THE REAL DEAL

National Real Estate News

May 2021
TheRealDeal.com

THE HAMPTONS
SPECIAL SECTION
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COLONY'S NEW WORLD ORDER

How **MARC GANZI** bet the CRE giant's future on the next-gen economy p70

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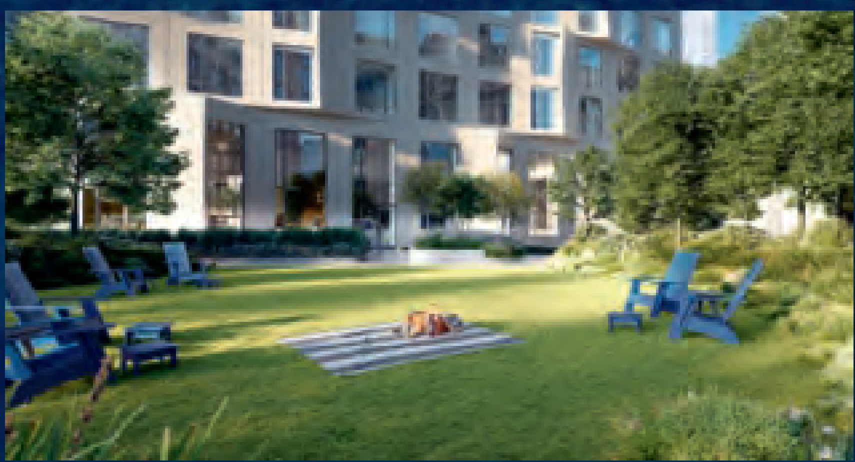
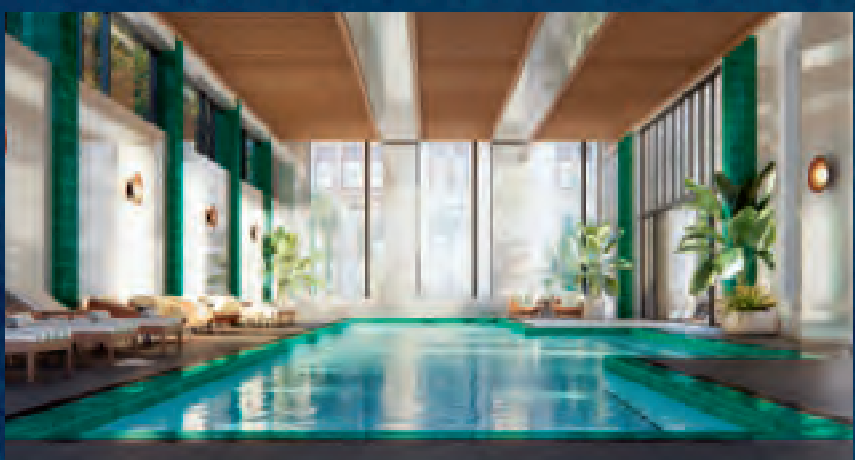
Immediate Occupancy Now Available!
11 HOYT
BROOKLYN
STUDIOS FROM $695,000
1 BEDROOMS FROM $995,000
2 BEDROOMS FROM $1,425,000
3 BEDROOMS FROM $1,935,000
4 BEDROOMS FROM $3,400,000

More than 55,000 square feet of unrivaled indoor and outdoor amenities.

Global design, rooted in Brooklyn.

Architecture by Studio Gang.
Interiors by Michaelis Boyd.
Landscape by Hollander Design.





RESIDENCE FEATURES

- Two distinctive residence interior finish palettes — Classic and Heritage
- Latch™ smart entry door locks
- Smart wifi enabled thermostats
- 10'-0" ceilings (typical)
- Integrated USB outlets in select locations
- In-residence washer/dryer
- 7" wide plank American White Oak flooring

BUILDING FEATURES

- Private driveway, motor court, and porte-cochere
- Coffee bar and co-working lounge
- Outdoor dog park

OUTDOOR AND PARK AMENITIES

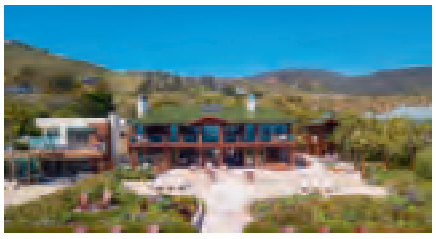
- Fitness deck
- Quiet lawn
- Active lawn
- Interactive children's play area
- Outdoor lounge
- Private dining with barbecues
- Sun deck
- Hot tub
- Wooded forest walk

PARK CLUB AMENITIES

- 13,000 square-foot, state-of-the-art fitness, spa, and aquatic center designed and curated by The Wright Fit, including:
  - Cardio and weight training areas
  - Yoga and group fitness studio
  - Squash court
  - 75-foot indoor saltwater lap pool with adjoining outdoor sundeck
  - Men's and women's locker rooms with steam showers and saunas
  - Private massage treatment and relaxation rooms
- Salon lounge with adjoining outdoor barbecues and private dining
- Co-working lounge with coffee service and private meeting rooms
- Games room with table tennis, foosball, and classic board games
- Children's playroom
- Maker studio
- Catering pantry

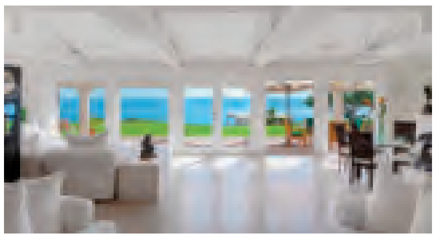
SKY CLUB AMENITIES

- Private dining room with demonstration bar and kitchen
- Catering and prep kitchen
- Library
- Sky Lounge with fireplace and billiards table
- Screening room and performance space
- Music rehearsal studio
- Study nooks
- Card room and cocktail lounge
- Golf simulator and virtual gaming room

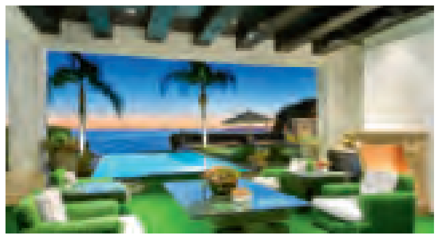


31118 BROAD BEACH ROAD
$100,000,000 | 5 Bed | 14 Bath

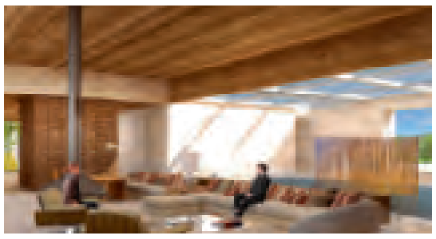
33740 PACIFIC COAST HIGHWAY
$45,000,000 | $275,000/month | 6 Bed | 8 Bath



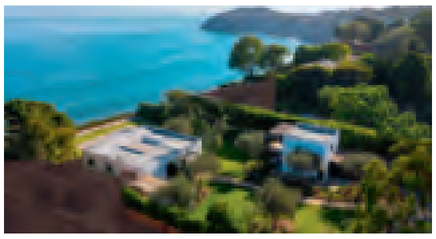
33800 PACIFIC COAST HIGHWAY
$44,500,000 | 4 Bed | 5 Bath



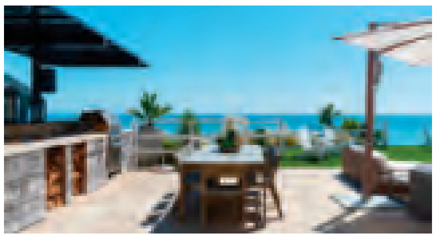
3903 CARBON CANYON ROAD
$35,000,000 | 6 Bed | 9 Bath



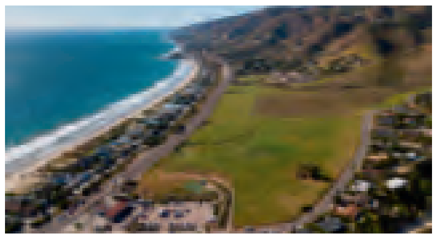
30385 MORNING VIEW DRIVE
$29,995,000 | 8 Bed | 9 Bath | Rendering



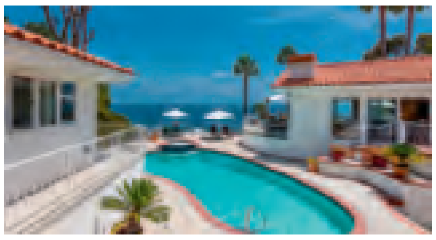
28926 CLIFFSIDE DRIVE
$27,500,000 | $85,000/month | 4 Bed | 5 Bath



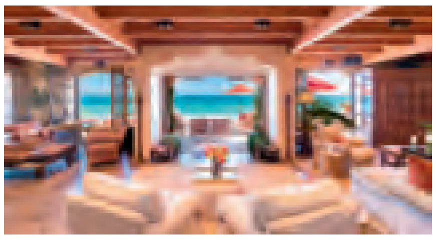
32852 PACIFIC COAST HIGHWAY
$24,500,000 | $110,000/month | 4 Bed | 4 Bath



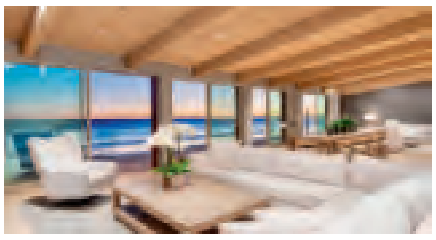
0 TRANCAS ROAD
$24,000,000 | Approx. 24.88 Acres



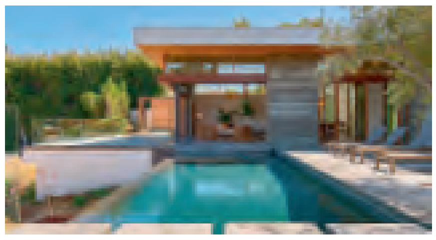
29130 CLIFFSIDE DRIVE
$22,995,000 | 5 Bed | 6 Bath



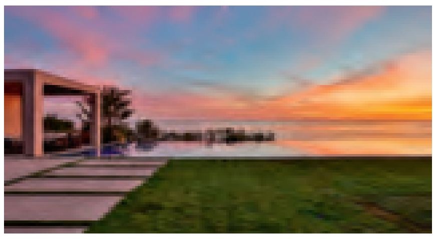
22102 PACIFIC COAST HIGHWAY
$22,995,000 | 4 Bed | 4 Bath



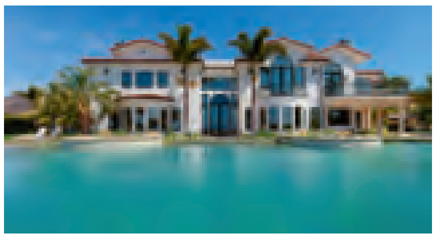
22160 PACIFIC COAST HIGHWAY
$22,000,000 | 4 Bed | 5 Bath



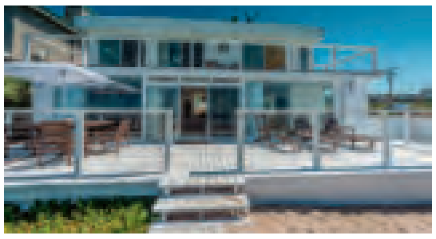
6708 WILDLIFE ROAD
$19,450,000 | $150,000/month | 6 Bed | 7 Bath



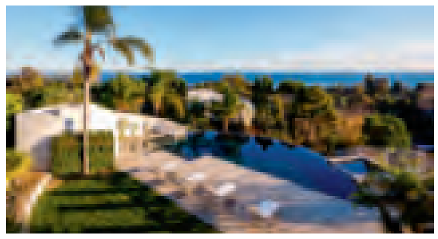
11902 ELLICE STREET
$16,995,000 | $74,950/month | 5 Bed | 6 Bath



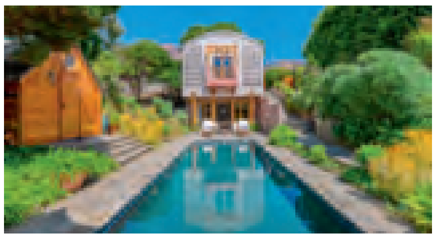
6020 BONSALL DRIVE
$15,995,000 | 7 Bed | 8 Bath



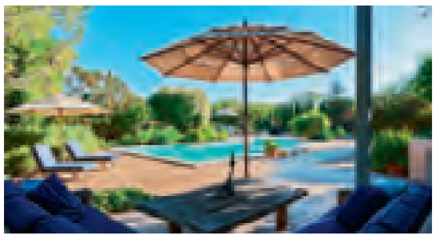
30708 PACIFIC COAST HIGHWAY
$10,995,000 | 4 Bed | 3 Bath



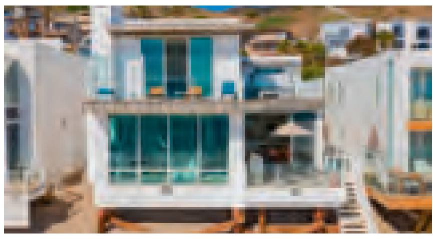
27454 WINDING WAY
$9,995,000 | 6 Bed | 10 Bath



31616 BROAD BEACH ROAD
$9,450,000 | 5 Bed | 5 Bath

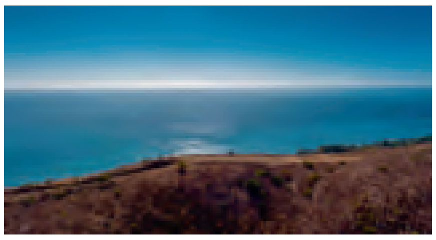


6851 FERNHILL DRIVE
$8,995,000 | 5 Bed | 4 Bath

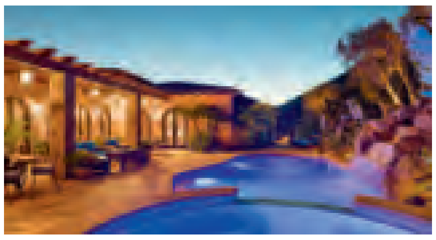


21340 PACIFIC COAST HIGHWAY
$8,995,000 | 3 Bed | 3 Bath

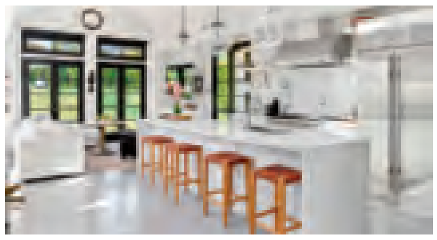
27445 WINDING WAY
$8,450,000 | 7 Bed | 8 Bath | Rendering



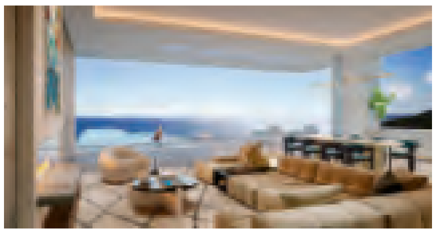
4102 ENCINAL CANYON ROAD
$8,000,000 | Approx. 135 Acres



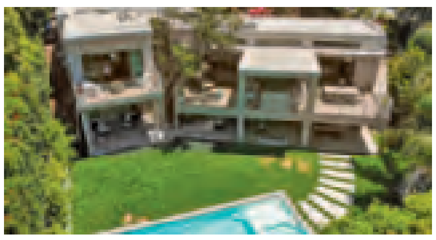
33127 PACIFIC COAST HIGHWAY
$7,995,000 | 5 Bed | 6 Bath



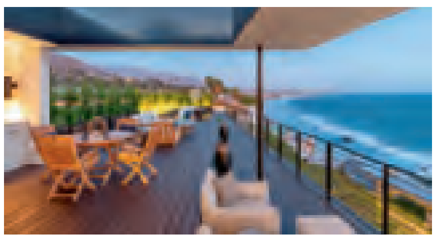
6917 GRASSWOOD AVENUE
$6,995,000 | 3 Bed | 3 Bath



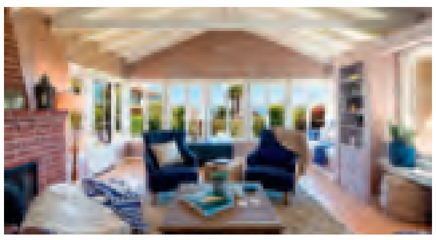
23907 MALIBU ROAD
$6,850,000 | Approx. 4.36 Acres | Rendering



1085 CAROLYN WAY | BEVERLY HILLS
$6,695,000 | 5 Bed | 7 Bath



31478 BROAD BEACH ROAD
$6,450,000 | 3 Bed | 4 Bath



31569 SEA LEVEL DRIVE
$5,495,000 | 4 Bed | 4 Bath

6307 VIA CATALDO STREET
$4,995,000 | 4 Bed | 3 Bath

CHRIS CORTAZZO

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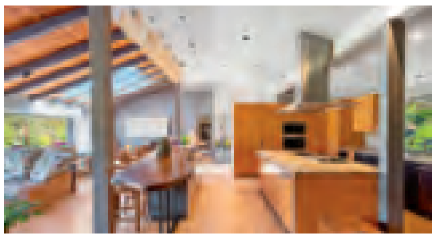
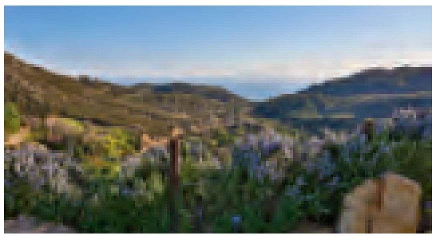
DRE 01190363

COMPASS



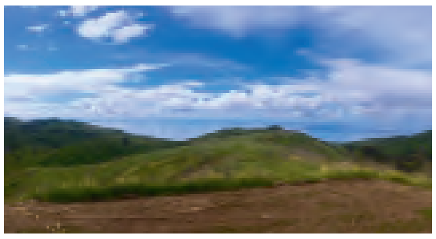
6180 BUSCH DRIVE
$4,695,000 | 4 Bed | 4 Bath

29934 CUTHBERT ROAD
$2,995,000 | Approx. 2.3 Acres | Rendering



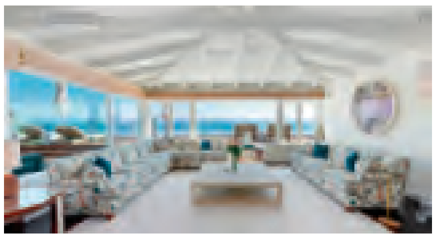
3030 ENCINAL CANYON ROAD
$2,395,000 | Approx. 12 Acres

6100 VIA ESCONDIDO DRIVE
$1,795,000 | Approx. 4.42 Acres

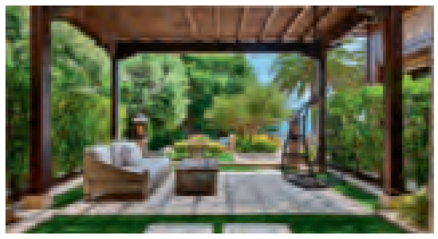


0 SOUTH FOOSE ROAD
$1,250,000 | Approx. 5.05 Acres

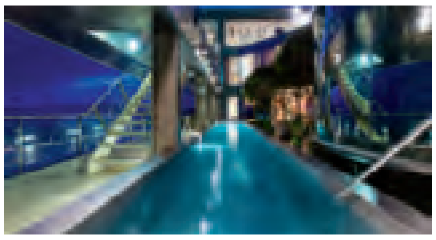
0 OLD CHIMNEY ROAD
$869,000 | Approx. 3.27 Acres



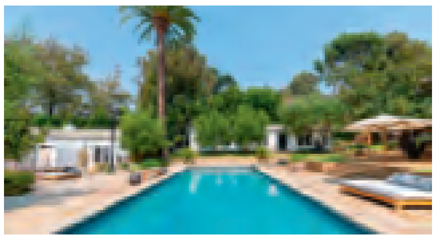
23402 MALIBU COLONY ROAD
$300,000/month | 6 Bed | 7 Bath



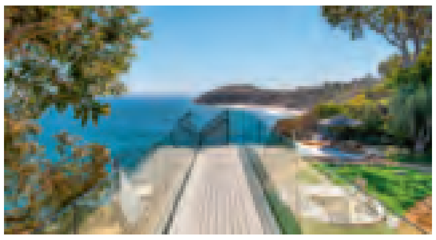
24834 PACIFIC COAST HIGHWAY
$200,000/month | 5 Bed | 8 Bath



24434 MALIBU ROAD
$175,000/month | 5 Bed | 6 Bath



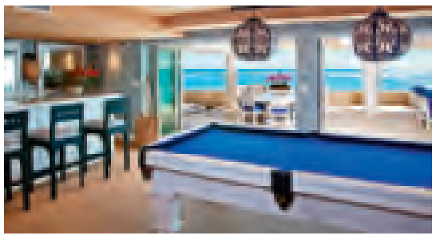
6238 BONSALL DRIVE
$100,000/month | 8 Bed | 9 Bath



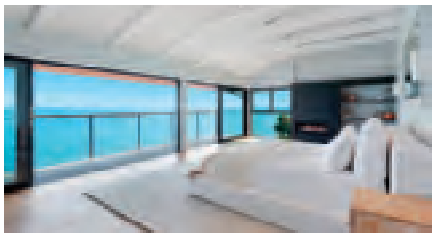
28936 CLIFFSIDE DRIVE
$100,000/month | 5 Bed | 4 Bath

28946 CLIFFSIDE DRIVE
$100,000/month | 5 Bed | 6 Bath

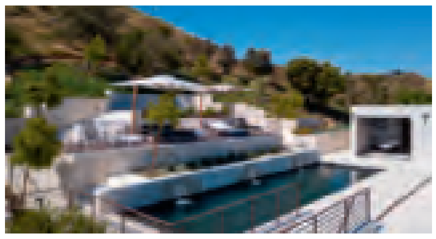
32960 PACIFIC COAST HIGHWAY
$100,000/month | 5 Bed | 6 Bath



27348 PACIFIC COAST HIGHWAY
$85,000/month | 4 Bed | 4 Bath

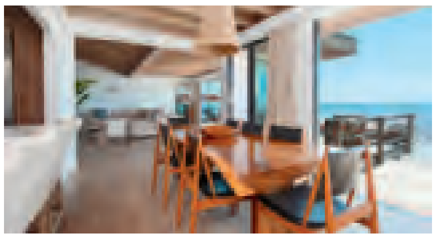


26714 LATIGO SHORE DRIVE
$75,000/month | 3 Bed | 3 Bath

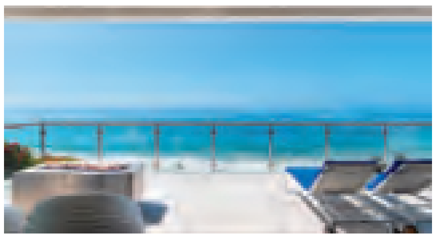


26901 SEA VISTA DRIVE
$75,000/month | 6 Bed | 9 Bath

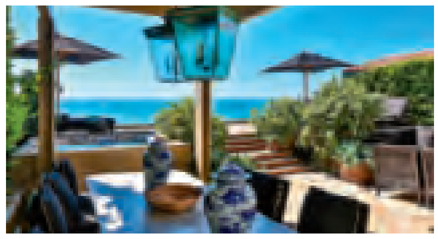
6345 TANTALUS DRIVE
$70,000/month | 6 Bed | 8 Bath



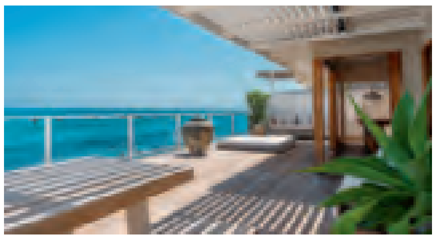
24608 MALIBU ROAD
$65,000/month | 5 Bed | 5 Bath



31666 BROAD BEACH ROAD
$55,000/month | 4 Bed | 5 Bath

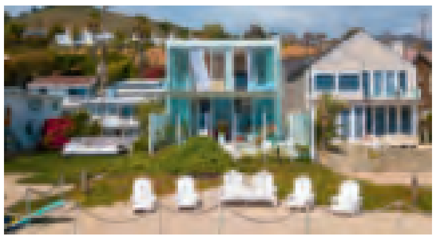


23618 MALIBU COLONY ROAD
$50,000/month | 4 Bed | 3 Bath

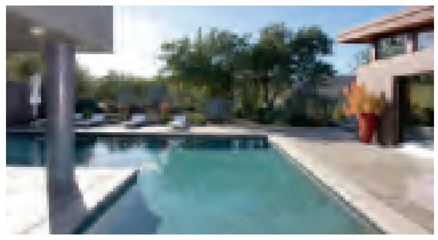


24212 MALIBU ROAD
$50,000/month | 3 Bed | 3 Bath

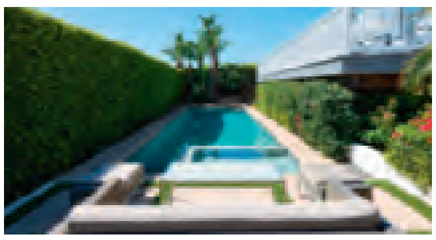
27082 MALIBU COVE COLONY DRIVE
$45,000/month | 4 Bed | 5 Bath



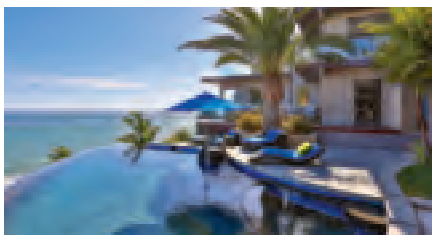
31220 BROAD BEACH RAOD
$40,000/month | 4 Bed | 6 Bath



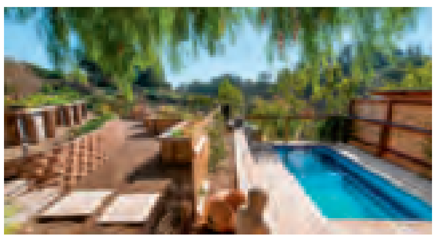
3000 DECKER CANYON ROAD
$40,000/month | 5 Bed | 6 Bath



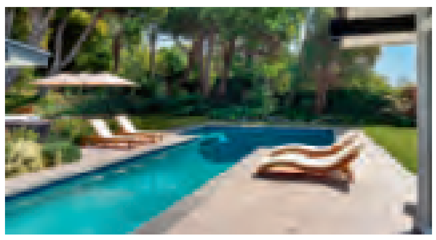
23901 MALIBU KNOLLS ROAD
$40,000/month | 4 Bed | 4 Bath



33406 PACIFIC COAST HIGHWAY
$37,500/month | 4 Bed | 4 Bath



6651 ZUMIREZ DRIVE
$35,000/month | 5 Bed | 5 Bath



6228 TRANCAS CANYON ROAD
$30,000/month | 4 Bed | 3 Bath

chris cortazzo

THE REAL DEAL

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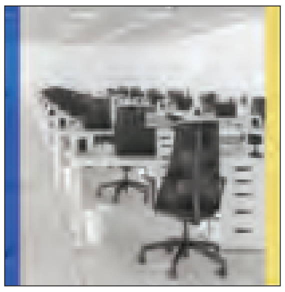
ISTOCK, SONYA REVELL (MARC GANZI)



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How the return to the workplace is changing the workspace

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South Florida's hotel conundrum
Leisure travelers are keeping hotels afloat, but recovery hinges on the return of conventions, cruises

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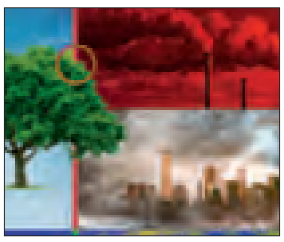
Leggo my escrow
The Kossoff case highlights major flaws in the regulation of escrow funds



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Cap and trade
A carbon credit market could give NYC landlords room to meet looming emissions limits

BUILDING BACK BETTER

We rank the general contractors that were most active over the past year and see how construction firms have adapted to the new normal

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Miami real estate pros are giddy about what Formula One could mean for the high-end market

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Explosive charges
Landlords cry foul as two dozen identical lawsuits slam apartment complex

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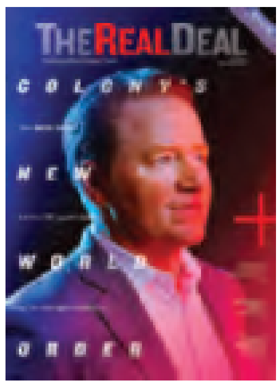
Mind the gap
Reconciling the unexplained gaps in Manhattan brokerage reports



COVER PHOTOGRAPHY BY SONYA REVELL

ISTOCK, GETTY IMAGES, RELATED, REDWOOD URBAN, AXEL DUPEUX (DURKIN)

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GETTY IMAGES


Did you know?
Real estate agents can help their clients get special pricing on their next mortgage. It's simple. All agents have to do is refer their clients through Rocket Pro℠ Insight.
Open your camera and scan this code to sign up today.
ROCKET
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EDITOR'S NOTE

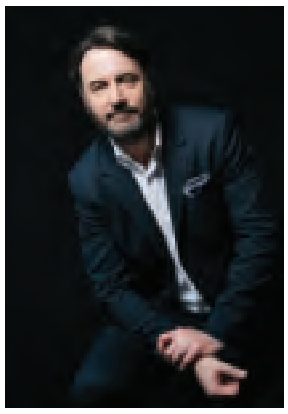
Battling the old guard

"The old guard has to be stopped."

That quote may sound like it came from a progressive politician in Albany, but it actually came from a real estate broker in Manhattan.

One of our main stories this month looks at the lingering specter of discrimination in New York City co-ops.

We interviewed more than 40 brokers, lawyers, co-op owners and activists, and we found a consensus: Although boards have evolved, discrimination remains in many of the city's tony co-op buildings, which cling to opaque systems of power and control in selecting who can move in.



Now, a national wake-up around race and social justice has brought the issue back into the spotlight, bolstered by a progressive shift in New York politics. That's given a boost to co-op disclosure bills proposed in the state legislature this year. But will there actually be change among these deeply entrenched institutions? What's fair and how far should change go? Check out our story on page 30.

Meanwhile, it's shaping up to be a summer on steroids for the Hamptons.

In a special section starting on page 39, we take a deep dive off of Long Island's East End, exploring one of the hottest markets in the country.

From co-ops to the Hamptons to next-gen investing, seismic shifts are afoot.

The wealthy enclave, which saw tons of real estate activity during the pandemic as residents fled the city, is poised to benefit further from the normal summer influx now that more and more people will be vaccinated.

Hamptons sellers are clearly looking for big numbers as buyers open their checkbooks (page 42), a phenomenon that's spread to the less fancy North Fork as well (page 46). And with demand high, material shortages are making homebuilding more expensive than ever (page 50).

On the commercial real estate front, there's a mad rush for retail space, as restaurateurs and luxury brands are hustling to find available locations (page 44).

Stay tuned for special Hamptons sections in our upcoming June and July issues as well.

Beyond the strong residential market, disruption and uncertainty persist across the country. The pandemic may be receding, but now the prospect of inflation is rearing its head for the first time in decades. There is probably an economic boom ahead, with new federal spending on infrastructure and the climate economy, but so far, job gains have been disappointing nationally, suggesting that it's not all smooth sailing ahead.

Of course, the savviest investors are always going to capitalize on change. Our cover story this month looks at commercial real estate behemoth Colony Capital. After Trump pal Tom Barrack stepped down from the over-leveraged company last year, new CEO Marc Ganzi has effectively moved the portfolio from 80 percent hotel, office, warehouse and retail to about 70 percent digital-related assets such as data centers, cell towers, small cells and fiber-network properties. That's a lightning-quick pivot — shifting $48 billion in assets last year — and as forward-looking a plan as you're likely to see (page 70).

Some sectors of real estate have simply stayed focused and plowed ahead. New York's biggest general contractors kept building during the pandemic, and we rank the most active GCs in a story on page 59. As reporter Kevin Sun notes, the challenges have included suppliers scrambling to secure construction materials and rapidly shifting regulations that shut down projects for months. New construction starts were lower, but firms adapted and jobs got done.

Finally, as always in real estate, when there's a lot of money at stake, there's the possibility that things can get weird. We have the story of a top real estate attorney who allegedly absconded with millions in escrow funds under his control. In what reporter Rich Bockmann noted was probably the worst Mother's Day present ever, the attorney allegedly forged his 94-year-old mother's signature to take out more than $2 million in loans before he went AWOL (page 74).

In happier news, our magazine recently won a general excellence award from the Society for Advancing Business Editing and Writing — our third such honor.

Enjoy the issue.

Stuart Elliott
Editor-in-Chief

AXEL DUPEUX (ELLIOTT)

In Their Words

The most colorful, insightful and incendiary comments on real estate

Compiled by Hiten Samtani

"No legal, health or rational reason for extending this law until August 31."

—CHIP's **JAY MARTIN** on lawmakers' decision to extend commercial and residential eviction protections

Toll Brothers CEO Douglas C. Yearley, Jr.

"Why rent luxury when you can own it?"

—Ad campaign by **TOLL BROTHERS**, which is offering to cover renters' lease-breaking penalties and moving expenses if they buy at the developer's projects

"If that thing drops it would just blow up the building."

—L.A. developer **MICHAEL CHEN** on importing a Tuscan olive tree for his $65 million Beverly Hills spec house

"THE FIRM HAD UNDERGONE A LOT OF DISTRACTION."

—Colony Capital CEO **MARC GANZI** on transforming the REIT into a digital-first player

"IT'S LIKE HAVING A CONTRACT FOR THE SUPER BOWL FOR 10 YEARS."

—Miami brokerage boss **ALICIA CERVERA LAMADRID** on the turbocharge Formula One racing will give the city's real estate market

QUOTE SOURCES: *TRD*, WSJ, NYT, BLOOMBERG
IMAGE SOURCES: SONYA REVELL (GANZI); GETTY IMAGES; LINKEDIN

"Density should be your friend for sustainability. Under Local Law 97, it's not."

—Urban Green Council's **JOHN MANDYCK** on how New York's landmark climate-change policy is a blunt instrument

"YOU CAN'T TAKE DOWN 43 MILLION UNITS IN THE U.S. WITH EIGHT OR 10 SALESPEOPLE."

—SmartRent CEO **LUCAS HALDEMAN** on going public to meet demand for automation in the rental market

"The lack of institutional ownership just shows you how difficult it is to get into the market."

—Allianz Real Estate's **CHRISTOPH DONNER** on how single-family suburbia is a crowded field

"I GAVE IT MY ALL, ESPECIALLY DURING THE PANDEMIC, BUT SOMETIMES ONE NEEDS A CHANGE."

—**STEVEN JAMES** on leaving his role as NYC CEO at Douglas Elliman for HomeServices of America

"Institutional capital is scared of New York for the first time in 20 years. That, to me, is an opportunity."

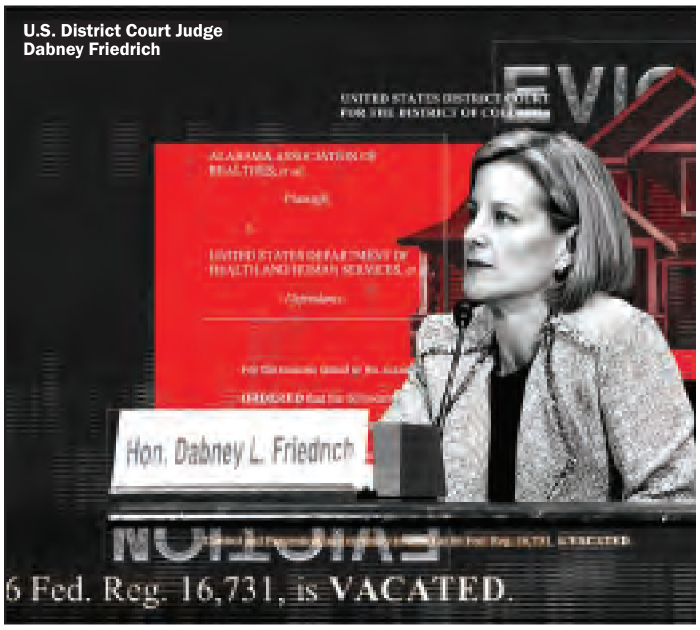
—Former NYCEDC head **JAMES PATCHETT** on becoming the CEO of major multifamily investor A&E Real Estate

"The rate at which homes are selling nationally is not sustainable, but in New York, the uptick is just getting started."

—StreetEasy's **NANCY WU** on the city's resurgence

FEDERAL JUDGE STRIKES DOWN CDC'S EVICTION BAN

DOJ will appeal the ruling, which does not impact state-level moratoriums



U.S. District Court Judge Dabney Friedrich

A FEDERAL JUDGE IN THE DISTRICT OF COLUMBIA voided the nationwide moratorium on evictions in a ruling issued May 5.

U.S. District Court Judge Dabney Friedrich wrote in an opinion that although the pandemic is a health crisis, the Centers for Disease Control and Prevention lacks the legal authority to ban evictions.

The order does not supersede state-level moratoriums, such as New York's statewide ban on evictions, which legislators extended through Aug. 31. Likewise, a ban in California covers renters until June 30, when the CDC moratorium was set to expire before the judge vacated it.

In Connecticut, however, the eviction moratorium is due to expire with the end of the public health emergency on May 20. Likewise, bans in New Jersey and Illinois will lapse before the federal ban would have. The sole protection for renters in Florida and many other states is the CDC moratorium, which dates back to September.

The plaintiffs in the case were two realtor trade associations in Georgia and Alabama, as well as two housing providers in those states. They alleged that the moratorium exceeds the CDC's authority and is "arbitrary and capricious."

The decision by Friedrich, a Trump appointee, comes after judges in Ohio, Tennessee and Texas ruled in March that the federal moratorium was unconstitutional. Those rulings affected the parties in those cases but stopped short of forcing the CDC to revoke the federal ban. Friedrich applied her ruling nationally.

The Department of Justice promptly appealed, as it had with previous rulings, citing the CDC's "statutory authority to protect public health." The agency also sought an emergency stay to keep the moratorium in effect pending an appellate court's decision. Friedrich agreed to put a temporary hold on her ruling but emphasized that the decision was not in response to the Justice Department's request.

—Suzannah Cavanaugh

THE REAL ESTATE T

BOSTON PROPERTIES LAUNCHES $2B JOINT VENTURE

BOSTON PROPERTIES IS MAKING A $2 billion bet on the office market.

Executives at the real estate investment trust announced during its first quarter earnings call that it will team up with two sovereign wealth funds to invest in office real estate.

The investors, which the REIT said it would identify once the joint venture paperwork was finalized, will put in about $1 billion worth of equity, which will work out to about $2 billion in purchasing power.

"It will be investment-by-investment," CEO Owen Thomas said, "and if it goes well, it could be bigger."

Boston Properties also announced on the call that it launched three new life sciences labs in Boston and South Francisco, totaling almost $1 billion in investment.

The life sciences and biotech sectors are closely watched by the investment and brokerage communities, which see them as a source of demand for space with a long runway for growth. The top 14 markets across the country are expected to add 36 million square feet of lab space, according to a recent report by Newmark.

In New York City, projects by Taconic Partners and Silverstein Properties, Alexandria Real Estate Equities and Georgetown Properties have experienced recent success.

On Park Avenue South, Enterprise Asset Management is looking to sell its interest in a 450,000-square-foot property that could be converted to a life sciences hub across the street from medical fund manager Deerfield's hub at 345 Park Avenue South.

But Boston Properties executives said their largest markets are in the areas surrounding Boston and San Francisco and that there wasn't even a close third.

The REIT reported a net income of $91.6 million for the first three months of 2021, down from $497.5 million during the same period last year.

Boston Properties executives said they are seeing a strong increase in tenants touring spaces but are not yet signing as many large leases as before the pandemic. *—Sasha Jones*

BALLY'S BUYS VEGAS TROPICANA CASINO FOR $150M

BALLY'S IS MAKING A BET ON THE Tropicana Hotel & Casino in Las Vegas.

The Rhode Island–based casino and racetrack owner agreed to buy the Tropicana's operations business, while Gaming & Leisure Properties, a REIT, will retain its ownership of the property itself and continue to collect rent, Bloomberg News reported.

Bally's has been on a buying spree, having recently struck a $2.7 billion deal to buy online gaming company Gamesys Group. But the Tropicana would be its first operation in Las Vegas. Chairman Soohyung Kim said the firm would likely remodel the property, adding slot machines and signage.

"It's hard to be a national player in gaming without a casino [in Las Vegas]," Kim said. "It's a tried and true pathway that companies like Caesars and MGM have proven."

Kim is the founding partner at Standard General, a New York–based hedge fund that is Bally's largest shareholder. With its latest acquisitions, Bally's will have properties in 11 states.

The casino and gambling industry is going through a major period of change. The Supreme Court struck down a federal ban on sports betting in 2018, leading many gambling companies to rush into the market.

New York legalized sports betting in April and developers have lobbied to persuade state legislators to allow a casino in Manhattan.

Earlier this year, Sands Corp. sold all three of its Las Vegas properties for $6 billion as part of a pivot to its Asian market. It's unclear if the pandemic was a factor in that decision.

—Dennis Lynch

SENATE/CHRIS COONS, ISTOCK, FACEBOOK, BALLY'S CORP

BIDEN TARGETS 1031 EXCHANGES

Industry steps up fight to preserve tax break, avoid "tremendous blow" to local governments

PRESIDENT JOE BIDEN HAS PROPOSED PARTIALLY eliminating 1031 exchanges, which allow real estate investors to swap one investment property for another without paying capital gains taxes.

The proposed change to IRS Section 1031 — which would affect real estate investments where the profits exceed $500,000 — is part of Biden's $1.8 trillion American Families Plan, which targets several longstanding tax loopholes to fund early education, payments to families with children and other Biden priorities.

The proposal reflects a "misguided view of the actual purpose and benefits of like-kind exchanges," said Suzanne Baker, general counsel for Investment Property Exchange Services and co-chairperson of the Federation of Exchange Accommodators.

In mid-March, a coalition of 31 trade associations — including the Mortgage Bankers Association and the National Association of Realtors — sent a letter to Treasury Secretary Janet Yellen arguing that 1031 exchanges are important to the economy.

Citing research from Ernst & Young, the letter said that like-kind exchanges support an estimated 568,000 jobs, generating over $55 billion annually, in addition to $27.5 billion in labor income. It also asserted that the provision helps prevent properties from being "underutilized and underinvested."

Marc Landis, who heads the real estate practice at New York-based law firm Phillips Nizer, said that fewer real estate deals would be a "tremendous blow" to state and local governments already on weak financial footing due to the pandemic.

How the Biden administration plans to tackle like-kind exchanges remains to be seen, said Garrett Watson, a senior policy analyst at the Tax Foundation. And enforcing regulations may be tricky; no matter how the law is written, real estate lawyers might find a way to minimize the impact.


President Joe Biden

To get around the $500,000 ceiling, for example, investors could try to divide up a property to make the profits smaller before exchanging it, Watson said.

"It's one thing to put this on a fact sheet," he added. "But it's a whole other thing to try to figure out the rules."

—Akiko Matsuda

ERMINAL

This month's roundup of the biggest deals, projects and other headline news around the country

ML REALTY, PROLOGIS BUY OUT ILLINOIS HOMEOWNERS TO MAKE WAY FOR WAREHOUSES

DEMAND FOR INDUSTRIAL REAL estate is so strong in suburban Chicago that firms are buying out homeowners in order to assemble enough property to build warehouses.

The latest example is in Bensenville, Illinois, where industrial investors ML Realty Partners and Prologis spent $64 million to purchase more than 100 homes that will be cleared for two complexes, Crain's reported.

About a mile west of O'Hare International Airport in an area with several nearby industrial properties, the homes make up the Mohawk Terrace subdivision, bound by Devon Avenue to the north and Busse Road to the east.

In some cases owners received triple what they paid for their properties; one home that was bought for $240,000 sold to the developers for $700,000, according to the report. One seller called it "the opportunity of a lifetime."

ML Realty and Prologis will raze the homes to build two warehouses totaling 600,000 square feet, according to a report in Commercial Property Executive. Construction will begin in the summer and be completed by spring.

ML Realty began contacting homeowners in 2019 about the buyouts, but Prologis wanted in on the deal as well and soon acquired a few properties, according to Crain's. The two firms eventually came to an agreement about the joint warehouse construction.

Founded by Michael Luecht, ML Realty has long been an active player in the Chicago market. In March, Prologis paid nearly $100 million for a 340,000-square-foot Goose Island warehouse and office building. It was the priciest deal of the year in its category in Chicago.

—Alexi Friedman

DIVCOWEST, ATLAS TO INVEST $1B IN SINGLE-FAMILY RENTALS

ADD DIVCOWEST AND ATLAS REAL Estate to the growing list of industry players moving into the single-family rental market.

The two firms have teamed up to acquire single-family rental homes throughout the Western U.S., *The Real Deal* has learned. The venture will renovate and manage the properties and will target states across the region, including in Arizona, Colorado, Idaho, Nevada and Utah.

Investment company DivcoWest, which primarily focuses on commercial properties, provided $250 million. Atlas CEO Tony Julianelle said the platform hopes to reach $1 billion over the next 18 to 24 months; it has already closed on its first acquisitions.

The firms are eyeing urban and suburban houses with a plan to buy up existing homes from individual owners. The effort may also use funds for build-to-rent construction, Julianelle said. Denver-based Atlas, which provides property management and brokerage services, manages thousands of residential units across the West.

Single-family rentals have become increasingly popular during the pandemic, allowing residents unable to afford a new home with more space and privacy, industry pros have said. Investors have been capitalizing on the trend.

Julianelle called single-family rentals an asset class that has "performed incredibly well through the pandemic. That's a meaningful stress test."

"The market was real before, and it will continue to be real after," he said. "The pandemic likely accelerated some of those realities."

More than 50,000 rental homes have been built over the last year — a big jump compared to the average over the last 40 years, according to a recent report from John Burns Real Estate Consulting.

In March, homebuilder Lennar said it was launching a $4 billion platform to acquire single-family homes and townhomes. In the


Atlas Real Estate CEO Tony Julianelle and DivcoWest CEO Stuart Shiff

last year, traditional investment firms like JPMorgan Chase have also poured money into the single-family rental market.

—Isabella Farr

GETTY IMAGES, ATLAS, DIVCOWEST, ISTOCK

INBOX

President Joe Biden and New York State Senator Brian Kavanagh

MIXED SIGNALS

New federal rent relief guidelines could disrupt NY's distribution plans

By Suzannah Cavanaugh and Kathryn Brenzel

Washington dished out a new set of guidelines for state-issued rent relief funds on May 7 — specifications that could throw a wrench in New York's distribution plan for a program that has yet to go live.

It's unclear how the state will need to revise its program based on the new guidelines, if at all. However, some property owners are concerned that the federal rules don't explicitly require renters who receive funds to hand that money over to their landlords.

The state's current rules allow landlords or tenants to apply for funds, but the two parties must work together in order for back rent to be covered by federal dollars. The new federal guidelines, with which states must comply, require that aid be offered directly to tenants in cases where the landlord refuses to cooperate.

Those guidelines also leave the door open for states to channel funds directly to tenants without first contacting their landlords.

The tweak guarantees that tenants can pay off back rent even if their landlords don't apply for the funds. Some landlords chose not to participate during last year's rent relief program, New York State Sen. Brian Kavanagh said.

Ellen Davidson, an attorney at the Legal Aid Society, said that some are reluctant to release their taxpayer identification numbers to city or state agencies.

"We see landlords who absolutely refuse to cooperate to get money that is owed to them," she said.

Jay Martin, executive director of the Community Housing Improvement Program, said his organization isn't "adverse" to tenants receiving rent directly.

"But there has to be a requirement for tenants to use that money for paying the rent," he said.

Tenant advocate Cea Weaver, who leads the Housing Justice for All coalition, doubts the new provision will hurt owners. She said it's clear in the federal guidelines that the funds are intended for rent relief.

"If the landlords want the money, they are going to get the money," she said.

Still, the federal revisions create several gray areas that could force the state to adjust its existing law to comply with the new guidelines.

Language in the initial federal statute allowed states to choose whether or not to funnel money directly to renters. New York opted not to, instead deciding to distribute funds to landlords if they qualified for the program and accepted the funds, and if their tenants also applied. Now, Davidson said, the state may have to rewrite its law to regain federal compliance.

Kavanagh said the state will discuss with the Treasury Department whether the guidance will require changes to New York's plan. He said the federal guidance seeks to address a problem already solved by the state's program. Under New York's law, approved as part of the state budget, if a landlord refuses rent relief for a period of 12 months, they waive their right to the unpaid rent and can't pursue related legal action against the tenant.

"We think we get at the same outcome, but our approach is more protective of the tenant," Kavanagh said.

Already baked in is a provision that allows renters to apply for relief without providing documentation of income, a protection for vulnerable tenants and immigrants.

A provision stipulating a time frame in which funds can be used could create another wrinkle for the state legislature. New York's law states that funds can be used to pay up to 12 months of back rent and three months of future rent. But the federal guidelines say that monies from the American Rescue Plan — about $1 billion of the total $2.4 billion in federal funding released to the state — can go to 18 months of rent relief, creating a discrepancy between state and federal rules.

"And it could be 18 months of rent arrears, 18 months of rental assistance going forward or some combination of the two," said Davidson.

The relief program has yet to get off the ground after receiving approval last month. It's possible a revamp of the legislation could further delay the launch, though Davidson thinks it's unlikely. She said there will probably be a grace period wherein the state can make changes to the law even after the program opens.

The Office of Temporary and Disability Assistance has said that it will release applications for the state's program sometime this month. A spokesperson for the program didn't specify if the federal guidance would affect this timeline, but said the agency is reviewing the changes and remains "focused on preparing for the launch" of the program. TRD

GETTY IMAGES, DEPARTMENT OF TREASURY

SOCIAL HOUSING GAINS GROUND

Old models of affordability have new momentum, but scaling up remains a struggle

By Kathryn Brenzel

When Shaya Schreiber started searching for a home in Madison, Wisconsin, her options were limited.

Student loans made the single mother of two ineligible for certain affordable housing and a market-rate home was beyond her reach. Then she found the Madison Area Community Land Trust.

The trust helped her purchase a three-bedroom house on the west side of the city. The organization paid $160,000 for the home and more for necessary improvements. Then Schreiber bought it from the trust for $135,000.

"I wouldn't have been able to afford a house otherwise," she said.

Community land trusts are a form of social housing where a nonprofit controls the land through a long-term ground lease and sells the home to low- to moderate-income buyers at a discount. Such arrangements often limit the value of the homes on resale, to ensure permanent affordability.

The idea of social housing is not new, but in recent years it has gained momentum in policy discussions. In fact, community land trusts and other shared-equity models were part of several presidential candidates' platforms during the 2020 election and are being floated as part of federal and local pandemic recovery legislation.

Another social housing model, limited-equity co-ops, also limit homeowner equity, though restrictions on resale tend to end when the mortgage does. In Schreiber's case, if she were to sell, her profit could be no more than 25 percent of the increase in the home's assessed value. She isn't bothered by that bargain.

"My home will stay affordable for 99 years," she said, referring to the ground lease. "There's a huge need for affordable housing and homeownership in Madison. I like being part of the solution."

Scaling up these models, however, is a task riddled with challenges. Funding for land acquisition and construction costs is limited. There is resistance to the idea of limiting homeowners' gains, especially among people of color who have historically been closed out of homeownership. And while politicians have voiced support for the model, housing agencies are sometimes reluctant to change their ways.

As Karen Haycox, CEO of the New York City chapter of Habitat of for Humanity, put it: "It takes time to turn an ocean freighter around."

High hopes, despite history

When the Houston Community Land Trust launched in 2018, the founders were mindful of how it would be perceived.

"We did not want the negative stigma that goes along with multifamily," said Ashley Allen, executive director of the nonprofit. As a result, it has focused on single-family homes, hoping to change the perception of what affordable housing can be. Eventually the land trust, which has 35 homes but expects to have 400 by 2023, will include multifamily properties, she said.

Though land trusts and limited-equity co-ops are popularly referred to as social housing, they don't quite live up to the classification. The land trust model does not realize the socialist view of housing as a human right: People still need to pay for it. Certain versions of limited-equity co-ops have a sunset date, at which point they turn market-rate.

Fully decommodifying housing in the U.S. would require a societal reprogramming. Even getting community members and elected officials comfortable with the concept of land trusts — curbing home appreciation, the primary way families build wealth — is not easy. And other versions of social housing have a lackluster track record.

Public housing, the oldest form of housing subsidy in the U.S., has been plagued by decades of disinvestment and crime. Limited equity co-ops started as affordable housing for union workers and took off in the 1950s, 60s and 70s, fueled by federal housing programs and urban renewal funds. In New York, this took the form of Housing Development Fund Corporation and Mitchell-Lama co-ops, which restrict the incomes of buyers and resale prices, though the latter allows owners to opt out after 20 years.

According to the National Co-op Research Project, as of the end of 2016, there were only 166,608 shared-equity co-ops in the U.S., more than half of which were in New York. The model fell out of favor as funding dried up and some co-ops were mismanaged. However, like land trusts, limited equity co-ops have seen a resurgence of interest in recent years.

Community land trusts began during the Civil Rights movement as a way to create economic opportunity for Black farmers. The first in the U.S. was formed in 1969 as a 6,000-acre farm collective in Lee County, Georgia. Half a century later, they remain rare — somewhere north of 225 nationwide, according to the Grounded Solutions Network. The average one has 50 units. Their impact on housing affordability in America, statistically at least, is essentially zero.

Allen said criticism of the restrictions on equity building usually comes from those who don't need a land trust to become a homeowner.

"Those are people who can afford to ride the market," she said.

Olivia Williams, executive director of the Madison Area Community Land Trust, has experienced pushback from elected officials based on concerns that land trusts don't improve Black homeowners' ability to build substantial wealth. She counters that land trust homeowners build more equity than renters do.

Rosalind Greenstein, an urban planning and policy expert at Tufts University, said the concern should be contemplated but not used to discredit the model.

"The CLT model says you have a right to housing," she said, "not a real estate windfall."

Challenges in scaling

Amanda Rhein was hired in 2018 to reboot the Atlanta Land Trust. The nonprofit was launched in 2009 but struggled as the recession decimated the city's community development corporations — another type of nonprofit that has access to community block grants and often partners with land trusts.

The Atlanta trust is now citywide but focuses on southwest neighborhoods along the beltline, where the city is seeing the most gentrification, she said. It acquires properties through the Metro Atlanta Land Bank, donations, public entities and by purchasing single-family homes scattered throughout the city.

Even in cases where the land trust is gifted property, construction costs can be a major hurdle.

"We really are just one of a plethora of solutions that need to be implemented in concert to address affordability in Atlanta," Rhein said.

Continued on page 24

ISTOCK/ILLUSTRATION BY KEVIN REBONG

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Because land trusts limit home values, they typically cannot outbid the private market for property. Instead, they depend on donated or government-owned properties. Some land trusts have contemplated adding properties subject to tax lien sales or reaching out to homeowners facing foreclosure. A number have successfully done so, but Rhein said it is relatively rare.

Land trusts have to tread lightly: To swoop in and buy from distressed owners can sow distrust, and identifying those meeting the land trust's requirements is difficult.

Organizations rely heavily on foundation funds and grants, and except for some Fannie Mae options, private-sector financing is largely limited to portfolio loans.

The land trust in Madison, Williams said, has been "understaffed and under-resourced almost our whole existence." It no longer does buyer-initiated deals, which is how Schreiber found her home. City officials prefer that the land trust first select the property and then the buyer to prevent its homeowners from being so scattered.

Williams said although there has been rhetorical support for the model, she said she believes City Council members and others generally don't understand how land trusts work.

"They are not looking at our budget," she said. "I think there is an idea that these other affordable housing developers are self-sufficient, so why can't you be? Just figure it out."

Beyond housing

Not all land trusts only do housing. In Mississippi, Cooperation Jackson purchased government- and private-owned property in the West Jackson neighborhood with a community center as its focal point. It plans to transform these properties into housing cooperatives and commercial buildings. The guiding principle is putting "control in the hands of a community to decide what it wants to develop on its collective land."

James DeFilippis, a professor at Rutgers University's School of Planning and Public Policy, co-authored a paper in 2017 that criticized the direction of land trusts, arguing that they have come to be seen as an affordable-housing tool, when in fact their core mission is to put control of a community's development in the hands of its residents. He said he has seen some focus shift back to that.

DeFilippis co-founded the Western Queens Community Land Trust in 2019. The organization is negotiating to acquire a building owned by New York City's Department of Education in Long Island City. The land trust aims to use the property — part of the site where Amazon once planned a new headquarters — for affordable manufacturing space, a commissary, a food co-op, artists' studios and other uses.

"That kind of bottom-tier manufactured space is very quickly gentrified away," he said.

New York has a handful of other fledgling land trusts, including the East Harlem El Barrio Community Land Trust, which received $13 million in city funding in March to acquire and renovate its first four buildings. Modeled on the city's oldest land trust, Cooper Square, it will have 36 rental units and three commercial spaces.

The city's 2020 budget included $850,000 to help grow a network of community land trusts, and Mayor Bill de Blasio has pledged enough city land for 3,000 units under the model. These are fractional amounts in the context of a $90 billion budget and the mayor's goal of creating or preserving 300,000 affordable units, but they were cheered by advocates as promising gains.

Amanda Rhein
Atlanta Land Trust

Ashley Allen
Houston Community Land Trust

Habitat for Humanity just completed a 56-unit co-op in Williamsburg for low- to moderate-income buyers as the first project under the city's Open Door program, a limited-equity model for condos and co-ops that restrict resales for 40 years. Habitat's Haycox sees the combination of these co-ops with land trusts, as well as the conversions of rentals to limited-equity homeownership, as natural next steps for her organization.

In addition to long-term government commitments to fund shared-equity models, Keren Horn, a professor of economics at the University of Massachusetts–Boston, said changes to existing affordable housing programs could pave the way for shared-equity models of housing to grow. She suggested making Section 8 housing vouchers an entitlement, rather than award them by lottery, which could serve as a stepping stone to land trusts.

Given social housing's history in the U.S. and the obstacles it faces, it is far from certain that the conversation now underway will turn into meaningful gains on the ground. But Greenstein said the pandemic has underscored the urgency of figuring out ways to address housing needs.

"Getting social housing models, or getting people to accept social housing as part of government actions, has always been a struggle," she said. "I think there is more understanding across sectors that we need to house people." TRD

BREACH OF CONTRACT

Cyberattacks are on the rise — is real estate doing enough to protect its clients?

By Erin Hudson

In 2018, the company that manages the Brooklyn condominium where cybersecurity expert Roman Sannikov lives was hacked.

The hacker locked down the property manager's IT system and demanded the company pay a ransom to get back in. Sannikov, who leads a team of analysts scouring the dark web for intel on cybercrime and hacktivism, wasn't personally affected by the breach due to his practice of paying his maintenance fees the old-fashioned way: by check. But as a member of the condo's board, he had to notify residents and contend with the aftermath of the attack.

He found that many of his neighbors simply shrugged off the news. "People didn't pay attention to [it] as much as they should have," he said.

A similar situation is currently playing out on a larger scale following last month's data breach at Douglas Elliman's property management arm. The company detected the breach in early April, and subsequently notified residents and employees of the 390 properties it represents that their personal and financial information may have been exposed. Thousands of New Yorkers, many of whom reside in luxury condominiums and white-glove co-op buildings, may have had their data compromised.

But since the breach was revealed, there has been little outrage or concern expressed publicly by those who may have been affected.

Sannikov is just as surprised by that reaction as he was when his building was targeted. Attacks have gotten more dangerous since then, and residents of the well-heeled properties managed by Elliman's firm face higher risks.

"A breach frequently isn't the end of malicious activity," said Sannikov. "It's just the beginning."

What's at stake

In April, over 500 million Facebook users had their dates of birth, phone numbers, employer information and locations hacked. It's just the latest in a long list of massive data breaches, which often occur years before the affected parties are notified.

For example: Three billion Yahoo users had their personal information exposed in a 2014 breach that the company only acknowledged two years later. The extent of the incident wasn't fully known until 2017. The same year, hackers — allegedly from the Chinese military — stole information from Equifax, one of America's largest credit bureaus, including Social Security numbers and birthdates. A year later, hackers who were again allegedly linked to Chinese intelligence services reportedly stole data on 500 million Marriott International customers as part of a mission to gather intel on U.S. citizens.

Given the frequency of these attacks, many people may be inclined to shrug it off when they find out their information has been compromised.

"It doesn't feel like a good position to take, but I can also see how people come to that conclusion, at least until there's some tangible impact on them," said security developer Troy Hunt, who created Have I Been Pwned, a platform that lets people search to see if their email addresses or phone numbers have been exposed in a breach.

But some experts say that as data breaches have become more common, cyberattackers have become more enterprising — and the consequences of having your identity stolen or accounts compromised are greater than they used to be.

Back when Sannikov's condo management company was hacked, for example, the culprits locked down the system and demanded payment, but didn't steal sensitive information. "Back then it was a little bit less dangerous," he said.

These days, when cybercriminals get access to data, they are less likely to send a ransom note. There's a thriving market on the dark web — which Sannikov called a "criminal LexisNexis" — where hackers assemble datasets from multiple breaches, then use that data to apply for loans, file fake tax returns or, increasingly during the pandemic, apply for unemployment insurance.

That information could also be used to launch a phishing attack to gain access to someone's emails and trick them into transferring funds to the hacker.

Case in point: Last year, Barbara Corcoran, the "Queen of New York Real Estate," nearly lost about $400,000 in an email wire fraud scam. Posing as Corcoran's assistant, the attacker requested a payment from her bookkeeper for a renovation at an investment property.

Though Corcoran and her team caught the fraudster, and her bank was able to stop the transfer, the knowledge the attacker had of her business, staff and investments made the scam feel credible.

Corcoran called the scam a "lesson learned" in a tweet at the time. She was not available to comment on the incident for this story.

Real estate companies aren't targeted more than any other business with an online presence, but many prominent firms and residential brokerages have suffered breaches over the past four years (see sidebar).

Greg Kelley, chief technology officer at cybersecurity firm Vestige Digital Investigations, said companies that aren't banking institutions may have a "false sense of security," since they don't personally have access to money.

But many brokerages and property management companies store personal information that, if breached, could give attackers the tools and opportunity to steal from clients.

Jeremiah Fowler, who specializes in internet security and data protection at Security Discovery, called real estate companies "an extremely valuable target," due to the size of funds transferred in transactions.

"Where else are you going to get hundreds of thousands of dollars?" he explained.

Safeguards

Experts say the way real estate firms can reduce the risk of cybersecurity attacks is simple: They should minimize the amount of client or employee data that they store.

"You cannot lose what you cannot have," said Hunt. "When you start to think that way, it really changes the risk profile."

Companies could create policies to get rid of data that's no longer relevant, or reduce the precision of data. For example, instead of asking for date of birth, they could ask for an age range, he explained.

But such an overhaul can cost time and money, and some companies find it easier to maintain the same time-tested policies, particularly when data storage is so cheap. Hunt sees it as the job of regulators to push companies toward better practices.

That's already happening in New York state: The Stop Hacks and Improve Electronic Data Security Act was signed into law in 2019 and prescribes proactive steps companies must take to protect client and employee data. In April, the New York

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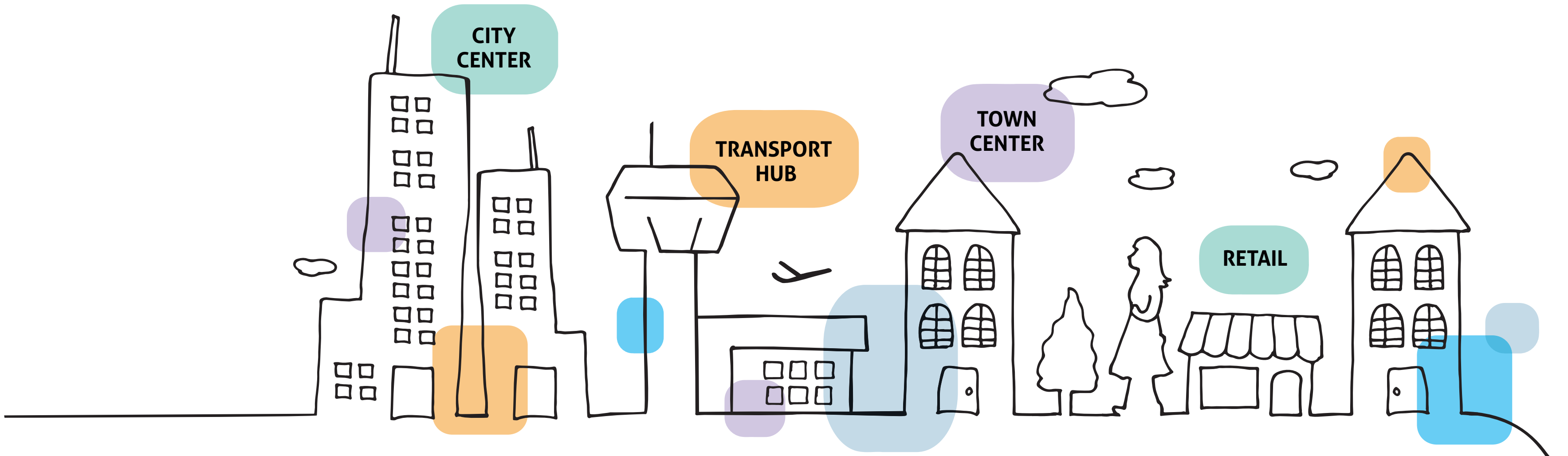

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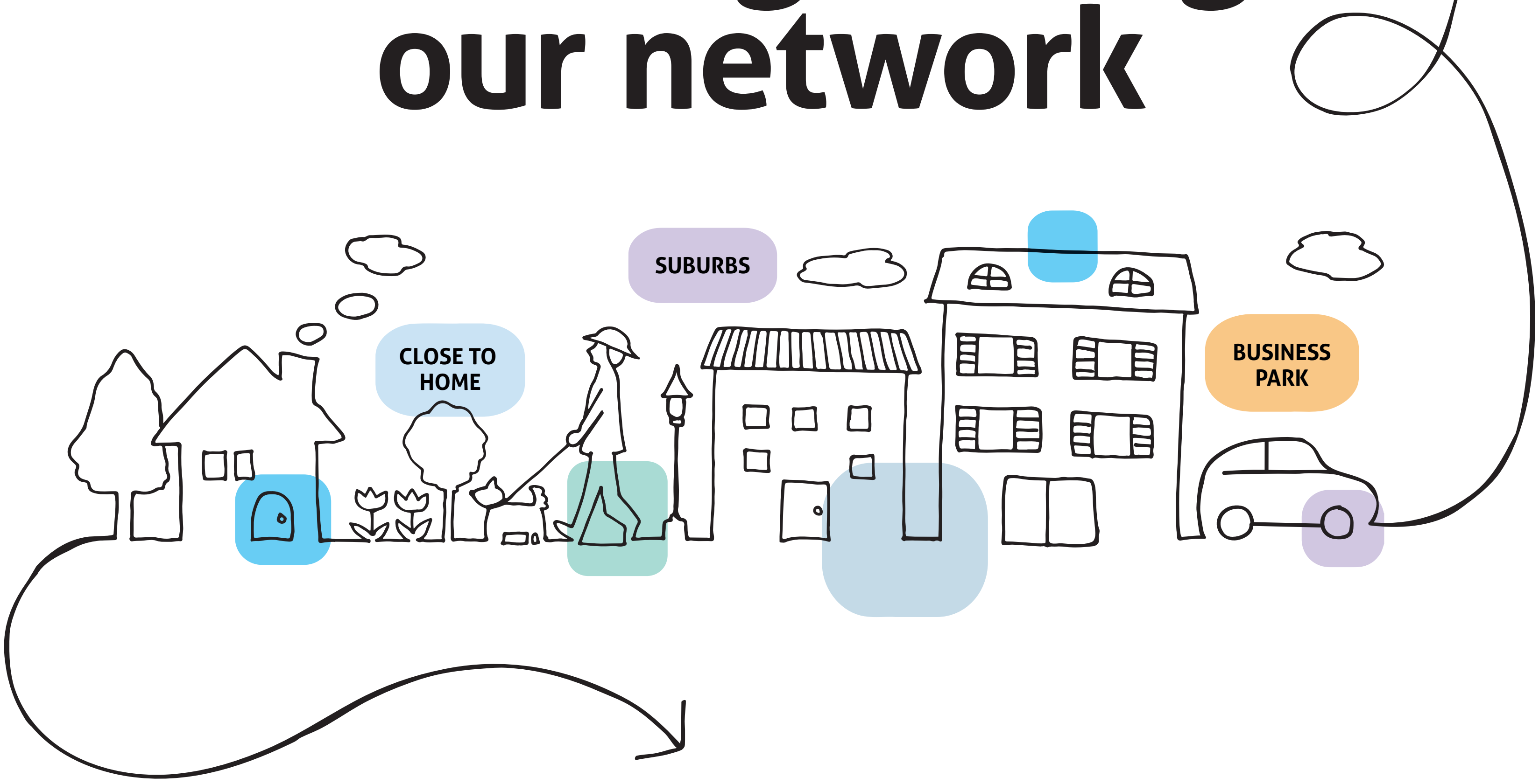

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81%

of companies anticipate remote working being the new norm

PWC, Future of Remote Working

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City Council passed legislation that restricts how landlords and management companies collect and store data related to keyless building entry systems.

Dennis DePaola of Orsid Realty, a property manager with a portfolio of 18,000 apartments throughout New York City, said the state law triggered changes at his firm.

Orsid began using a third-party platform, BoardPackager, to secure communications between prospective buyers and boards at its buildings. DePaola, the firm's head of compliance, said the company decided to simultaneously revamp its systems to secure remote connections for employees and increase awareness about cybersecurity and safe data practices among staff.

"We knew we would have to come in[to] compliance," he explained. When the pandemic began, those efforts were ramped up. "Especially in the past year, we've really focused a lot of time and attention" on that, he added.

Hunt said planning for the worst-case scenario is key to data security and often comes with a shift, which can be unintuitive, in how companies treat that information.

"Very often the inclination is to collect as much data as possible, and organizations tend to look at the data as being an asset rather than a liability, which is what happens once it gets leaked," he explained. "The question really should be, 'What's the minimum amount of data?'" TRD

NOTABLE REAL ESTATE HACKS

DOUGLAS ELLIMAN PROPERTY MANAGEMENT | 2021
Thousands of New York residents who live in buildings run by Douglas Elliman's property management arm may have had their personal information compromised in an April breach. The information that may have been exposed includes dates of birth, addresses, Social Security numbers, driver's license numbers, passport numbers and financial information. The management company represents 390 properties — many of which are luxury condominiums and white-glove co-operatives — that have approximately 46,500 units in New York City and Nassau and Westchester counties.

REMINE | 2020
The real estate company, which provides software to more than 50 multiple listing services across the U.S., notified its clients of a "potential data security issue" after an external researcher uncovered a misconfiguration in Remine's system and alerted TechCrunch. According to the researcher, the gap in security could have allowed a hacker to access Remine's storage servers and databases, which include information such as title deeds, rent agreements and addresses of homebuyers and sellers, as well as agent information. Remine told Inman the misconfiguration was fixed immediately and that it was conducting a third-party investigation into the incident.

STREETEASY | 2019
Data from 1 million accounts at New York City's most dominant listing portal were stolen by a hacker who then listed the information for sale on the dark web. Compromised information included email addresses, usernames, encrypted passwords, phone numbers, the last four digits of credit card numbers, credit card types, expiration dates and billing addresses. (StreetEasy said at the time that the compromised credit card information was "mostly expired.") The data was hacked from a backup server and was part of a larger attack by a single hacker who stole 841 million records from 30 different companies.

THE CORCORAN GROUP | 2019
Emails containing agent splits, marketing budgets and gross commission income were sent to the entire company after an employee's account was compromised. The brokerage said the documents attached to the emails contained "inaccurate and misleading" information and that it was investigating the incident as a criminal hack with law enforcement and a third-party investigator. But agents confirmed the accuracy of the hacked data, which continued to circulate despite the company's efforts to contain the breach. *The Real Deal* later viewed and analyzed the leaked data.

CORELOGIC | 2019
Data was stolen after a hack of the residential real estate data company's RiskMeter database, which provides reports about the national hazard risk of a property to underwriters, brokers and other real estate businesses. The attackers copied property-specific information, usernames, passwords and other data and moved it to an external server. The hack became public after CoreLogic filed a lawsuit in federal court against the 10 unknown attackers. The case was dismissed the same year.

DOCUSIGN | 2017
More than 100 million emails were potentially compromised when hackers gained temporary access to DocuSign's communications system, which the real estate industry began using during the pandemic. Though the company, which manages electronic agreements and allows digital signatures, said the exposed network was a "noncore system" to its business, the attackers used some of the compromised emails to launch a series of phishing attacks. The hackers emailed targets messages that appeared to come from DocuSign and included instructions to download a document containing malware.

KELLER WILLIAMS REALTY | 2017
A data breach at the franchise company compromised current and former associates' personal information. The incident may have exposed names, addresses, Social Security numbers and company usernames and passwords. Associates affected included at least one person who hadn't worked for Keller Williams since 2008. In the wake of the incident, the company launched internal and external investigations.

‘NOT OUR KIND’

How discrimination persists in New York co-ops

By E.B. Solomont
and Sylvia Varnham O’Regan

Stefani Berkin spent much of 2019 visiting apartments with two of her clients, a gay couple in their 30s.

The pair looked at about 50 units, hoping for a two-bedroom Downtown, preferably with private outdoor space. They thought they struck gold with a $6.8 million co-op in Chelsea — until the board turned them down.

“It definitely wasn’t because they didn’t have the financial wherewithal. They could have bought out the entire building,” said Berkin, president of R New York, who said she’d been warned by the listing agent that the seller, also gay, was known to throw loud parties that upset the neighbors.

Berkin’s clients weren’t ready to give up, so they sent a heartfelt letter, offering to pay for the lobby’s $250,000 renovation. The board didn’t budge.

“Did they get turned down because they were gay? Maybe,” she said. “Probably, in my opinion.”

But there was no way to prove it and little recourse.

For decades, federal, state and local fair housing laws have prohibited discrimination based on race, color, national origin, religion, sexual orientation, family status or disability. But New York City co-ops, which came into vogue more than a century ago, are run by boards that do not need to provide reasons for rejecting buyers. The closed-door system gives the city’s more than 6,800 co-op buildings carte blanche to deny even the most financially qualified applicants.

“It is the ultimate exclusionary tool in American housing, institutionalized and legal,” wrote Steven Gaines in “The Sky’s the Limit,” his 2005 chronicle of luxury real estate in New York.

The Real Deal interviewed more than 40 brokers, lawyers, co-op owners and activists, and found a consensus that while boards have evolved, discrimination persists in many of the city’s co-op buildings, which cling to opaque systems of power and control.

The influential co-op lobby has long stymied efforts by advocates and lawmakers to make the process more transparent, even as Westchester, Suffolk and Nassau counties have adopted such measures. Opponents argue that these laws amount to government overreach and could unleash a torrent of lawsuits from rejected buyers.

Now, a national reckoning around race and social justice has brought the issue back to the fore, bolstered by a progressive shift in New York politics. That’s giving momentum to co-op disclosure bills proposed in the state Senate and Assembly this year.

“The old guard has to be stopped,” said Brian Phillips, an agent at Douglas Elliman.

Few boards put financial criteria in writing, Phillips said, giving them license to discriminate. “There has to be accountability,” he said. “It cannot be ambiguous any longer.”

Designed to exclude

New York City has more co-op buildings than anywhere else in the country.

The first co-op in the city dates back to the late 19th century, when residents banded together to buy apartments in shared housing clubs.

The new form of homeownership promoted the idea of a jointly owned property, giving way to buildings that explicitly banned ethnic minorities. Later, boards placed informal limits on the religious and racial makeup of their neighbors.

“The fact is, co-ops acted with impunity,” said Cathy Taub of Sotheby’s International Realty.

The legal structure of co-ops lets boards wield tremendous power over who can buy into the building, under the guise of ensuring that candidates are financially qualified and will be a “good neighbor.” Co-ops are considered to be businesses, not real property, and they are bound by corporate law that requires them to act in the best interest of shareholders.

In 1959, the Anti-Defamation League found that one-third to one-half of the city’s 175 luxury co-ops had no Jewish residents. A decade later, the ADL’s Harold Braverman told New York magazine it was “still very obvious” that limits were being maintained.

It wasn’t just Jews.

In the late 1950s, the singer and civil rights activist Harry Belafonte was turned down for a rental apartment at 300 West End Avenue. He famously purchased the entire building, turned it into co-ops and encouraged friends to buy in.

At One Sutton Place South, longtime board President Betty Sherrill allowed the designer Bill Blass, who was widely believed to be gay, to purchase a co-op in the building so long as he wrote a letter vowing to “never embarrass” the board, Gaines wrote in his book. In turning away Canadian fashion designer Arnold Scaasi, Sherrill reportedly said, “I don’t want to hurt your feelings, but you live with Parker [Ladd], and that’s not allowed in the building.”

The extent of discrimination today is hard to quantify, but one top broker, speaking on the condition of anonymity, estimated it is a factor in up to 20 percent of board decisions.

“You kind of sniff it out,” the broker said, even “with no proof.”

As recently as 2008, financier H. Fred Krimendahl II told the Observer that 820 Fifth Avenue had no residents of color, but “if Tiger Woods wanted to live here, we’d

> **“Another euphemism [is], ‘I think this is more of a condo profile than a co-op profile.’”**
> MILES CHAPIN, BROWN HARRIS STEVENS

be happy to talk to him." The same article quoted a top broker saying, "You wouldn't bring a rap singer into 19 East 72nd — just as you wouldn't take 19 East 72nd into some rap building. They're divergent cultures."

The city's Commission on Human Rights is charged with investigating housing discrimination claims, including those involving co-ops. The commission logged more than 1,340 housing-related complaints between July 2019 and June 2020, according to its annual report. Most had to do with disabilities and source of income; 103 had to do with race.

Agents still swap information on buildings that are notoriously difficult.

Brown Harris Stevens' Miles Chapin said he's been told, "All they want is WASPy old money." Some agents use code words like "NQ," which means "Not Quite," or "NOK," meaning "Not Our Kind."

"The standard [rejection] is, 'They don't like the finances,'" Chapin said. "Another euphemism [is], 'I think this is more of a condo profile than a co-op profile.'"

When buyers don't take the hint, some boards have been known to stall by repeatedly requesting information or tacking on additional application fees.

Last November, co-op owner Orlando Rymer sued the board at 65 West 87th Street for raising its application fee after learning his prospective buyers were Chinese. According to court documents, the board raised its standard fee sixfold, from $2,367 to $14,330. It then requested more and more information from the buyers, dragging the process out for eight months before turning them down.

Court documents also allege a pattern of anti-Asian sentiment by Rymer's neighbors, including an incident in which one sprayed a Chinese man visiting his apartment with disinfectant. The board denied the allegations. The case is ongoing.

Gatekeepers

Many brokers contacted for this article said they are morally opposed to discrimination, but declined to speak on the record for fear of losing business.

Whether they're representing buyers or sellers, brokers are a key conduit between applicants and boards, as are managing agents, who process board applications. Some of the city's top brokerage firms also have property management arms, and the two businesses often feed off each other.

"The brokerage community has been a participant in this by being apprehensive about who would and wouldn't get through the board, thus becoming what I've always considered inappropriate gatekeepers," said Frederick Peters, CEO of Warburg Realty.

Years ago, he brought a Black couple to see a co-op. "The selling broker said, 'Oh, for God's sake, you had to make my life more complicated by bringing me this?'" Peters recalled. "I said, 'Actually, if ever there were a slam dunk buyer it would be this. You can't turn them down.'"

New York agents are bound by fair housing laws, which the Real Estate Board of New York helps enforce by screening listings shared on its syndicated listings feed. In September 2020, the trade organization instituted a fine for agents in violation of those laws; repeated offenders can lose access to the feed altogether. REBNY hasn't found any violations in the last five months.

But it can be hard to pinpoint violations in an industry that prizes discretion.

Celebrity broker Ryan Serhant said that early in his career he represented a buyer in her 30s who was turned down. Officially, there was no reason. But the listing agent told him, "I think it's because she's a single woman and if they approve her, they're approving her future husband."

Agents say there can also be consequences for those who go against industry norms.

Elliman's Joanne Douglas had a longstanding relationship with a co-op board in the 1990s that ended after she brought an interracial couple to a listing.

Douglas said the couple were Harvard graduates and financially qualified, but the board stalled — until Habitat magazine published an exposé about a board being successfully sued for discrimination.

"They got accepted a day later," Douglas said. "I literally never got one single listing after that."

"An all-out war"

The fact is, rejections by boards are common. In the mid-aughts, the billionaire Len Blavatnik was denied by two buildings — 927 Fifth and the San Remo — before paying a record $77.5 million for New York Jets owner Woody Johnson's pad at 834 Fifth.

But Blavatnik didn't fight back. Few spurned buyers do.

Suing a co-op board, particularly for discrimination, is rare. Many buyers fear being blacklisted by other co-ops. Also, discrimination is hard to prove.

"You can infer and you can make assumptions," said attorney Marc Fitapelli, "but you can't go to court with assumptions."

He would know. In 2012, Fitapelli represented Goldwyn Thandrayen, a citizen of Mauritius, who sued the board of 210 East 36th Street for allegedly blocking his cash purchase of a $390,000 co-op. Court documents cite an email from a board member stating that although Thandrayen appeared to have "quite a lot of money," his "entire financial portfolio is in some tiny little unknown country."

Fitapelli declined to comment on the suit, which was settled.

Perhaps the highest-profile case was a standoff between financier Alphonse "Buddy" Fletcher Jr. and board members at the Dakota, the legendary West 72nd Street building where John Lennon was shot in 1980.

In 2011, Fletcher, who is Black, sued the Dakota's board for racial discrimination after it rejected his bid to buy another apartment there for $5.7 million. "That was an all-out war," recalled Milton Williams, one of Fletcher's attorneys. The New York Times labeled the suit an "embarrassing crack in the facade" of one of the city's most famous addresses.

Friends had urged Fletcher not to fight the board, according to a 2013 profile in Vanity Fair. When he did, his personal financials, including bank statements and Social Security number, were leaked to the public, triggering a rush of stories about his personal life.

"The stress of the Dakota fight would get so extreme that, according to Fletcher, he got shingles," the article said.

A judge threw out the suit in 2015, saying Fletcher lacked evidence to prove discrimination.

Still, the case had a lasting impact. As part of the case, a panel of judges found that individual board members could be held liable for acts of discrimination.

"Up until that point," Williams said, "they had no skin in the game."

One of the few successful cases was won a quarter century ago.

In 1996, an interracial couple, Shannon and Gregory Broome, sued the board of the Beekman Hill House, at 425 East 51st Street, after being turned down for a sublet. During the interview, court documents said, a board member scrawled "black man" on a notepad. A jury awarded the couple $640,000 in damages and found board president Nicholas Biondi personally liable for $124,000.

Biondi had to give up his apartment and moved to Long Island, where he died in 2018. Long after the case, he maintained he was a victim of circumstance. "His is the story of a successful business man, family man, and community leader who nearly lost it all," he wrote on his blog, PunitiveDamage.com, "just for being a 'good neighbor.'"

"I will get this done before I die"

Barbara Ford, a Long Island broker and lawyer, has spent two decades trying to bring transparency to co-ops.

In 2009, she was instrumental in getting Suffolk County to pass legislation that requires co-op boards to disclose in writing why they have rejected an application.

Ford works with others in the industry to target villages and small communities across New York, hoping to create a patchwork of policies that will lead to her ultimate goal: a statewide co-op disclosure law.

"It's taking me decades here," she said, "but I will get this done before I die."

One of the big challenges is documenting housing discrimination.

The Fair Housing Justice Center can't send testers before co-op boards because doing so would require identity checks and submitting Social Security numbers, said Craig Waletzko, the group's community engagement coordinator.

"I will say," he said, "whenever we do investigate for it, we tend to find it."

Despite failing to get previous iterations of the bill through the legislature, its sponsor, Sen. Brian Kavanagh, said he hopes that increased attention on fair housing issues this year will make the difference. New York City Council Member Brad Lander has also proposed a co-op disclosure bill.

"It's been a long road," Kavanagh said. "The co-op boards and their representatives have been pretty well organized and really have resisted."

Those lobbying against proposed changes include the Westchester-based Building & Realty Institute and the Council of New York Cooperatives & Condominiums, which counts more than 2,300 buildings as members. The CNYC has contracted to spend nearly $100,000 this year on lobbyists at Cozen O'Connor and Whiteman Osterman & Hanna, according to filings with the state's Joint Commission on Public Ethics.

> **"The old guard has to be stopped."**
> BRIAN PHILLIPS, DOUGLAS ELLIMAN

"We feel co-ops have functioned very, very nicely for a very, very long time without this sort of government imposition," said Mary Ann Rothman, the CNYC's executive director.

Critics say they believe the intent of the legislation is good, but that existing fair housing laws are sufficient.

"This legislation is a cure in search of a problem," said John Van Der Tuin, an attorney who represented the Dakota board when Fletcher sued. "There aren't very many instances in which there have been substantiated allegations of discrimination."

According to Building & Realty Institute CEO Tim Foley, the problem with disclosure — and "this notion of a magic letter" — is that "there's no track record, to us, that says that this is guaranteed to help the problem enough to make up for what we know will be increased liability."

Ford, the Long Island lawyer, called that argument a red herring. In the more than 10 years since Suffolk County's transparency measures passed, "There wasn't one [lawsuit]," she said.

REBNY, whose members sit on both sides of the debate, said it agrees co-ops should disclose why applications are not approved. But in a statement, the lobbying group's president, James Whalen, said any legislation should "be crafted in a way that is squarely focused on preventing housing discrimination and does not result in frivolous lawsuits."

Boards also insist some flexibility is needed.

Marc Luxemburg, a real estate attorney and president of the CNYC, recalled how 40 years ago, real estate scion Robert Durst wanted to buy a co-op in his Upper West Side

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building. Durst's first wife, Kathleen, had just gone missing.

"Nobody could prove he had anything to do with her disappearance," recalled Luxemburg, who said the board decided not to take a chance. "Years later, it turned out he had a trail of disappearing people."

Durst is currently on trial in Los Angeles for murder.

> **"We feel co-ops have functioned very, very nicely for a long time without this sort of government imposition."**
> MARY ANN ROTHMAN, COUNCIL OF NEW YORK COOPERATIVES & CONDOMINIUMS

Demands

Vetting co-op buyers is invasive by design.

Neighbors in these buildings essentially go into business together, so before accepting a buyer, boards typically want to see financial statements and tax returns to make sure they are financially qualified. Most also ask for personal and professional references.

Real estate agents acknowledge that boards have a fiduciary responsibility to shareholders, but say many use their perch to ask probing questions. It is standard to ask buyers not only if they own pets and plan to renovate but also where they went to school and what clubs they belong to, according to *TRD*'s review of several applications. Taub, of Sotheby's, has seen applications that require prospective buyers to list marital status and age.

"They knew what I made, what I had saved, what I had for breakfast," said one top agent who lives in an Upper West Side co-op.

Serhant said boards, which are made up of volunteers, tend to attract those "who enjoy having perceived power" over others. "You see that, it's in the demands," he said.

Over the past decade, the co-op market has not kept pace with condos.

The median sale price for a Manhattan condo in 2020 was $1.7 million, up 52.6 percent from 2011, according to Miller Samuel data. The median co-op price rose only 15.9 percent, to $779,750.

Condos command a premium in part because they are newer and have more amenities. But some say co-ops' archaic policies are a factor.

Young buyers, in particular, are put off by the onerous approval process.

"They don't want to undress financially for the board," said Lisa Larson of Sotheby's.

In Manhattan's luxury market, condos now outsell co-ops four to one, according to Donna Olshan, who tracks high-end contracts in a weekly report.

Olshan said the co-op sector is "deteriorating" for several reasons, not least of which is that people can't buy and sell freely without the "blessing of a handful of people."

Some co-ops also require buyers to have a certain amount of cash on hand, even after the sale has closed.

Berkin, for example, has clients shopping for a $2.5 million co-op. They make $1 million a year, but she said they will probably need financial help from relatives to be approved by most boards. "When these boards ask for 2.5 times the purchase price in post-purchase liquidity, who has that?" she asked.

The system benefits old money, which Black buyers tend not to have because of historic, systemic racism in the labor market, said Dorothy Brown, the author of "The Whiteness of Wealth."

"If you need someone to make $1 million, it will be an overwhelmingly white pool," she said. "Even if you wind up with a Black banker who is making $1 million, the Black banker is more likely to be first-generation. They don't come from $1 million parents."

Some believe co-op boards have dug in their heels even more because of Covid. Strict financial requirements served co-ops well in the wake of the financial crisis because they had well-funded reserves.

Lately, some boards have taken to rejecting offers they deem too low to protect the value of other apartments in the building.

But that can be a double-edged sword: Units that stay on the market longer are likely to sell for less.

In one case, a $1 million co-op on East 57th Street sold at a $60,000 loss months after the board rejected a higher offer from an elderly gay couple.

"I really was in shock," said the seller, who was pained to be party to the board's actions. "It was clearly wrong."

Speaking on the condition of anonymity, the seller said he reported his board to the city's Commission on Human Rights, which notified him last year that it would investigate.

Others choose not to pursue their grievances. Berkin, the broker whose clients were rejected in Chelsea, said she offered to fight on their behalf. They weren't interested.

"They didn't want to sue," she said. "[The buyers] didn't feel they had to explain themselves."

In a system with little transparency, it was another decision made quietly and leaving no trace. TRD


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FLEX IS THE NEW BLACK

How the return to the workplace is changing the workspace

By Bill Egbert

As more Americans get vaccinated, the return-to-office movement is gathering steam. Companies that a month ago were merely speculating about recalling workers are now setting firm deadlines.

JPMorgan Chase CEO Jamie Dimon told staff to start reporting to the office part-time by July, a move widely interpreted as a signal to other Wall Street firms that the end of working from home full-time is nigh.

"By early July, all U.S.-based employees will be in the office on a consistent rotational schedule," Dimon wrote in an internal April 27 memo obtained by Bloomberg.

Investment giant Blackstone Group upped the ante two weeks later, asking its U.S. employees to return to the office full-time on June 7, according to Business Insider.

A nationwide survey of money managers by investment consulting firm Callan found that most plan to return to the office by August, but many firms in the Northeast are ahead of the curve. More than 20 percent are already at least partially open, up from 12 percent last August.

Firms headquartered in Europe — which is struggling with a surge of Covid-19 cases and troubling new variants — are less eager to get back. Deutsche Bank has proposed a permanent hybrid arrangement, allowing staff to work from home up to three days a week, CFO James von Moltke told Bloomberg.

U.S. law firms are particularly keen to call their legal eagles back to the nest — and many resisted the work-from-home model from the start. Nationwide, law firms currently have a 40 percent occupancy rate, about 15 percent higher than the cross-industry average, according to Kastle Systems, an office security company that monitors swipe-in data at office buildings.

Many tech firms were quick to embrace remote working early in the pandemic — with Facebook being one of the first major companies to send all employees home last year. But now, the social network is calling them back starting July 2, with plans to order all workers back to their desks once their offices reach 50 percent occupancy. The firm expects to reach that tipping point at its largest offices in mid-September.

On May 5, Google announced that it plans to allow about 20 percent of its staff to continue working from home permanently, and let another 20 percent move to new offices, while allowing office-bound employees to work remotely two days a week.

More than half of tech firms said they expect to be back in the office by the third quarter of this year, according to Savills. Just under 25 percent said they would be back by the fourth quarter, while 11 percent said they wouldn't return until the first quarter of 2022.

Overall, executives are more eager to get back to the office than their subordinates. Seventy-five percent of executives expect to have at least half of their employees back in the office by July, according to a survey of U.S. companies by PwC, while only 61 percent of employees expect to be spending half of their time in the office by then.

CoStar, a commercial real estate information provider, is even offering game-show prizes to lure workers back to their desks.

The company is giving away private-jet trips to Barbados, $10,000 in cash and a new Tesla in a lottery open only to employees who are vaccinated and physically present in their office, according to the Wall Street Journal.

Though a University of Chicago study predicts that continued remote work could actually boost post-pandemic productivity by 5 percent, the end of working from home can't come soon enough for Goldman Sachs CEO David Solomon, who just told all U.S. employees to be ready to return to their desks by June 14.

"This is not ideal for us, and it's not a new normal," Solomon told a Credit Suisse conference in February. "It's an aberration that we are going to correct as quickly as possible."

Amenity wars

Office landlords realize that, after a year of remote work, they're not just competing with their peers now, but with living rooms and comfy slippers.

Multiple surveys have shown that the vast majority of office workers who have been working remotely do not want to go back to the office full-time, even after the pandemic. In fact, a recent study by staffing firm Robert Half found that more than one-third would look for a new job if their current company required them to return to the office full-time.

71%

SHARE OF FINANCIAL FIRMS MAKING PHYSICAL CHANGES TO THEIR OFFICES IN PREPARATION FOR STAFF TO RETURN, PER CALLAN

In response, landlords are making changes, from safety measures like anti-viral HVAC systems to amenities like yoga studios and golf simulators, to entice workers to return.

Fisher Brothers has installed UV lights

Continued on page 36

ISTOCK

Continued from page 34

and hydrogen peroxide gas systems to filter air conditioning at several of its buildings, as well as technology to allow workers to call elevators remotely. The firm is also rolling out a catering service at 1345 Sixth Avenue with an app that lets workers order food directly to their desks.

"We're constantly looking for ways to add amenities," co-managing partner Ken Fisher told NBC News.

Technology upgrades to make workplaces safer from pathogens are a key aspect of post-pandemic office modifications.

"There are thermal scanners in the lobby to take your temperature, hand scanners for touchless entry into buildings," CBRE's Ryan Alexander told USA Today. "If you're visiting a client or a company, they send you a guest barcode to your phone that you just scan."

JLL is even offering AI-driven monitoring to identify high-traffic areas that may need additional cleaning, according to NBC.

But safety isn't the only amenity landlords are offering in order to coax workers back.

Silverstein Properties has remodeled its buildings to include lounges, restaurants, yoga studios and outdoor patios. TIAA subsidiary Nuveen Real Estate is installing golf simulators and sponsoring events like gatherings for wine in the park, Nuveen's Nadir Settles told NBC.

More than 70 percent of large financial firms surveyed by Callan reported making some physical changes to their workspaces in anticipation of workers' imminent return, and the hybrid work model is leading many firms to consider a more radical reshaping of the traditional office plan.

But rethinking their offices is less about reducing the amount of square feet than it is about reducing the number of desks, according to Google CFO Ruth Porat.

> **"We're constantly looking for ways to add amenities."** KEN FISHER, FISHER BROTHERS

"We are looking at less density per employee," Porat said on an April 27 earnings call. "Even with a hybrid work environment, we will continue to need [office] space, and so we're continuing to build out our campuses and office facilities."

Wireless networks and flexible, unassigned seating will replace tightly grouped rows of personal workstations in the post-pandemic office, designers say. The priority will shift from packing workers into a space toward getting as many possible uses out of it.

JPMorgan is aiming for a "universal design" for the 2.5 million-square-foot headquarters it's building at 270 Park Avenue, according to a request for proposals reported by Business Insider. The goal is to create an adaptable space that can cater to a workforce that will see the office mainly as a place to gather for group work, meetings or tasks requiring specialized resources or infrastructure.

And JPMorgan isn't the only big office tenant looking for a more flexible workplace design. IBM is also shopping for 300,000 square feet of "agile" Manhattan office space, according to Business Insider.

Google is making its offices even more fluid, swapping rows of desks for DIY "Team Pods" — collections of desks, chairs, cabinets and other office fixtures, all on wheels, that workers can arrange into various configurations as needed, according to the New York Times. The firm is also creating outdoor work areas at some of its offices, as well as circular meeting spaces with seats and screens arranged to make remote colleagues seem more present.

The most radical adaptation Google is testing is a fleet of robots that can be summoned to spread out shimmering, inflatable walls to give an open-plan desk a semblance of privacy.

While the open plan has been the dominant office layout since the early 2000s, the new model could feel more like a library, according to designers — a place where you drop in, find a good spot, work quietly and then leave.

"If you think about the language of a library, what does that get you?" Elizabeth von Goeler, an interior designer at the architecture firm Sasaki, told tech publication Built In. "It gets you protocols that everybody understands for quiet and focused work."

The new flexible designs will also include more small-group spaces for collaborative work.

Of course, there's also a need for designers to accommodate the new reality of widespread remote work, in which even those in the office will spend time video-chatting with people working from home.

"We're trying to really look at sight lines," Thomas Vecchione, a principal at the boutique architecture firm Vocon, told Business Insider. "You don't want to be on a Zoom chat and someone is behind you eating." TRD

THE REAL DEAL

THE HAMPTONS

SPECIAL EDITION

Whether by land, sea or — for the rarified set — chopper, the spring pilgrimage to the Hamptons is a New York tradition. This year, however, things are a little different. Unbound from commitments to schools, workplaces or social lives that had tethered them to the five boroughs for nine months of the year, seasonal residents are arriving earlier, staying longer and, in some cases, never leaving at all.

This shift brings with it deeper implications than long lines at Amagansett coffee shops. School enrollments are approaching levels not seen in decades. Retailers and restaurateurs have traded pop-ups for longer leases, leading to a space crunch. On the North Fork, where inventory is at its lowest level in 15 years, demand is outpacing supply to such an extent that brokers are encouraging residents to ask neighbors if they're interested in selling. Pandemic-fractured supply chains and unprecedented demand are driving the costs of new homes to all-time highs.

In the following pages, The Real Deal explores these trends and more with hard data, anecdotes from the field and analysis of what it all means for one of the country's most closely watched real estate markets.

GETTY IMAGES

1384 Meadow Lane

THE 10 PRICIEST HAMPTONS SALES AND LISTINGS THIS YEAR

With buyers grabbing their checkbooks, sellers are thinking big

By Cordilia James

Home sellers' usual strategy is to list in the spring, when buyers are most active. But Hamptons buyers could hardly be more active than they have been in recent months. Jonathan Miller, president of appraisal firm Miller Samuel, gave *The Real Deal* a rundown of the 10 most expensive South Fork deals to close to date in 2021 and the 10 priciest homes on the market.

PRICIEST 2021 SALES TO DATE

1 70 FURTHER LANE

$60 million

The most expensive sale to date in 2021 closed in February, according to Miller Samuel. Little information is available about the off-market East Hampton sale, but Hamptons Hot Sheet identified the seller as Jim Chanos, owner of Kynikos Associates and also known as the "Darth Vader of Wall Street" for his short-selling skills. The 3-acre estate includes a tennis and basketball court, according to 27 East.

2 159 TREES LANE

$26 million

The second most expensive sale so far this year closed in January, according to Miller Samuel, though details about the Sagaponack property online are scarce. It has four bedrooms and five bathrooms, according to Zillow. The 2,668-square-foot home, built in 1994, sits on nearly 3 acres. According to Curbed, the home last sold in 2006 for $6.1 million.

3 51 SANDPIPER LANE

$21 million

This 7,422-square-foot mansion was sold in March for $2,829 per square foot. The seller was represented by 51 Sandpiper Lane LLC, and the buyer was represented by New Sandpiper LLC. The Bridgehampton home has seven bedrooms and seven and a half bathrooms, according to Realtor.com. It sits on 1.2 acres and features an 18-by-43-foot swimming pool. Vincent Horcasitas with Saunders & Associates had the sale. The home had last sold for $5.8 million in 2018, property records show.

4 1384 MEADOW LANE

$20 million

Built in 1976, this Southampton home sold in late March. The seller was represented by JNC Halsey LLC and the buyer by 1384 Meadow Lane LLC. The property, which spans 2,244 square feet, sits on about 3 acres. Amenities include a heated pool and tennis court. Corcoran's Tim Davis handled the sale. The home was listed in July 2019 for nearly $22 million, per Out East. It had sold for $16 million in early December, property records show, suggesting that it was flipped in less than four months for a tidy $4 million profit.

5 183 JOBS LANE

$13.4 million

This 7,900-square-foot, single-family home in Bridgehampton sold in January for $400,000 above ask. Jennifer and Howard Highman sold it to a buyer represented by 183 Jobs Lane LLC. The home has seven bedrooms and six and a half bathrooms, and sits on nearly an acre of land. David Lineweaver of Saunders & Associates had the listing. The property sold for $216,000 at the end of 1996 and $3.75 million in 2017, property records show.

6 515 PARSONAGE LANE

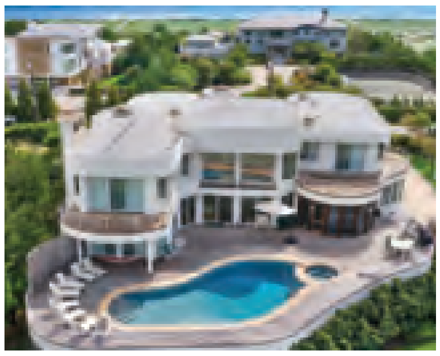
$10.63 million

This Sagaponack home in Southampton sold in March for $903 per square foot. Susan and Eugene Kinsella sold the property to a buyer represented by 515 Parsonage LLC. The home spans 11,760 square feet and sits on nearly 2 acres. It has three levels with amenities including a gourmet chef's kitchen, professional gym, sauna and steam spa. Korine Konzet of Brown Harris Stevens was the listing agent for the property, which sold for $3.3 million in 2010. The price peaked at nearly $14 million last fall before it was chopped to roughly $12 million in December.

7 221 OLD MONTAUK HIGHWAY

$9.75 million

This Montauk property was sold in February, according to Miller Samuel. The home, surrounded by trees, sits on a lot of about an acre and once had a Redfin estimate of $6.8 million. It is north of the highway — meaning not the beach side, but close enough to hear the ocean. Satellite photos show multiple structures on the property but no pool.



8 132 DUNE ROAD

$9.7 million

This seven-bedroom, eight-bathroom home in Westhampton Beach went for $1,492 per square foot in March. It was sold by Judith Pace to Josephine and Gary Flood, according to property records. The 6,500-square-foot home sits on about an acre of land and features a media room, pool, spa and tennis court. Jean-Marc Zarka of Douglas Elliman represented the seller. It was asking about $11 million when it went into contract in November.

9 169 ATLANTIC AVENUE

$9.5 million

In the Amagansett section of East Hampton, a four-bedroom, three-and-a-half-bathroom beach house spanning 3,000 square feet traded in February for $3,167 per square foot. Sheila and Jeffrey Britz sold the property to Kyra and David Barry. The single-family home sits on roughly 2 acres and is a brisk walk from Indian Wells, Amagansett and Atlantic Avenue beaches. David Zazula of Saunders & Associates handled the sale. The home was first listed for $15 million in 2019, according to Out East.

10 21 FORDUNE DRIVE

$9.45 million

This piece of Henry Ford II's 250-acre, ocean-accessible Southampton estate sold in February, according to Miller Samuel. The 12,000-square-foot home sits on 2.5 acres of land and has 10 bedrooms and 13 bathrooms. Amenities include a gym and a tiered 16-seat screening room. The seller was represented by Delaware Trust Company, Pacific Partners and Malverne Trust, and the buyer by 21 Fordune LLC. Corcoran's Gary DePersia brokered the sale. The property sold for $8.7 million in 2008.

CORCORAN, OUT EAST


Mylestone at Meadow Lane

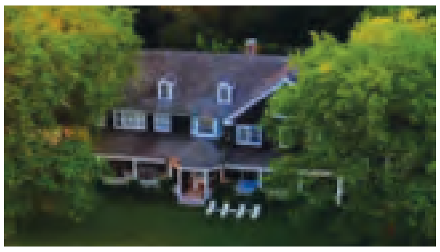

63 Duck Pond Lane

MOST EXPENSIVE HAMPTONS LISTINGS THIS YEAR

1 MYLESTONE AT MEADOW LANE

$175 million

Former advertising executive Marcia Riklis' waterfront home at 700 Meadow Lane in Southampton was listed in January for more than twice what Ken Griffin paid for a slightly smaller property next door. Riklis' mansion spans 15,521 square feet and has 11 bedrooms, 12 bathrooms and four half-bathrooms. A modern Tudor-style, it sits on 8 acres and features an attached caretaker's cottage, basketball and tennis courts and outdoor entertaining spaces. Bespoke Real Estate has the listing.



2 90 & 100 BRIAR PATCH ROAD

$95 million

This 11-acre East Hampton estate was put on the market in February. Its centerpiece is a 13,800-square-foot mansion with 10 bedrooms, 12 bathrooms and three half-bathrooms. The listing also includes a guest house, pool cabana and two garages. The home was built in 1931 by Arthur C. Jackson, who also prepared the plans for the New York Public Library and Lasata, the childhood summer home of Jacqueline Kennedy Onassis. Bespoke Real Estate has the listing.

3 (tie) 63 DUCK POND LANE

$35 million

The flagship property of homebuilder Hamptons Luxury Estates went on the market in April. The 16,000-square-foot Southampton home sits on 2 acres and has nine bedrooms and 12 bathrooms. Designed in part by Alexander Gorlin and Bennett Leifer, it has a sunken tennis court, an indoor spa with an infinity whirlpool bath and dry sauna. It is offered directly by Hamptons Luxury Estates, said its president, Yale Fishman.

3 (tie) 612 HALSEY LANE

$35 million

This Bridgehampton mansion, listed in March, has 10 bedrooms, 10 bathrooms and five half-baths. The home is about 17,000 square feet, sits on 11.5 acres and has a library, home theater and recreational space including a two-lane bowling alley, virtual golf and rock-climbing wall. Douglas Elliman's Erica Grossman has the listing. The home first hit the market in June 2019 for nearly $40 million, according to Out East. It has been on and off the market since then, but had its first and only price chop when it was relisted in March.

5 (tie) 359 MEADOW LANE

$32 million

This Southampton estate was listed by Corcoran in January. The 6,188-square-foot home sits on 5.5 acres and has five bedrooms, five bathrooms and one half-bathroom. Features include a guest house, tennis court and heated pool. Tim Davis and Thomas Davis are the brokers. In 2019, Bespoke Real Estate marketed the property paired with a mansion at 660 Halsey Neck Lane for $72.5 million.

5 (tie) 569 OX PASTURE ROAD

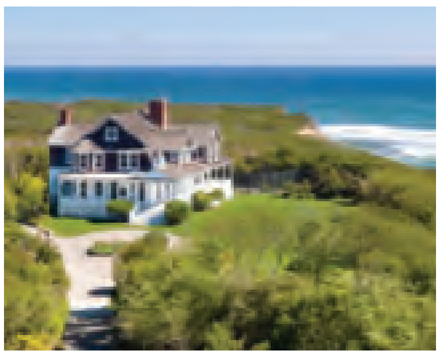
$32 million

This Southampton property went on the market in March. Built in 1970, the single-family home spans 9,333 square feet and includes nine bedrooms, seven bathrooms and two half-baths. The 4.6-acre property features a tennis court, three-car garage, powder room and greenhouse. There are also three spaces for entertaining, as well as a sauna and a solarium with views of the water. Douglas Elliman's Erica Grossman has the listing. The property was last sold in 2008 for $11.7 million.

7 (tie) 25 QUIMBY LANE

$28.5 million

Condé Nast power couple Christopher Mitchell and Pilar Guzmán listed their home in March. The 12,000-square-foot Bridgehampton home sits on 2.3 acres and features 10 bedrooms and 11 full bathrooms. Amenities include a spa, steam room, wine room, fitness room and home theater. Sotheby's International Realty brokers Beate Moore and Frank Newbold have the listing. Mitchell and Guzmán purchased the home in 2019 for $7.1 million and made extensive renovations.



7 (tie) 176 DEFOREST ROAD

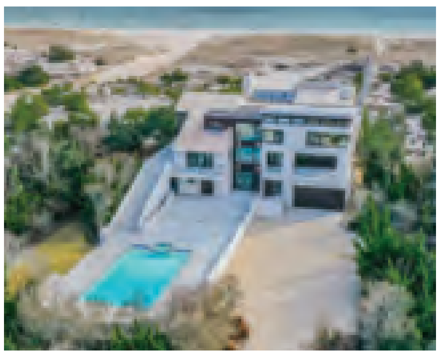
$28.5 million

Legendary talk show host Dick Cavett's 19th century Montauk home is back on the market. It was relisted in April for $4,385 per square foot. The 6,500-square-foot home has six bedrooms, four bathrooms and one half-bath. The property is nearly 20 acres, surrounded by almost 200 acres of preserve. Several price chops since it was listed in 2018 brought the price down from $62 million to less than $28 million in March, but that price went up with the most recent listing. Chris Coleman of Compass is the listing agent.

9 (tie) 30 THE CROSSWAYS & 52 GEORGICA ROAD

$25 million

Designed by architect John Custis Lawrence, the 14,000-square-foot, three-story home in East Hampton Village was listed in February. The price works out to $1,786 per square foot. It sits on 2 acres and features 11 bedrooms, eight bathrooms and three half-bathrooms. Highlights of the property, known as Onadune, include stained glass windows, a 20-by-50-foot heated pool and a library that philanthropist John D. Rockefeller often escaped to in the summertime. Compass' Scott Strough and Ed Petrie are the listing agents.



9 (tie) 1950 MEADOW LANE

$25 million

This Southampton mansion hit the market in February, according to Miller Samuel. Built in 1983, it spans 8,293 square feet and sits on 3.4 acres. The home has 11 bedrooms, 11 bathrooms and two half-bathrooms across three levels. Ocean views abound, and the property features a private boardwalk and a terrace. Mark Baron of Saunders & Associates has the listing. TRD

BESPOKE, HAMPTONS LUXURY RE, OUT EAST

"IT'S A MAD DASH"

Retailers and restaurateurs are hustling to find Hamptons locations

By Sasha Jones

Phil Zelonky has been planning to open a pop-up nightclub in the Hamptons ever since his first club, Noir, debuted in Manhattan two years ago. There's just one issue: finding a space.

As New York City residents head east in droves, retailers have followed. But more than a year into the pandemic, it has become increasingly difficult to find commercial real estate.

"It's a mad dash," Zelonky said. "Everyone wants to be out there and there's just not enough spaces for people to operate."

Between March 1 and Oct. 31 of last year, 21,362 New Yorkers filed requests to change their address to Suffolk County, according to Postal Service data obtained by the New York Post. Another 18,731 filed a Nassau County address.

And the exodus to the Hamptons, even if it's temporary, has not slowed since. Home sales in the first quarter of 2021 were 48 percent higher than in the same period last year, according to a Douglas Elliman report compiled by Miller Samuel.

Hamptons businesses typically make the majority of their revenue in the summer, when the population swells. The rest of the year, a business might be thankful if it is in the black.

Before the pandemic, pop-ups were often desired by retailers, but not ideal for landlords, as it left them with vacancies during the off-season.

"If the landlords would make those spaces available on a pop-up basis, because of prior seasonality, everybody would just want pop-ups or just want to pay for the summer," said Compass agent Hal Zwick.

Before, landlords sometimes had no choice but to agree to short-term leases.

However, recent trends have spurred hope that the Hamptons could become a year-round community. Despite a historical inclination toward short-term leases, many retailers have committed to their spaces for a longer period.

"The retailers, once they figured out that everybody was staying out here, where a lot of them would normally give up their lease after the summer, they continued to stay," said Lee Minetree, a commercial broker with Saunders & Associates. "That made less product available."

Restaurants in the Hamptons have been operating under less stringent regulations than restaurants in New York City. For example, city eateries didn't have the capacity limit raised to 75 percent until May 7, while the rest of the state has been operating at that level since March 19. Similar discrepancies have existed through most of the pandemic.

"It's really different when you see restaurants [in New York City] hanging on, living on PPP money, and the Hamptons is really a wild animal," said Michael Murphy, who heads Douglas Elliman's commercial division on Long Island.

Dinner rush

Some retailers have managed to edge their way in, leading to a handful of openings that may excite residents.

Japanese restaurant Kissaki's original location on the Bowery opened just 45 days before the pandemic hit. The restaurant made the transition to offering takeout and delivery of omakase boxes. But its bread and butter, so to speak, is dining, so it opened in the Hamptons in June 2020.

"Thank god for the Hamptons location," Kissaki owner Garry Kanfer said.

> **"Everyone wants to be out there and there's just not enough spaces for people to operate."** PHIL ZELONKY, NIGHTCLUB OWNER

This summer, Kissaki is going even further. Its first Hamptons location, in Water Mill, has been completely gutted and renovated with plans to reopen in the middle of June. It's also added two more locations. The second, in Montauk, will open by the end of May. The third, in East Hampton, will welcome customers in June.

But even for Kissaki, finding space hasn't been easy. In East Hampton, Kanfer took to knocking on doors, ultimately persuading the owner of the restaurant that previously occupied the space to sell it to him.

Manolo Blahnik opened in East Hampton on April 30, following the lead of other luxury fashion brands, which expanded to the Hamptons last year. Jimmy Choo launched a pop-up for the first time, while Bergdorf Goodman and Saks Fifth Avenue rolled out a complimentary same-day delivery service to the Hamptons only.

Other notable Hamptons retailers have found new owners, allowing their legacies to live on.

Jeremy Morton, who is behind Morty's Oyster Stand and Provisions Natural Foods Market & Cafe, recently bought Rick's Crabby Cowboy Cafe on Lake Montauk. The five-acre property features 14 rental units and a restaurant, and the purchase included 6.75 acres of underwater land and 22 boat slips at the adjacent marina. The asking price was nearly $15 million.

Morton is also the buyer behind Ruschmeyer's, a three-acre property with 19 hotel rooms, a restaurant and a separate bar. The property was last listed at $35 million.

"We expect an extremely busy summer here," said Compass' Zwick, who was involved in both the Rick's Crabby Cowboy Cafe and Ruschmeyer's deals. "I expect the population to be at its maximum this year." TRD

Right now, everyone's hunting for the same property. That's why you need the expertise of a legal team that not only understands the market, but moves skillfully to get your deal to close. With over $5 billion in closed transactions, top tier Manhattan experience and Hamptons expertise, there's no doubt which law firm you want on your team.

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NORTH STAR

Few housing markets have been hotter than Long Island's North Fork

By Laura Euler

That warm westerly breeze you feel? That's coming from the North Fork of Long Island, where the real estate market is scorching.

Demand is so intense that houses are getting multiple offers before they even hit the market, according to Jeanmarie Bay of Town & Country Real Estate's Greenport office.

"We put up a listing as coming soon; it will be on the market April 15," she said. "By the time April 15 gets here, there are several offers with people not even seeing the property. And they're always above ask."

At the brokerage next door, Douglas Elliman agent Barbara Poliwoda is witnessing a similar phenomenon.

"There's a lot of interest in living here. A lot of people are moving out from the city," she said. "We do have a lot of buyers and not much inventory to accommodate everybody. What's happening is multiple buyers are after the same house. And a lot of times there's a bidding war."

Home shoppers are so often disappointed that Poliwoda said she feels sorry for them. But for agents, at least, the process has become more efficient.

Bay's office is limiting showings to one weekend, then asking for final offers by Sunday evening or Monday morning.

Statistics back up the anecdotes. The first three months of the year saw the most first-quarter sales in 15 years, according to data Miller Samuel compiled for Douglas Elliman. Some 34 percent of sales closed above the last listing price, the second-highest number on record.

"On the North Fork, all three criteria monitored by Town & Country — total home sales volume, number of home sales and median home sales price — saw gains," Town & Country CEO Judi Desiderio said in a statement. "Orient was the clear winner with the greatest statistical increase in all three. Every price range and all three criteria show strong growth except under $500,000, a segment of the market that will be disappearing."

The rest of the market has pulled its own vanishing act. "Inventory is at record lows," reports Thomas McCloskey, an agent at Douglas Elliman's Cutchogue office. "We are working with about 25 or 30 percent of the normal inventory for this time of year."

Miller Samuel reports that listing inventory fell sharply in the first quarter to the lowest level since tracking began in 2006. With sales surging and supply skimpy, homes sold 74 percent faster than in the same quarter last year. At that rate, it would take just two months to sell all the North Fork inventory on the market. The 10-year average for the first quarter is 11.2 months.

"I'm spending a lot of time, more than I normally would, looking for listings," McCloskey sighed. "I have the buyers there ready to go. I just have to find something for them."

Bay said she has resorted to mailings, referrals and word of mouth.

"I tell people, if you happen to see people in your neighborhood working on their house, ask them if they know anybody interested in selling," she said. "It's back to old-fashioned brick-and-mortar real estate; that's what we used to do."

As for price, there's most definitely a sweet spot. "When a house is listed in the $600,000-to-$800,000 mark, it goes very quickly," Poliwoda said. What's a buyer in that price range to do? Look further west, to Riverhead, Baiting Hollow, even Rocky Point.

Of course, those aren't the hotter towns on the North Fork, a popular area for summer homes with a more down-to-earth vibe than the Hamptons-dominated South Fork. Charming and perennially popular Greenport is always sought after, and McCloskey mentioned that New Suffolk is also in extremely high demand. It's the smallest town on the North Fork, he noted, so there are even fewer properties to purchase.

Town & Country's statistics bear this out. While the median price across Orient, East Marion and Greenport rose 54 percent to nearly $1 million, even more interesting is the sales volume increase of 147 percent.

But then, even much higher-priced properties are being snapped up in record time. McCloskey had a waterfront listing in Southold's Paradise Point in December that was the highest-priced sale on the North Fork last year at $4.95 million. "Sold for full price," McCloskey said, "and was only on the market for 13 days."

What advice do agents have for anyone interested in buying or considering selling on the North Fork? Be realistic.

"I had one buyer, she was putting bids in either ask or just over ask, losing every bid," Bay said. "Finally, something came on the market at $875,000. I told her, you need to be way over asking right at the start, or forget it. She put in an offer of $950,000 — and it was rejected."

But the client went higher and came away with the property.

The North Fork market bears no resemblance to the sleepy 2010s, when properties traded well below the prices they commanded before the 2008 financial crisis and lawyers who challenge tax assessments did a brisk business. So what are these homes really worth?

The answer, as always, is what someone else is willing to pay. Bay's buyer, despite shelling out more than she had planned, is in her new home now and looking forward to the summer.

Price a North Fork property correctly, McCloskey said, and "buyers will come out of the woodwork fighting for it."

Good luck to anyone joining the fray. TRD

> **34%**
> OF FIRST-QUARTER SALES CLOSED ABOVE ASKING

> **"I had one buyer losing every bid. I told her, you need to be way over asking right at the start."**
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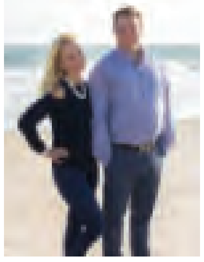

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A rendering of 12 Eileen's Path, East Hampton


A rendering of 43 Davids Lane, Water Mill

ARRESTED DEVELOPMENT

High demand and material shortages have made building Hamptons homes more expensive than ever

By Laura Euler

When it comes to trophy homes, Hamptonites tend not to trust anyone's taste but their own. There is always a market for spec homes, custom builds and extensive renovations. In addition, New Yorkers have been fleeing the pandemic, and lockdown-weary residents are eager to enhance their abodes with home gyms and wine cellars. As a result, there's a booming market for the new.

"New construction is selling at a 25 percent premium to 18 months ago," said Corcoran agent James Peyton, who represents many new builds and spec homes in the area. "These properties are making deals pre-construction or very shortly into the construction phase."

At Long Island's largest homebuilder, the Beechwood Organization, principal Steven Dubb is renovating Southampton's former Village Latch hotel into townhouses. The historic Terry Cottage on the property, said to be designed by Stanford White, is being renovated on spec. Sitting on less than an acre of land, it is asking a cool $7 million.

"The housing market continues to be strong on the East End," Dubb said. "There appears to be enough demand to absorb the current levels of spec construction. We don't see it stopping."

Ray Harden, a co-owner of Ben Krupinski Builder, is also seeing a surge in renovations as clients spend more time in their Hamptons homes.

"I think with the extra time they are spending here, they are looking at different ways to renovate or improve their homes," he said. "Home gyms and offices are popular renovations now."

There's just one problem: the skyrocketing costs of building materials and shortages of everything from electrical supplies to PVC.

Take lumber. For several years, 1,000 board feet of lumber has cost $200 to $400. It's now well above $1,000. The average new single-family home requires about 16,000 board feet of lumber, which now costs about $36,000 more in wood than it did a couple of years ago. Of course, Hamptons homes are often many times the average size. Does that increase matter in a property costing millions?

"Costs for building materials have more than doubled in the past year," Dubb said. "We can absorb the increases up to a point. Naturally, and to the extent the market will allow it, the cost of buying a new home will increase."

Unfortunately, pretty much everything is in short supply. The Institute of Supply Management, which polls its members on supply chains, is reporting widespread shortages of electrical equipment. "Things are now out of control," one respondent wrote in its February report. "Everything is a mess, and we are seeing wide-scale shortages."

The situation isn't any better for wood products. "Prices are rising so rapidly that many are wondering if it is sustainable," another respondent wrote. "Shortages have the industry concerned for supply going forward, at least deep into the second quarter."

How did this happen? Sawmills have been closing ever since the Great Recession, a trend that the pandemic initially accelerated. The lumber industry dialed back production, thinking demand would fall. Instead, it soared as homebound Americans rushed to rebuild their decks, among other projects.

This resonates throughout the entire building industry. Just try to find cedar stockade fencing, for example. Spruce fencing, which is less durable, now costs more than cedar did three years ago.

"Material costs are off the charts, which results in higher construction costs" said Harden. "It's very hard to give a firm proposal on a project because the material cost could change in a week. This is across the board. It's not just lumber; it's electric, plumbing and so on. Some clients understand and others not so much."

Pandemic-related disruptions to the supply chain have caused lengthy delays in the completion of new homes, as builders wait for items such as appliances, tile, wood flooring and HVAC equipment, Dubb added.

Another essential ingredient in short supply is the most elemental one: land. As builders struggle to maintain their margins against its rising cost, home pricing will increase as well, he said.

"Land prices have been eclipsing new construction sales over the last 24 months and squeezing the margin from the spec homes," said Peyton.

There is increasing competition for land from end users who would be buying new homes if more were available, and getting permits in the Hamptons takes twice as long as it once did, Peyton said. "Combined with increased materials and labor cost, that will cause retail home prices to continue to drift higher, probably about another 10 percent," he said.

Despite that, Peyton said, he is representing three spectacular new builds scheduled to break ground next year: 12 Eileen's Path in East Hampton, asking $12.79 million; 43 Davids Lane in Water Mill, priced at $7.5 million; and 34 North Haven Way in Sag Harbor, seeking $5 million.

"All will set the bar for design and amenities," he said — quite a claim in an area where a high bar is de rigueur. For example, 12 Eileen's Path will feature not only a gym but also a "wellness center," complete with a sauna and steam shower.

The estimate for the new gym in your trophy home just went up. For the sauna, though, you might have to wait on the cedar. TRD

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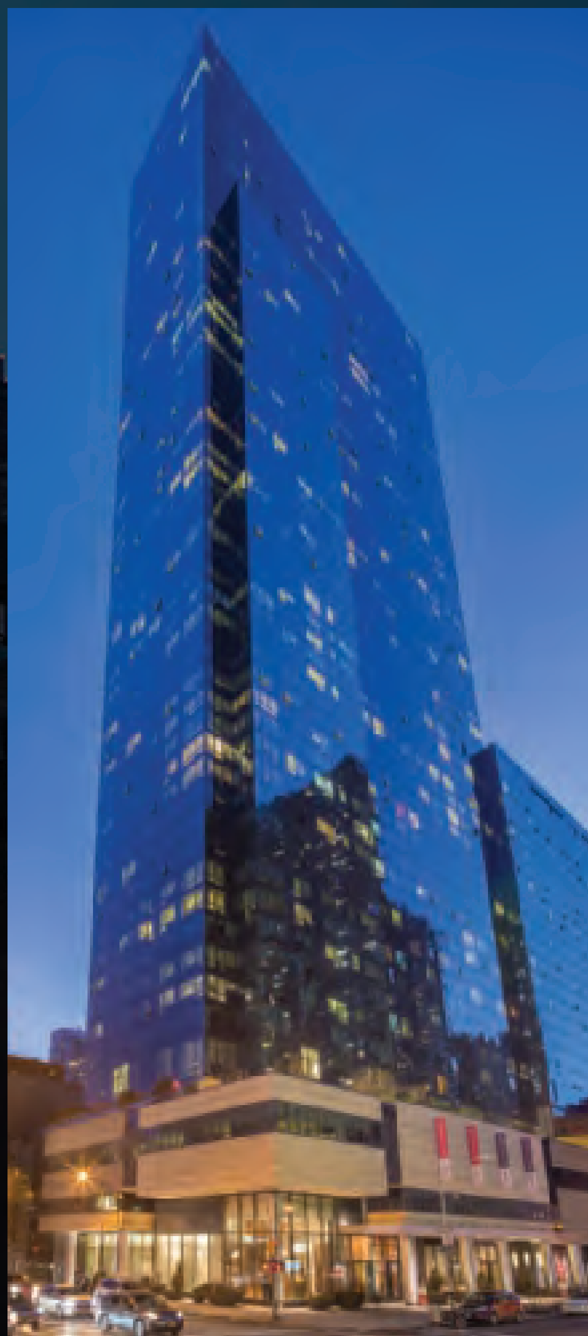

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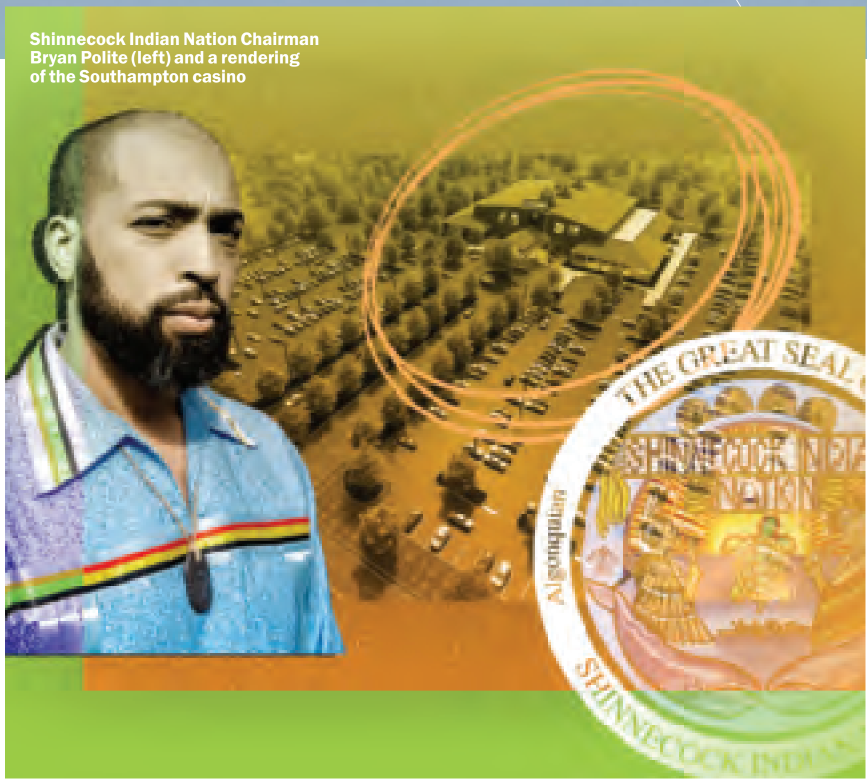

Shinnecock Indian Nation Chairman Bryan Polite (left) and a rendering of the Southampton casino

NO RESERVATIONS

Shinnecocks to roll dice on Southampton casino, but odds may be against it

By Laura Euler

Stop me if you've heard this before: The Shinnecock Nation is planning to build a casino in Southampton.

The tribe's on-again, off-again project is on again, perhaps because a license for a full-fledged downstate casino is up for grabs.

The tribe's Southampton reservation is beyond the state's control and it needs no permission from New York for the 76,000-square-foot casino it aims to build there. But a license from the state is far more appealing, as it would allow for a vastly broader array of games and a more accessible location — and thus much more revenue.

That's important for a tribe so hard-pressed for cash that it recently erected two electronic billboards along Sunrise Highway despite warnings from state regulators that they were illegal.

Shinnecock Nation leaders say they have grown frustrated with New York state, which, instead of working with them to secure an alternative site for gaming, allowed Jake's 58 Hotel & Casino to open in Islandia four years ago. The tribe's venue, like Jake's, will be what the industry calls a Class II facility, which is far more limited than the Class III venues of Las Vegas, Atlantic City and James Bond movies. The Indian Gaming Regulatory Act, passed by Congress in 1988, regulates the type of gambling permitted on Native American lands.

The Southampton-based tribe envisions approximately 1,000 bingo slots and a limited poker option on its reservation. That kind of setup has been a big hit for Jake's, which is conveniently off the Long Island Expressway and smack in the middle of Long Island. Jake's, which was recently sold to Suffolk Off-Track Betting in a $120 million deal, is seeking to double its count of 1,000 gaming terminals.

The Shinnecock's site, by contrast, would require gamblers to slog through the infamous traffic bottleneck that separates the New York metropolitan area's 20 million people from some of the most coveted beach communities on the planet.

Meanwhile, online sports betting is becoming more popular. And on Long Island, it's easy to take a ferry to Foxwoods in Connecticut, which offers the kind of Vegas-style casino the Shinnecocks cannot have on their reservation.

How can the Shinnecocks compete? Many think they can't.

"I doubt the casino is economically viable, and it certainly would have an adverse impact," said Fred Thiele, who represents the area in the state Assembly. "It's on a peninsula with only a two-lane road in and out."

That sentiment is widely shared among Southampton town and village officials. About 200 local residents have joined an organization called the Hamptons Neighborhood Group, whose website proclaims, "Working to improve the Hamptons environment and quality of life for all residents and visitors."

Mission No. 1: Stop the casino.

"The overriding issue is the fact that they want to build a casino adjacent to a two-lane road that is already very congested," said James Wacht, a local property owner and spokesperson for the group. "And they would expect a million visitors a year with no place for people to stay overnight. Most people who know the Hamptons know that the traffic's pretty bad, and this will just make it much worse."

Privately, the Shinnecocks, who did not respond to press inquiries by press time, almost certainly agree.

"In my conversations with the tribal trustees, they certainly would rather have another location for the casino," Thiele said. "But the governor's office has never negotiated in good faith with them. They basically ignored the Shinnecocks in favor of private gaming interests."

The veteran lawmaker has grown so frustrated that he introduced a bill that would require the governor to negotiate in good faith if the Shinnecocks pursued an off-site location. The measure has not passed, and even if it did, legislating Gov. Andrew Cuomo's bargaining mindset is like giving instructions to your cat.

But the Shinnecocks' authority to open a casino where state and local officials don't want one gives them some leverage to snag one of the three available downstate gaming licenses. They are going to need it.

The Shinnecocks will be up against such deep-pocketed opponents as Bally's and MGM. An impoverished tribal nation cannot hope to muster the lobbying strength of these powerhouses, although tribes have been known to partner with established gaming companies to boost their political and financial standing.

> **"I doubt the casino is economically viable, and it certainly would have an adverse impact."** FRED THIELE, NYS ASSEMBLY

With that in mind, the Shinnecocks signed a development deal in September with the Seminole Tribe–owned Hard Rock Hotel & Casino chain. Bryan Polite, the Shinnecocks' tribal chairman, said at the time that the partnership would look at development sites across Long Island, including in Nassau County.

Riverhead eyed

Any spot beyond the 800-acre Shinnecock Neck reservation would need Albany's sign-on.

"The Shinnecocks have been painted into a corner where they've not been able to work out an arrangement to find an alternate site," Wacht said. His group blames Cuomo more than it does the tribe and maintains hope for an agreement.

"We think Riverhead or Calverton would be a very good location for a casino," he said. "There's a lot of land that can be developed for commercial purposes, including a parcel that's right next to Tanger Outlet Center."

Tanger is among the busiest shopping complexes in the state. Minutes away is Splish Splash, a popular water park, and Riverhead Raceway, a short track for modified Nascar-style cars.

"I think having a casino next to a shopping destination next to the water-slide park next to the racetrack would be a nice little entertainment district," Wacht said helpfully.

At the same time, Jay Schneiderman, the Southampton Town supervisor, has come up with non-casino development ideas for the Shinnecocks' land — a hotel and spa, for example. Schneiderman points out that the Shinnecocks own an acre in Hampton Bays, straddling Sunrise Highway, the location of the controversial billboards.

"They have asked if they could build a rest area there," he said. "They need cooperation from New York state because they'd need on- and off-ramps for the rest area, which would include a restaurant and big gas station. That would be extremely profitable."

Schneiderman has pledged to help. But he is under no illusions about the tribe's goal.

"What the Shinnecocks really want is one of the three downstate commercial gaming licenses that the governor has promised to issue," he said. "And I think they believe they'll get one by saying that they will build a casino in the Hamptons in the one spot that they're entitled to do it, unless they get the commercial license that would allow them to do it somewhere else."

One of the new state licenses could go to Resorts World Casino, a no-dealer facility at Aqueduct Race Track that has been doing a robust business since opening in 2011. A second could go to the other so-called racino downstate, Empire City Casino at Yonkers Raceway.

That leaves one. The town supervisor has pledged to help the Shinnecocks win it.

"I'm urging people to work with us and find a location, find partners who can help them compete more effectively for a commercial license," he said. "This is their last resort." TRD

PHOTOS VIA FACEBOOK; SHINNECOCK INDIAN NATION

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GROUND SWELL

In the Hamptons, a seasonal influx has become a year-round occupation

By Laura Euler

In the Hamptons, summer vacationers and year-round residents endure something of a symbiotic relationship.

The hedge funders, Hollywood types, old-money scions and rock stars who proliferate from Memorial Day to Labor Day need the fishers, farmers, plumbers and construction workers who populate Suffolk County year-round. And vice versa. The latter can't pay their bills without the former, and the former need the latter to survive. An uneasy social contract keeps the peace between them for a dozen weeks each year, and life goes on.

That changed when the pandemic hit. Not to get too dramatic, but it was like the French Revolution. The social order was upended. Lines of black Range Rovers and G-Class SUVs waited to pick up kids outside schools where there used to be Chevy Tahoes. Lines curled around the Amagansett IGA. Lines were everywhere. The summer folks were here, and they were staying. The once peaceful, orderly, seasonal cycle was over.

Citarella ran out of caviar, Roquefort and uni at Christmas. Sagaponack Farm Distillery ran out of Armin baguettes. Had city butcher Ottomanelli Brothers not started delivering to the Hamptons, starvation might have set in.

"The good news is, restaurants that usually closed for the winter stayed open this year," said Douglas Elliman agent and East Hampton local Patrick McLaughlin. "The bad news is, you can't get a table. You need reservations on a Monday night. Monday? Really?"

Along with the fleeing city folk came their children. School populations spiked. Amagansett School, a public school, saw K-6 enrollment more than double, the East Hampton Star reported. In other local districts — Montauk and Sag Harbor — enrollment increased by about 20 percent. The Ross School, a private school, which had shuttered its Bridgehampton campus, reopened it this year with a similar increase. And for-profit Avenues, which debuted this year in East Hampton, almost immediately opened a second campus to meet demand.

Incredibly, some parents have been paying tuition to schools in the city and the Hamptons while they figure out where to ultimately settle. They don't want to lose their spot at Horace Mann.

It's not clear how these extra bodies will affect the area long-term, but the infrastructure can absorb them: Enrollments had been declining in the past few years. While Amagansett, for example, now has about 150 students instead of 75, it had a similar number in 1973.

That is not necessarily true of the real estate market. Not a Hamptons homeowner, but want to relax here this summer? Good luck. If you're determined to secure a rental, you'd better have deep pockets. And move fast. People are paying silly money for rentals, if any can even be found.

> **"The good news is, restaurants stayed open this year. The bad news is, you can't get a table."**
> PATRICK MCLAUGHLIN, DOUGLAS ELLIMAN

One such deal, done privately, set a new Hamptons record at $2 million for the summer. And that's not always enough: Veteran broker Harald Grant reportedly had a $2 million rental offer rejected by a homeowner.

"The rental market is challenging in all price ranges," said the Corcoran Group's Gary DePersia, one of the more active agents in the market. "It has all brokers confounded on how to fill the need."

Many houses previously on the rental market have been sold, he said, so agents have taken to cold-calling owners to create new rentals.

"Those renters who are waiting for the last minute to get a deal will be sorely disappointed," DePersia said.

The same is true for those looking to buy. Houses are flying off the market, according to a report by appraiser Miller Samuel for Douglas Elliman. In the first three months of this year, properties sold in just 101 days, on average — 32 percent faster than a year ago. Sales volume plummeted almost 40 percent, simply because there's practically nothing for sale. Listing inventory fell 34 percent in the first few months of 2021, the steepest drop in the 13 years that Miller Samuel has been tracking it.

Eager buyers are lining up at open houses, with agents fielding bids over the asking price. One agent had an open house in Montauk and received eight offers that day. She was so overwhelmed that she stopped accepting offers and asked all the prospective buyers for their best one right then and there. The property closed for considerably over ask.

If you're lucky enough to already own out east, don't expect to have your pool house spruced up in time for Memorial Day. Many builders are so swamped that they're not even returning calls. And owners who did manage to book a contractor are running into another problem: materials shortages.

"We are trying to install new electric service to one house, and the electrician cannot get the material to do the job," said Ray Harden, a co-owner at Ben Krupinski Builder. "The cost of material has also gone up since he quoted the project."

Beach passes, which have always been coveted, have become more sought-after than ever. Southampton Town, which charges $450 for a non-resident pass, sold 24,151 of them two years ago. Last year, it sold 29,279. East Hampton Town jacked up its price this year to $500 from $375. East Hampton Village, which controls the ocean beaches in East Hampton, sold half of its 3,100 non-resident permits at $500 each in an hour.

With more people than ever squeezing into one small area of the world, they'll have to remember that they need one another — the wealthy and the welders, hedge funders and hedge clippers, Teslas and Tahoes. Also, don't cut the line at Main Beach, or they'll send the tumbrel for you. TRD

Ranking the general contractors that kept building up while the city was locked down

By Kevin Sun
Research by Matthew Elo

NEW YORK'S BIGGEST GENERAL CONTRACTORS

With global supply chains, an inherent need for on-site workers and a client base that depends on optimism, construction firms faced challenges on several fronts when the pandemic shook the world economy last spring.

Suppliers scrambled to secure materials, rapidly shifting regulations shut down projects for months, and economic uncertainty led to a plunge in new starts as many developers opted to wait things out.

But a year on from the initial shock, general contractors are getting a handle on the new normal.

"I feel that the construction industry as a whole handled the pandemic extremely well," said Lance Franklin, co-CEO of New York-based Triton Construction, which made the top 10 in *The Real Deal*'s annual ranking of the city's biggest general contractors. "We all adjusted to it quite quickly in terms of mask-wearing, in terms of taking everyone's temperature as they entered the sites and in terms of doing contract tracing if there was an exposure."

A handful of workers on Triton's projects in the city were exposed to the virus, Franklin said, and some projects faced delays early on in the pandemic. But the firm is still moving forward.

In March, Triton broke ground on the 950,000-square-foot residential complex at 101 Lincoln Avenue, the second phase of Brookfield Properties' Bankside megaproject on the Bronx waterfront.

Even as the industry looks forward to a post-pandemic recovery, general contractors will still have to grapple with many of the same challenges they were facing before the crisis, like rising material costs

Continued on page 60

28%

THE DROP IN TOTAL SQUARE FOOTAGE OF NEW BUILDING PLANS FILED IN 2020 FROM THE TOTAL IN 2019, PER THE NEW YORK CITY DEPARTMENT OF BUILDINGS

Continued from page 59

and a chronic shortage of skilled workers. But at the same time, the Biden administration's ambitious infrastructure plan has raised hopes of a construction boom in the coming years.

"It's really a very important inflection point for the construction industry," said construction lawyer Barry LePatner, founder of LePatner & Associates, which represents the Related Companies and Starwood Hotels and Resorts.

By the numbers

After peaking in 2016, construction activity in the five boroughs has been on the decline for four straight years, according to an analysis by the Real Estate Board of New York.

In 2020, just 1,760 new building plans were filed with the city's Department of Buildings, the lowest tally since 2012 and almost a 10 percent drop from 2019. The total square footage of new filings fell 28 percent to 42.67 million square feet, while the number of residential units dropped 18 percent to 27,402.

> **"Covid has forced us to rethink the entire construction process in significant and lasting ways."**
>
> JAY BADAME, AECOM TISHMAN

TRD examined all new and renewed building permits issued across the city between April 1, 2020, and March 31, 2021, to rank the firms that have managed to stay the busiest, taking into account changes in the DOB's reporting as it transitions from its DOB BIS database to the new DOB Now system.

According to *TRD*'s analysis, AECOM Tishman was the most active general contractor in the city in terms of ground-up new construction, with more than 11 million square feet in active projects. Lendlease, New Line Structures & Development, Lettire Construction and Gilbane Building rounded out the top five.

For alteration work, *TRD* tallied companies on the basis of initial estimated proj-

Continued on page 62

TOP GCS BY SIZE OF NEW BUILDING PROJECTS

RANK	GC CO.	SQ. FT.	# OF PERMITS
1	AECOM TISHMAN*	11,220,440	18
2	LENDLEASE (US) CONSTRUCTION	7,597,145	16
3	NEW LINE STRUCTURES & DEVELOPMENT	4,225,074	12
4	LETTIRE CONSTRUCTION CORP.	3,928,192	12
5	GILBANE BUILDING CO.*	3,890,081	12
6	MONADNOCK CONSTRUCTION	3,824,206	48
7	SUFFOLK CONSTRUCTION CO.	3,110,215	8
8	TURNER CONSTRUCTION CO.	3,071,153	8
9	HUNTER ROBERTS CONSTRUCTION	2,631,506	12
10	TRITON CONSTRUCTION CO.	1,831,237	13
11	OMNIBUILD CONSTRUCTION	1,712,620	8
12	ANT YAPI CIVIC NY	1,525,320	9
13	TOP 8 CONSTRUCTION CORP.	1,486,362	4
14	STRUCTURE TONE*	1,484,208	10
15	LEEDING BUILDERS GROUP	1,312,049	11
16	RAY BUILDERS	1,268,240	7
17	CAULDWELL WINGATE CO.	1,256,664	12
18	FLINTLOCK CONST. SERVICES	1,244,502	43
19	MEGA CONTRACTING GP	1,188,513	10
20	CM AND ASSOCIATES CONSTRUCTION	1,152,327	10
21	PROCIDA CONSTRUCTION CORP.	1,141,327	7
22	KEY DEVELOPERS	1,108,046	9
23	CONGRESS BUILDERS	1,072,275	3
24	DLC DEVELOPMENT CORP.	1,054,990	29
25	URBAN ATELIER GROUP	1,022,772	6
26	NOBLE CONSTRUCTION GROUP	1,019,604	7
27	GRAND CONSTRUCTION & DEVELOPMENT*	988,492	9
28	L & M BUILDERS GROUP	970,669	3
29	NAF CONSTRUCTION MANAGEMENT	966,452	2
30	CHATEAU GC	877,817	7
31	FRONT WAVE CONSTRUCTION*	865,960	7
32	SKYCORE BUILDERS	816,546	2
33	MARCH ASSOCIATES CONSTRUCTION	758,731	3
34	HUA YANG	737,889	14
35	SUNLIGHT CONSTRUCTION AA	732,291	13
36	REAL BUILDERS INC.	721,547	6
37	PLAZA CONSTRUCTION	706,209	4
38	TURNER MCKISSACK JOINT VENTURE	693,570	2
39	SD BUILDERS AND CONSTRUCTION	684,796	5
40	KSK CONSTRUCTION GROUP	673,363	10
41	GALAXY DEVELOPERS	668,859	6
42	TITANIUM CONSTRUCTION SERVICES	650,643	8
43	CONSIGLI & ASSOCIATES	645,929	3
44	PACIFIC RIM	636,046	13
45	RACANELLI CONSTRUCTION CO.	635,498	13
46	E.W. HOWELL	592,646	6
47	EMPIRE ID CONSTRUCTION CORP.	584,357	8
48	YNH CONSTRUCTION INC.	561,378	13
49	ARTIMUS CONSTRUCTION INC.	515,366	2
50	TSANG CONSTRUCTION INC.	507,045	3
51	SCIAME CONSTRUCTION	505,047	3
52	BRP CONSTRUCTION GROUP	486,087	1
53	BUSHBURG BUILDERS	469,351	1
54	MILESTONE CONSTRUCTION CO.	444,766	4
55	PRESS BUILDERS	439,337	7
56	STORAGE CONSTRUCTION CO.	434,924	5
57	ANTHONY T. RINALDI	428,416	5
58	HAP CONSTRUCTION	423,113	4
59	SHENG SHENG CONSTRUCTION	411,654	9
60	CNY CONSTRUCTION	401,973	4
61	PAV-LAK CONTRACTING	390,636	2
62	PREFERRED GC GROUP	382,761	12
63	THE VOREA CONSTRUCTION CO.	357,622	16
64	NY DEVELOPERS & MANAGEMENT	354,643	5
65	SUNSHINE CONSTRUCTION USA	353,629	34
66	PINNACLE COMMERCIAL DEVELOPMENT	347,910	5
67	MKB CONSTRUCTION USA	345,871	13
68	HEARTFELT TOWNHOUSE BUILDERS	339,466	9
69	DANYA CEBUS CONSTRUCTION	336,536	4
70	OLIVIERO CONSTRUCTION CO.	333,834	2
71	TITAN REALTY & CONSTRUCTION	332,748	13
72	ON STAR MANAGEMENT	329,413	8
73	M&R CONSTRUCTION GROUP	326,528	1
74	SKANSKA USA BUILDING	323,604	2
75	LEON D. DEMATTEIS CONSTRUCTION	315,741	3

*INCLUDES TOTALS FOR SUBSIDIARIES
SOURCE: *TRD* ANALYSIS OF NEW BUILDING (NB) PERMITS ISSUED BETWEEN APRIL 1, 2020, AND MARCH 31, 2021, IN MANHATTAN, BROOKLYN AND QUEENS BY THE NYC DEPT. OF BUILDINGS. NEW BUILDING CONSTRUCTION WAS RANKED BY SQUARE FOOTAGE. THE DATA INCLUDES WORK PERMITTED BY THE DOB AND EXCLUDES WORK APPROVED BY OTHER AGENCIES. IT ONLY INCLUDES WORK WHERE THE GENERAL CONTRACTOR IS SPECIFICALLY LISTED ON THE DOB PERMIT — RENEWALS WERE INCLUDED.

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ect costs. By that measure, Turner Construction was the busiest firm by far, with active projects totaling more than $2 billion — more than twice as much as the second-ranked firm, Structure Tone, whose figures also include its Pavarini McGovern subsidiary. Other big players in the alteration space included J.T. Magen & Company and AECOM Tishman.

"One of our biggest challenges in 2021 will be adapting to new ways of delivering projects safely, and possibly being able to ramp down and ramp back up quickly depending on other events," said Jay Badame, president of AECOM Tishman, which made headlines last year for its completion of SL Green's One Vanderbilt, the 1.7 million-square-foot office tower beside Grand Central Terminal.

"Covid has forced us to rethink the entire construction process in significant and lasting ways," Badame said.

Labor lurch

As construction projects ramp up across the city, a lack of workers in specialized trades continues to bottleneck the industry.

In the early days of the pandemic, the unemployment rate in the U.S. construction industry spiked to 16.6 percent in April before falling back to less than 10 percent, according to U.S. Bureau of Labor Statistics. But before then, the sector's unemployment had fallen to 3.2 percent in late 2019 — the lowest point this century.

> **"We expect the residential market to continue to grow, especially in the outer boroughs."**
> LISA HICKERSON, TURNER CONSTRUCTION

Not only have fewer young people entered the construction field in recent years, more experienced workers have been going elsewhere.

"We witnessed subcontractor labor choosing early retirement and relocating out of the tri-state area, resulting in a decline of local skilled labor," said Maurice Regan, CEO of J.T. Magen & Company, which has won several new interior projects, including Facebook's new offices at the Farley Building, BlackRock's space at 50 Hudson Yards and TikTok's headquarters at One Five One (formerly 4 Times Square) in Midtown.

Many subcontractors under financial stress let workers go in the past year, exacerbating the problem, said Regan, whose firm placed third in the alteration-work ranking.

At the same time, contractors' efforts to keep workers busy through the lean times last year could have negative consequences in the long term, according to LePatner.

"Contractors large and small are bidding

Continued on page 64

TOP GCS BY COST OF ALTERATION PROJECTS

RANK	GC CO.	TOTAL INITIAL COST	# OF PERMITS
1	TURNER CONSTRUCTION CO.	$2,227,575,417	199
2	STRUCTURE TONE*	$1,058,477,792	152
3	JT MAGEN & CO. INC.	$961,430,564	118
4	AECOM TISHMAN*	$911,822,679	146
5	SCIAME CONSTRUCTION	$426,071,991	22
6	ROCON CORP.	$358,592,662	11
7	URBAN ATELIER GROUP	$305,044,590	16
8	TRITON CONSTRUCTION CO.	$270,106,700	5
9	JRM CONSTRUCTION MANAGEMENT	$225,814,306	77
10	CLUNE CONSTRUCTION CO.	$194,275,457	126
11	SUFFOLK CONSTRUCTION CO.	$186,368,031	16
12	TAMEER	$174,066,799	30
13	CITNALTA CONSTRUCTION	$152,850,991	19
14	SKANSKA RJ INDUSTRIES	$146,540,000	4
15	GILBANE BUILDING CO.*	$140,017,173	43
16	WHITESTONE CONSTRUCTION CORP.	$129,796,524	13
17	NEW LINE STRUCTURES & DEVELOPMENT	$127,901,000	6
18	ADAM'S EUROPEAN CONTRACTING	$124,808,278	58
19	L&K PARTNERS	$121,434,105	34
20	BENCHMARK BUILDERS	$118,210,777	57
21	CAULDWELL WINGATE CO.	$107,383,883	25
22	AURORA CONTRACTORS	$105,300,000	6
23	HUNTER ROBERTS CONSTRUCTION	$97,870,836	32
24	SHAWMUT WOODWORKING & SUPPLY	$95,982,186	68
25	HUMPHREY RICH CONST. GROUP	$93,228,494	19
26	LEEDING BUILDERS GROUP	$92,586,677	8
27	JOHN CIVETTA & SONS	$92,196,172	8
28	T.A. AHERN CONTRACTORS CORP.	$90,915,425	14
29	MEGA CONTRACTING GROUP	$87,686,000	5
30	REIDY CONTRACTING GROUP	$86,142,786	24
31	CHATEAU GC	$82,582,745	239
32	SCHIMENTI CONSTRUCTION CO.	$82,288,763	70
33	SKYLINE RESTORATION INC.	$81,830,374	65
34	TRI-STAR CONSTRUCTION CORP.	$74,696,798	57
35	INDEPENDENT TEMPERATURE CONTROL SERVICES	$73,534,568	26
36	RICHARDS PLUMBING & HEATING CO.	$72,656,428	64
37	PLAZA CONSTRUCTION	$72,250,840	37
38	KORDUN CONSTRUCTION CORP.	$70,512,983	45
39	MONADNOCK CONSTRUCTION	$61,230,559	18
40	MLJ CONTRACTING CORP.	$60,878,000	14
41	LENDLEASE (US) CONSTRUCTION	$60,673,979	47
42	ARCHSTONE BUILDERS	$57,653,036	29
43	NEWGRANGE CONSTRUCTION CO.	$57,250,143	24
44	UNITY CONSTRUCTION GROUP	$55,898,321	25
45	E.W. HOWELL	$54,026,700	25
46	NEELAM CONSTRUCTION CORP.	$53,778,230	19
47	HENEGAN CONSTRUCTION CO.	$53,303,468	20
48	JAMES E. FITZGERALD	$51,902,704	52
49	NAF CONSTRUCTION MANAGEMENT	$50,210,383	95
50	TITAN INDUSTRIAL SERVICES CORP.	$49,872,600	10
51	PROCIDA CONSTRUCTION CORP.	$49,222,020	67
52	VANGUARD CONSTRUCTION AND DEVELOPMENT	$46,661,195	40
53	STRUCTURAL PRESERVATION SYSTEMS	$45,755,310	30
54	CONSTRUCTION MANAGEMENT	$43,816,248	18
55	ANTHONY T. RINALDI	$42,119,114	5
56	PRO-METAL CONSTRUCTION	$41,905,604	22
57	NUCOR CONSTRUCTION CORP.	$41,812,358	43
58	MJM ASSOCIATES CONSTRUCTION	$37,890,378	17
59	JOHN GALLIN & SON	$37,859,937	39
60	OMNIBUILD CONSTRUCTION	$37,764,271	5
61	CENTRAL MECHANICAL SYSTEMS	$37,649,674	18
62	SKANSKA USA BUILDING	$37,496,525	13
63	JGN CONSTRUCTION CORP.	$36,720,868	17
64	LO SARDO GENERAL CONTRACTORS	$36,192,111	13
65	HIGHLINE CONSTRUCTION GROUP	$35,375,360	28
66	UTB-UNITED TECHNOLOGY	$34,831,118	7
67	VENUS GROUP	$33,652,795	7
68	NAVILLUS TILE	$33,449,503	29
69	MARIC PLUMBING & HEATING	$33,237,110	10
70	YILIN CONSTRUCTION	$32,964,616	253
71	EUROSTRUCT	$32,616,868	27
72	TRI CONTRACTING	$32,356,631	87
73	AMERICON CONSTRUCTION	$32,123,226	16
74	FG-PH CORP.	$32,037,670	31
75	MNC GENERAL CONTRACTORS CORP.	$31,821,189	40

*INCLUDES TOTALS FOR SUBSIDIARIES
SOURCE: TRD ANALYSIS OF INITIAL ALTERATION (A-1 AND A-2) PERMITS ISSUED BETWEEN APRIL 1, 2020, AND MARCH 31, 2021, BY THE NYC DEPT. OF BUILDINGS. ALL PERMIT TYPES INCLUDED. THE DATA INCLUDES WORK PERMITTED BY THE DOB AND EXCLUDES WORK APPROVED BY OTHER AGENCIES. IT ALSO ONLY INCLUDES WORK WHERE THE GENERAL CONTRACTOR IS SPECIFICALLY LISTED ON THE DOB PERMIT — RENEWALS WERE INCLUDED.


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Continued from page 62

lower than they would ordinarily, just to keep their manpower going until normal times come around," he said. "That's a risky strategy because there's minimal to no profit, and in some cases losses."

Onshoring

Construction costs continued to rise during the pandemic, and New York City is still one of the most expensive cities in the world to build in.

Trump-era trade wars had already caused problems, but the Covid crisis wrought even greater disruptions in the global network of construction suppliers, driving up costs still further.

Several firms said that they continue to see spikes in the prices of various commodities more than a year into the pandemic — from lumber and steel to gypsum, copper and concrete — as well as delays in fabrication and delivery.

"We will continue to see this rise until facilities can get back to normal production schedules," said Dan Fine, general manager at Turner Construction, whose projects include Tishman Speyer's Spiral at Hudson Yards, which topped out last year.

Going forward, LePatner said, more companies may seek to shorten their supply chains and move sourcing back to the U.S. — in part as a response to vulnerabilities revealed by the pandemic, and in part due to incentives provided by the Biden administration to bring back manufacturing jobs.


Turner Construction's Dan Fine


Turner Construction's Lisa Hickerson


J.T. Magen & Company's Maurice Regan

"We're going to see New York have its own building boom, because so many of our buildings are 40, 80 and 150 years old."

BARRY LEPATNER, LEPATNER & ASSOCIATES

"It's going to make our domestic supply chain more reliable, although we're going to see product costs in many situations rise at least 20 percent," he said. "But that may be the price to pay."

The infrastructure decade

While sectors like hospitality and retail have taken a serious beating, others are well positioned to keep growing, and construction firms are eager for the work.

"We expect the residential market to continue to grow, especially in the outer boroughs, with more focus on the environment, amenities and work-live-play complexes," said Lisa Hickerson, manager of business development at Turner. The markets for life sciences, industrial facilities and data centers also accelerated in the past year, she added.

Many firms say they are also paying close attention to the Biden administration's infrastructure plan, as well as the billions in federal stimulus dollars slated for New York City.

"Investing in schools and hospitals and libraries and transit locally creates thousands of good-paying jobs," AECOM Tishman's Badame said.

A trillion-dollar overhaul of the nation's aging infrastructure would mean "well-paying jobs for tens of thousands of specialty trades, such as certified welders, concrete strength test technicians, highway construction managers, all of whom will need the proper backup and support," said LePatner.

And while much of the nation's population growth and new construction in the coming decades will be in the Sun Belt, plenty of work needs to be done in New York as well — for the renovation of aging buildings, as well as retrofits to meet looming emissions caps.

"We're going to see New York have its own building boom," LePatner said, "because so many of our buildings are 40, 80 and 150 years old." TRD

SOUTH FLORIDA'S HOTEL CONUNDRUM

Leisure travelers are keeping hotels afloat, but full recovery hinges on return of conventions, cruises

By Katherine Kallergis

The lights are still dark at the Diplomat Beach Resort, a sprawling 1,000-room oceanfront hotel in South Florida.

More than a year after the pandemic began, conventions and business travelers — the lifeblood of such large properties — remain sparse. And cruises, which usually feed hordes of passengers to hotels, are still halted.

While leisure travelers have descended on South Florida over the past six months, pushing hotel rates up and boosting occupancy, the hotel market's overall recovery still hinges on the return of conventions and cruises, as well as international travelers, experts say.

And the effects are wide-ranging. The long interruption in business travel has led developers to put new convention hotel projects on hold until financing and demand returns. At the same time, hotels are struggling to keep up staffing.

"The true recovery is not going to be in full force until the corporate travelers, the group business and the cruise line industry come back again," said Boaz Ashbel, managing director of Miami-based commercial real estate firm Aztec Group. "And they have yet to do so."

Open for business

Florida's lack of restrictions, zero state income tax, beaches and warm weather have fueled the inbound wealth migration.

Visitors too, desperate for a Florida getaway, took advantage as soon as they could.

High-end hotels, especially in Miami Beach and the Florida Keys, have benefited the most throughout the pandemic, much like luxury residential real estate, brokers and analysts say. Developers are also moving forward with ultra-luxury hotel projects, including Aman, Bulgari and the recently launched condo-hotel Waldorf Astoria.

"The luxury hotels segment has been driving occupancy and rates up to a level that's higher than the first quarter" of 2020 compared to 2019, said Andrew Dickey, who leads hotel sales for JLL in Miami.

In the first quarter of this year, hotel occupancy in Miami and Fort Lauderdale ranged from 64 percent to 69 percent, according to data from hotel research firm STR. The average daily rate topped $220 in Miami and reached nearly $140 in Fort Lauderdale — below last year's rates by about $50 in each market.

Compare that to the rest of the country, where occupancy averaged less than 50 percent in the first quarter, and the average daily rate was nearly $100, according to STR.

Brokers say investment sales are expected to climb this year. Investors raised billions of dollars to buy distressed deals, but few South Florida hotels traded in 2020.

"There were a lot less foreclosures than people had anticipated, a lot less forced sales, but the last year was really hard," said Suzanne Amaducci-Adams, a partner at the Miami-based law firm Bilzin Sumberg. "We're blessed because we are a resort destination."

Dickey said he is working on deals totaling half a billion dollars in South Florida that are set to close by the end of the second quarter, some of which could sell for more than their pre-pandemic price. More resort owners in drive-to markets in Florida are also able to secure new debt.

By March, "it became clear the recovery was happening much faster" than initially anticipated, said Paul Weimer, of CBRE's hotels group. Family offices, funds and even real estate investment trusts are back to buying hotels in Florida, though some properties are still discounted.

The overall outlook in South Florida is rosier than in other major metros such as Chicago, New York and San Francisco. Additional lockdowns would be "devastating," hotel owners said, but are not expected, especially in Florida where the governor lifted remaining Covid restrictions in early May.

PwC principal Scott Berman, who leads the firm's hospitality and leisure practice, said Miami has "become the case study in how to recover."

Canceled conventions

But it's not all great news.

At the master-planned Miami Worldcenter development in downtown Miami, the timeline for MDM Hotel Group's planned 1,700-room Marriott Marquis hotel and 600,000-square-foot convention center is murky. MDM acquired the site more than four years ago for $45 million.

The company said it is monitoring "the current realities of the meetings and convention industry on a daily basis," and that the pandemic "forced us to put a hold" on the project's development.

In Miami Beach, construction of David Martin and Jackie Soffer's convention center hotel, an 800-key Grand Hyatt, is yet to begin. It was originally scheduled to open in 2023.

The pandemic threw a wrench in Brookfield Property Partners' plans to sell the Diplomat in Hollywood for about $800 million. The sale to Jeffrey Soffer's Fontainebleau Development fell apart in May of last year as a result of the pandemic.

At the earliest, large conventions won't return until next year, observers said.

"People are going to be much more cautious and determinative about where they are going," Amaducci-Adams said.

Port-adjacent hotels and airports are also still struggling.

Cruise ships have not been operating in the U.S. for over a year. They could return as early as mid-July, if most of a cruise ship's crew and passengers are vaccinated by the time they restart, according to the Centers for Disease Control and Prevention, though Florida Gov. Ron DeSantis' ban on vaccine passports could send major cruise lines to other states.

Aztec, a part owner of the Hyatt Place next to Miami International Airport, is starting to see business improve as more people travel by air.

"Right now hotels are happy to get any business they can get" to pay real estate taxes, insurance and other fixed monthly costs, Ashbel said, adding that it is misleading to rely solely on the surge in leisure demand.

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GETTY IMAGES/ILLUSTRATION BY ALISON BUSHOR

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Waiting to pounce

Special servicers are selling the notes backing properties throughout the U.S., especially for larger hotels dependent on group travel. These types of deals happen behind the scenes, often only becoming public when a new lender assumes ownership through foreclosure or the borrower eventually satisfies the debt.

"Rather than foreclose and deal with the mess, they would rather sell the notes," Ashbel said. "It happens every day of the week all across the country."

If borrowers are clients of a traditional bank, they're likely still working with their lenders, who have in many cases agreed to suspend principal payments, food, fixtures and equipment reserves, while requiring that interest, real estate taxes and insurance are paid.

"We still think there's going to be a lot of stress" with the commercial mortgage-backed securities mortgages and loans issued by debt funds, Ashbel said.

Neil Shah, president of Hersha Hotels & Resorts, said that even though conditions have improved for both hotel owners and their lenders, they're nowhere near where they used to be.

"Tired sellers" are losing millions of dollars a month who "just want to move onto their next opportunity," Shah said. Hersha, a Philadelphia-based real estate investment trust, has sold hotels during the pandemic, including a Residence Inn by Marriott in Miami's Coconut Grove for $31 million. Shah said he is looking forward to making acquisitions in the second half of this year.

Buyers have been sitting on the sidelines, ready to pounce.

Carlos Rodriguez, CEO of Coral Gables-based Driftwood Capital, said Driftwood "easily" has hundreds of millions of dollars to place but that the growing number of buyers has driven pricing up to a point that no longer makes sense.

"There's a lot of money chasing deals right now," Rodriguez said. "People are offering prices where I just don't understand how they will get the returns."

Employees have options

Meanwhile, bars, nightclubs, restaurants and hotels are facing a new challenge: attracting and keeping talent.

"Everyone says, what keeps you up at night? I think if you're a hotel general manager, that keeps you up at night — where am I going to get the employees?" Amaducci-Adams said. "People are paying a premium, but is the service going to be there, and is that going to have a long-term effect?"

Ashbel called it a "massive problem." Some hospitality workers left the industry. Others do not want to return for the same pay, exposing themselves to the risk of contracting Covid on the job, while government aid is available to them. That is forcing hotel operators to increase their hourly pay. And international workers have also largely disappeared.

> **"The true recovery is not going to be in full force until the corporate travelers, the group business and the cruise line industry comes back again."**
>
> **BOAZ ASHBEL,** AZTEC GROUP

"It is at the point now where I'm talking to some people who have been in the industry for 15 years and they've never had this problem before," Ashbel said. "In many cases people are getting equal or better pay through benefits to not work."

Some properties are accepting reservations based on projected staffing and will stop taking new bookings at 70 percent because owners and managers know that they can't serve the guests properly.

Managers are cleaning rooms, checking guests in and out, and doing other things "they are not equipped to handle," Ashbel said.

"It affects our service," Driftwood's Rodriguez said. "Everybody is running around like a chicken without a head."

Hersha's Shah said it's now not uncommon to be unable to staff a hotel restaurant for three-meal-a-day service.

"There's not a great motivation among potential employees to come back to work, just yet," he said. "By September that will be better."

Hoteliers hope corporate travel will begin a lasting rebound in the fall. Anything later than that "would be disappointing," and would require changes in strategy, Shah said. He and others are encouraged by recent bookings of small weddings and meetings.

In major cities across the country, including Miami, weekend occupancy rates are climbing over 60 percent, but that falls into the 20 percent range during the week, according to Shah.

"That's the next big worry," Shah said. "When does business travel return and when do conferences get started?" TRD

3D SCAN MANHATTAN

3D VIRTUAL TOURS: HOW TO SELECT A GREAT PHOTOGRAPHER FOR COMMERCIAL AND RESIDENTIAL PROPERTIES

The pandemic has drastically changed the way potential tenants and buyers bond with properties. With restricted in-person interactions, many buyers were and still are struggling to get an accurate picture of what spaces look and feel like. A breakthrough solution from landlords and realtors has been the use of 3D virtual tours. This has become the number one marketing tool for New York City real estate listings to help move properties faster.

Alexandre Folacci, CEO of 3D Scan Manhattan, is one of the go-to leaders in this emerging space. He is a former world-class athlete, the national champion of France in the decathlon, and award-winning personal trainer who became a 3D photographer in 2019. He has shot over $2B worth of real estate in NYC in the last 12 months, for both commercial and residential buildings. His virtual tours for Corcoran Sunshine, Related and JLL, among other clients, have all been critical to the sales process.

"The difference between a good and bad 3D virtual tour is immediately noticeable—quality is key."

Alexandre Folacci, CEO
3D SCAN MANHATTAN

“3D photography is now expected from buyers and renters. Whether they are viewing a listing internationally or they are remaining cautious of Covid-19 pandemic, it is important to get the prospects emotionally connected to the properties,” Folacci shared. "The difference between a good and bad 3D virtual tour is immediately noticeable — quality is key. If you want to hire a good 3D photographer, they need not only have the best camera, but also have to be reliable, detail-oriented and technically savvy. The technical expertise to geometrically map the floor plan, connect each room properly with the right angle, and cleanly edit the tour in order to create a fluid and intuitive experience requires some kind of talent.”

Folacci has become an expert in shooting large projects, such as entire buildings, totaling over 500,000 square feet. “It becomes very difficult and technical to put more than 40,000 square feet per virtual tour without crashing the software or losing quality. I developed specific techniques to do so, and it works very well for my commercial real estate projects,” Folacci continued. “I am always focused on delivering the best product possible to my clients for an affordable price. This is how you build a strong brand and reputation in any industry.”

Scott Vinett, an executive vice president at JLL, shared his experience working with Folacci: “Alex is a fantastic resource. I’ve hired him for multiple commercial office space projects. He is reliable, professional, and his scans are top-notch. Alex delivers a quality product that immensely helps with the marketing of the space. I’d highly recommend working with him to enhance your listings.”

Similarly, having a photographer who understands how weather, sun exposure and staging affect the overall 3D tour is crucial for success, particularly when shooting luxury real estate. Capturing the essence of the space, artwork and details of the rooms increases the buyers’ ability to truly feel like they are within the space and form early emotional connections. Folacci owns properties in Manhattan and in the Midwest, which gives him a good understanding of what other investors want to see when buying or renting.

Alexandre saw a number of investors and homebuyers seize the opportunity to buy a condo for the price of a co-op in 2020, and now he is seeing residential prices starting to go up in 2021. He believes the demand will continue to rapidly grow in this year, especially when the city fully reopens. In a post-Covid world, he predicts, the New York residential market will reach new heights in 2022.

Folacci is keenly attuned to the market’s needs and sees a difficult future for New York City office buildings. "The big commercial landlords are getting affected the most, because their tenants are downsizing to smaller offices by letting their employees work from home. Based on my research and talking to many experts in the industry, the 2020 pandemic effects can last five to 10 years for the big commercial real estate market in New York, because workers learned to be effective working from home by using remote technologies,” Folacci said. “Many companies will let a portion of their employees work remotely for years to come, which will allow businesses to hire talent from anywhere in the world and spend less money on their office rent. Commercial landlords are now competing for a small pool of potential tenants, and too much inventory is on the market. Only the ones with the best marketing strategies and the best offers will manage to avoid vacancy and stop the bleeding.”

Last words from Alexandre Folacci: “If you are interested in getting a 3D virtual tour for your listings or your clients, you can find many photographers in New York City, and most of them will do a proper job. Keep in mind the advice discussed in this article while hiring a 3D professional. If you would like to work with me, I would be happy to work on your projects.”

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How **MARC GANZI** transformed the CRE behemoth into a digital-first player

COLONY'S NEW WORLD ORDER

By Hiten Samtani

Photography by Sonya Revell

Entering an office building in the future, according to Marc Ganzi, will look something like this:

"There won't be security anymore. You'll flash a bar code, it'll say, 'Yup, the elevator's been activated, you have a meeting at 11 o'clock, you're going to go to the 27th floor and get in Cab E.' Everybody has some sort of fitness attachment that says what your heart rate is, where you're going, how many steps you take. We can use thermal imaging to figure out the emissions each person is using. We know how to optimize the HVAC and lighting and can really bring down the total consumption in the building."

At home, the same deal. "The minute you enter your apartment, it's already predicting your favorite show to watch. It's delivered the right amount of Pellegrino, butter, eggs, whatever. Every morning when you get on your Peloton, it knows that you want to watch CNBC. You always have the capability to say, 'No, thank you, I'm going to turn it off.' But we're creatures of habit, we like what we like. And generally speaking, 90 percent of those decisions we'd certainly like made for us."

Ganzi's not merely spinning prophecies about this smart-building future. He's betting the farm on it.

His firm, Colony Capital, is in the midst of one of the most consequential shifts in commercial real estate history, going from a portfolio of 80 percent hotel, office, warehouse and retail to one of about 70 percent digital-related assets such as data centers, cell towers, small cells and fiber-network properties. That's $32 billion worth of digital infrastructure that Ganzi believes will underpin the new, on-demand economy.

Colony acquired Ganzi's firm, Digital Bridge, in 2019. Ganzi succeeded industry titan Tom Barrack as CEO of Colony last July and moved the firm's headquarters from Los Angeles to his home base of Boca Raton this January. Under him, the firm's share price has tripled, while its much-maligned leverage has been halved. As of February, Colony had raised $4 billion for its second digital-infrastructure fund, Bloomberg News reported, with a target of $6 billion.

The Real Deal caught up with him to discuss Colony's digital transformation, how real estate will embrace the "internet of things" and how cities must adapt.

This interview has been condensed and edited for clarity.

Colony is unrecognizable from a few years ago. When leading a wholesale transformation of a giant company, where do you begin? Once the cloud enabled e-commerce and goods and services to travel more efficiently, it allowed people to rethink different types of real estate models beyond just fintech or proptech or even digital infrastructure. When we made that joint venture with Colony back in 2017 , we raised $4 billion in 10 months, which was a record for a first-time fund.

We've now deployed that fund. It's been very successful, and the world has taken notice. Some of that transformation was certainly enabled and perhaps accelerated by Covid. But all of the thematics that we're pursuing now in our digital real estate business revolve around the future of where we see the world going. As we think about 5G, we think about cloud computing, artificial intelligence, IoT networks and edge computing. These are going to be the next big real estate models over the next decade.

A lot of people have stayed from old Colony. And the reason we were able to move some of those people into the digital businesses is because the underlying premise of our entire business is keeping tenants happy. And whether you're signing an apartment lease or you're signing a lease in a medical office building or an industrial property, the principles that existed at Colony Capital for 30 years are no different than what existed at Digital Bridge for 27 years: We have great customers, we have to service them, we want long-term leases and we want to be the landlord of choice.

It's almost like Coca-Cola going to Wall Street and saying, "Hey, we're going to be the No. 1 purveyor of a healthy lifestyle." How did you gain the confidence of investors? I had to reestablish a rapport with the Street. The firm had undergone a lot of distraction. (Last May, it defaulted on $3.2 billion of debt secured by hotel and health care assets.) And my job was to remove the distractions, remove the noise and begin to have a dialogue.

I told investors, "There's five things we're going to do, and we're going to execute them ruthlessly and you have to trust me. And trust is earned, it's not given. So if you don't believe in our story, that's fine, but we're going to get there."

I told them that I would rotate our asset base. I would get from 80 percent traditional real estate to 60 percent digital. We actually rotated $48 billion of assets under management last year. It was just heroic.

Selling office buildings and retail properties and industrial in the pandemic was not easy. And then we sold our hotel portfolio (the Khimji brothers' Highgate bought the nearly 23,000-key portfolio for $67.5 million and assumed $2.7 billion in existing debt on the properties). We exited a lot of core verticals in what's arguably been the most difficult environment in commercial real estate since 2008.

I inherited a balance sheet that was levered at about 12 times. [We've] taken net leverage down to six times. I had 27 offices, 500 employees. And I was like, "This is madness. We just don't need this many people." We took a lot of costs out of the business. We closed a lot of offices. We sold the corporate plane.

The fourth thing we said we would do is we would grow. For the first time in many years, we would provide organic growth. And then the last thing I said I'd do is change the culture.

When you own the digital infrastructure, you control so many nodes that are going to be key in the new economy. The first digital wave hitting was about consumer-to-consumer, voice communications, data. As we turned the corner and moved to more of a cloud-based environment and faster digital throughput in 3G and 4G, it was this notion of, "Okay, it's no longer C2C, maybe it's consumer-to-enterprise or B2B."

> **"The minute you enter your apartment, it's already predicting your favorite show to watch. It's delivered the right amount of Pellegrino, butter, eggs, whatever."**

This next decade will be defined by D2D [device-to-device]. And so we talk a lot about device learning. We talk about IoT networks. Think about a Tesla. It consumes four gigabytes of data per day — that's a driving data center. On a given day, it can touch 2,500 IoT sensors in its journey. It's communicating perpetually to the cloud.

What are you listening to? How did you drive? Oh, by the way, when you're in that shopping center and you get back in the Tesla, it reminds you, "Oh, you didn't go to the dry cleaners and get your wife's dress." That stuff is not science fiction — that's happening today.

We spend a ton of time talking to commercial property owners about this. How is IoT going to change the office-building environment? What's your elevator cab management? What's your lighting system management? How can you use all of those transactions that are happening in an office building to create a more efficient environment where we can bring greenhouse gas emissions down by 20 to 30 percent over the next 10 years?

This is surely what Bob Sulentic is thinking about at CBRE right now: How do we bring a better user experience, but at the same time how do we reduce our carbon emissions? We all have the same responsibility to the planet and to our investors. And the way we get there for the next 10 years is exactly that — big data analytics, data mining, IoT sensors, artificial intelligence and helping real estate make better decisions.

Emissions — what New York's climate law is built on — are not necessarily a great indicator of energy efficiency in a building. You need to understand what goes on in those buildings. I wonder if you can play a role in getting buildings to a point where each one has bespoke energy usage reports. Look at what we're doing with cars. Five years ago, cars were not looked at as a data center. I didn't think we were doing data mining in automotive, but we are. And it's helping us make decisions in how the cars ultimately operate, the routes that they take, the efficiencies. The same thing is going to happen in commercial real estate. And it is happening, I think, is the punchline.

I'm from New York. I have a deep passion for the city. And New York has a rich history of creating regulations that almost get in the way of itself. For New York to repair itself, it's going to have to be enabled through digital. A lot of what will bring it back is understanding how digital can transform the city and make it a better place to live.

We've seen other big American cities suffer because they haven't adapted, Detroit being one of them. And then you look at a city like Miami, incredibly dynamic, embracing technology and digital and change. And companies are moving here in droves.

We've done a lot of work with the city of Pittsburgh, Carnegie Mellon and Uber, with autonomous vehicles that drive around the city, creating centers of innovation on edge computing by using data centers on the periphery of the network to create better user experiences. So cities that understand digital and understand what to do are going to move forward. Cities that don't are going to move backward.

I was grappling with how to value assets in your space. If you own an office building in Grand Central — pre-pandemic, let's say — you can map out rent appreciation and come up with a valuation. But with digital infrastructure, asset values can escalate much more rapidly if the digital ecosystem built on them gets richer. There are four key value drivers. One is the scarcity of the permits. The second is the quality of the underlying cash flows, just like traditional real estate — a 25-year lease with Verizon is better than a three-year lease with T-Mobile. Third, growth drivers are very important in digital. So if it's a data center and you keep adding more racks each year, and those racks exponentially increase the rents, that affects the cap rate. A high-growth digital asset is going to command a very, very tight cap rate.

The fourth thing is how you finance. You talked about owning that really great office tower in the center of Midtown. You can securitize that super-tight because 80 percent of the rent roll is investment-grade. And the weighted average office lease is eight years in duration. You know where that's going to price.

The same thing is happening in digital real estate. Bondholders are moving to digital real estate because they like the duration of the leases, they like the quality of the cash flows and they like the predictability of the earnings, which they're not getting in traditional real estate anymore because of this disintermediation that you and I talked about.

So permitting, contract duration, growth and financing are the four vectors that impact value. And if you hit on all four, an asset is worth 30 times or 40 times cash flow, which is crazy.

Look at fintech. When companies like Stripe started out, they had this total addressable market figure in mind and aimed to capture a slice of it. But what even they couldn't account for is that the entire market changed — Stripe is now worth more than the entire fintech market was worth when it launched. Is there an element of that in your business — that if a couple of things happen in the digital ecosystem, this tower isn't worth 1.2X, it's worth 10X or 20X? I've spent the first year [as CEO] just rebuilding trust. We finally get to play offense. If cloud computing continues to grow at 20 to 25 percent [compound annual growth rate], our cloud data centers on our balance sheet are going to be worth 20 to 25 percent more in a year. It's easy to do that math.

With edge computing, we're in the first inning. And we're the largest developer and owner of edge data centers today. We have 68 centers, and that business has double-digit organic growth.

And then having networks that service 5G and IoT networks and help drive some of that artificial intelligence, that's also super important. So we're working both sides of the fence at the same time, but the key is to be in the landlord business where your tenants are growing. You've got to skate to where the puck is going.

And you're attacking it from a really interesting perspective. One, you own some of these assets. Two, through your fund, you're able to invest in some of these companies delivering those services. It seems like more than just owning the real estate. You're trying to sit at the center of that ecosystem. We want to be the enabler of converged networks. That's where we sit at the corner of State and Main in digital. I think the stuff that we're doing in the future is how do you enable connectivity to the next level? And how do we bring connectivity closer to the consumer, closer to ultimately an enterprise? And then ultimately, closer to the device? A lot of that is happening in what we call edge computing. It works well in a downtown environment, but not on the edge of a network. Our mission is to build that

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A Colony Capital data bank in Atlanta

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infrastructure, provide that connectivity. And then if we can go a layer deeper and actually help operate the core of the network and make it more efficient and lower the cost for the carrier and for the cloud provider, then we're providing that next level of connectivity. And that's interesting because really, that's not a place where digital REITs have historically gone.

What do you think the [total addressable market] for your business is? Since we're straddling the realms of real estate and infrastructure here. Last year the TAM grew by $387 billion. That's what was spent last year on digital infrastructure — towers, small cells, fiber and data centers.

And you guys did about 8 percent of that. Correct. Our goal is to do 5 percent every year. And this year [total spend] will be $396 billion, and next year it'll be $414 billion. So you just look at that and in three years, that's $1.2 trillion in new CapEx that's just gone into the ground. Every year we keep compounding and adding to that. And I just don't see that slowing down. I think you've got a TAM that was a couple of trillion dollars a decade ago. Five out of the top 10 biggest REITs in the world today are digital REITs.

With the growth of e-commerce and industrial, how does your business change? It's smart logistics, it's understanding that the design specifications of a new industrial property have to have different ceiling heights, you have to have different size loading docks for autonomous driving vehicles. We're going to have drone pads taking off and landing. You've got to have IoT sensors throughout the entire industrial park, because as an Amazon truck drives in, you want the IoT sensor to track everything that's on that truck before it gets to the property. So when it arrives, you have every SKU code, you know exactly where the goods are going and what goods are coming in.

A great enabler of that is CBRS (citizens broadband radio service) radios, the new technology that the FCC just launched. So what we can do as property owners is we can set up wide-area networks. We can deploy the CBRS radios. And you can use it for IoT, you can use it for inventory management, you can use it for workflows and process management, you can run your email off it, you can run your comms. So the ability to bring wireless and applications together and then impact the enterprise is where industrial real estate is going.

Imagine a huge port. Hundreds of thousands of containers coming in and out every day, and ships waiting 2 miles offshore. IoT sensors knowing what's on those ships because they're picking up an RF code, an SKU code inside that shipping container. By the time that ship comes into port, every good has already been mapped.

We're working with Homeland Security to define which container is sensitive and which one's pre-cleared. So now you're speeding up supply chain. If you can make a ship turn 25 percent faster you can ultimately get goods and services going to a place faster with zero human intervention. These are autonomous cranes putting shipping containers onto rail carts, putting them onto 18 wheelers that drive autonomously, boom, they're gone. That's next-generation thinking.

You couldn't solve the Suez canal crisis, but you can do a lot of other things. But that's what they're doing in Panama. They're trying to figure that out because right now in Panama, you've got goods and services that sit for 10 days outside the canal. That doesn't work. So we need to use technology to enable that. TRD

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The curious case of

THE VANISHING ATTORNEY

Top landlord lawyer MITCH KOSSOFF allegedly absconded with millions in escrow funds. Will his clients ever get repaid?

By Rich Bockmann

The spin class at the New York Sports Club near City Hall was a popular lunchtime workout for landlords and real estate attorneys.

They would go there for the intense instructor, Mitch Kossoff, a spinning evangelist and one of New York City's most prominent landlord lawyers.

In the studio, Kossoff cranked up a soundtrack of thumping club music, motivating his class to "dance on the bike" as they worked up a sweat. In his law practice, too, Kossoff made adversaries perspire with an encyclopedic knowledge of the state's byzantine rent stabilization and loft laws.

But clients haven't seen the hard-driving, fast-pedaling lawyer lately, either at the office or on the bike. And some are afraid there's another thing they won't ever see again: their money.

In early April, Kossoff vanished, leaving millions of dollars in client money unaccounted for that he was holding in escrow funds. The scandal has rocked real estate pros across the city, many of whom put their own money into someone else's bank account with the expectation — based entirely on judge of character — that it remains safe.

"Lawyer escrow is supposed to be sacrosanct," said Neil Shapiro, a real estate partner at law firm Herrick Feinstein.

Kossoff, who has yet to reappear publicly, represented some of New York City's biggest multifamily owners, including major rent-regulated landlords like Steve Croman of 9300 Realty, Terrence Lowenberg and Todd Cohen's Icon Realty Management, and Larry Gluck's Stellar Management.

In his absence, his law practice has practically dissolved, leaving his attorneys scrambling to find new jobs. Clients have turned to the courts to recoup their funds and documents that remain locked up in the firm's Lower Manhattan office. Even Kossoff's own mother took legal action, claiming her son forged her signature to take out a series of emergency business loans.

So far, nearly $10 million in escrow funds are alleged to have gone missing, while the federal court in Manhattan oversees the bankruptcy of the abandoned law practice, and Manhattan District Attorney Cy Vance investigates possible criminal actions.

Criminal defense attorney Walter Mack of Doar Rieck Kaley & Mack said he's been retained by Kossoff to represent him in any criminal cases. Mack said that since the scandal erupted, he's spoken with his client frequently and that Kossoff hasn't run off, despite the fears of some of his clients.

"He's subjected himself to the jurisdiction of the Manhattan district attorney and the U.S. attorney," Mack said. "He's not a fugitive."

That still leaves a host of unanswered questions, namely: Where is Kossoff, what did he do with the missing millions, and what would prompt a well-respected, veteran attorney to simply throw it all away?

'He's scary'

The law firm of Kossoff PLLC is headquartered in Lower Manhattan at 217 Broadway, not far from the New York State Homes & Community Renewal office, where landlords go when they want to make changes to a rent-regulated apartment.

That was his turf.

If there was an error in the paperwork 10 years back that allowed a building owner to raise the rent on a stabilized apartment, for example, Kossoff would not only find it but also would convince regulators the owner had a legitimate case. If a client wanted to buy a building and the seller's lease riders weren't in order, Kossoff would spot it and give the buyer a bargaining chip to try and lower the price.

And the attorney is known for playing rough.

"He's scary," said one landlord who was on the other side of a deal from Kossoff and agreed to speak on the condition of anonymity. "He's one of these guys who knows the law inside and out and will hang you up."

Not surprisingly, some of Kossoff's clients were the types of landlords who liked that tough-guy approach.

The list includes some of the biggest rent-regulated landlords in the city. They're no strangers to controversy — Croman and Icon's principals have all been accused of harassing their regulated tenants in order to raise rents. It's not clear if Kossoff's highest-profile clients had escrow accounts with him, and they're staying tight-lipped.

Stellar declined to comment and Icon

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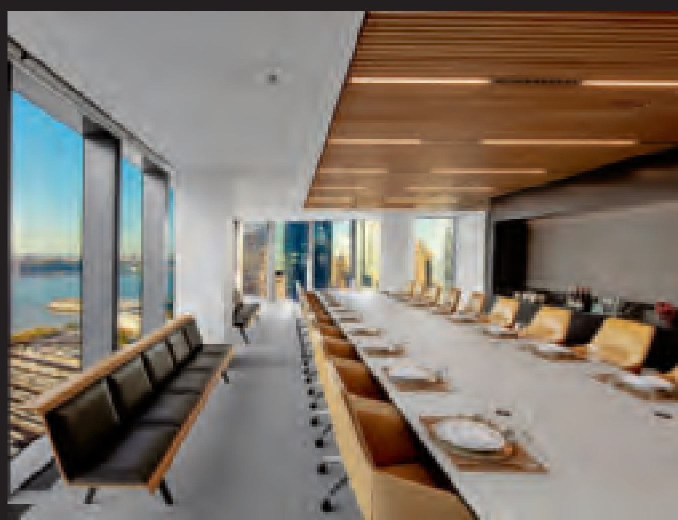
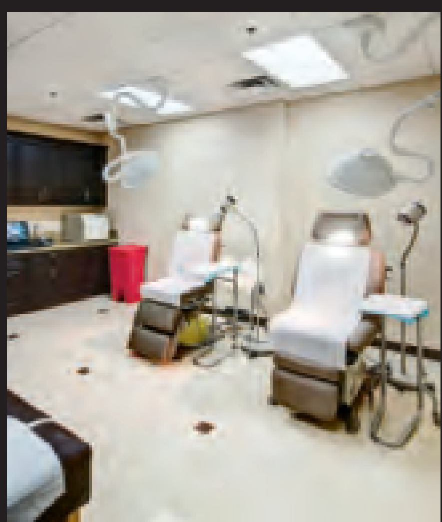
> **"Some attorneys roll over easily, but he was an aggressive lawyer."** DAVID ROZENHOLC

GETTY IMAGES







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Realty did not respond to a call for comment. An attorney for Croman said the allegations are a "very concerning situation" but declined to comment further.

In addition to being one of the most knowledgeable landlord attorneys in the business, Kossoff is also known as a dogged litigator.

Mitch Kossoff

"He's not a fugitive."

ATTORNEY WALTER MACK, DOAR RIECK KALEY & MACK

"Some attorneys roll over easily, but he was an aggressive lawyer," David Rozenholc, himself a fearsome tenant attorney in New York, said with a kind of professional reverence. "He would litigate and would push cases. He was not easy to settle with."

And Kossoff's reach wasn't limited to his law practice. He ran a side business called Tenant Tracers, where an investigator would keep tabs on residents to find out, for example, if a rent-regulated tenant was really using an apartment as a primary residence.

But a big part of his business was negotiating tenant buyouts, and that's where the escrow comes in: Kossoff would get his landlord clients to put money for tenant buyouts into his escrow accounts to prove that they were serious about getting a deal done.

And he was a big factor for many landlords who successfully deregulated apartments.

"He certainly used his escrow account as a sword," said one attorney familiar with Kossoff's deal-making style. "There's nothing like holding a check to someone's throat to make them more amenable."

Incommunicado

It's difficult to say exactly when things started to unravel at the law firm, but clients who regularly communicated with Kossoff say he grew more elusive around late winter.

SSM Realty Group, a Long Island-based landlord with at least three large rental properties in Manhattan, made a request in February for Kossoff to return $1.5 million of the $2 million in escrow he had been holding for the company since last year.

By March, Kossoff had only returned $700,000, according to a lawsuit SSM filed in April. That's when things went downhill.

"Mitchell became increasingly difficult to track down, failed to return the remainder of the escrow funds and ultimately stopped communicating," SSM attorneys wrote in a complaint filed April 7.

Another client, Gatsby Enterprises, said Kossoff went radio silent with $525,000 in escrow the company had set aside for tenant buyouts. The landlord, which had worked with Kossoff going back 15 years, sent him $300,000 last year to negotiate three tenant buyouts at an apartment building in Soho, according to a court filing.

As recently as March, Kossoff told Gatsby the company needed to up its offer by $75,000 for each tenant. The landlord then wired its lawyer $225,000 on March 24.

Steve Croman

On April 6, Gatsby's general counsel went down to Kossoff's office and was told by attorneys there that Kossoff's wife had sent text messages saying her husband had been "hospitalized," court records show. Kossoff hasn't been heard from publicly since.

Gatsby's counsel was also told that Kossoff had exclusive control over the escrow funds and may have transferred them for nonclient purposes, according to Gatsby's legal filings. It was nearly impossible to tell exactly what happened, though, because banking passwords for the escrow accounts had been reset and Kossoff appears to be the only one with access.

Albert Laboz

"No one at the firm knew for sure what had happened to Mr. Kossoff or where he was," Gatsby's attorneys wrote.

The mounting legal claims against Kossoff and his firm help illustrate the kind of money at stake.

Albert Laboz's United American Land filed paperwork saying Kossoff was holding more than $3 million in escrow for the landlord. That includes $2.4 million United American deposited in July 2019 to show a court the company had funds available to demolish a building in Tribeca and pay stipends to tenants. The remaining $800,000 was for tenant buyouts at a loft building on Union Square West.

United American is one of four clients that claim they're missing $8 million in escrow — not counting the $1.85 million SSM and Gats-

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THE PROBLEM WITH ESCROW

REAL ESTATE LAWYERS ROUTINELY HOLD MILLIONS of dollars in escrow for their clients, serving as trusted third parties to ensure funds are delivered and deals close properly. The attorneys safeguard the money for days, weeks and sometimes years.

But how strong are the regulations preventing lawyers from looting that lockbox? Not very, it turns out.

"It's ripe for abuse," attorney Si Aydiner said. "There is an avenue for people to take advantage of this type of account if they want to."

That's exactly what happened in the case of New York real estate attorney Mitch Kossoff, at least 10 former clients contend. The multifamily landlords and real estate investors say Kossoff has failed to account for roughly $10 million of their money he held in escrow, *The Real Deal* first reported in April. Kossoff has been unreachable for weeks; the former clients are now suing in state and federal court with some trying to push his firm into bankruptcy. The Manhattan district attorney's office is also said to be investigating.

The Kossoff case may be an outlier given the scope of the alleged theft, but it puts lax regulatory oversight regarding escrow funds into the spotlight. Federal and state policies mostly direct the process that attorneys must follow but generally let the law firms police themselves, according to several attorneys who are experts in the field.

The toughest laws, they said, are mostly punitive, not preventative.

By the book

A federal law stipulates that banks consider attorneys — not their clients — the escrow account owners. The Financial Crimes Enforcement Network's measure exempts banks from the "know your customer" mandate, which requires the financial institution determine the true owner and origin of money in most accounts.

States like New York and Florida guide how attorneys should handle escrow. But they keep a narrow focus, deciding which banks can hold the funds, ensuring that records of deposits and withdrawals are kept — without tracking the money's destination — and creating consequences for misappropriating money.

Some rules do put up roadblocks, but experts say those aren't enough. In Florida, law firms are required to have more than one person in the firm sign off on a withdrawal, attorney Dan Gonzalez of Meland Budwick said. In New York, law firms must audit their own escrow accounts but are not required to hire an outside firm, said Scott Bush, who has defended lawyers facing disciplinary action.

New York also maintains a Lawyers' Fund for Client Protection that reimburses a consumer up to $400,000 in the event an attorney misuses money. Of the $8.5 million the fund paid out across 114 cases last year, escrow claims totaled $3.4 million, according to the organization.

So while some protection exists for a client who has been wronged, "part of it is trust with respect to what the attorney is doing," said Bush, of the firm Corrigan, McCoy & Bush. "Just like you trust your doctor." He added, "The only way to get around it, technically, is to say, 'Lawyers can't hold any escrow funds.'"

Escrow accounts are difficult to audit because millions of dollars flow in and out as property owners and investors deposit and withdraw money, Aydiner said.

Typically, law firms open an account holding funds from multiple clients. For real estate escrows that hold money long term — like security deposits for renters — clients may go years without having to withdraw that money, making the funds more susceptible to embezzlement. Typically, an accountant will review whether the withdrawals match the amount in the account but will not verify whether the money was transferred to someone other than the original client, Bush said.

Widespread escrow fraud is rare, attorney Joe Pack said, with laws and professional ethics rules punishing such criminal behavior.

"It all eventually catches up," he said. Pack, who has his own Miami practice, noted the allegations against Kossoff are "unfortunate" but not unheard of. "The house of cards will eventually fall. People always come back looking for their money."

In Kossoff's case, Westchester, N.Y.-based investor Rob Yaffa sued after $590,000 held in escrow for a building sale didn't get transferred days later, as it was intended.

Aydiner, who has served on the New York Grievance Committee, which takes up disciplinary cases against lawyers, said he has "never seen" a case like the one involving Kossoff.

"Because now we are talking about bankruptcy hard on the heels of the attorney disappearing, hard on the heels of questions concerning what happened to the money in escrow, this is a major situation," he said.

And despite federal and state penalties for stealing funds from escrow accounts, the opportunity to commit the crime is there if a lawyer chooses, Bush said.

"A thief is a thief is a thief," he said. "I can have all the bells and whistles and security alarms in my house. But if someone wants to break into it, they are going to break into it. Plain and simple."

— Lidia Dinkova

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by want returned — and have filed to force Kossoff's law practice into bankruptcy.

Signs of distress

It remains unclear what happened with Kossoff's escrow funds, but there are signs of distress pointing back to last year.

As early as last summer, Kossoff started taking out a series of merchant cash advances — a kind of corporate payday loan for companies where they agree to trade future income for upfront cash.

Between June and January, Kossoff took out at least $3.4 million in these loans, court records show. In exchange he agreed to pay back $4.8 million. But when he defaulted on the funding agreement, it revealed just how desperate he had been for cash.

Alongside Kossoff's signature, the funding agreements included a signature purported to be that of his mother, Phyllis Kossoff, a 94-year old philanthropist who founded the New York chapter of the Cystic Fibrosis Foundation.

But the family matriarch said in court papers that she never signed the documents and that she had been "the victim of a terrible fraud."

Phyllis Kossoff didn't directly accuse her son on the record of forging her signature, but her attorneys were more blunt.

"As incredible as it sounds, the evidence demonstrates that the fraud was committed by Ms. Kossoff's son, Mitchell Kossoff, who concealed what he had done until late last week when he told his mother that there are 'some documents,' which had her signature 'but which she had not signed,'" her attorneys wrote.

According to people who know him, Kossoff stands out from the staid, buttoned-up attorney crowd.

For client meetings, he eschewed suits in favor of casual pants and a sweater. Some described him as a flamboyant and charismatic character. One person who dealt with him said the dressed down approach gave the impression of someone who felt as though he didn't have to conform to others' rules.

But by all appearances, Kossoff was a well-regarded lawyer with a long history of fighting for his clients. Without exception, everyone who spoke to *The Real Deal* for this story said they were shocked at the allegations.

Company man

The scandal also caught his co-workers off guard. Kossoff PLLC employed about 30 attorneys, at least one of whom has been named as a co-defendant in a lawsuit.

Caren Decter, an attorney at Frankfurt Kurnit Klein & Selz, is now representing eight former Kossoff employees. As soon as the employees discovered their boss had vanished and client money was missing, they all took steps "to report the incidents to the appropriate authorities," Decter said.

Kossoff clients all declined to comment for this story and tensed up at the mention of escrow accounts.

Landlords across New York City regularly hand over large sums of money in the form of escrow to their attorneys.

But lawyers have walked off with escrow money frequently enough in the past that it's become something of urban lore — and a cause for concern. When the sum in question gets to a large amount — say, $10 million and up for a big purchase — many buyers will choose to go with a big title insurance company that offers more security.

In many large law firms, it takes signatures from two or more partners to release escrow funds as a way of protecting against corruption. But in a single-practitioner firm it's usually just one lawyer who oversees the funds.

"Most people would not want to leave [large amounts of] money with any law firm, and certainly not any small law firm," Herrick's Shapiro said.

Reckoning awaits

As of mid-May, Kossoff had not resurfaced, and no explanation has been given about his absence, people involved in the matter told *TRD*.

His law practice has crumbled, and Kossoff hasn't responded to any of the civil lawsuits filed against him and his firm.

One client, SSM Realty, is pleading with the court to grant access to Kossoff's Downtown office so executives can collect some 25 bankers boxes containing more than 40 years' worth of business records the law firm is holding.

If Kossoff doesn't show up, a Manhattan bankruptcy judge is expected to appoint a receiver in the case to liquidate his law practice — which might provide some answers as to the status of the escrow accounts.

In the meantime, the scandal has shaken New York's real estate community. And it's not just those who are searching for their money or who have done business with Kossoff in the past who are on edge.

The idea that millions of dollars sitting in bank accounts could disappear in a flash has many anxiously checking their escrow funds more frequently.

Anyone, they realize, could be a crook.

"There are bad lawyers, just as there are people with drinking problems and gambling problems and drug addiction," Shapiro said. "The only difference is, they don't have this pot of money sitting there." TRD

TRICKS OF THE TRADE

NYC landlords could find a lifeline in carbon swapping

By Keith Larsen

The year is 2030. New York City landlords, struggling to comply with city-mandated greenhouse gas emission caps, are on the hook for millions of dollars in fines — penalties that will only multiply in the coming years. This is the daunting reality that building owners face under Local Law 97.

But there is a possible workaround.

The city is considering a program that will allow building owners to trade carbon emissions. If implemented, landlords who own buildings with high greenhouse gas emissions will be able to buy credits from lower-emitting building owners to reduce overall emissions. It could also give rise to a market for Wall Street to tap into.

The initiative, however, has not gained much steam. For starters, the city's study on carbon trading is still being conducted. Environmental justice groups loathe the idea, and the city's real estate industry has yet to vocally support it.

"My clients are not talking about [carbon trading] at all," said YuhTyng Patka, co-chair of law firm Duval & Stachenfeld's Climate Mobilization Act practice group. "The real estate industry is finally waking up to Local Law 97. Carbon trading is way too far off."

But Patka expects that Local Law 97 will soon become a bigger deal to landlords. So far, the city has not caved to the real estate industry's efforts to circumvent emissions standards.

"Building owners are going to have an 'oh shit' moment," said Patka.

Passing gas

Financial giants that have mastered the art of monetizing people's physical assets, like homes and cars, are increasingly reaching for the intangible.

Wall Street is investing in virtual currencies. Investors are bidding on "non-fungible tokens," or digital creations bought and sold as unique assets, in categories from collectible cards to digital real estate.

Financial firms are also increasingly looking at carbon as the next big tradeable commodity.

More generally, carbon trading programs — where companies can buy and sell credits, or allowances for emissions — are already in place in Europe as well as California. China is working on its own plan.

The initiative is an alternative to a carbon tax — or a direct tax applied on carbon emissions. Over the years, the idea has become more sophisticated. In late 2020, Goldman Sachs started an index that gave oil investors the opportunity to offset emissions by buying carbon permits in the European Union.

New York City would become only the second city, after Tokyo, to implement a municipal carbon trading program. The effectiveness of Tokyo's program has been hotly debated. But a recent study suggests that it helped reduce the city's average annual emissions by 6.9 percent.

The trading program could help spur a new $20 billion building retrofit market as a result of Local Law 97, according to the Urban Green Council, a New York-based nonprofit that advocates for improving buildings' energy efficiency.

But there's a major hurdle when it comes to implementing carbon trading: It's complicated.

"This is not using beans; we are trading an invisible gas," said John Mandyck, CEO of the Urban Green Council.

The city commissioned a study on carbon trading as part of Local Law 97. The law mandates that commercial buildings over 25,000 square feet are required to reduce their emissions by 40 percent by 2030 and 80 percent by 2050.

Initially, that study was to be released in January. It is now supposed to be released this summer.

There are a number of kinks that still need to be worked out. One is whether credits can be "banked," which would allow landlords to hold credits in reserve for use at a later date, instead of being traded immediately.

It's a proposal that the Real Estate Board of New York's vice president of policy, Zach Steinberg, said he would like to see. More broadly, Steinberg said, REBNY is advocating for more ways to help building owners comply with Local Law 97.

"The city needs to be much more aggressive in getting the details of the law worked out," he said.

Green bean counters

Rudin Management's John Gilbert is a data evangelist.

The longtime COO of the dynastic New York City real estate firm is using data, including from its smart buildings subsidiary Prescriptive Data, to help lower the firm's energy usage across its 10.5 million square feet of commercial space.

80%

SHARE OF CMBS PROPERTIES IN NYC ON TRACK TO INCUR FINES UNDER LOCAL LAW 97, PER MOODY'S

Since 2005, Rudin has reduced electrical usage by 43 percent and steam usage by 46 percent.

Gilbert is now applying this approach to carbon. When digging into other carbon markets that failed, he noticed a common theme.

"There isn't enough granulated, authenticated data to create a market," said Gilbert.

The solution to some of these problems could be blockchain technology, a virtual ledger most commonly associated with the speculative world of cryptocurrency.

Gilbert worked with Brookfield Renewable Partners, a subsidiary of Brookfield Asset Management, along with JPMorgan Chase, KPMG and the carbon accounting tech startup ClearTrace to design a system to swap carbon credits using the blockchain.

In October, Brookfield and JPMorgan reached an agreement to use the technology to track the flow of hydropower from Brookfield to JPMorgan facilities in hundreds of buildings across New York state.

The technology is being developed, but tracking carbon is much more difficult than tracking other commodities. It relies on a sophisticated set of calculations with no universal benchmarks.

"What is desperately needed in the carbon accounting world is a clear standard," said ClearTrace CEO Lincoln Payton.

The carousel

Carbon trading is not just tricky because of the logistics. It is also largely hated by environmental justice groups.

To opponents, the program amounts to a "get out of jail free" card for polluters — a loophole around emissions caps for some of the city's biggest sources of carbon.

They have some precedent to rely on. Some of the world's largest carbon emission trading programs have become victims of fraud. Over a decade ago, fraudsters set up

> **"What's left is carbon trading, or else these buildings are just going to pay fines. We don't get carbon reduction."**
>
> **JOHN MANDYCK,** URBAN GREEN COUNCIL

fake shell companies in Europe to trade carbon credits with each other. The scheme, known as a "carousel," resulted in billions of dollars being siphoned out of European governments. French media dubbed it the "fraud of the century."

More recently, carbon trading in California has come under scrutiny. A state-implemented program allowed polluters to "offset" their carbon emissions by purchasing credits from owners of forested land, thus incentivizing their preservation.

But a recent investigation by ProPublica and MIT Technology Review, citing findings from CarbonData, reported that the state's program generated between 20 million and 39 million credits that "have not resulted in real climate benefit."

The Urban Green Council recognized these concerns in an initial report on carbon trading.

One solution is to tilt investment to environmental justice areas to make them a priority. Another is to use carbon trading to fund energy upgrades and retrofits in these areas.

"However we enact [carbon trading] in New York, it will be one that advantages environmental justice communities," said Mandyck, whose organization is working on the city's study.

The 'oh shit' moment

Despite the looming consequences of noncompliance, Local Law 97 has thus far remained a relatively low priority among landlords and developers. It was passed in 2019, the same year the state passed its controversial rent regulation laws. Then there was the broker free ban that was supposed to go into effect. Not to mention a global pandemic that kept people hunkered down at home.

That could change as lenders start to press landlords on their compliance with city law. A May report by Moody's predicted that 80 percent of New York City commercial properties underlying mortgage-backed securities are on track to face fines under Local Law 97.

"Lenders are starting to ask questions," said Daniel Spitzer, an environmental law attorney with Hodgson Russ.

Some landlords will face a difficult time answering those compliance questions. For landlords with energy-intensive tenants, such as data centers or trading floors, the emission mandates under Local Law 97 could become impossible to meet even with solar panel installations or energy efficiency upgrades.

"What's left is carbon trading, or else these buildings are just going to pay fines," said Mandyck. "We don't get carbon reduction." TRD

Stephen Ross

LAP OF LUXURY

Miami real estate pros giddy about what Formula One could mean for high-end market

By Katherine Kallergis

Formula One's plan to race in Miami starting next year has developers and brokers ready to kick their marketing efforts into high gear to appeal to the fast-driving crowd.

Efforts to bring the elite race to Miami culminated in April with a city vote that clinched a 10-year deal at Hard Rock Stadium with Related Companies' chairman and founder, Stephen Ross. The approval followed years of negotiations and opposition.

Exotic cars are synonymous with high-end Miami real estate and nightlife, and F1's fan base could bring thousands of new prospective buyers to South Florida. For developers, brokers and hotels, the opportunities for sales, sponsorships, booths, events, partnerships and more seem endless.

"It's like having a contract for the Super Bowl for 10 years," said Alicia Cervera Lamadrid, managing partner of Cervera Real Estate, which is handling sales and marketing for the Aston Martin Residences in downtown Miami. "It also brings spectacular clientele that takes millions of dollars in marketing to attract."

Ross has been pushing to score the open-wheel auto racing circuit for years. Ross' stadium in Miami Gardens, home to his Miami Dolphins, already hosts the Miami Open tennis tournament and held Super Bowl LIV last year.

Now, the first Miami Grand Prix is expected to run in the second quarter of next year, following Art Basel in December, the Miami International Boat Show in February and the Miami Open in March.

"If it's in that order, that's a really good cadence of world-class focus on the community," said Scott Berman, a principal at PricewaterhouseCoopers, who leads the firm's hospitality and leisure practice. "As we get closer to the June, July and August months, we need demand drivers."

Berman and others said that F1's reach around the world — in China, Brazil, the Middle East and Latin America — will attract new tourists and real estate buyers.

"The indirect impacts really borne from the media exposure, social and digital marketing campaigns and television are far greater than a single day event," Berman said. "If it becomes an annual ritual, can't-miss type of weekend, that bodes very well for the hospitality community."

During last year's Super Bowl, hotel rates soared, in some cases up to thousands of dollars per night.

The implications also go well beyond tourism and real estate. E11even nightclub co-owner Michael Simkins said his wife, Nikki Simkins, who heads the E11even vodka brand, brought up the potential for collaborations with F1.

Broker Craig Studnicky of Related ISG said that the announcement "puts a further exclamation point on the fact that Miami is becoming a world-class city."

He said it's not uncommon for developers to tap top tennis players in town for the Miami Open to attend real estate events, and he expects the same will happen during the week of the race — though it may be hard to pin down top driver Lewis Hamilton, for example.

Valerio Morabito, who is partnering with developer and luxury car dealer Ugo Colombo on a condo development in Bay Harbor Islands, said there will be a "waterfall" of opportunities.

He said that the first thing new wealthy residents do is buy a beautiful car, and more buyers are now requesting larger and nicer garages to go with their units.

"There's a lot of car lovers, and this is going to obviously do even more for the city when it comes to that," Morabito said. "People have a true passion here in Miami for that."

Porsche Design Tower developer and car collector Gil Dezer, who recently revealed plans for his Bentley-branded condo tower in Sunny Isles Beach, said the race will bring out-of-towners who "follow what they love and spend money on it," much like Art Basel Miami Beach brings art collectors who end up buying real estate.

> **"You can bet we're going to be there with a strong presence."**
>
> **GIL DEZER,** DEVELOPER

"You can bet we're going to be there with a strong presence," Dezer said, adding that the indirect economic impact will be "way bigger" than the Super Bowl.

Formula One has dipped its toes in Miami before, and the organization initially proposed racing in downtown Miami, but was faced with significant opposition.

Kevin Venger, a co-developer of the Zaha Hadid-designed One Thousand Museum in downtown Miami, has been a big advocate of bringing the race to Miami, particularly to downtown. In 2018, F1 and Red Bull took over the condo tower's rooftop helipad, where a driver did donuts as a public relations stunt.

"What it's going to do for a real estate standpoint is draw more and more diversity and international clients," Venger said. "Selfishly, I would like it to be downtown, but it doesn't matter where it ends up."


Gil Dezer
Developer


Alicia Cervera Lamadrid
Cervera Real Estate


Valerio Morabito
Developer

Since lockdowns were lifted last summer, South Florida real estate, especially the luxury sector, has largely benefited from the pandemic. The region is experiencing a wave of new residents from high-tax states, and high-end leisure hotels bumped their rates as demand rose.

Now, the F1 race is expected to speed up that movement.

"I think the way to encapsulate it best is, imagine how difficult it would be to get the Super Bowl to commit for 10 years," Cervera Lamadrid said. "This is a Super Bowl for the world." TRD

GETTY IMAGES, RELATED, SONYA REVELL (DEZER), CERVERA

EXPLOSIVE CHARGES

Landlords cry foul after two dozen identical suits allege mismanagement at a Hollywood apartment complex

By Kevin Sun

For the owners of a Hollywood apartment complex, it was a minor legal headache: three lawsuits by former tenants alleging problems at the property.

That was in November. Now there are 25 suits.

The tenants' cases against Redwood Urban and the previous owner of the 270-unit property at 1724 Highland Avenue make explosive claims — including a literal explosion.

They describe unlivable conditions and illegal short-term rentals that led to thefts, break-ins and "physical intimidation at the hands of intruders."

On closer inspection, however, these separate lawsuits — mostly filed in the name of individual tenants — contain oddly identical allegations. For example, three-quarters of them claim to have had the same run-in with a malfunctioning parking lot gate.

"In one incident, plaintiff's wife almost died in a medical emergency because the gate would not open in the midst of their effort to seek medical attention," 19 of the lawsuits say. Not one of the wives appears to have sued.

In a statement, lawyers for Redwood said the "sloppy, copy-and-paste" nature of the complaints support the company's view that they are all "meritless."

Of the 25 lawsuits examined, 24 were filed between August and January by one attorney — Daniel Lavi of Tenants Law Firm. The other, filed on behalf of two tenants in March by San Francisco-based Tenants Law Group, mentions "physical altercations with drunk Airbnb guests" and inadequate upkeep, but no wife-related emergencies. Neither law firm responded to requests for comment.

Lavi's 24 suits all say a December 2017 "explosion" created debris and caused the L.A. Fire Department to evacuate the building in case of a gas leak. The suits assert that the tenants were allowed back in after a few hours without a thorough inspection of the property.

Redwood's lawyers called Tenants Law Firm's filing of 24 separate suits — instead of one with all the plaintiffs — "an obvious tactic to drive up litigation costs to use as leverage against the insurance company in any potential future settlement negotiations."

"These types of habitability lawsuits against apartments have become a popular endeavor among plaintiff attorneys who seek the low-hanging fruit of insurance money," Sean Smith of G&P Schick wrote in Redwood's statement.

The attorneys recruit as many tenants as possible, then seek an early settlement, he said.

In some of the later lawsuits, tenants' claims against the complex's previous owner, Essex Property Trust, have been dropped.

> **Separate lawsuits — mostly filed in the name of individual tenants — contain oddly identical allegations.**

Built in 2010 just steps from the Chinese Theatre on Hollywood Boulevard, the Highland Avenue complex has 243 market-rate and 27 income-restricted units, 8,670 square feet of retail space and two billboards.

Most of the plaintiffs moved in between 2012 and 2016 — when Essex was still the owner — and paid monthly rents ranging from $1,800 to $3,036. Two living in the affordable units arrived in 2010 and paid less than $1,000 a month.

While most of the lawsuits filed in late December and January are veritable carbon copies (apart from lease-related details), the earlier lawsuits have more varied allegations.

In two suits filed in November and early December, tenants allege that "infestations of ants, gnats and other vermin" were common at the property, a claim that does not appear in later suits. In another early December suit, a couple alleges that their five-year old "suffered medical issues arising from staying in the building."

The earlier suits offer more detail on tenants' circumstances. In a November complaint, one tenant alleges that she faced discrimination because of her protected status as a recipient of public housing assistance, and faced harassment from building staff. And in the earliest tenant lawsuit, filed in August, a transgender tenant claims to have been wrongfully evicted while going through medical treatment.

The claim that a wife nearly died because of a gate malfunction first appeared in four suits filed on Dec. 3.

"The allegations in some of the suits have no basis in fact whatsoever," Redwood said in its statement.

Curb appeal

The lawsuits' portrayal of the complex does not quite square with the assessments of ratings agencies that gauged its ability to repay debt.

In February, the landlord refinanced the apartment complex with $90 million from MF1 Capital, a multifamily mortgage REIT focused on bridge loans and backed by CBRE Capital Markets, Limekiln Real Estate and Berkshire Group.

That loan was securitized and, as part of the process, several ratings agencies looked at the property's finances and recent history. The picture they paint is not the disaster depicted by the lawsuits, but it does reflect some complications.

"There have been several challenges and disruptions to leasing over the past few years, including unknowingly inheriting 80 Airbnb tenants at acquisition from the previous owner, ongoing renovations to the units and common areas, and, most recently, coronavirus-related restrictions," a DBRS Morningstar analysis notes.

The landlord's statement addressed the Airbnb issue, saying, "Redwood has never permitted short-term rentals on the property and, in fact, has always unequivocally and expressly prohibited [them]."

It also pointed out an irony of tenants' complaints: Some were evicted by Redwood for "illegally subleasing their units as short-term rentals."

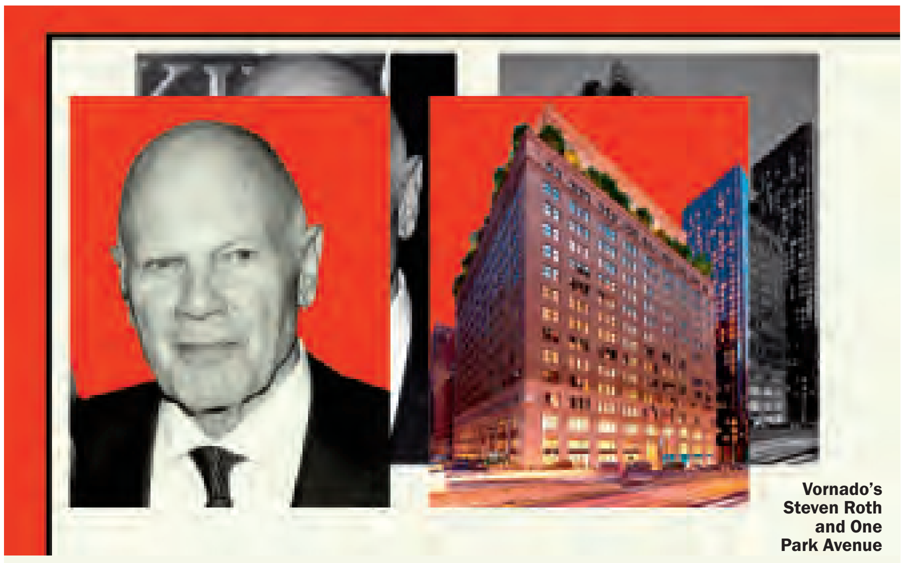
Fitch reported that the Airbnb tenants were removed, but units remained vacant for longer than expected because contractors were not available to fix them up. Facade and exterior renovations also delayed lease-up of the property.

DBRS analysts toured the property and concluded that "the updated units and amenities showed well but do not directly compete with the newer Class A product in the submarket."

Of the complex's two retail spaces, one is vacant and the other has yet to be occupied by its tenant, Mayweather Boxing + Fitness, because the pandemic delayed the buildout. But DBRS said that the spaces' curb appeal and exposure to foot traffic bode well.

Redwood, in a joint venture with Beverly Pacific, the investment company of Guess co-founders Paul and Maurice Marciano, has spent more than $7 million renovating 212 of the building's 243 market-rate units and is planning to do the rest as they become available, according to ratings documents. TRD

REDWOOD URBAN



Vornado's Steven Roth and One Park Avenue

HERE'S WHAT TENANTS ARE PAYING AT ONE PARK AVENUE

SINCE FIRST TAKING UP 83,000 SQUARE feet at One Park Avenue in 1999, NYU Langone Medical Center has expanded its office space at the property more than 10 times.

The medical center most recently increased its footprint last fall, bringing the total to 633,000 square feet in one of Manhattan's largest office leases of 2020, according to Colliers International. Located four blocks west of Langone's main medical campus on First Avenue in Midtown South, the building is one of the hospital's key administrative addresses.

Canada Pension Plan Investment Board acquired a 45 percent stake in the 20-story mixed-use property in 2014, while Vornado Realty Trust owns the rest. The landlords have since spent more than $64 million on capital improvements, including lobby and elevator upgrades.

In February, Vornado and CPPIB refinanced the building with a $525 million single-asset CMBS loan from Deutsche Bank and Barclays. Documents associated with the securitization provide an inside look at the property's finances.

As of February, the 943,000-square-foot property was 98 percent leased to 22 tenants, with a weighted average remaining lease term of more than 20 years. This figure is boosted by NYU Langone's lease, which extends through 2050 and accounts for 67 percent of the building's rentable area.

In addition to 595,000 square feet of office space, NYU Langone leases 21,000 square feet of retail space and 17,000 square feet of storage space. One Park Avenue has 96,000 square feet of retail space and 40,000 square feet of storage space in total.

TOP TENANTS AT ONE PARK AVENUE

BASED ON FEBRUARY 2021 RENT ROLL

	TENANT	SQUARE FEET	% SQ. FT.	BASE RENT PSF	% BASE RENT	EXPIRY
1	NEW YORK UNIVERSITY	632,628	67.1	$48.27	61.4	2050
2	ROBERT A.M. STERN ARCHITECTS	65,756	7	$67.91	9	2033
3	EQUINOX	64,839	6.9	$52.46	6.8	2037
4	CLARINS USA	39,032	4.1	$71.50	5.6	2022
5	AUTOMOTIVE-MASTERMIND	30,689	3.3	$67.00	4.1	2024
6	BMG RIGHTS MANAGEMENT	24,538	2.6	$67.12	3.3	2028
7	T-MOBILE NORTHEAST	21,500	2.3	$38.46	1.7	2021
8	CITIBANK NA	13,526	1.4	$167.35	4.6	2022
9	BANK OF BARODA	10,542	1.1	$64.00	1.4	2028
10	EUCLID TRANSACTIONAL	8,567	0.9	$73.00	1.3	2025
	TOP TENANTS	911,617	96.6	$54.07	99.1	–
	ALL TENANTS	921,579	97.7	–	100	–

SOURCE: TREPP

The second-largest tenant at the property is Robert A.M. Stern Architects, whose headquarters are on the 16th and 17th floors. The firm is known for designing many of New York's major luxury condo projects, including Vornado's 220 Central Park South.

Due to the impact of the pandemic, Equinox was granted a rent reduction and deferral for July to September last year, to be paid back over 21 months — and was seeking additional rent relief as of February, according to the loan prospectus. Overall, rent collections at the building stood at 96 percent at the end of 2020.

One Park Avenue has a peculiar condominium structure which allows NYU Langone to benefit from property tax exemptions due to its nonprofit status. The building is divided into two condominium units, one of which is fully leased to NYU. NYU's leasehold interest, in turn, is subdivided into condominium units that the city's Department of Finance treats as property owned by NYU. *—Kevin Sun*

RECONCILING THE UNEXPLAINED GAPS IN MANHATTAN BROKERAGE REPORTS

MIND THE GAP? EACH QUARTER BRINGS reports from brokerages tracking Manhattan's residential market — and each quarter there are unexplained gaps in those figures, painting a sometimes murky picture of the housing market.

In an attempt to reconcile some of these differences, *The Real Deal* analyzed the first-quarter Manhattan market reports from the city's top residential brokerages. To account for outliers and provide a more middle-of-the-road view, we introduced an aggregate figure across key metrics by averaging the numbers provided.

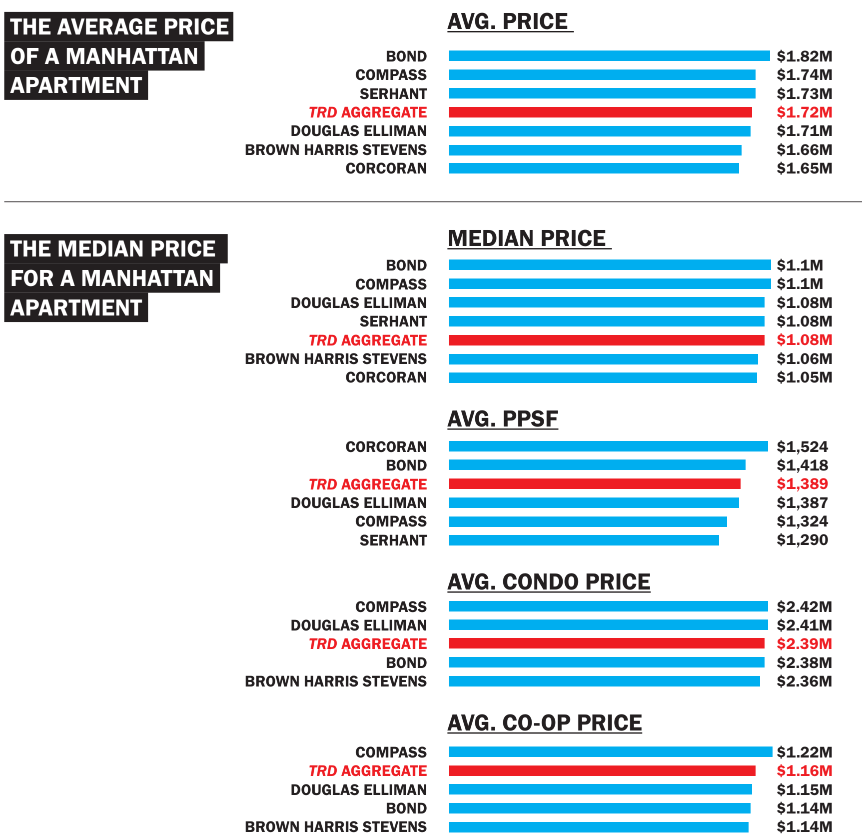
There was a consensus among the reports that the Manhattan housing market is inching toward equilibrium thanks to a combination of declining prices and rising sales volume. But there were some wide variations in the numbers.

"They've never been consistent," Jonathan Miller, head of appraisal firm Miller Samuel, said of the differences between the market reports.

Miller, whose firm has worked on Douglas Elliman's reports for decades, said that Elliman's data, for example, includes sales by its brokers that have not yet appeared in property records. While this practice makes Elliman's figures more accurate, it also makes it impossible to have uniformity across the reports.

The aggregate number for the average price per square foot in Manhattan, for example, was at $1,389, with figures ranging from Serhant's $1,290 to the Corcoran Group's $1,524. The gap between the lowest and highest figures, which amounts to $234, represents a difference of 15.3 percent. Meanwhile, the aggregate number for the average price of a Manhattan apartment was at $1,717,892, with the gap between the lowest and highest figures at 9.4 percent.

Still, some metrics are more consistent than most. The aggregate median price in Manhattan was at $1,075,000, and two firms — Elliman and Serhant — had the same figure. *—Christian Bautista*



THE TOP-PAYING TENANTS AT A NEWLY RECAPITALIZED BOCA RATON MIXED-USE PORTFOLIO

THESE ARE INTERESTING TIMES FOR the South Florida office market, with the pandemic pushing some tenants to give up space just as more firms from the Northeast consider moving into the region.

One office landlord betting on the market's upside is Omicrom Development, which recently landed a $99 million CMBS loan from Citi Real Estate Funding and Bank of America for a four-property mixed-use portfolio in suburban Boca Raton.

In addition to paying off prior debt, the new loan allowed an Omicrom-led group to acquire a majority stake in the portfolio, which has undergone $52.5 million worth of renovations and repositioning in recent years.

Documents associated with the securitization of the debt provide an inside look at the properties' finances.

As of January, the 515,000-square-foot property — known as Boca Office Portfolio — was 90 percent leased to about 150 office and retail tenants, with no single tenant accounting for more than 3.5 percent of the rentable area.

The four complexes, which consist of about 20 office, medical and retail buildings in total, are all located within 10 minutes of each other along Powerline Road.

The portfolio includes the seven-building Fountains Center at 7000-7700 West Camino Real, the two-building Grove Centre at 21301 Powerline Road, the City National Bank Plaza complex at 7000 West Palmetto Park and the lakeside Boardwalk at 18th at 6853-6909 Southwest 18th Street.

TOP TENANTS IN BOCA OFFICE PORTFOLIO

BASED ON JANUARY 2021 RENT ROLL

	TENANT	SQUARE FEET	% OF SQUARE FEET	BASE RENT PSF	% OF BASE RENT	EXPIRY	PROPERTY
1	BELUX LLC (AKA OPUS)	17,902	3.5	$17.95	3	2030	CITY NATIONAL BANK
2	WOMEN'S HEALTH PARTNERS	16,662	3.2	$23.87	3.7	2027	BOARDWALK @ 18TH
3	TDL CENTERS INC.	14,067	2.7	$18.54	2.4	2030	CITY NATIONAL BANK
4	UNIVERSITY OF MIAMI	12,987	2.5	$18.00	2.2	2026	FOUNTAINS CENTER
5	EXECUTIVE SUITES (SPONSOR-MANAGED)	11,571	2.2	$0.00	0	MTM	–
6	SOBER INVESTMENTS	10,885	2.1	$24.95	2.5	2024	GROVE CENTRE
7	HELLENIC PETROLEUM	8,381	1.6	$19.00	1.5	2025	CITY NATIONAL BANK
8	HARBINGER CAPITAL GROUP	8,281	1.6	$13.88	1.1	2021	CITY NATIONAL BANK
9	REVAMED HEALTHCARE PARTNERS	7,622	1.5	$25.79	1.8	2027	CITY NATIONAL BANK
10	NATIONWIDE AUTOMOTIVE SERVICES	7,028	1.4	$20.76	1.4	2026	CITY NATIONAL BANK
	TOP 10 TENANTS	115,386	22.4	$18.22	19.7		
	OTHER TENANTS	349,901	68	$24.56	80.3		
	ALL TENANTS	465,287	90.4	$22.99	100		

SOURCE: TREPP & *TRD* RESEARCH

Within the portfolio, the landlord manages about 12,000 square feet of "executive suites" — small units leased on six-month and annual terms "mostly to sole practitioners in professional fields," according to an S&P report.

The prior owners of the portfolio, a joint venture between Boston-based TJAC Development and Kireland Equity Investments, acquired the properties between 2012 and 2016 for a total of $78 million.

At the time of acquisitions, one of the properties was just 30 percent occupied and in receivership, "while the other properties suffered from minimal investment, low occupancy, and low quality tenancy," according to S&P.

As part of the recent recapitalization, Bahamas-based investment manager Holdun Family Office also acquired a stake in the portfolio alongside Omicrom. Four Omicrom principals are named as guarantors for the CMBS loan.

The properties have weathered the pandemic quite well, and have remained open throughout the past year. According to S&P, about 50 tenants received one- to three-month rent deferrals in 2020, most of which were paid off by year's end. *— Kevin Sun*

THE NEW YORK DEVELOPMENTS OFFERING THE SWEETEST BUYER INCENTIVES

FREE PARKING, PAID CLOSING COSTS, no taxes, oh my! As developers across New York City look to move new units amid an inventory glut, several new development buildings — particularly those in Brooklyn — are offering buyers a range of perks.

A total of 22 new condo and co-op buildings across the city with active sponsor unit listings are officially offering incentives, according to an analysis of StreetEasy listings from April. That's about 15 percent of all new development projects currently on the market.

More than half of the buildings offering incentives are in Brooklyn. ROART's 77 Clarkson Avenue in Prospect Lefferts Gardens, for example, is offering a 5 percent closing credit. CIM Group and LIVWRK are offering one year of free common charges at both their Front & York property at 85 Jay Street in Dumbo and at 111 Montgomery Street in Crown Heights.

Across the Pulaski Bridge, Meadow Partners' property at 42-14 Crescent Street in Long Island City is upping the ante to a full two years of common charges coverage.

While Brooklyn offered the most incentives, Manhattan's were the most generous. Buyers at Forum Absolute Capital Partners' 515 West 29th Street in Chelsea will get two years of free common charges, while Hogg Holdings and Vinci Partners' condos at 287 East Houston Street are extending partial coverage of common charges for a full three years.

Meanwhile, Level One Holdings is offering to cover three years of real estate taxes for its eight listings at 10 Lenox Avenue in Harlem. *— Christian Bautista*

TOP COMMON CHARGES SUBSIDIES AT NEW NYC DEVELOPMENTS

BUILDING ADDRESS	DEVELOPER	BOROUGH	# OF LISTINGS	SUBSIDY TYPE	MONTHS
515 WEST 29TH ST.	FORUM ABSOLUTE CAPITAL PARTNERS	MANHATTAN	4	Full	24
42-14 CRESCENT ST.	MEADOW PARTNERS	QUEENS	9	Full	24
85 JAY ST.	CIM GROUP, LIVWRK	BROOKLYN	24	Full	12
111 MONTGOMERY ST.	CIM GROUP, LIVWRK	BROOKLYN	18	Full	12
627 DEKALB AVE.	ELI NAHMAN	BROOKLYN	1	Full	12
844 QUINCY ST.	GUY IBER	BROOKLYN	1	Full	12
575 4TH AVE.	DATEN GROUP	BROOKLYN	9	Full	8
2515 GLENWOOD RD.	NEW BEDFORD MANAGEMENT CORP.	BROOKLYN	3	Full	6
287 EAST HOUSTON ST.	HOGG HOLDINGS, VINCI PARTNERS	MANHATTAN	4	Partial	36

Comings & Goings

The industry's biggest mergers, acquisitions, hires and departures

ELLIMAN'S NYC CEO JUMPS TO BERKSHIRE HATHAWAY

Steven James and executive sales manager Brad Loe are joining HomeServices of America

Steven James and Brad Loe

TWO DOUGLAS ELLIMAN VETS ARE jumping ship to work at Berkshire Hathaway's behemoth HomeServices of America brokerage.

Steven James, Elliman's New York City president and CEO, as well as the longtime sales director of the firm's Madison Avenue office, and Brad Loe, an executive sales manager, will join HomeServices as executive directors of brokerage development, the company announced in April.

In their new roles, James and Loe will be a step removed from day-to-day brokerage activities and will advise HomeServices' corporate leadership. They'll divide their time between HomeServices' corporate headquarters in Minneapolis and offices in Westchester County.

James, who has been in the industry for 40 years and at Elliman since 1990 — rising to New York City CEO in 2005 — said there's been a flurry of recruitment activity targeting managers in the city in recent months.

"I think it was the right time," he said. "I've been at Elliman for 30 years and, you know, I gave it my all, especially during the pandemic, but sometimes one needs a change."

Loe, who's been in the business for nearly two decades, joined Elliman in 2015 and described the job at HomeServices as one he couldn't pass up.

"You only get so many opportunities like this in one's career," he said.

Last year, HomeServices — a subsidiary of Warren Buffet's Berkshire Hathaway — was ranked the third most active brokerage in the country with a total sales volume of $150 billion, according to Real Trends.

In an email viewed by *The Real Deal*, Elliman Executive Chair Howard Lorber informed the brokerage's agents of James' departure and said Scott Durkin, president and COO, would lead the New York City business until a new regional CEO was hired.

—Erin Hudson

WARBURG BRINGS BACK VETERAN BHS EXEC TO RUN TRIBECA OFFICE

A LONGTIME BROWN HARRIS STEVENS executive is headed back to his former brokerage.

Stephen Klym will rejoin Warburg Realty on June 1 as the firm's senior vice president for strategic initiatives and sales director for its Tribeca office. In the latter capacity he replaces Brennan Zahler, who left Warburg last month after five years to run the Corcoran Group's Soho office.

Klym returns to Warburg, where he served as marketing director and senior managing director from 1999 to 2007, after spending the last 10 years at BHS as executive vice president and managing director of sales.

"We wish Steve the best and thank him for his service, and we are very fortunate to have such a wealth of experienced executives and managers here at BHS to step in immediately," BHS CEO Bess Freedman and President Hall Willkie wrote in an email to agents.

In his new role, Klym will work closely with CEO Frederick Warburg Peters to strengthen the firm so that it stands out amongst "monolithic companies that offer conveyor belt-like service," he said in a press release.

"Warburg has always been a strong company and by putting its agents front and center and allowing them to do their jobs, which are tough, we'll be able to further differentiate the company," Klym said.

Stephen Klym

Warburg closed 142 sell-side deals worth a combined $238 million last year, primarily in Manhattan, clocking in as No. 8 on *The Real Deal*'s 2020 ranking of the city's top residential brokerages. The company says it has 140 agents spread across its Upper East Side and Tribeca offices.

"Steve is family to me and I could not be more proud to have the opportunity to once again add his insights to our strategic decision-making," said Peters.

—Cordilia James

COSTAR ACQUIRES HOMES.COM FOR $156M

COSTAR GROUP IS EDGING FURTHER into the world of residential real estate with its latest acquisition.

The data giant reached an agreement to buy residential listing platform Homes.com for $156 million in cash. Homes.com claims to have more than 1.8 million listings with feeds from 90 percent of the Multiple Listing Services across the country.

Pending regulatory review, the transaction is expected to close by the end of June and bring CoStar up to $10 million in additional revenue in the second half of the year, according to a release.

It's the first purchase CoStar has made in the residential sector since buying Homesnap for $250 million last year, though that's not for a lack of trying.

In January, CoStar reached an agreement to buy RentPath for $585 million, but the deal fell apart amid opposition from the FTC. Separately, CoStar was bidding for consumer real estate data firm CoreLogic but pulled its $7.35 billion offer in March, citing rising interest rates, while CoreLogic indicated it was seeking another deal with a larger portion of cash.

CoStar has said it's looking to expand into residential real estate data because of opportunity in the sector. In November, CEO Andy Florance said that the estimated value of residential property was $27 trillion, compared to commercial assets' $16 trillion.

CoStar plans to use Homes.com in tandem with Homesnap's agent tools and marketing solutions to create a service that will help agents sell homes faster at higher prices.

"Our plan in bringing Homesnap and Homes.com together is to help agents market their listings in support of the 'your listing, your lead' philosophy — which stands in contrast to most players in the industry," Florance said in the release.

He also took a swipe at rival Zillow Group, saying that "current residential listing sites do not serve the interests of homeowners or their agents as they focus on selling advertisements on top of agent listings and increasingly offer competing brokerage services."

Florance said CoStar would not use similar advertising programs, which have generated fierce backlash from the agent community.

Homes.com was founded in 1997 and has raised $38.5 million to date, according to Crunchbase.

—Erin Hudson

RABIH CHEBAB (KLYM)

COMPASS ACQUIRES 200 FLORIDA AGENTS AND TECH PLATFORM IN SEPARATE DEALS

The brokerage makes its first two acquisitions since going public on April 1

COMPASS IS EXPANDING AGAIN IN FLORIDA, completing its acquisition of the majority of BEX Realty's agents and offices in the state, *The Real Deal* has learned.

The deal includes about 200 agents and offices in Fort Lauderdale, Port St. Lucie and Palm Beach Gardens, according to a Compass spokesperson.

BEX CEO Michael Karp said the company is retaining its Boca Raton headquarters and its lead generation business. Compass declined to provide terms of the acquisition.

Bonnie Heatzig, a top producer at BEX Realty, is among the agents who opted not to join Compass. Instead, she's headed to Douglas Elliman, bringing with her more than $100 million in sales under contract at Boca Beach House, a luxury condo development under construction in Boca Raton, as well as more than $40 million in listings.

Prior to the Compass acquisition, the Bloom Haym team, composed of Michael and Beth Bloom and Melanie Bloom Haym, also joined Elliman from BEX.

Compass has been growing in Florida and other markets in the U.S., including a new push into North Carolina and Delaware. So far this year, the firm has brought on more than 350 agents in Florida.

Compass spent more than $300 million acquiring brokerages and tech firms before it went public on April 1 at a $7 billion valuation. Some of its biggest purchases include the real estate brokerage Pacific Union International for $83.3 million and startup Modus Technologies for $70 million.

Just a few weeks after going public — and a few days before the BEX acquisition — the brokerage announced that it would acquire San Francisco-based Glide Labs, a real estate transaction management platform.

More than 60,000 industry professionals in California, including Compass agents, already use the platform, which streamlines transaction management, digital disclosures, eSignatures and other forms agents typically need during home purchases.

Compass hopes to grow that number by expanding Glide across the country and adding new features and functionalities, according to a press release. Compass declined to disclose how much it plans to spend on the deal.

Glide says its platform is used in more than half of California residential real estate transactions, with more than 60 Realtor associations and MLS organizations offering it as a member benefit. The platform will remain available to any agent regardless of brokerage affiliation.

All Glide user and transaction data will be kept separate from Compass' brokerage services so that competitors' data won't be accessible. The company also updated its privacy policy and plans to hire an independent privacy expert to ensure the data doesn't fall into the wrong hands, according to a blog post by Glide co-founder and CEO Sebastian Tonkin.

—Katherine Kallergis and Cordilia James

HEDGE FUND TAPS WEWORK VET TO LAUNCH REAL ESTATE PLATFORM

THE FORMER HEAD OF WEWORK'S REAL estate investment arm has joined the quantitative hedge fund Two Sigma to help launch its property investment platform.

Rich Gomel joined the data-centric hedge fund as chief investment officer for the new Two Sigma Real Estate platform, the company announced in April.

"We're focused on where we think the data and technology give us the most competitive advantage," Gomel said. He added Two Sigma will use data sets like credit card info and geolocation data to identify areas of value and growth.

He declined to comment on the size of the company's new real estate platform, but said it's "enough capital that we can get started doing investments of various sizes and be in business."

The business will eye investments across all property types, with a focus on growth areas such as industrial and multifamily or value opportunities like hospitality and retail, Gomel said.

Two Sigma, based in Soho, was founded 20 years ago by D.E. Shaw veterans with backgrounds in computer science and mathematics. The firm has $58 billion in assets under management.

Before joining Two Sigma, Gomel spent about four and a half years at WeWork's property investment fund, ARK.

—Rich Bockmann

TISHMAN SPEYER HIRES HEAD OF DIVERSITY & INCLUSION

JOINING A GROWING TREND IN THE REAL estate industry, Tishman Speyer now has an executive whose focus is diversity and inclusion.

Joseph Ritchie, who was the senior vice president of development at Brandywine Realty Trust, started this month as Tishman Speyer's managing director of business development and head of diversity and inclusion, the company announced.

President and CEO Rob Speyer called cultivating diversity at the firm and in the industry a priority.

"Joe will have a pioneering role both internally and externally, making an immediate and enduring impact across all of our portfolio and projects," he said in a press release.

Ritchie has his work cut out for him. Tishman Speyer's website features 105 executives. Only two are Black. Among its U.S. executives, from managing director up, 11 percent are people of color, according to the firm.

Ritchie's hiring comes a year after the killing of George Floyd outraged the nation and prompted industry leaders to promise to hire and help more people of color. JLL, Cushman & Wakefield and CBRE, for example, have all hired diversity officers since last June. The real estate industry has long been criticized for lacking diversity.

Ritchie, in the release, said he and his colleagues aim "to take concrete, measurable action to address the historical inequities and structural impediments that have prevented a more diverse industry."

"Our goal will be to create wealth and opportunity for businesses and individuals in the communities in which we do business, and by doing so enhance the value of our holdings and return to our investors," he said.

Ritchie's real estate experience includes executive roles at Trammell Crow Company, the Burks Companies and Lomax Real Estate Partners. He was also the founding CEO of the economic development corporation for the city of Newark under Mayor (now Sen.) Cory Booker. He also was a consultant at Deloitte, where he created a program to support minority entrepreneurs in Cape Town, South Africa.

James Whelan, president of the Real Estate Board of New York, which recently hired Tiffany Johnson as vice president of diversity and inclusion, welcomed Tishman's announcement, saying that it is important to build a pipeline of diverse talent in the industry.

"We know every organization is starting their journey from a different point," he said. "So it's exciting to see more organizations within our industry take concrete steps like these to achieve our diversity goals."

Real estate leaders' initiatives for diversity also include financial support for minority-owned companies and civil rights groups. Compass, where Robert Reffkin is one of the few Black CEOs in real estate, has diversified its board, which is now half Black and one-third female. Redfin and Zillow followed suit last year by adding their first Black board members.

—Akiko Matsuda

DEVELOPER AND PROLIFIC PHILANTHROPIST ELI BROAD DEAD AT 87

The KB Home co-founder's vision for Los Angeles extended far beyond real estate

ELI BROAD, WHO FOUNDED A MULTIBILLION-dollar homebuilding firm and went on to become one of Los Angeles' most influential and prolific philanthropists, died on April 30 at the age of 87.

He amassed a nearly $7 billion fortune and gave away an estimated $2 billion to support the arts, medical research, education and other endeavors, according to the Los Angeles Times and Associated Press.

"Eli Broad, simply put, was L.A.'s most influential private citizen of his generation," L.A. Mayor Eric Garcetti said following news of Broad's death.

In the late 1950s, Broad partnered with contractor Donald Kaufman on a homebuilding venture in Detroit's suburbs, calling their company the Kaufman & Broad Building Company. That company is now industry behemoth KB Home.

The firm expanded into Arizona and California, and in 1963 Broad moved to L.A. with his family, bringing his company with him. It is still headquartered there. He lived in Brentwood, but would own other high-priced homes around the region. His Richard Meier-designed beach house in Malibu has been on the market since last February.

In the early 1970s, Broad bought a small insurance company that would become SunAmerica and built it into another industry titan. American International Group acquired SunAmerica in 1998 for $16.5 billion.

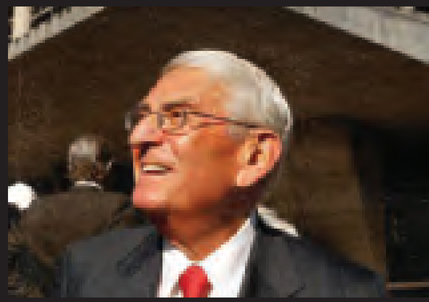
Broad built up his influence over decades through his wealth, philanthropy and involvement in both local and national politics. Shortly after the completion of Downtown L.A.'s Walt Disney Concert Hall in 2003 — he led a fundraising campaign and donated $5 million for the project — Los Angeles Magazine put him on its cover and declared he "has more pull than the mayor."

He was born in the Bronx in 1933, moved with his family to Detroit and graduated from Michigan State University with an accounting degree. A short time later he married Edythe Lawson, who survives him along with their two sons, according to the AP.

Broad eventually turned his focus to philanthropy and art investing, the latter of which he and his wife had already been doing for decades. They started the Broad Foundation in 1999 with a goal of school reform and improvement and had spent $600 million toward that end, according to the Times.

He and his wife also founded the Broad contemporary art museum, a 120,000-square-foot building designed by Diller Scofidio + Renfro in collaboration with Gensler.

Broad's involvement in L.A.'s art world was not always celebrated. He was most frequently criticized for being too hands-on with organizations he supported financially and for pulling support if he felt he did not



get what he wanted.

Architect Frank Gehry, who designed Disney Hall and who Broad fired for taking too long to design a home for him, called Broad "a control freak." Broad was also criticized for insisting that a new modern art wing at the Los Angeles Museum of Contemporary Art be named after him, then refusing to donate pieces from his own collection.

But as part of the Broad museum's three-page tribute published on Friday, founding director Joanne Heyler called him "a fiercely committed civic leader" whose "tenacity and advocacy for the arts indelibly changed Los Angeles."

—Dennis Lynch

RENOWNED ARCHITECT HELMUT JAHN KILLED IN CYCLING ACCIDENT

The German-American designer behind some of Chicago's best-known buildings was 81

HELMUT JAHN, A WORLD-RENOWNED architect who designed some of Chicago's most notable buildings, died on May 8 from injuries suffered in a cycling accident in the suburb of Campton Hills, the Chicago Tribune reported. He was 81.

The prolific architect designed many iconic — and sometimes controversial — structures in the Chicagoland area, including Accenture Tower in the West Loop, the 23-story addition to the Chicago Board of Trade and United Airlines Terminal 1 at O'Hare International Airport. His post-modern James R. Thompson Center, which opened in 1985, was recently put forward for redevelopment by Gov. J.B. Pritzker's office.

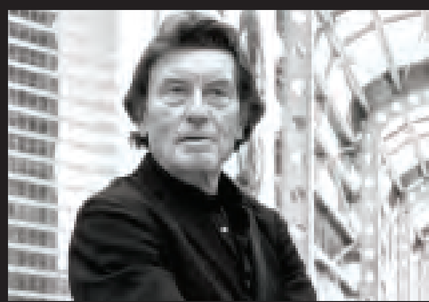
Jahn was born in Nuremberg, Germany, and moved to Chicago in 1966 to study at the Illinois Institute of Technology under the famed International Style architect Ludwig Mies van der Rohe, according to the Chicago Architecture Center. Early in his career, which began at the firm CF Murphy Associates, he was instrumental in the design of the McCormick Place convention center.

"Jahn was one of the most inventive Chicago architects whose impact on the city — from the skyline to the O'Hare tunnel — will never be forgotten," Chicago Mayor Lori Lightfoot tweeted. "His architectural footprint will be felt & seen across the globe for generations to come."

Jahn's reach extended across the globe: He also designed the Messeturm in Frankfurt, Germany, and the 41-story Post Tower in Bonn, Germany. In 2000, the architect completed the Sony Center, an eight-building complex in Berlin.

Inspired by New York's Chrysler Building, the Jahn-designed One Liberty Place in Philadelphia was that city's tallest structure at the time of its completion in 1987.

Reed Kroloff, dean of the College of Architecture at the Illinois Institute of Technology, told Tribune that Jahn had an "ex-



ceptional career both for its length and for the consistent quality of the work."

"At his height, he was one of the most influential architects in the world. Not only formally, but technically," he said. "He engaged early on with building-skin technologies that were very advanced. He created buildings of every variety."

—Akiko Matsuda

ARCHITECTURAL PIONEER ARTHUR GENSLER DEAD AT 85

The founder of the world's largest architecture firm reshaped the industry for more than 50 years

M. ARTHUR GENSLER JR., WHO FOR DECADES led one of the world's most prolific architecture firms, died at his home in Mill Valley, California. He was 85.

Gensler, the firm he co-founded in 1965 with his wife, Drue, and architect James Follett, announced the news on May 10. No cause was given.

In the decades since the firm's founding, Gensler has completed numerous high-profile projects, including the 128-story Shanghai Tower, currently the world's second-tallest building; and Banc of California stadium in Los Angeles.

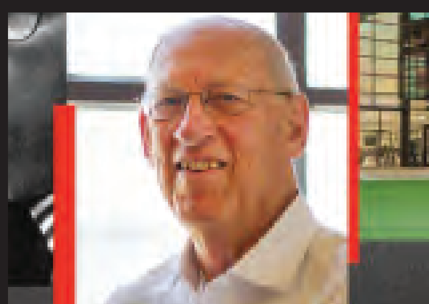
But much of its work was less buzzy. When the Genslers started the firm, they focused largely on interiors, with San Francisco's Alcoa Building and 555 California Street — both designed by Skidmore, Owings & Merrill — among its earliest projects.

Since then, Gensler has become a global firm, with offices on four continents and divisions focusing on brand design, product development and real estate consulting, along with its more well-known architecture and design practice. It's completed hundreds of projects, including corporate headquarters, airport terminals, office redesigns, residential towers and retail spaces.

Gensler was born in Brooklyn in 1935, and graduated from Cornell's College of Architecture, Art, and Planning in 1958. He led his eponymous firm for more than 50 years, retiring as CEO in 2005 and as chairman of its board in 2010. That same year, Andy Cohen and Diane Hoskins took over as co-CEOs.

"He thought of the company as a 'constellation of stars,' celebrating our diversity of perspectives, experience, and expertise," Cohen said in a statement.

"Art's legacy on the industry is in how he



elevated the interior design profession and drove innovation across an entire industry," Hoskins said.

The company is widely reported to be the largest architecture firm in the world.

Gensler is survived by four children. His wife and collaborator, Drue, died in 2017.

—Amy Plitt

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ASHKENAZY TAKES OVER HFZ'S MANHATTAN HEADQUARTERS

Meanwhile, the embattled developer's legal issues continue to mount

FROM ITS SWANKY OFFICE AT 600 MADISON Avenue, HFZ Capital Group ran a New York development empire, orchestrating high-risk, high-reward ventures that included some of the city's most prominent condominium projects.

With that empire now in disarray and HFZ mired in lawsuits and debts, the developer is moving out of that office, *The Real Deal* has learned. And moving in is another big real estate player: Ashkenazy Acquisition.

HFZ's space, which it has occupied since the firm was founded by Ziel Feldman and Nir Meir in 2013, spans about 13,000 square feet on the building's 15th floor and a portion of the 16th floor. The office displayed Feldman's eclectic art collection, including a sculpture of a pig-human baby hybrid with actual human hair and a sculpture of a rhinoceros suspended by a crane.

Led by Ben Ashkenazy, Ashkenazy Acquisitions' holdings include the fee interest at 625 Madison Avenue, the retail condo at 841 Madison Avenue and many other luxury retail properties across the country.

HFZ has been rocked by troubles over the past year, including foreclosures, liens and lawsuits from its contractors and investors. Feldman and his wife, Helene, are personally on the hook for a number of the loans tied to the projects.

The company has also suffered from C-suite infighting. Feldman alleged that Meir, his former partner, was using the firm as his "personal piggy bank" to the tune of $15 million in fraudulent credit card reimbursements and wire transfers. Meir, who left the firm in December for reasons that are unclear, has described those claims as meritless and alleged that HFZ owes him more than $25 million in payments related to development deals.


Ziel Feldman, Ben Ashkenazy and 600 Madison Avenue

The legal troubles continued for both Feldman and Meir in April: Another lender sued the developer and his one-time colleague, accusing the pair of fraud and breach of contract.

Israeli tech magnate Avishai Abrahami, who founded Wix.com, filed a complaint in New York State Supreme Court alleging that in September 2020, Feldman and Meir pledged HFZ's equity interest in three buildings as collateral for a $30 million loan from him — only to find out later that the same properties had been used as collateral for a different lender, Chicago-based Monroe Capital.

In the complaint, Abahrami's lawyers accuse Feldman and Meir of "fraud and intentional misrepresentation" in connection with the loan. Abrahami is asking the court to make Feldman and Meir personally pay back the loan and accrued interest — a total of $33.6 million — in accordance with a "good guy guarantee." TRD

— Keith Larsen and Orion Jones

DUKE PROPERTIES CEO ACCUSED OF MISUSING COMPANY FUNDS

Brooklyn-based brokerage contends that former COO is simply seeking a larger payout

FORMER DUKE PROPERTIES EXECUTIVE SARAH Lazar is suing CEO Albert Dweck, accusing him of misappropriating company money to fund his lavish lifestyle.

But according to the Dumbo-based company, its former COO is just seeking a bigger payout than she is entitled to after failing to convince a judge that she was wrongfully fired.

Lazar filed a complaint in Manhattan Supreme Court in April alleging that Dweck repeatedly used company funds for personal expenses, including his $15,000-a-month apartment, at times jeopardizing properties owned by the firm.

Lazar is seeking $3.5 million for Duke, $3.5 million for herself and the removal of Dweck as managing member.

Duke shot back that Lazar took part in many of the decisions she now assails and has rejected an offer from the firm of more than it is obligated to pay her.

"Our former COO is entitled to a buyout of her interests in accordance with the previously executed operating agreement, which notably was drafted by her own husband," a Duke spokesperson said.

Lazar has a 25 percent stake in the 15-year-old firm, which owns and manages several hundred properties in the New York metropolitan area, according to its website.

In 2018, Dweck obtained a $2 million credit line for the company, collateralized by Duke's interest in the properties. However, over time, Dweck drained $1.8 million from that account, wiring the funds to his personal account, Lazar's lawsuit alleges.

Lazar claims that she repeatedly urged Dweck to convert the commercial line of credit to a personal one collateralized by his own assets. Dweck agreed, but never did so, Lazar asserts. As a result, the lender threatened to take over administration of Duke and its properties.


Duke Properties' CEO Albert Dweck

In tapping the line of credit, Dweck jeopardized other acquisitions by Duke, according to the suit. When the company was in contract to purchase two properties — 125 West 138th Street in Harlem and 568 Jefferson Street in Bedford-Stuyvesant — in 2019, it realized it lacked cash for the deposits.

The lawsuit alleges that Dweck first solicited investments to acquire the Harlem property and then, without informing the investors, used those funds to pay for the Jefferson Street property.

"These are the actions of a Ponzi scheme and are not only a blatant violation of Dweck's fiduciary duties, but they jeopardize plaintiffs and Duke's property investors," the complaint reads.

When Lazar confronted Dweck, he offered to buy her out, she claims. When she refused, he fired her, changed the locks on Duke's offices and blocked her from Duke's files and accounts, including her own email.

The allegations are part of an amended complaint that Lazar filed after a judge rejected her initial one. The original complaint, in part, alleged that Lazar was wrongfully terminated. TRD

— Sasha Jones

BROOKLYN CONSTRUCTION UNION BOSS CONVICTED

Salvatore Tagliaferro pocketed at least $70K in bribery scheme

THE FORMER HEAD OF A BROOKLYN CON-struction union faces prison for trading membership cards for cash bribes.

On April 28, a federal jury convicted Salvatore Tagliaferro on charges of honest services wire fraud, conversion of union assets and conspiracy. He faces up to 30 years in prison on all charges and is slated to be sentenced on July 27.

Tagliaferro served as the president of Local 926, a Brooklyn-based chapter of the New York City District Council of Carpenters, where he approved membership applications for his union in exchange for tens of thousands of dollars. Between October 2017 and June 2019, Local 926 added more than 900 new members, but more than half never worked on a single union job, according to prosecutors.

Tagliaferro and John DeFalco, then the vice president of Local 157, each pocketed at least $70,000 as part of the scheme, according to officials. DeFalco pleaded guilty to multiple charges and testified in Tagliaferro's trial, according to the New York Daily News.

"As a unanimous jury has now found, Salvatore Tagliaferro is guilty of old-fashioned corruption — betraying his duty to the union and the trust of its hard-working members by taking cash bribes to line his own pockets," Audrey Strauss, the United States Attorney for the Southern District of New York, said in a statement.

Following the arrest of Tagliaferro and DeFalco, the District Council of Carpenters' parent organization, the United Brotherhood of Carpenters and Joiners of America, took control of Local 926. The case also partially inspired the District Council's federal monitor to adopt new policies regarding oversight of new membership. TRD

— Kathryn Brenzel

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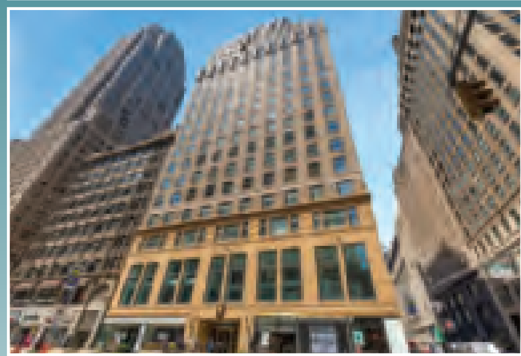
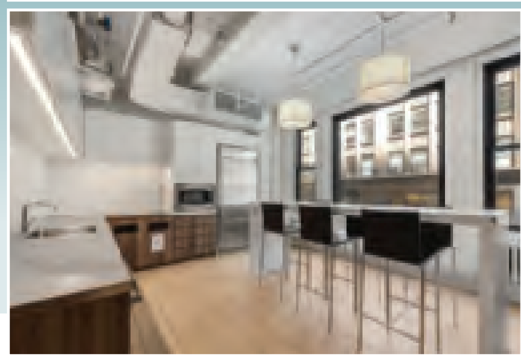
SHORT TERM SWING SPACE FOR RENT





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Continued from page 94

You're hiring for a New York City CEO. What are you looking for? One would normally say, "We would love someone with 20 years' experience in real estate," but it's a different landscape now. A lot of people coming into our industry are right out of college. Now [being an agent] is a first career — it's not a backup. So I think that leadership now comes in a different form. I think you have to be right in the mix of it and be in the mosh pit. You have to be mobile, and you have to have a big personality.

In 2017, you partnered with StreetEasy to build an agent portal, which was a shocking move months after the portal began charging fees for rental listings. The partnership later unraveled. It didn't work because we each had different expectations. They needed something to deliver to the real estate community much faster than we did, so what we thought we were getting was not what they were delivering, and that's where it fell apart. They were throwing out all of the bathwater and keeping, you know, maybe the bar of soap, and that just didn't work for us. The product they delivered was not what we expected. It was just a very pared-down version of what we were used to. There were no big fights or anything. They were just moving in a much faster way than we were. In hindsight, I get it because post-Covid we've seen how everyone can be retrained. When you tell people how you have to do something and there's no choice, they do it. We're all in a better place now. I think even StreetEasy, not that I care, but they seem to have their act together now. [Though] I don't think we should be charged for rental listings — I think that's horrific and just egregious.

Do you think it's important for New York to have a transparent MLS? Twenty years ago, I would have said I was all for it. Now I think the listing aggregators and our own company websites are where everyone goes. I just don't think it's holding back anything.

"I always try to find people that I think could replace me."

What does the future of brokerage look like for Elliman? Technology will drive everything we do. But the relationship about being the adviser and the specialist will be much more important. You have to make the assumption that the consumer now has more technology than the agent. They will be informed in their head of what they want, what they've seen, but they still need an adviser there. Today's real estate agent, and we're proud to have a lot of them, advises the family office on where their New York home will be; where their Palm Beach home will be; their Aspen ski house; their Hamptons beach house. It's a much different role now. It's not transactional, like it was. It's a much more elevated position.

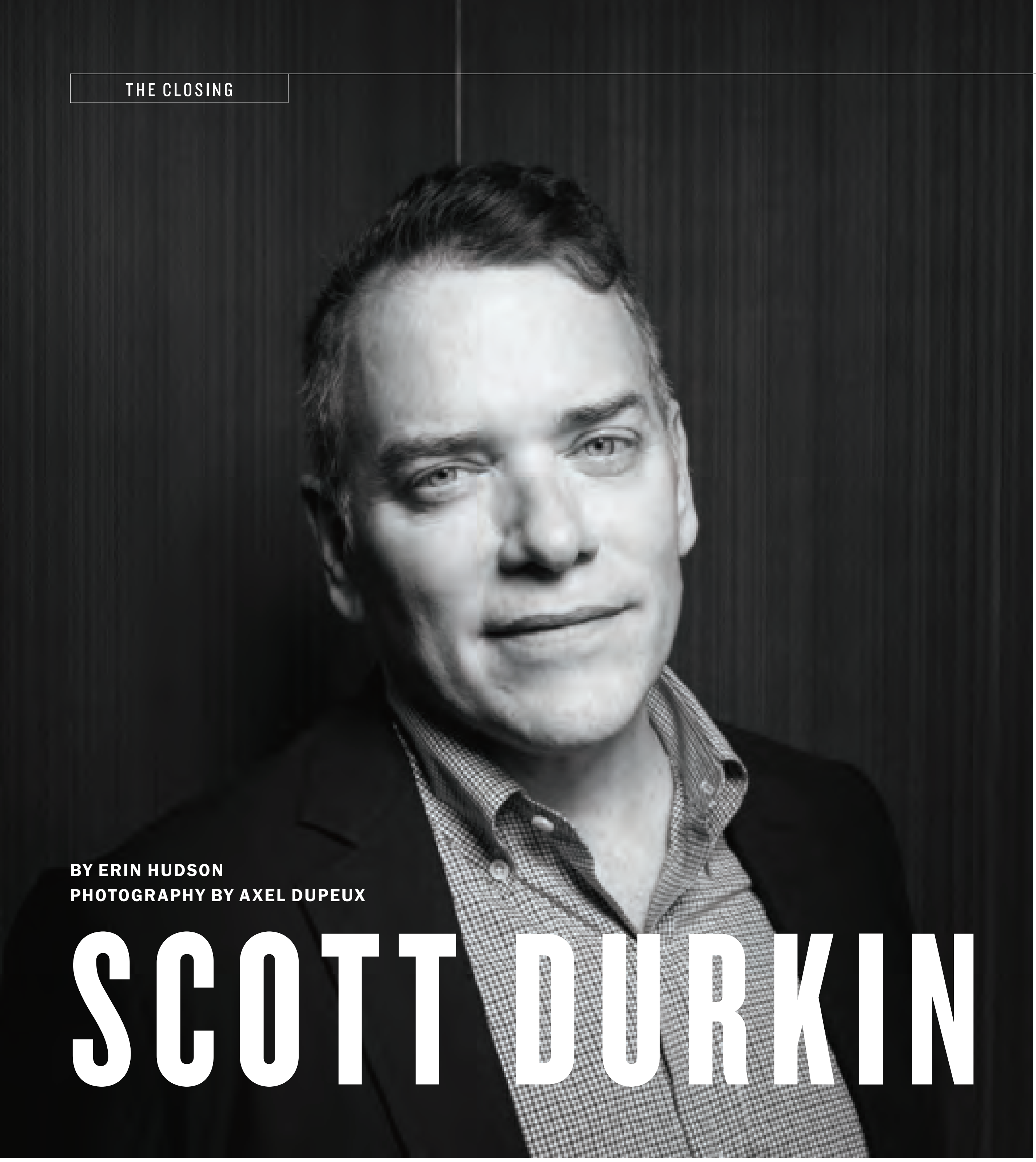
Has there been any conversation about succession planning at the firm? That's probably the most difficult conversation for any company to have. We haven't had any conversation.

Does the real estate industry have an obligation to do more when it comes to eliminating housing discrimination? I think people have had enough. Douglas Elliman has given to all of these organizations — Black Lives Matter, the anti-Asian hate groups. It's important because we have such a diverse agent pool. It's important for us to support it and be right behind it. We are definitely from the housing-for-all mantra. I mean, I was a victim of being discriminated against. My boyfriend and I wanted to look at an apartment on Riverside Drive. It was no board approval, it was a sponsor apartment, and the agent wouldn't sell it to us. This is 1991. They were like, "Well, the sponsor doesn't want a gay couple in the building." So when it happens to you, it's pretty powerful.

You're one of the few openly gay executives leading a national brokerage. Is it something you think about? It is significant because it's not something that's standing in the way. It's just reminding me of something that happened. I've been discriminated against by my own [then-] company — that stuck with me. I was up for Crain's "40 Under 40," and of the two people who were being considered, my nomination was not put forward. They said, "Well, why don't you just wait for the gay one?" Times have changed. (Durkin declined to specify the date of the incident or where he worked at the time.)

What's your favorite food? Cherry pie. I'll eat the whole pie. It was made in the jail kitchen where we lived. The cook would make me a cherry pie, and back then they made [it] with Crisco. It's super flaky.

What's the best piece of advice you've ever received? "The rearview mirror is small for a reason." If you screw up, just let it go. TRD



BY ERIN HUDSON
PHOTOGRAPHY BY AXEL DUPEUX

SCOTT DURKIN

BORN	APRIL 6, 1962
LIVES	LONDON TERRACE GARDENS, CHELSEA
HOMETOWN	SALEM, NEW YORK
FAMILY	MARRIED

Scott Durkin doesn't mind playing second (or third) fiddle.

The president and COO of one of New York's largest brokerages doesn't bask in his title. Instead, he operates with a light touch, favoring delegation and deference. Durkin credits his outlook to his upbringing in rural upstate New York. "I always think, 'Thank God I'm a country boy,' because look at what we're doing," he said from the perch of a plush white sofa in a $44 million listing overlooking Central Park on Manhattan's Billionaires' Row.

Durkin chooses his words carefully and deftly avoids conflict and controversy — it's bad for business, he explained. (When asked about the Newsday investigation that found evidence of systemic racial bias in Long Island's housing market after testers worked with agents at a dozen firms, including Elliman, he declined to comment directly.)

Durkin worked at the Pierre Hotel before joining the Corcoran Group as an agent in the early '90s, before moving into management to work alongside Barbara Corcoran. He briefly became COO after Realogy bought the company. In 2016, he joined Elliman to lead the firm's national expansion. Within a year, he was named president, a new position at the firm that prompted speculation he was being groomed to replace Elliman CEO Dottie Herman (Durkin denied that then, as he does now, though he reports directly to Elliman Chair Howard Lorber).

At Elliman, Durkin has overseen the acquisition of Los Angeles-based Teles Properties, expansion into Texas and other national markets and an overhaul of the firm's digital (and physical) presence. He's also begun to dabble in New York politics, launching a coalition with two rival firms to persuade lawmakers to forgo additional taxes on luxury homes.

What was your childhood like? I was the sheriff's son — [both my] parents were police officers. We lived in a house that was hooked onto the local county jail. We had a dairy farm across the street that I worked at to pay for boarding for my horse. At the time, hay was 40 cents a bale.

You owned a horse as a kid? I broke my arm into the second year of having a horse. He threw me off down a hillside. I was 14. I never got on a horse again until I was 45.

You compete in dressage. What appeals to you about the sport? It's like doing figure skating. If you can get a 1,200-pound animal to do something, without anyone seeing what you're doing — I can communicate with the horse with just a little pull of the finger — the discipline of that is so incredible. It makes you pull back on how you would deal with a human being. The subtleties and the nuances of that and not having to scream and shout.

You moved to Long Island for college when you were 17. It was a shock coming from an area that had a complete lack of diversity. I didn't see anything until I came down here. I never flew on an airplane till I was 19. It was truly a suitcase on a bus.

You came to the city on a modern dance scholarship. In 1980, not a lot of men were going into dance. So if you were a male and you could dance, you could get a scholarship. I mean, I wasn't Baryshnikov. It was more like, you know, Mickey Rooney.

I auditioned for the theater department at Adelphi University, and I didn't get in. So I just walked into the dance department saying, "Can I audition to be a dancer? I didn't get into the acting program." And they said, "Sure." It was just based on this — a need that I took advantage of immediately. I would have done anything to leave my country life, because I was ready to go.

> **"I mean, I wasn't Baryshnikov. It was more like Mickey Rooney."**

How would you describe the past year? We were able to get things done that we normally wouldn't have been able to do, because we were forced to run our businesses differently. I have to say it's paid off. We digitized our whole industry. We had a captive audience. For a lot of the time, the agents were home and they couldn't show, or they couldn't go anywhere.

How do you keep up with 7,000-plus agents? All of our regions have regional CEOs. They're the most important to me and to the running of the company. You've got to have a great leader that's local for it to be successful. I could not at 30,000 feet tell them what to do. When you find them, they're like gold.

How do you find them? I always try to find people that I think could replace me. I always learned that as if they're as good as you or better, your chances of success are much better.

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