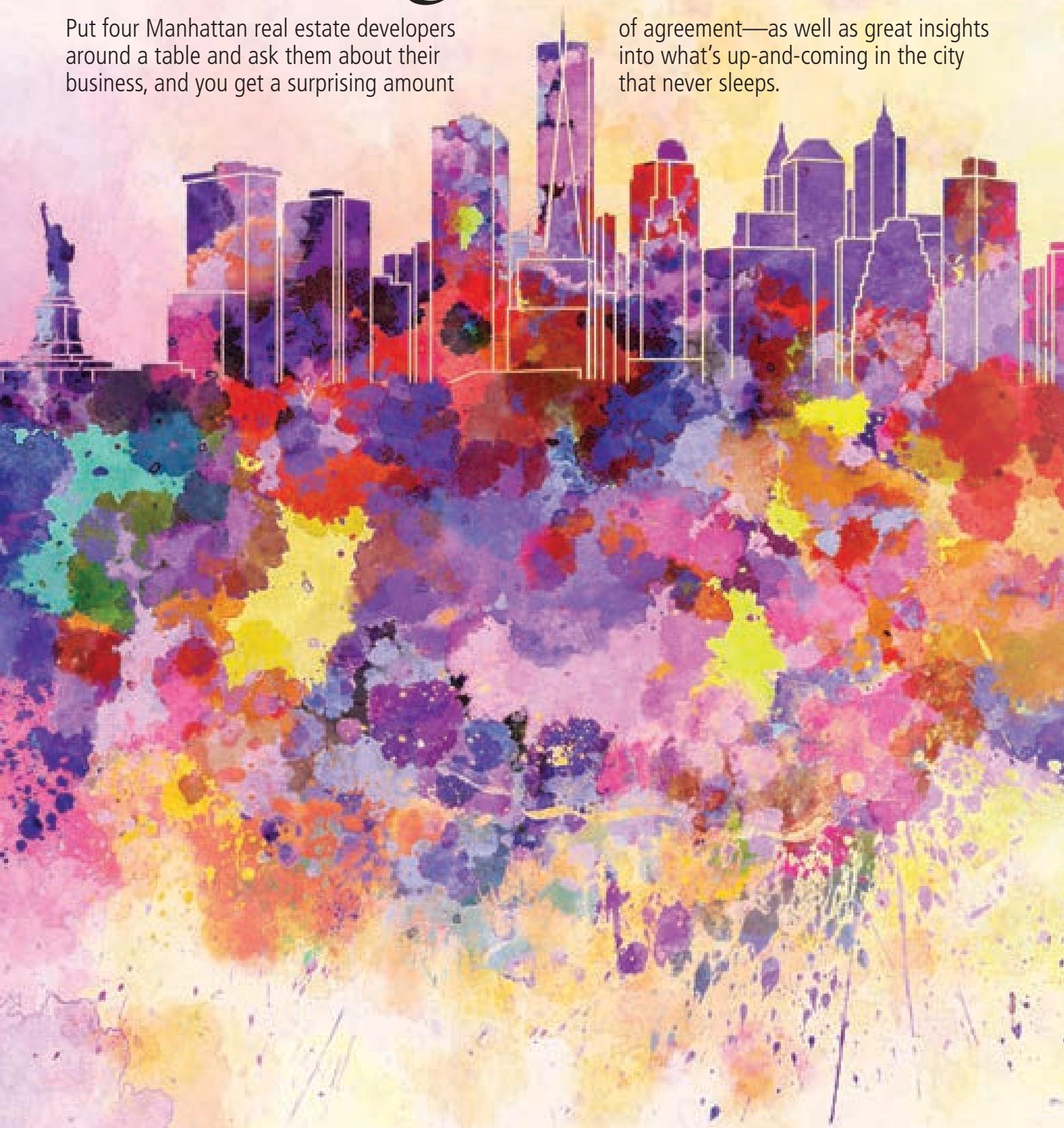


developer roundtable

Building Our Future

Put four Manhattan real estate developers around a table and ask them about their business, and you get a surprising amount

of agreement—as well as great insights into what's up-and-coming in the city that never sleeps.



moderated by Julie Barker ■ photographed by Jonathan Grassi

AVENUE: What's the mood in the New York real estate market now?

SIMON: If you're priced right, you can still move product, either renting it or selling it. And I think you're going to see a huge drop-off in product—a lot of projects that are slated will not get built because financing is very, very difficult. The mood today is just very cautious. Buyers are looking around, they're trying to negotiate.

NAFTALI: We go back to the basics of real estate: Location is very important. The quality of the product is very important. The perfor-

mance of the developer is very important, and obviously price—you have to price right. If you check off each of those four elements, as a developer, you sell the product.

AVENUE: Are economic and political factors abroad affecting residential real estate prices in New York City?

WITKOFF: Morgan Stanley's Global Head of Interest Rate Strategy just issued a forecast that 10-year U.S. treasury yields will fall 50 basis points, or 0.5 percentage point, to 1 percent in the first quarter of 2017. That's wild, right? So if yields continue to fall to

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historic lows, we see a global repricing of assets, and that extends to real estate. If you can own an apartment in New York—the most liquid real estate market in the United States and, arguably, globally, and rent it out to earn a 2 percent yield with potential upside appreciation, that is a very attractive proposition in a 1 to 1.5 percent U.S. Treasury market. As a result, I believe foreign capital will continue to rotate into New York residential real estate. We're currently seeing this at our new Tribeca project, 111 Murray—tons of foreign buyers there.

AVENUE: What is your top luxury address, and what are the amenities and features?

WITKOFF: Harold Lorber's New Valley, Fisher Brothers, and Witkoff are developing 111 Murray. We're huge believers in luxury amenities because people want one-stop shopping, to live there and have it all. At 111 Murray we have taken luxury to a new level. We have a Drybar-branded salon, 24-hour concierge services by Abigail Michaels with an



on-site attendant, a private travel concierge via Blue Star Jets, a patisserie with fresh daily selections provided by Baked Tribeca, two pools, a large cinema, a teen and kids' playroom/lounge, a private garden, a private dining room with a demo kitchen, an extensive fitness center and an incredible spa and hammam—all of which are very cool.

SIMON: We actually have two. One is at 12 East 88th Street, between Fifth and Madison. We've got 24 homes there. We've got a fitness room, a lounge, a children's playroom, but we are steps from Central Park, which is an amenity on its own. The other one that we're going to start selling in [late August] is 267

West 87th Street. It's going to be 39 homes. We've got a basketball court, a climbing wall, an outdoor garden, a terrace garden, a fitness room and a library.

NAFTALI: West Village, the corner of West 10th and Washington. It's an existing prewar building, and we have 39 homes. Everything is completely gut renovated; the bones and the space in each home are just very, very unique. We are creating a new carriage house, which will host the new lobby, and behind it a private garden, which I think is a great amenity for the building. There's a beautiful library that sits just off the garden, a basketball court, rock climbing, sauna and a gym.

DVORETT: We're currently selling at Manhattan View at MiMA, a new condo designed by Jamie Drake in the Hudson Yards district. It has a basketball court, three terraces with grilling stations, outdoor movie theater, swimming pool, private Equinox only for folks in the building, and every other amenity imaginable. And because it's part of a larger complex, the carrying charges are really quite reasonable.

PEEBLES: By far 108 Leonard in Tribeca. In

"IF YOU'RE PRICED RIGHT, YOU CAN STILL MOVE PRODUCT, EITHER RENTING IT OR SELLING IT."

—JONATHAN SIMON

full disclosure my company and our partner the El-Ad Group are converting and restoring this building, which is one of the most important landmarked buildings in New York City. The amenity package is unmatched by any landmark building in the city. Those amenities include an enclosed indoor motor court, underground resident parking, spa, state-of-the-art health club with an indoor pool with private cabanas, library, theater, children's center and only approximately 150 homes.

AVENUE: What should be considered before purchasing in a new development with amenities? Carrying costs—what other considerations are there?

DVORETT: The sustainability of the amenities. Will the amenities that have been put in be difficult to pay for when the building gets taken over by the residents on the condo board? I think that as developers we all spend a lot of time thinking about how the building



will continue to run so the value is preserved for the purchasers. Coming up with ways to create all these amenities while also not having exorbitant common charges is always our challenge and priority.

WITKOFF: I think it's all about the sponsorship: If the developer has integrity, stands behind the product, and is concerned about it, a good sponsor will come in and fix mistakes if a tenant has an issue.

NAFTALI: Common charges are very im-

portant as part of the overall expense. Yet, sponsorship is very important now, even more so than in the last five years.

PEEBLES: Quality. Quality of the building and construction; quality of the sponsor and of course quality of the location being the most important.

AVENUE: Why?

NAFTALI: There are many new sponsors, and some of them overpay for the development. But if they are not experienced enough and they have overpaid, they are more likely to cut some corners. The buyer is going to see the end product only when the project is completed. So I think it's very important to check the credibility and experience of the sponsor.

SIMON: I agree. I think buyers are all very shrewd today. A sponsor is very important—the integrity of the sponsor.

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PEEBLES: Quality always endures. Especially in times of market uncertainty or decline; there is always a rush to quality. The best quality buildings in the most desirable locations always hold their value.

AVENUE: What do millennials want in terms of their living space and building features?

DVORETT: One of the initiatives that we follow closely is the move to micro-units. The technology that's been employed to get people to live in 250 or 300 square feet is pretty amazing. I think the jury is still out as to how people will feel after doing it for three, four, five years, but the mentality of efficient, smaller-scale living



Steve Witkoff

is here to stay. In our Manhattan View project we have a 600-square-foot alcove studio—it's up on the 51st floor, it's got great views, and it comes with amazing amenities in the building. ...We think millennials are excited about these amenity spaces because they're an extension of their personal living space. We've also taken a page out of the micro-unit playbook to recommend flexible furniture pieces that really maximize space, but in ways that feel luxurious. Six hundred square feet becomes a space where you can have an office, entertain friends and also sleep four adults.

PEEBLES: Millennials differentiate themselves from older generations by prioritizing work-life balance and interactive spaces more than physical comfort and convenience.

AVENUE: Do views drive sales? And how do they affect the price?

NAFTALI: How it affects the price? I mean, just look at what was sold in the 57th Street

corridor. Just think if those buildings were 10-story buildings. Would anyone pay \$5,000 a foot for that? \$6,000 a foot for that? So obviously, views are very important, especially for foreign buyers.

WITKOFF: Yes, and I think for all the right reasons. New York is a great city.

SIMON: It's like having oceanfront property. It's a special thing in the city.

DVORETT: A low floor is usually a completely different experience than, let's say, the 60th floor. It's unique that our condo starts on 51—every one has incredible views.

“QUALITY ALWAYS ENDURES, ESPECIALLY IN TIMES OF MARKET UNCERTAINTY OR DECLINE.”—DON PEEBLES

AVENUE: Take a look ahead and tell us about developments you see coming, whether they'll be in amenities, or the political scene. You can be as wild and fantastic as you want to be.

DVORETT: I've been amazed by the integration of technology into the home living environment. You can open your front door with your phone instead of a key, and you can press a button on your phone and your lights go on to 27 different shades of green.... In the scheme of development now, there's no reason why people can't have all that technology today, and looking ahead, it kind of jogs your imagination to say what is the technology that people are going to have in their homes 10 years from now. Are we even going to have finishes anymore, or is it just going to be all a virtual world so everybody can hunt for Pokémon?

SIMON: I started in this business in the late '80s and early '90s, and when you think back on what condos used to be: developers finish the units, owners would come in, hire their designers, rip everything out: You don't really see that anymore....The bar keeps getting raised. People want more and more high-end, and the developers are more tied into that, and they are meeting the demands of what people want today.

WITKOFF: I agree with everything that was said, but I think you were also asking

what, as developers, we are concerned about. So the only thing I really ever get concerned about... is the state and the environment of the city. I think about that all the time. I think about 421a discrepancies between politicians, taxing policy and quality-of-life issues. I believe jobs and affordable housing are critical. The point is, we need New York to remain a great city, and by that I mean a great city for everybody.

PEEBLES: I agree with Steve to a large degree. A significant threat to our business is the same threat to our residents; politics. The inability to agree and implement the most non-controversial issues such as financial

incentives for developers of affordable housing. Further, the threat of new and additional taxes on nonresidents and wealthy individuals will have a chilling demand for condos and everything else. The ever growing anti-business environment will force businesses and entrepreneurs to leave the city and take jobs and money with them. In my opinion, the single biggest threat is the ever growing economic disparity confronting our minority citizens, who by the way comprise the majority population of our city. Our industry must lead by example by being more aggressive in providing equal access to economic opportunity as the status quo is not sustainable. ♦



Jeffrey Dvoretz