

Specializing in Landmark Buildings

An Interview with R. Donahue Peebles,
Chairman and Chief Executive Officer, The Peebles Corporation

EDITORS' NOTE Don Peebles was awarded the Corporate Citizen Award from One Hundred Black Men of New York and the Community Leader Award by Russell and Danny Simmons' Rush Philanthropic Arts Foundation at their inaugural Art for Life event in Miami Beach. He has also been inducted into the Martin Luther King International Board of Renaissance Leaders Hall of Fame at Morehouse College in Atlanta. Peebles is listed by Forbes as the eighth wealthiest African-American in the U.S. He is an esteemed member of President Barack Obama's National Finance Committee and was honored as one of Black Entertainment Television's Top 50. He is a regular guest on CNBC's Squawk Box, CNN's Starting Point with Soledad O'Brien, Your Money with Ali Velshi and Your Bottom Line with Christine Romans, NBC News' Martin Bashir, and FOX's Your World with Neil Cavuto, where he advises on real estate, economic, and political issues. He is also the author of top-selling books The Peebles Principles and The Peebles Path to Real Estate Wealth. He is currently working on his third book.



R. Donahue Peebles

COMPANY BRIEF The Peebles Corporation (www.peeblescorp.com) is considered the country's largest African-American-owned real estate development company and oversees a multi-billion-dollar national real estate development portfolio. The firm's development projects have included Class-A office buildings, four-star hotels and resorts, boutique hotels, and luxury residences in major cities including Miami, Las Vegas, San Francisco, and Washington, D.C.

There is much talk of recovery but there are still issues not being addressed. How is the economy faring today?

It's in a recovery mode but is also rebalancing. The level of unemployment seen as acceptable in a strong economy is going to be higher than in the past. We will see a transition into more self-employment and contracting employment that will allow larger corporations to become more nimble and start-ups to become more efficient. As ObamaCare gets into the mix, personnel costs are increasing, so you're going to see alternative methods of staffing going forward.

In gateway cities like New York and San Francisco, the real estate demand is vastly

exceeding supply in terms of new production and it has pushed rents and sales prices up significantly. Developers are now rushing to meet some of the demands of the marketplace and financial sources are deploying their capital into real estate because they can't get the desired returns elsewhere.

Real estate will end up pulling up our economy and will have an impact on reducing unemployment.

Are we pricing a large number of people out of the market?

As supply is constrained in Manhattan, it pushes up prices. However, the demand and pricing in Manhattan created the re-development of Hoboken, Jersey City, Brooklyn, and Long Island City and you will see more of that.

It's good for the overall health of the economy; the downside is that we lose a lot of the character and fiber of Manhattan by pricing the upper middle class and slightly wealthy out. The Mayor has been progressive with affordable housing so continuing that effort will be important towards keeping the middle income families in New York City.

Why was the timing right to enter New York?

Under Mayor Bloomberg, the culture of New York government is unlike any other around the country – it's very pro-business and efficient.

Throughout his administration, there have been senior administration officials with tremendous private sector experience, so that was attractive.

New York City is the most global market in the world. It attracts tremendous demand, especially Manhattan, and has a tremendous demand built in in terms of consumers of real estate. New York City is also a tremendous wealth generator, which creates greater demand for real estate.

The recession environment opened the door for an outsider like me to locate opportunity out of the dysfunction.

What is your vision for the acquisition you have completed?

The building is on a whole square block of Leonard between Broadway and Lafayette with Catherine Lane to the south.

It's a landmark building that was designed by McKim, Mead & White, so it has tremendous architectural history and character. It has an entrepreneurial foundation that was built as

the headquarters of New York Life; and it's in the eastern portion of Tribeca where a transition is beginning to happen.

It's a unique building for Tribeca because the buildings that tend to be converted there are commercially related. This is a grand pre-war building similar to a grand building in the financial district, but it has the grandeur of a Park Avenue or Fifth Avenue building. It has 420,000 square feet and is a development that will produce \$1 billion in revenue. Our upside in terms of profits are only limited by what will happen in the market.

Our company has done over a half dozen landmark buildings in major cities so this is our specialty.

Is the impact of real estate on the city truly understood?

It's not fully understood by the average citizen but it does have a tremendous impact because the financial services businesses can leave the city in a heartbeat with the advance of technology, so we will see a continual decline of their presence. But real estate is the number one business here and it's the last global entrepreneurial industry. Entrepreneurs generally are the most philanthropic. Real estate also constantly generates new wealth and new jobs in construction, architectural, brokerage, etc.

Is enough being done to provide opportunity for minority-owned businesses today?

Before the President's election, minority business leaders were outside looking in and advocating for their constituents. But it's tough for African-Americans to advocate and challenge President Obama, so the President can set the agenda at his own pace. Therefore, he's going to deal with the issues that are more compelling to his political agenda and are of the moment. Also, the President is sensitive to his minority status so he's less likely to react to those agendas.

The opportunities now have to be more on the local and state levels. There are very few minorities who are involved in real estate in a significant way. The Peebles Corporation is the largest minority developer in Manhattan, so the goal should be to open more of those pathways.

Business is competitive so it's unrealistic to expect a hand out. But the playing field has to be leveled and the goal must be to attract talent and capability and, with that, diversity becomes important. Diversity at the expense of competence is not good, nor is competence at the expense of diversity. ●