

Invested in Manhattan

**An Interview with Peter L. Malkin,
Chairman, Malkin Holdings LLC and Malkin Properties**

EDITORS' NOTE Peter Malkin is either general partner or manager in investment entities that own and operate approximately 11,400,000 square feet of office, showroom, and retail space and 2,700 apartment units. Malkin is the Founding Chairman of the Grand Central Partnership, Inc. and of the 34th Street Partnership, Inc., and a founder and Director of the Fashion Center Business Improvement District. He is Co-Chairman Emeritus of the Real Estate Council of the Metropolitan Museum of Art, Chairman of the Dean's Council of the John F. Kennedy School of Government at Harvard University, Co-Founder and Honorary Co-Chair of the Committee Encouraging Corporate Philanthropy, a Vice President and Director of the Realty Foundation of New York and a partner in the Partnership for New York City, and a Governor Emeritus of the Real Estate Board of New York. Malkin received his B.A. degree summa cum laude, Phi Beta Kappa, from Harvard College in 1955 and his law degree magna cum laude from Harvard Law School in 1958.



Peter L. Malkin

COMPANY BRIEF Malkin Holdings and its affiliate Malkin Securities Corp. (<https://malkinsecurities.com>) are recognized as the original and preeminent real estate syndicator in the United States. Lawrence A. Wien, the firm's Co-Founder, with son-in-law Peter L. Malkin, assembled a portfolio of syndicated properties, including the Empire State Building. Malkin Securities sponsors investments exclusively with its affiliate Malkin Properties, an established leader in property acquisition, financing, asset and property management, marketing and leasing, and construction services. The firm's investments are led by Peter L. Malkin and his son, Anthony E. Malkin.

How is the real estate market recovering from the recent economic downturn?

In the retail area, we have seen some strong comeback with foreign based companies coming into Manhattan. In our own properties, we have been successful in retail leasing. We have 100 percent occupancy in all of our retail spaces, both in Manhattan and in Westport, Connecticut.

As far as office space is concerned, there is great strength in the hedge fund type tenant. In a few very prime office buildings, we understand rents are above the \$120 to \$130 per foot level.

We also see great strength in large leases – those of 100,000 square feet or multiples thereof. At the Empire State Building, we have had tremendous success with our large leasing.

In the spaces in the 5,000- to 10,000-square-foot range, the market is stronger than it was a year ago, but still not as strong as in the pricey hedge fund or the large block space.

So we're experiencing strong occupancy in our well-located, pre-war trophy buildings in Manhattan, on which we have spent almost \$2 billion on upgrading in the past five years, as well as in our Fairfield and Westchester buildings, which are near major transportation centers.

What impact has your investment into the infrastructure of the Empire State Building had?

We have reduced the number of tenants in the building from almost 900 to about 230 by consolidating space, and renting full and multiple floors rather than divided floors.

This has been possible because of the substantial improvements we have made to the building with all new windows, improved air-conditioning, new corridors and restrooms, the lobby restoration, and the installation of new Otis elevators now underway. We have a building in much better condition.

We can now demonstrate to tenants that they will consume approximately 35 percent less electricity than they did previously because of the revised electrical delivery system in the building. That is a major item, because after payroll and rent, electricity is the third most important expenditure for New York City office tenants.

Do the tenants appreciate the savings from the massive investment you made to create energy efficiency?

Tenants do appreciate the savings, and the sophisticated brokers from the major firms are aware of the important savings to their clients through reduced energy consumption. Additionally, major corporations today are looking for buildings with reduced energy consumption.

The Empire State Building has been adopted by the Clinton Global Initiative and Mayor Bloomberg as a worldwide example of what can be accomplished in existing buildings. Eighty percent of the buildings that will exist in New York 20 years from now are already here. So the greatest potential for energy savings comes from what you do now in those buildings.

We have been able to establish that recovering the cost of the work done to reduce energy consumption through the energy savings takes just four years and the savings will continue. So it is an excellent investment. More major property owners are recognizing this now that we, led by Tony Malkin, have shown that you can get a better return through spending money to reduce energy consumption than you can get through buying a building, so there is a great inducement to do that.

Are there still buying opportunities in the real estate market today?

There have been relatively few buildings available for sale and there is a tremendous pent up demand for them, so some of the sales today are at prices we don't think are justified; they're based on very optimistic projections.

However, we do think that over the next 24 months, there will be a substantial number of buildings that come on the market when their existing financing matures and the banks are required to mark their mortgages to market, which they have not been forced to do since the government has been encouraging the rebuilding of the capital of the banks.

There should be a substantially greater number of quality buildings available for purchase over the next 24 months than there has been over the past 12 months.

Within New York City, you are known as a leader who is heavily engaged in the community. Was that instilled in you early on?

The lesson was learned from my late father-in-law, Lawrence A. Wien, who was one of the leading philanthropists in the country.

I have tried to contribute both via traditional philanthropy and through doing things that are beneficial to society that are not necessarily through charities.

The most substantial contribution I've made to New York was as the Founding Chair of three major business improvement districts. Those, along with the Bryant Park Conservancy, with which I've also been involved, cover midtown Manhattan virtually completely by business improvement districts that have greatly enhanced the quality of life in the city, and have increased security, reduced crime, and improved the streetscaping.

With actor Paul Newman, I co-founded the Committee Encouraging Corporate Philanthropy. Today, about 160 CEOs of Fortune 500 corporations are members of that Committee who have endorsed the fact that it is a best business practice for their companies to be socially responsible and philanthropic. ●