

# The Fisher Family

## An Interview with

**Kenneth Fisher, Partner, Fisher Brothers, and Chairman and Chief Executive Officer, Fisher House Foundation, and Winston C. Fisher, Partner, Finance, Acquisitions and New Development, Fisher Brothers**

**EDITORS' NOTE** Ken Fisher is responsible for managing, marketing, and leasing a portfolio of more than six million square feet of Fisher Brothers-owned Class A real estate in Midtown Manhattan. He is co-Chairman of the Intrepid Museum Foundation and a member of the Real Estate Board of New York's Board of Governors Executive Committee. Fisher also sits on the board of The Association for the Help of Retarded Children, The Jackie Robinson Foundation, and The General Command & Staff College at Ft. Leavenworth.

Winston Fisher is co-Chair of the NYC Regional Economic Development Council and serves as a trustee on the Citizens Budget Commission. He is a member of the Real Estate and Construction Council of Lincoln Center, serves on the Board of the Realty Foundation of New York, and is on the Board of Trustees at Syracuse University. Fisher is the Executive Vice Chairman of the Fisher House Foundation and he is on the Board of the Intrepid Sea, Air & Space Museum. Prior to joining Fisher Brothers, he worked as an analyst at JP Morgan Chase and at Heller Financial working in Private Equity Acquisitions Finance and Asset-backed transactions. He holds a Bachelor of Arts degree in Philosophy from Syracuse University.

**COMPANY BRIEF** Fisher Brothers ([fisherbrothers.com](http://fisherbrothers.com)) was founded in 1915 by Martin Fisher, who was joined by brothers Larry and Zachary Fisher. Over the next several decades, Fisher Brothers built residential properties in Brooklyn, Queens, Long Island, Riverdale, Mount Vernon, and later Manhattan. Fisher Brothers began putting up commercial buildings in the mid-'50s. Midtown tower construction and ownership rose to exceed eight million square feet of Class A office space. Fisher Brothers rewrote its business plan in the mid-'70s, adopting a new strategy that called for selling off its residential properties while continuing to develop and manage commercial real estate investments, and diversifying its investment portfolio into non-real estate sectors. With the decision to capitalize on the firm's capabilities as a builder and manager, the partnership formed Plaza Construction in 1986 and Sandhurst Associates in 1992 to provide onsite management for other building owners.

Fisher Brothers has emerged as a highly diversified financial investment force. Assets currently under management exceed \$6 billion, with a substantial portion strategically invested in a broad spectrum of financial markets and



*Kenneth Fisher*



*Winston C. Fisher*

ventures, including opportunistic overnight investments in treasuries and repos, as well as building refinancing and construction loans. Today, the firm is led by partners Arnold, Kenneth, Steven, and Winston Fisher, and each assumes primary responsibility for a different aspect of the business.

### **The commercial real estate market today is hotter than ever. Is it more sustainable this time?**

**Winston:** The economy of New York today is more diversified than it was during the crisis. What lead to that was clearly a housing bubble that rose a lot and that rising tide was lifting all boats even if they should have been sinking.

The economy today is less speculative, and the product, whether it's technology or finance, feels more solid.

**Kenneth:** The interest rate climate has also had a lot to do with it. It gives the feeling that the high values we're getting and the cap rate compression is sustainable as long as the interest rate climate stays the way it is.

Our tenant base in New York has shrunk drastically because the financial sector started to shrink and the service industries around it then shrank.

Now we have the growth of the tech sector, which will probably be the next real driver of the market, as will healthcare and nanotech out of Albany.

### **Can existing buildings with a long history and tradition compete against new development?**

**Kenneth:** Midtown South was for years a good, cheap alternative and now it's one of the hottest sectors, and is pricing itself out of the market – for the first time in history, it's hitting triple digits.

These are all existing buildings. It's not to say we're all in the same boat. We hear about deals being done but we don't hear where they're coming from. So while it seems the market is robust, there are big holes to be filled. We're not going to fill those holes unless we are hands-on and proactive with assets.

One thing Winston and I have been very careful about is how we positioned these assets commensurate with our lease expirations.

We have been very surgical with how we have deployed our capital expenditures. We have redone our lobbies, and 605 Third Avenue and Park Avenue Plaza opened recently. These are not just garden-variety renovations – they're innovative. At 605, we used David Rockwell, who has never done this before. We have done something the market will find interesting and cutting edge.

Park Avenue Plaza is a very special asset. It has a public three-block arcade and we've been able to take the surroundings of what was a beautiful lobby and make it better.

We're always looking to improve our infrastructure in ways that are innovative. We may spend some money converting to something different, but it will ultimately pay for itself in the savings it will produce.

### **Is the market more about refitting, transforming, and improving existing buildings or are there opportunities for acquisition?**

**Winston:** There is always an opportunity to acquire – it just depends on what the cost of capital is.

For Fisher Brothers, as a private company, we have been less active in the acquisition of commercial space. We built 1.5 million square feet in Washington, D.C. from 2001 to 2010. We haven't seen the development opportunities on the commercial side or acquisition side as much recently.

We have been very active in the residential sector, be it for rentals or condos. This is New York – there is always an opportunity.

### **Have we come any further in addressing affordable housing?**

**Kenneth:** There hasn't been much that has come online over the past few years.

**Winston:** It's a complex issue. The Central Park corridor is selling for \$16,000 per square foot – affordable housing isn't meant to be there. It's a very small subset of the market but it seems to dominate the discussion.

People are doing things in the outer boroughs. We're doing an 80/20 rental building. It's

# We have been very active in the residential sector, be it for rentals or condos. This is New York – there is always an opportunity.

harder in Manhattan to do a rental building, but there are projects being done.

Both segments are active. There has been a barbell approach to the news that clouds what is really happening.

*Kenneth:* I don't think anyone wants to see the skyline dominated by 1,200-foot-tall sliver buildings. But the other thing to remember about affordable housing is, it's a wonderful concept but it's dependent upon where it is built.

If we build in Tribeca, we can't do an air rights transfer to increase density. If we try to create inclusionary housing, we're paying top dollar for it so, right away, the economics are tougher.

We also have to keep in mind that the person who might be able to move into inclusionary housing in Tribeca would now have to pay three times as much for a sandwich and four times as much for a beer in that neighborhood.

For the same amount of money we're talking about for inclusionary housing and the like, areas in the Bronx and Queens can be gentrified.

**Everyone talks about providing great service and relationships. Is it possible to prove that difference at a tenant level?**

*Winston:* Yes, because all of those things are easy to talk about but we have to actually deliver.

If somebody can pick up the phone and call Kenny or myself, they're talking directly to a family member who owns a building, who treats it as if it's their legacy.

*Kenneth:* I think that families will always survive. There is the generational thing, the hands-on approach, the personal touch – our doors are open and our phones are always ringing with calls from tenants, and we answer them.

**Is Midtown East still going to be thought of as the place to be?**

*Winston:* It's all about transportation. Grand Central has millions of visitors each year and it's the gateway to the city.

*Kenneth:* Take 605 Third Avenue – how many buildings are within walking distance of Grand Central? How many buildings are located where you come out of the tunnel and you're right there?

*Winston:* Downtown is also going to have good transportation. The retail there will be spectacular. There is going to be improvement on the housing stock. What they have done with the West Side Highway is phenomenal. It's too bad they can't come up with a plan to activate the entire East River.

## Would you talk about the work you're doing with Fisher House and how much need you're trying to meet?

*Kenneth:* There is a tremendous need when it comes to veterans – many face homelessness; some have psychological needs, which can lead to domestic abuse; and there is a tremendous need for veteran housing.

While we filled a need in one sector, and have been doing so for 25 years, through temporary lodging for hospitalized veterans, families, and so forth, Winston is now becoming active in the Fallen Heroes Fund, which is focused on traumatic brain injury and post-traumatic stress.

As long as there is one veteran, there will always be a need. Veterans have taken an oath to defend this nation with their lives if necessary; we also need to take an oath – and it has to be more than words – to take care of them if they make it home and to take care of their families if they don't.

*Winston:* I have a deep concern that we talk about wealth redistribution but we don't talk about how to increase the size of the pie. So we have been discussing how we can increase middle class jobs, which helps not only veterans but everybody else.

We're studying some policies that we think would be beneficial, especially for the New York region, to help enhance middle class job growth.

## Will that assistance be driven primarily by the private sector?

*Winston:* It's public/private; it's a collaboration. It requires communication to bridge the gap between what industry needs and what education teaches, and what government services are provided.

We sometimes need to start fresh to solve the problem; to not always fix what is there but to actually redo the way it is done. The way services and things are provided today shouldn't be thought of in the same way we did in the 20th century. We have to solve problems with a 21st century mentality and redo them, be it through technology or a different thought process to enhance the experience.

*Kenneth:* Privatizing is not that simple to do and it's expensive. This means that instead of looking at the front of the system in the VA, we look at the back of the system. At day's end, the most important thing is just doing something for these men and women.

Sport is a very powerful tool for rehabilitation. We're working with the United Kingdom to

bring the Invictus Games that Prince Harry started to this country. We're going to put the games on at the ESPN Wide World of Sports at Disney with his Royal Highness as our partner.

We did it in the U.K. and now we're bringing it to the U.S. This is an innovative program. There are always different ways to solve problems.

## What makes this business work for both of you?

*Winston:* It's a closely held family business. We like each other but we can also make good business decisions.

*Kenneth:* We were always taught that we're family when we leave work but when we walk through the doors, we aren't just a family.

It's highly collaborative because we're dependent upon each other to keep the place going, to keep our lifestyles going.

*Winston:* One of the best things we can do is to hire really smart people. This is a real company with real people who are highly qualified and highly skilled, and we value their advice, opinion, and counsel.

We treat this like a serious business and that makes a difference. When we have the best and brightest working for us, we can get a great level of advice.

*Kenneth:* It's no secret also what the family has been through, and 10 years after such a major upheaval, we're developing and repositioning our assets. We're very proud that we have kept this ship afloat and have also veered in different directions – in some cases new directions.

It has been quite a journey getting here and we each have our own strengths.

## When the times got tough, what was the secret to moving forward?

*Winston:* We developed residential. As bad as the financial crisis was, we were able to take advantage of certain things that were financially beneficial for us. We've expanded our portfolio in our core holdings. We've been fortunate and have done some good and smart deals. We're not deal junkies, but there is a sense of always trudging forward and creating value.

*Kenneth:* We also got back to the basics. When we go through negative times, the way to ensure survival is to go back to what we know. When we get back to a position of strength, then we have options. What we do well is we stay focused on what we're doing at that time. We understand what our capabilities are.

When it's time to move, we move. The secret is not to go off in multiple directions. ●