and private equity firms have been circling the medallion market for months, on the hunt for a distressed asset. Monday's sale marks the first time a hedge fund has taken a position in the industry.

A spokeswoman for Maltz Auctions, which conducted the sale, declined to comment.

Freidman, who once managed 800 medallions and has been accused of bidding up prices on medallions to increase the value of his own assets, [filed for Chapter 11 bankruptcy](#) in 2015 to keep Citibank from foreclosing on his holdings. He was ordered to turn over the 46 medallions in 2016 to pay off creditors.

The auction was closed to the press, but one observer described the bidding as proceeding in small increments between two parties. The \$186,000-per medallion bid was for all 46 of the placards, which prevented the auction house from accepting one-off bids that would have priced a single medallion north of \$200,000, according to two sources.

The winning bidder is expected to lease the medallions to a fleet operator.

Andrew Murstein, president of taxi lender Medallion Financial, said this sale "could be the tip of the iceberg." For much of the past year he has been advising hedge funds and private equity firms on how to approach the taxi industry, though he did not take part in Monday's auction.

Murstein said he knew of fleets that would pay anywhere from \$1,200 to \$1,400 a month per medallion, providing investors with as much as an 8% annual return on a \$200,000 purchase. He said some operators would pay around \$2,000 a month if a cab were furnished along with the medallion.

Some long-time medallion owners are still being paid \$1,500 a month, which until recently was a fairly typical rate. Two fleet managers who asked not to be identified said the going rate these days is around \$1,000 a month.

3 Comments



Horse Sense • 7 hours ago

I believe that hedge funds are experts at being able to turn a buck where others can't. Uber and Lyft have never made good business sense to me. My money is on the long term sustainability of the taxi industry. It's down but not out.



NY's Gmoney • 14 hours ago

They'll see a return on there investment quickly....drivers will be slaving to help them see that return



Bobmn NY's Gmoney • 11 hours ago

In 3 years the income will drop to 3%. In 5 years all gone. So they can get \$60k back on the investment of \$200k. These hedge funds are quite incapable to judge value.