



The Swig Advantage

An Interview with Kent M. Swig,
President, Swig Equities, LLC

EDITORS' NOTE *In addition to his ownership and responsibilities at Swig Equities and HelmsleySpear, Kent Swig is Owner and Cochairman of Terra Holdings, LLC, a company that owns and operates several real estate service firms, including Brown Harris Stevens, one of the oldest and largest residential real estate service providers in New York, the Hamptons, and Palm Beach; Halstead Property Company, a residential brokerage and management company; and Vanderbilt Holdings, a service firm with expertise in appraisal and consulting, advertising and marketing, insurance, and residential mortgage brokerage. In addition, Swig is a principal in, and serves as Chairman of the Board of, The Swig Company, LLC, a family-owned real estate and hotel company based in San Francisco and New York, which owns approximately nine million square feet of commercial properties across America. After earning a degree in Chinese history from Brown University, Swig attended UC Hastings College of the Law (San Francisco), where he was selected for the law review.*



Kent M. Swig

COMPANY BRIEF *Based in New York, with additional offices in San Francisco, Swig Equities, LLC (www.swigequities.com), is a real estate development, investment, and management firm that purchases and develops prime residential and commercial buildings, operating companies, and securities. Notable recent acquisitions include 110 William Street and Sheffield57 in New York.*

How has your firm managed to remain strong in this turbulent real estate market?

One of the reasons we've been able to stay strong is that we refinanced our properties with long-term debt, starting in January 2006. At that time, interest rates in the U.S. were at a 35- to 40-year low, and I wanted to take advantage of the low interest rate environment. So we instructed all our staff to stop looking at any acquisitions and instead to concentrate on refinancing our existing portfolio. We did all the leasing, the project development work, and the renovation work that was necessary – whatever it took to get each property in position to be refinanced for 10 years. We concluded our last deal in July 2007, which was 110 William Street. We took the entire commercial

portfolio, almost four million square feet, and refinanced all of it with 10-year money. Following that, I informed our staff that we could go back in the market and look for opportunities, as we then had a stable platform.

Do you still see opportunities in the market today?

Any time there's a crisis, there's opportunity, and we're in an opportunistic position at the moment, because we have a stable commercial portfolio. We still have some exposure in our residential condominium portfolio,

but fortunately, we are selling very well. That said, we've got enough sales under our belt to stabilize all of our diversified projects. We are looking at new opportunities for growth on several fronts, both with the operating companies and with real estate. The operating companies, Brown Harris Stevens and Halstead, and the commercial operating company, HelmsleySpear, are broker driven. And brokers tend not to leave their existing companies in periods of growth because they're making too much money. Brokers move in times of crisis or weakness. While the real estate market is not currently in a time of weakness, the capital markets are, and people are reading all about it. So brokers reevaluate where they are. We feel we can be a repository of growth for these brokers seeking to relocate to a different firm. That's an opportunity for us, at this particular time.

You added HelmsleySpear to your portfolio in October 2007. Why was that the right move for you at that time?

It has been about 12 months since I was first introduced to the deal. I think one reason it has worked is the experience I have had with Brown Harris Stevens and Halstead. We bought companies that were in need of financial, emotional, technological, and advertising and marketing support. In 1995, when we bought Brown Harris Stevens, we had a gross sales volume of about \$250 million a year, and today, it's closer to \$4 billion. And it is a similar story with Halstead. So the concept was already there for HelmsleySpear; I'd already seen and lived it twice. And like residential companies, HelmsleySpear has a great name. The concept is also similar to the Fairmont Hotels, which my family owned. Fairmont had five or six hotels nationally, but the name was much larger than the actual number of operating units that we owned. Likewise, HelmsleySpear's

name is currently greater than the actual business that it is doing, so growth opportunities exist.

Plus, Harry Helmsley was one of my mentors. He owned Brown Harris Stevens, which I bought with my partners; he owned HelmsleySpear, which I recently bought; and I have a development and investment company, through Swig Equities, as he did. So I wasn't creating a new concept; I was merely emulating a concept that worked very well. Now, I'm putting in systems, procedures, marketing, and other capabilities that were lacking. I'm taking the concept, polishing it, adding my own philosophies and ideas to it, and then regrowing the brand name of HelmsleySpear.

Your time is pulled in so many different directions. How challenging is it to balance your responsibilities?

It is very challenging. Different projects need different amounts of time – hopefully at different times, but sometimes at the same time. When that happens, it's a problem. For Brown Harris Stevens and Halstead, my partners and I were involved in each and every aspect of the companies for many years. But as we grew (we are now 1,500 in staff), we realized four owners can't bottleneck the whole company, so the four of us have been able to elevate ourselves away from the day-to-day operations a bit more.

In addition, I have my family business, in which I'm still involved, and that has a great platform with really good people. We've been very active; we bought five buildings in the past couple of years, and we've done a very good job of it.

You and your partners seem to work well together. Are your styles complementary?

First and foremost, I have imminent respect for my partners at Brown Harris Stevens and Halstead. They're knowledgeable, smart people. Second, we share a similar vision. In Brown Harris Stevens, the four of us saw a company that was undervalued, undernourished, and underdirected. We all recognized that. We all had the same ideas for it, which was to promote growth, and to develop the infrastructure to support the growth. All of us understand the business that we're in and that we're in the real estate business to provide a service. We want to provide the best service – not necessarily the biggest, but the best. So we share a common vision, and that makes a big difference. ●

The grand mezzanine of 48 Wall Street, New York, one of the Swig Equities properties

