

Building From the Inside Out

An Interview with Edward J. Minskoff,
President, Edward J. Minskoff Equities, Inc.

EDITORS' NOTE Before founding his own company in 1987, Edward Minskoff was Chief Executive Officer and Principal of Olympia & York. In December 2009, he was awarded an honorary doctorate in business from Michigan State University.



Edward J. Minskoff

COMPANY BRIEF The primary objective of Edward J. Minskoff Equities, Inc. (ejmequities.com; EJME) is to own, develop, and manage institutional quality real estate in major urban centers. Selectively, EJME also develops high-end residential properties. It is the corporate policy of EJME to oversee all phases of its properties, including design/development, management, leasing, and financing.

Has full recovery taken place in real estate and do you believe it is sustainable?

If you're dealing with the economy as a whole, there are still major urban U.S. centers that have not recovered fully. New York happens to be one city that has recovered beyond most people's expectations; San Francisco is another.

New York has improved selectively – not across the board. There are certain sections of New York that have dramatically changed over the years, and that 15 years ago one would not walk with his family alone at night, like the Bowery, which is one of the hottest areas today.

There have been pockets that have changed and people are addressing those changes by developing more residential and more commercial office buildings as are being developed in Manhattan South.

We developed 51 Astor Place, which is completed and virtually 98 percent leased, and we also completed 101 Avenue of the Americas, which was a building I developed 22 years ago. A tenant moved out and we gutted the building and only retained the exterior walls – everything else in the building is 100 percent brand new. That building is 98 percent leased today with very strong tenants.

Companies today in tech, biotech, and finance are not necessarily moving to midtown or growing in midtown. Young people today want to work and live south of 14th Street. As long as you have mass transit accessibility, then the neighborhoods aren't dictated by what they were 20 years ago.

Sixth Avenue is a great location, as is Madison and Park, but they're not primary for users today. At 51 Astor Place, our major tenant is IBM Watson, a

\$14-billion hedge fund, and Mail Online, one of the oldest publishing companies in England. The leaders at all of those companies expressly wanted to be in that location and it has all of the requisite infrastructure.

These neighborhoods now have hotels and great shopping, as well as great mass transit. 51 Astor is an example: You can get there from Grand Central in eight minutes; from Penn Station in 12 minutes; and we have the Path Line on Ninth Street one block away.

How much can you do to upgrade older buildings, to make them competitive?

Any building I've built has the 14-foot slab-to-slab ceiling heights. We have pressed to put this in every one of our designs. Now, with 101 Avenue of the Americas, you had an institutional box to start with. The exterior is great looking and the architecture conforms with that neighborhood look.

We gutted the inside of the building so all of the toilets are brand new; brand new DX units on every floor; brand new BMS; brand new Class E; brand new elevators and controls for the elevators; brand new security system – I even gutted the lobby from floor to ceiling.

So other than the four outer walls, the building is a 21st Century state-of-the-art LEED-designated building.

In this building, we have New York Genome, which is probably one of the greatest examples of the biotech industry expansion in New York. They're the answer in the future to curing many diseases.

Nine floors were also leased to Two Sigma, which is a \$20-billion fund that has had incredible earnings over the past 10 years.

None of these companies could physically operate their businesses and function effectively without the mechanical, electrical, and communications facilities in the building.

What are your primary considerations in developing an office building?

One cannot plan to build an office building unless he can build a rectangle or square, because those are the only kind of buildings that are efficient for office space. Oval buildings are inefficient and will never work.

We design every building we've ever done from the inside out. We've never designed a building from the outside in, because we're designing buildings for the user and the user's efficiency. We create great looking buildings because I want that,

but we spend more time during the design process on the interior, floor plates, and core design to make the building a perfect mousetrap for whoever will occupy the space.

Do companies understand how the design of a building can impact productivity?

Companies today are much more sophisticated than they were 30 years ago, when they would have someone marching them around to look at buildings and decide on one. They never asked the most important questions about the mechanical systems, the floor plate efficiencies, loss factors, and the other things they need to know about today, where every building we design has two points of entry, high ceiling height, and sufficient electrical loads.

Most companies think they need more electric than they actually use, but we design every building with an unused vault in the street that we fill with sand in anticipation so that 10 years from now, if there is more electric required, we don't have to go back to Con Ed and have difficulty getting it – we have the unused vault from which to build our capacity.

The efficiency and design are critically important. There have also been studies done by major corporations in this country that say if employees are in a great-looking, efficient, and cool building, the absenteeism drops dramatically and their production goes up dramatically.

If they're housed in an old building that doesn't serve their needs properly, they may not show up as much over a 12-month period.

Will LEED-certified be the norm going forward?

We will do it because the tenants out there ask about it. Do I believe it's 100 percent necessary? Probably not. I don't think it adds tremendous quality, it definitely doesn't add efficiencies, it will never change the mechanical design of the building, the electrical capacities, the risers – they will all be the same from our perspective.

But LEED is also about how many miles away you buy materials – there is stuff in like that, which has no direct impact on how good the building is.

Will you remain focused on New York or do you see greater opportunities in other markets?

I've looked at other markets and I have built a number of office buildings in Southern California, and I would not mind returning there. There are other cities that have opportunities still, like Washington, D.C., and probably Boston. I need to focus on cities where there is upward mobile growth. ●