A Family Culture

An Interview with Sam Rosenberg, Chief Financial Officer and Partner; Brian Collins, Head of Development; and Marc Packman, Director of Leasing, Fisher Brothers

EDITORS' NOTE *Sam Rosenberg joined Fisher Brothers in 1986. He also served from 1995 to 1997 as Treasurer of Chartwell Leisure, a public hotel company controlled by Fisher Brothers. Prior to joining Fisher Brothers, he worked for seven years at David Berdon & Co., a midsize public accounting firm. Rosenberg is Chairman of Trip of a Lifetime, a 501(c)(3) nonprofit organization that provides funding for underprivileged students to experience summer travel.*

Brian Collins has held his current post since August 2011. He is the Founder of Colgate Development LLC and, from April 2004 to June 2010, he was also the Owner. Other previous roles include President of Intrawest, COO and Partner of Millennium Partners, and Senior Vice President of Carol Management/Doral Hotels.

In December of 2012, Marc Packman was named to his current post with Fisher Brothers. He was formerly Senior Vice President and Director of Leasing at Trinity Real Estate. Prior to this, Packman worked as a managing director with Cushman & Wakefield's Strategic Agency Services group where he oversaw over 10 million square feet of the company's leasing agencies. Before this, he was Director of Leasing with Tishman Speyer. Packman is a member of the Real Estate Board of New York.

Sam Rosenberg

Brian Collins

Marc Packman

COMPANY BRIEF *Fisher Brothers (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 continues to develop and manage commercial real estate investments, and is also 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 ventures, including opportunistic private equity and hedge fund investments, as well as providing strategic mezzanine loans to third parties. 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.

Would you provide an overview of Fisher Bothers' focus on the residential market?

Collins: Fisher Brothers is focused on multifamily rentals and condominiums in urban markets on the East Coast. Currently, we have four large projects under development in New York City and Washington, D.C.

How strong is the market today, and are you happy with occupancies?

Packman: We're very bullish on the market. However, we frequently take a proactive approach to renewing tenants early. If you sign a lease with a tenant for 10 or 15 years, there will be some point during that lease term where a tenant is going to be ready to talk about expanding or restructuring. A lot of our tenants are quite big, so when we have their attention, we try to work with them. As part of that, we might add 5 or 10 years onto a lease. This helps us keep our buildings full.

How do you differentiate in this very competitive space?

Packman: There are different types of owners, but ours is a family business. This is the third generation of Fishers and we take great pride in everything we do. If you speak to most of our tenants, they will tell you this comes through in the service they receive.

Our occupancy also speaks to how well we take care of tenants. More often than not, when their leases come up, they renew and frequently expand. We're over 99 percent leased at this point.

Rosenberg: There are a number of different types of landlords in the city. We have the public companies and public REITs, and they manage one way. We also have a lot of funds and foreign money that comes in, and they third-party manage.

We do everything within our buildings: we manage them, we run security, we clean our own buildings, we run our own garages; and it's not to make a profit, but to maintain the quality of the building.

We tell the tenants, if you have issues, give any of the partners a call – all the tenants have access to senior management.

This is why we have a great retention rate.

Are you surprised to see how many different neighborhoods have developed in New York City?

Packman: I'm not shocked. Everybody wants to be in the city right now.

In addition to the office space that I deal with, we're doing a number of residential developments in the city now that are at all stages. A lot of people want to be in Manhattan right now, be it downtown, the far west side, or further north. For people to be in the city, there is strong pricing for performance.

Rosenberg: There are a lot of interesting dynamics. I remember when you wouldn't go to Times Square after 6 PM. I'm surprised so many of these neighborhoods have gentrified and become desirable.

A lot of it has to do with the way crime has gone down under Giuliani and Bloomberg.

We're all optimistic about the new mayor. The city has come a long way over the past 30 years, and we're seeing growth in neighborhoods in Brooklyn and Manhattan that people would never have considered even walking through, let alone living in, many years ago.

Collins: New York has become the most desirable city in the world, particularly for young people who are coming to where the jobs are, for creative people who want to be in a stimulating work/play environment, for families who are seeking the best educational opportunities, for tourists who want a great place to visit, and for people looking for a second or third home. It's really a great city and there's no reason why the growth won't continue.

In 2009-2010, many were saying that New York would never see the pricing it did in 2007-2008. Has it come back as strong as before?

Rosenberg: New York City did not get hit like the rest of the country. It's an island unto itself, and there is always money that wants to come here.

A lot of foreign money out of Asia and the Middle East is coming to New York because it's a safe harbor now. This has kept pricing up.

Sam, what has kept you here after all this time?

Rosenberg: The family's number-one focus is to protect their integrity. They don't need to be on the front pages, and their ethics appeal to me.

Every day is exciting, and it's a great family to work with. They believe in working hard and giving back to the city and the country through the Intrepid and the Fisher Houses that the family runs. It's a team approach. I like that we think long term. We don't have to do a deal and worry where the market will be next year. We're doing deals for the next generation. We're just trying to build good real estate in good locations and hold it forever.

How has Fisher Brothers been able to maintain a conservative approach to risk mitigation?

Rosenberg: You're always going to have some inherent real estate risk, but if you're not over-leveraged, you can sleep at night.

If you are able to fix your interest rates and not worry about that, it takes a lot of risk off the table. We've been fixed-rate borrowers; we like to take out long-term loans. All of our office buildings have been financed with fixed-rate mortgages, normally at not more than 50 percent loan-to-value.

We lease to high-credit tenants. We would rather have a corporate tenant like a McKinsey or BlackRock than a tech start-up, even if that means giving up a few dollars in rent.

The four active Fisher partners do a great job of keeping the family culture alive.

In addition to New York City, you also have strong presence in Washington, D.C. How is that market faring?

Rosenberg: We have 1.5 million square feet leased to the SEC, which is our office presence there.

Collins: On the residential side, we're developing a 380-unit multifamily building in the up-and-coming H Street Corridor. The building is scheduled to open this fall and will feature tremendous amenities, including game rooms, a multimedia room, and a pet spa and dog walk, along with a large pool and rooftop pool deck.

How do you prevent losing the family culture when you've grown to this size?

Rosenberg: It's in the DNA of the family, and the fact that the Fishers are very hands-on and open-door oriented. We're only about 150 people – that's still small enough that we know each other, and we have loyal employees and low turnover. I've been here 25 years and I'm one of the babies.

You always want fresh ideas, but you have to work hard to maintain your focus and remember what has kept this family great for 100 years. Winston will tell you that he learned the business at the dining room table. This company doesn't have a corporate feel – it's a very congenial atmosphere. The four active Fisher partners do a great job of keeping the family culture alive.

Will "LEED-certified" be a given in the future and how important is it that you're providing this service?

Packman: Many tenants today value being environmentally sound. Our new buildings all have LEED certification and a few of our existing buildings have recently gone back and gotten LEED certification. It's a given that to be a good corporate citizen and to develop in an environmentally responsible way is worth it to most customers, so to be able to say you have a green building helps with marketing efforts.

Will that focus mean higher prices?

Packman: There are different categories of LEED certification. Some of the features that make you LEED certified, like recycling water from the roof, can help bring those costs down as you recycle things.

Ultimately, with new buildings, you may be spending more, but it seems that tenants are willing to pay for it.

Is the role of CFO different in a private versus a public company?

Rosenberg: The CFO role at a private financial company is very different. We look at different metrics; EBITDA is meaningless to us.

The most important metric we look at is cash flow. You need the cash to put into the next deal or to improve the buildings. So we manage cash flow carefully and develop long-term cash flow budgets. We put a lot of money aside in reserves to put back into our buildings. We realize the buildings are getting older and will need more maintenance.

The Fishers believe in keeping substantial reserves for maintenance. We also set aside reserves to fund re-leasing.

Is the economic impact of the real estate industry well understood?

We're flexible enough to react to markets and opportunities.

Rosenberg: I don't think it's necessarily appreciated. Real estate is an easy target when you need to raise revenue – go after the landlords and raise real estate taxes. We can talk about the whole real estate tax assessment system, which is unfair. There is a lot of burden on the landlords.

It's very difficult to build a residential building today because of real estate taxes. High real estate taxes are one reason we have a shortage of affordable rental product in the city.

Is there close coordination between the residential and commercial sides?

Packman: Because everybody is involved in both areas, we're always talking to each other about what we're doing. We're looking at a building now and deciding if it could be best used for residential, medical, hotel, or parking. So we're always aware of the residential and commercial sides, and we coordinate when appropriate.

Rosenberg: At one time, we owned 140 hotels. Some public companies put together their one- and three-year business plans – we don't have one. It literally changes every day. We're flexible enough to react to markets and opportunities.

We had never owned a hotel, but one day the RTC during the S&L crisis started selling hotels for pennies on the dollar, and we decided to buy as many as we could. A year later, we owned 150 hotels.

Certainly, we're best known for our commercial, but we have also built a lot of residential around the city. Right now, the highest and best value is in residential, but that can change a year from now.

We think of everything in light of the total portfolio. We built these commercial buildings and they are the core of the portfolio. Having some residential diversification makes sense for us. Commercial real estate is great, but if you have a million-square-foot tenant that you have to replace because they moved out, it will result in a lot of re-leasing costs.

From a diversification point of view, residential will smooth out some of the volatility inherent in our commercial portfolio. ●