

DEVELOPER ROUNDTABLE

Developing New York

A ROUNDTABLE DISCUSSION ON THE FUTURE OF NEW YORK CITY BUILDING

*moderated by Kelly Laffey
photographed by Christopher Ernst*



AVENUE: If you were going to buy in any New York neighborhood, what would you pick, and why?

PEEBLES: Downtown is the strongest multiple demand generator in the marketplace. It's got a big attraction for families, singles and people who are working downtown. If there is anywhere where there is a limitation of supply and a greater demand, it's Downtown.

NAFTALI: Because there is the trend to move downtown, I would think that the best neighborhood with limited supplies is prime Upper East Side, which is west of Park Avenue.

GLASCOCK: I'll put in a plug for the Upper West Side, not only because I'm a resident, but because new construction is extremely limited up there. We're starting a new project at 207 West 79th, which will be 19 units. It's being well received, and we're excited.

GLADSTONE: I agree with Don. I think Downtown is where it's happening. I grew up on the "less prime" Upper East Side. Now, I'll live downtown for as long as I'm a New Yorker. It's interesting. It always changes. There's diversity of retail and restaurants. I live in SoHo now, which is I think being devastated by vacancies. But other than that, I think Downtown is where it's at.

BURCH: New York is a city of neighborhoods, and Downtown is home to many of the most desirable ones. I read articles about how the city is getting more and more the same and neighborhoods are losing their personality, but I totally disagree. In particular, NoMad is an exciting and dynamic place to live. We have a condo project in NoMad, just north of the wonderful Madison Square Park. NoMad is right in the center of the city, where uptown meets downtown, and the East Side meets the West. It's well served by transit. There's a phenomenal culinary scene. Great hospitality, fashion and culture. We see a lot of interest from buyers who want to live in an authentic mixed-use neighborhood.

AVENUE: Can you talk about the length of the sales cycle, and if it's changed?

NAFTALI: I would say it's at least a year or year and a half, maybe two years. The demand is there. But when you have more to choose from, buyers are coming back [to see a place] six or seven times. In the past, it's been two or three times at the most. The good news is, they like the product; the bad news, it takes a very long time to make a decision.

AVENUE: What issues is the New York City market currently facing?

WITKOFF: When I grew up, the message was: Go to school, do well and pursue the American Dream. Today, people wag their finger at you. The notion of a millionaire's tax is preposterous. It disincentives people to come here. We ought to be encouraging these people to come to New York. We have this amazing city, and we have to have the humility to understand that it took a lot for it to be an amazing city. If you play with it too much, you put it at risk.

PEEBLES: New York is reflective of America. It's an aspirational city. People come here from all over the world to pursue their dreams and goals, most of which are rooted in entrepreneurship. What's happened is that we've had a change in the city where policy, especially tax policy, has taken a divisive approach. There is class warfare, as opposed to an "everybody needs each other" mentality. Those who are job generators, especially real estate developers, tend to be unpopular. There should be incentives that drive the economic engine that creates these jobs. But tax policies disincentivize risk-taking. And that's going to come back and hurt the city. Offering new incentives is seen as a bad thing because a wealthy person could benefit from it, and that drives a class-warfare mentality that I think will limit us.

*"Downtown is the strongest multiple demand generator in the marketplace."
—Don Peebles*

BURCH: The challenges facing the city stem from the incredible prosperity New York has experienced over the last decade since the great recession. NYC is at now at peak employment, with 4.4 million jobs and peak population, with more than 8.5 million residents and growing. The movement in the 1990s around public safety and crime championed by Mayors Bloomberg and Giuliani was tremendously beneficial to the economy of the city. Whole neighborhoods opened up in New York for development and private investment because crime plummeted and people felt safe.

PEEBLES: New York got to where we are because of a pro-business/balanced approach [to policy]. To protect our future as a city, we have to be mindful and engaged. Economic opportunity is what solves and addresses crime. And that focus of economic opportunity does not exist today. This is a city that's 67 percent minority and 53 percent female. Last year, this city government did 2 percent of its contracts with minority- and woman-owned businesses. That

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is a fundamental problem for economics. If this lack of structural opportunity persists, people who are capable will go elsewhere.

WITKOFF: I agree. Today, New York is an amazing place. The buyers may be more discriminating, but we're in a tepid economy. We're in a 2 percent GDP economy, and we are trying to get to 4 percent, because that's where we should have been for the last 10 years. A 4 percent GDP market lifts everyone up. Everybody should be pro tax reform, whomever it benefits. We should be pro corporate dollar repatriation back into the United States. And we should be pro "dump Dodd-Frank," because it doesn't allow the people who live in minority communities who have a dream, who might have a business plan, to borrow money.

GLADSTONE: I agree. Dodd-Frank stopped an entire community of immigrants in places like New York

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Don
Peebles

from expanding their business because banks now say, “You can’t get loans. You don’t have a credit history long enough. We don’t want to take a risk on you.”

WITKOFF: We need affordable, because New York can’t just be a city of the wealthy. When you onerously tax people who are buying in those buildings, you are taxing working class people. But the economics of affordable are that there has to tax benefits.

PEEBLES: Yes, or zoning incentives.

NAFTALI: We were looking for the last year to try to do both—to do good and to be active on the affordable side. But the cost of land is so expensive that it doesn’t pencil out. You can’t do it.

AVENUE: Changing gears, what opportunities does New York provide, specific to development?

NAFTALI: I look at the younger generation, and at the suburb market versus the New York market. You see more and more young families and young professionals wanting to be in the city. Why? Because everything is available here. The city lifestyle is much more important today versus a few decades years ago. They’re buying in a smaller space, but they want to be here.

GLASCOCK: I grew up on the West Coast and came here in 1990, when everyone was talking about how the internet was going to allow us all to move away and telecommute. The exact opposite has proven to be true. The city is stronger than it ever has been because people want to be here. New York has a lot of positive things going for it. Young people want to be here, and they are living in different communities than they were in 1990—places we would have never considered.

GLADSTONE: I want to go to Miki’s point about providing housing for people who are starting off. There are about 10 apartments that someone is going to buy in their lifetime. So right now, the best apartments to sell people are the second and the third. At 212 Fifth Avenue, we sold the top three rungs of the pyramid, and we’re almost 80 percent sold. Our next project is at 45 Broad Street. The average price is \$2.3 million or \$2.6 million, and the average size is 1,200. We’re building 2-bedrooms for a group of people who have a new expression: “Baby Maybe.”

“The challenges facing the city stem from the incredible prosperity New York has experienced over the last decade since the great recession.”
—Melissa Burch

BURCH: We’re also seeing an incredible number of empty nesters who raised families in the suburbs and want to move back to Manhattan. The city has one of the largest populations over the age of 65, and it’s only going to grow.

AVENUE: What is the housing inventory like right now?

NAFTALI: The city may be oversupplied temporarily, but demand is there. It takes a little bit longer to sell. We can’t deny that two or three years ago we were selling faster than today. But when you look at the inventory and you look at how many land deals were done in the last year or year and a half, it’s quite clear that a year down the road, we are not going to have as much inventory.



Melissa
Burch

BURCH: When you look at the under \$4 million part of the market, which is where 80 to 90 percent of the transactions take place, there are very good supply-demand fundamentals there. You see that part of the market is 6 to 9 months in terms of supply, which is a really good place to be in terms of absorption.

AVENUE: What does the future of New York City development look like?

BURCH: We build buildings predominantly the way past generations have. Across the U.S. economy most industries are experiencing improvement and gains through automation and technology, yet in our business, for the most part, we have not seen any increases in productivity. This is going to change.



Steven
Witkoff

Over this next cycle, there will be more emphasis on construction tech. We will see more traction around prefabrication and building off-site, because building on-site is incredibly expensive and challenging. If you look at tech behemoths like Google, Facebook, Sales Force and LinkedIn, those firms occupied just 70,000 total square feet in New York in 2008. Today these firms occupy more than 3 million square feet of office space in New York. Why does this matter? All of the biggest tech firms want to be in New York now, and their growing interest in big urban centers like New York is going to help unlock innovations in our field.

PEEBLES: We’re looking at creating virtual sales centers. We would build a box where potential buyers can enter and experience our product on multiple sensory levels. Virtual sales centers are a cost-effective way for developers to streamline bringing their product to market, and we are considering creating these virtual sales centers as a business and making them available to other developers.

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GLASCOCK: At Anbau, we pride ourselves in creating value both for residents of our buildings and for the neighborhood at large. We make thoughtful and deliberate choices for every aspect of our buildings, from the design elements to the retailers we lease to, collaborating with partners and the local community to create a building that enhances and contributes to the area. While tastes may change, this curated approach to development will continue to be critical to meeting the rapidly evolving needs of the city.

AVENUE: What projects are you excited about?

WITKOFF: We're excited about the Residences at the West Hollywood Edition. We're bringing our New York design standards to Los Angeles. We have 20 very high-end residences, incorporating indoor-outdoor living to appeal to buyers transitioning from homes. Another project we're excited about is 111 Murray in Tribeca, which will be completed in spring 2018. This project takes all of the things we've incorporated on other projects to a new level. Our concept was to have the best in every field with our four visionaries: KPF on the building architecture; David Rockwell on our amenities; David Mann on our residences; and Ed Hollander on our landscape architecture.

BURCH: We are under construction on our 277 Fifth Avenue condominium development, which will top out at 55 stories on the corner of 30th Street in NoMad. We are JV partners on the project with the Victor Group. The building is designed by Rafael Viñoly, who also designed 432 Park Avenue, and the views are spectacular. Every apartment in the building is on a corner, allowing buyers to maximize their views of the Manhattan skyline and Hudson River. The other unique part of the architecture is the exoskeleton. All of the columns are on the façade of the building, which allowed us to create beautiful layouts that flow from room to room. We will launch sales this fall, and the first closing will start at the end of 2018.



Stephen
Glascock



Miki
Naftali

“You see more and more young families and young professionals wanting to be in the city.”
—Miki Naftali

GLADSTONE: We are finishing 212 Fifth. We are over half moved in. Our apartments are selling at ask. What pushes the apartments at 212 over the top are the finishes, the execution and the view. As a high-end rehabilitation, it was a difficult project, but a labor of love.

Right now, my interest is going to 45 Broad. It will be the tallest residential building in the Financial District. The highest priced apartment will be less than \$6 million, for a 3-bedroom that is 1000 feet in the air. We will have studio apartments that will not pay the mansion tax because they will be selling for less than \$1 million. There are lots of amenities, and everyone gets a view.

GLASCOCK: The project that I'm most excited about right now is Citizen 360, which is at 360 East 89th Street. It's a new-construction 34-story building that's designed by SHoP, and there are 84 apartments. Clodagh is designing the interiors. We're hopefully starting closings in another three or four months. We have an innovative German automated parking system, which is being very well received. We also have great amenity space, covering the entire second floor and half of the third floor. We've done a lot in terms of wellness attributes. All the windows are superattenuated, so you don't hear traffic. We're providing fresh, filtered air into all the apartments as well.

PEEBLES: I'm excited about all of our projects. We're doing projects in Boston, Philadelphia, New York, Washington D.C., Charlotte, Miami, Los Angeles and San Francisco. I don't think there are that many original ideas in this business anymore, so I try to get some of my inspiration from the best work of my colleagues: other developers. I would say that the projects I'm most excited about have been 150 Charles, which gave me comfort on our 108 Leonard luxury building in Tribeca, where I'm restoring the New York Life Insurance Company building. I'm also inspired by what Miki did with the Plaza. He unlocked its value. In my opinion, it transformed the condominium market, in terms of where the prices could go.

Then I would say 15 Central Park West, because I think they did everything right. It made us study the market, and as a result I also created an indoor motor court for 108 Leonard.



Robert
Gladstone

We as developers should be inspired not by the run-of-the-mill projects or getting headlines, but in taking challenges, unlocking values and being transformed within the market. All these things we're doing, I've learned from my peers. I'm most excited about continuing to find that inspiration, and in looking ahead for that next innovation.

NAFTALI: I'd like to highlight the two projects that we are completing on West 77th between Broadway and Amsterdam. We had the really interesting opportunity take a prime Upper West Side location, on a block that was neglected, and transform it by building two brand-new, beautiful buildings, with two completely different looks and feels. The Shephard in the West Village is a beautiful conversion with tons of amenities, including a basketball court and golf simulator, a beautiful lounge and a library that opens to our own garden. We already closed about 50 percent of the units. ♦