



**TMO NEWS**

*The Marino Organization Inc. 171 Madison Avenue, 12<sup>th</sup> Floor, NY, NY 10016 Phone (212) 889-0808 Fax (212) 889-2457*

# The New York Times

**DealBook** *Edited by  
Andrew Ross Sorkin*

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## **IN CITY REAL ESTATE, OLD CLANS ARE SHREWD AGAIN**

At the height of the boom, the Dursts, the Rudins, the Roses, the LeFraks and other members of New York's royal real estate families were treated like slow-moving dinosaurs on the verge of extinction.

Although they had spent more than five decades carving their names into the New York skyline, the families were outbid and sometimes outmaneuvered by the newer, flashier speculators and investors who swaggered down Manhattan streets buying one skyscraper after another at record-setting prices, The New York Times's Charles V. Bagli writes.

But now that some of the record-breakers are desperately trying to fend off lenders or teetering at the edge of bankruptcy, these families are looking like wise veterans. They are in relatively healthy financial shape and eager to do deals. They do not necessarily take pleasure in the downfall of the upstarts, but they do relish the fact that, as one scion said with a bit of exaggeration, "Now, we're the only ones breathing."

A group led by the LeFraks is interested in buying Stuyvesant Town and Peter Cooper Village, a complex of 11,227 apartments near the East River whose current owner defaulted on \$4.4 billion in loans. The Rudins and other families are looking at the Carlton House, an apartment-hotel building on Madison Avenue that is for sale. The Dursts, who like the Rudins and the LeFraks are in their fourth generation in New York real estate, are looking to buy a stake in the \$3 billion skyscraper under construction at 1 World Trade Center.

“What the families have a claim to is that they never go away,” said Steven Spinola, president of the Real Estate Board of New York. “When this economic crisis goes away, they’ll still be here. We’ll see about the other guys.”

Not every segment of the city’s powerful real estate industry is wobbling. Some publicly traded real estate companies, including Boston Properties, SL Green Realty, Brookfield Properties and Vornado Realty Trust, have recovered from drops in stock share prices 2008 and are stockpiling cash to buy distressed properties at steep discounts. Even though Tishman Speyer Properties, an organization rooted in one of the old families, stumbled with Stuyvesant Town, it sold \$10 billion in property at the top of the market and claims returns of 20 percent a year for investors.

But some of the others are in deep trouble. The developer Kent Swig lost control of his most high-profile project — Sheffield57, a condominium conversion project on the Upper West Side that he bought from the Roses in 2005 for \$418 million — and may tumble into personal bankruptcy. Scott Lawlor, chief executive of **Broadway Partners**, who spent \$15 billion buying 28 office buildings in 2006 and 2007, has been forced to drastically retrench.

Shaya Boymelgreen, who built thousands of luxury condominiums in Manhattan and Brooklyn in recent years, is under siege from lenders and condo owners, while facing eviction from his headquarters. Laurence Gluck, chief executive of **Stellar Management**, faces foreclosure on Riverton Houses, the middle-class housing complex in Harlem that he bought in 2005.

Unlike the real estate families, most of the newcomers used other people’s money while taking large management and development fees. Pension funds, insurance companies, foreign investors and banks poured billions of dollars into their deals. Lenders provided relatively cheap financing and required little equity. The deals were built on expectations that prices and values would soar forever, or at least until they could resell properties at a profit.

“The debt they piled on top of the equity was startling,” said Douglas Durst, whose family owns 10 prime office buildings in Manhattan. Among them is the 52-story 1 Bryant Park tower on 42nd Street, the largest office tower built during the boom on land assembled over four decades. “The real estate families use their own equity because they want to earn money on it. They’re not looking for fees.”

William C. Rudin, the third-generation chief executive of **Rudin Management**, which owns 16 office buildings and 20 apartment houses in Manhattan, said: “We’ve always underwritten our development

based on very conservative standards. With land prices and construction prices going up a couple years ago, we didn't find a lot of opportunities that made sense.”

Many of the oldest real estate families trace their roots back to the early 1900s, when their patriarchs arrived from Eastern Europe. By the mid-1970s, they had emerged as a powerful political and economic force in New York, even as some of the family empires crumbled during the decade.

Their names are chiseled into the stonework at many of the city's institutions, from New York- Presbyterian Hospital (Milstein) to New York University (Stern) to the Museum of Natural History (Rose) to the Guggenheim Museum (LeFrak).

What distinguishes the families from other real estate players is that they buy property but rarely sell. They usually have relatively low levels of debt on their buildings, and they do a couple of projects every economic cycle rather than go on a binge, a practice adopted after bitter experiences with a deep recession in the 1970s. The families' supremacy was challenged in the 1990s by the rise of publicly traded real estate companies and private equity firms. Land and construction prices began to soar, raising stakes for anyone undertaking a big residential or commercial project.

Today, the top three commercial landlords are public companies: SL Green, Vornado and Brookfield, which together account for 55.7 million square feet of office space. The top seven families in commercial real estate have about 41.2 million square feet, according to a compilation by CB Richard Ellis, a real estate broker. Mr. Spinola, of the real estate board, said, “The pie has gotten a lot bigger, and the families' share has gotten smaller.”

The families are also having to compete for deals with longtime developers like Stephen M. Ross of the **Related Companies**, one of the city's most prolific developers, who adopted a corporate model of working with both investors and partners to spread his risk. In the 2006 bidding for Stuyvesant Town and Peter Cooper Village, the LeFraks and the Milsteins together offered \$3.2 billion, but lost out to a partnership of Tishman Speyer and **BlackRock Realty** that paid \$5.4 billion. (It is now estimated to be worth \$1.9 billion.)

No one is immune to the recession, Mr. Rudin said. He is losing his anchor tenant at 32 Avenue of the Americas, **AT&T**, to a less-expensive building downtown. But the family has reserved the funds that will enable it to operate until it secures a new tenant.

Adam R. Rose, co-president of **Rose Associates**, said: “We take no pleasure in seeing any of our colleagues experience catastrophic events. However, there is a distinct and qualitative difference

between a long-term perspective, which yields better decisions, and a short-term perspective, which leads to mistakes.”