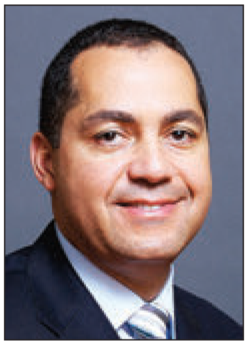
Contributing to Society

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



R. Donahue Peebles

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. 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.*

COMPANY BRIEF *The Peebles Corporation (peeblescorp.com) is one of the country's largest African-American-owned real estate development companies and oversees a multibillion-dollar national real estate development and investment 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 New York, Philadelphia, Miami, Las Vegas, San Francisco, and Washington, D.C.*

Where does the U.S. real estate market stand today and is its position sustainable?

It's definitely sustainable, and the recovery has been pretty focused on the major gateway cities. The markets in New York, Florida, Washington, D.C., Los Angeles, and San Francisco have all bounced back. They've caught up with or exceeded the normal 10 to 15 percent annual appreciation that some of the markets were getting in boom times.

It proves that real estate outpaces inflation significantly over time. So we're early in the recovery because we're so supply-constrained – not only did we go into a recession, but the faucets were turned off in 2008 and there was no significant new inventory in New York, Miami, or San Francisco.

When demand recovered, there was not enough inventory to meet demand. As the world has become less stable economically, there has been more demand from foreign investors looking to park their money in the U.S. as a safe harbor. They see New York as the number-one place in the U.S. for that. Miami has continued to emerge as a global gateway city. It is also being propelled by foreign investors and buyers, as well as domestic buyers looking for its quality of life. San Francisco has also always been a global market.

The global and broadly diverse markets are on the upswing and they will continue to see significant appreciation, though it will begin to level off as supply starts increasing to meet demand. We're early in the cycle of what should be a good four-to-six year run. When we elect a new President, it will further energize the marketplace.

What do you look for when a new opportunity presents itself?

We're conservative as a company while entrepreneurial at the same time, so we have tried to play to our strengths.

We like the dynamic gateway markets. As an entrepreneurial firm, we are unique because we're doing business in six different major cities. However, we're focused on being regional developers in each of those markets, as opposed to going into a market and doing a one-off deal.

My personal strength is that I have been very politically engaged for 35-plus years. As a result, we tend to focus our effort on public/private ventures to where we acquire underutilized buildings or undeveloped sites from municipal or state governments around the country. We augment that with market, private-sector developments. This gives us the opportunity to mitigate risk and control our pipeline.

What geographies are you focused on?

The Northeast mid-Atlantic region is very attractive, beginning in Washington, D.C. and up to New York. I see Boston offering great opportunity. We're also focused on Philadelphia and we would look at something in New Jersey or Maryland.

I also see South Florida, mainly Miami and the Keys, doing very well, in residential condos and homes, and hospitality.

The office markets in those regions are a question mark. As technology makes us more efficient, there is a decline in demand for urban Class-A extensive office space. Retail is also affected because online purchasing has continued to grow and that is pulling from traditional retail.

What challenges does New York face?

Having strong financial resources, significant amounts of capital, a strong track record, and knowing your way around municipal government will distinguish you as a developer in every market except New York, where there are hundreds of real estate developers and investors that have the same capabilities. Essentially, the only way to buy property in the private sector in New York is to pay too much for it.

Is a large segment of the population being priced out of the New York market?

Yes, because New York forces most residents to pay a disproportionate amount of their income for housing costs.

But the super-high-end, the properties that are selling for $3,000-per-foot or better, are attracting the top income earners and global buyers. They're not moving people out of the market – it's just making the cost of luxury more expensive.

The challenge is creating affordable housing through private sector developers. But mandating that without incentivizing it, say an 80/20 concept, further drives up the cost of market-rate housing. So we're going to have to do something different to deal with affordable housing.

I commend Mayor de Blasio because he has taken the approach that he's going to incentivize the market to provide affordable housing. This means rewarding it – not just giving extra FAR away on a one-to-one basis for affordable housing but actually giving greater incentive to do that.

Ultimately, there are going to have to be some changes in terms of how housing is built in the city because it has become almost impossible for anyone to live in a new building who isn't wealthy by American standards.

Do you often reflect on all you have achieved?

My focus as a young businessperson was to do something that contributed to society.

I've tried to use business as a tool for transformation. When I look at the buildings we've developed or projects we're working on, I'm proud that we try to leave the visual landscape better than we found it and that we've built buildings that will fit the communities they're in.

But I'm most proud that our buildings are vehicles for economic opportunities for many businesses that wouldn't have gotten those opportunities, like women- and minority-owned businesses. ●