

Specialization

An interview with Bob Knakal, Head – NY Private Capital Group, JLL

EDITORS' NOTE Bob Knakal is Head of the NY Private Capital Group within JLL Capital Markets in New York City. Knakal was Chairman and Founding Partner of Massey Knakal Realty Services, New York's #1 building sales firm. He started his real estate career in 1984 at CB Richard Ellis where he met Paul J. Massey Jr. They both left CB in 1988 to form Massey Knakal. From 1988 through 2014, Massey Knakal closed over 6,000 transactions with an



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aggregate value in excess of \$23 billion. To date, Knakal has been personally responsible for the sale of over 2,246 buildings (generally considered to be the highest total ever for a single broker in New York) and over \$20.4 billion in sales. With respect to development sites, Bob has personally handled the sale of over 250 development site transactions totaling over \$7 billion in sales. In 2014, Cushman & Wakefield acquired Massey Knakal. At Cushman & Wakefield, Knakal served as Chairman of New York Investment Sales. He was ranked the top originating investment sales broker at Cushman & Wakefield, globally, in 2014, 2015 and 2016. Knakal joined JLL in September of 2018 as Chairman – NY Investment Sales. Since 2009, he has written a regular column on the New York City Real Estate Market called "Concrete Thoughts" for the Commercial Observer and, since 2012 has produced a video series called "KNN" which regularly explores current trends and the performance of the New York City investment sales market.

FIRM BRIEF JLL (jll.com) is a leading professional services firm that specializes in real estate and investment management. JLL shapes the future of real estate for a better world by using the most advanced technology to create rewarding opportunities, amazing spaces and sustainable real estate solutions for its clients, its people and its communities. JLL is a Fortune 500 company with annual revenue of \$19.4 billion, operations in over 80 countries, and has a global workforce of more than 102,000 as of June 30, 2022. JLL is the brand name, and a registered trademark, of Jones Lang LaSalle Incorporated.

What interested you in joining JLL and made you feel it was the right fit?

At the time of the decision in 2018, JLL had a limited investment sales platform in New York City. We thought it was going to be a great opportunity to grow a business here with the 53 colleagues I rallied with to come over. Increasingly, the world was becoming a smaller place based on technology, and at JLL we have more than 100,000 employees so there is someone at this firm who is

an expert at any opportunity. We felt that the access to global capital was fantastic here given the size of the company, and since the world is becoming smaller every day, JLL provides us with a great way to serve our clients better by creating more optionality for them by having a bigger sandbox to play in and more services to offer them.

How challenging is differentiation in the private capital space?

My business revolves primarily around private capital, high-net-worth individuals and families, which requires a different approach than you would use in the institutional world. I think that differentiation in the private capital space centers around a personal track record, skill set and the depth of your relationships.

In private capital, the individual is sought out, not the company. In the institutional space, the company is a much more important component of the decision-making process for a client. Many of our clients, and potential clients, on the private capital side don't even know what JLL is. The easiest way to differentiate yourself is through specialization and the more specialized you are, the more you understand the arena in which you are operating. For example, in New York City a 100,000-square-foot building on the north side of the street can have a very different value than a 100,000-square-foot building on the south side of the street. In order to understand why one building has a very different value than the other, you need to have a deep understanding of the market and what is most impactful on value within certain property types or locations and this allows you to best serve your clients. This maximizes results for whatever it is that the client is looking to achieve. At the end of the day, we are here to help clients achieve their objectives.

What are your views on the state of the New York City real estate market?

I think that New York is the greatest place in the world. Clearly, I have a skewed view having lived in New York City for almost 40 years. When the pandemic began, many brokers were looking to do deals in Florida, Texas, and other areas that were booming economically. I thought about looking for opportunities outside

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New York, but decided that I was going to stay local. I have a deep understanding and knowledge of this market and don't know anything about markets outside the city.

It is clear that the investment sales market in New York City has been challenged since October 2015. It started as a volume correction from October 2015 through February 2022 when the sales volume dropped by 56 percent (values dropped by only 12 percent over this period), and then COVID came along and transitioned this mainly volume correction to a value correction, and it stayed in a very difficult state until April 2021. The second half of 2021 and the first half of 2022 were very good and it appeared the longest correction since at least 1984 was over, but when the Fed started raising interest rates in March 2022, it had a major impact on lenders and we are now in a world that is extremely volatile in terms of the capital markets. I still believe that there will be a reasonable number of transactions that will occur. In challenging times like this, clients are seeking good guidance and advice and trusted advisors are going to be extraordinarily valuable to market participants. Being a trusted advisor is how we see our role relative to our clients and our primary objective is to deliver great results for our clients.

How is technology impacting JLL's business?

Technology is a little misunderstood. Technology has been very important in making the business process more efficient, being able to market properties to larger audiences more quickly, etc. However, if you look at the speed at which transactions are being done today, it does not mean that there are more transactions occurring. Technology has made the markets more transparent which has reduced the number of buildings being sold multiple times in a single year as was commonplace decades ago. As a matter of fact, there were more buildings sold in New York City during the 1980s than in the 1990s, more in the '90s than in the 2000s, and more in the 2000s than in the 2010s.

We have seen that technology has allowed fewer brokers to do more business individually, but has not necessarily resulted in more commerce being done across the board. The secret is to use technology to serve your clients most effectively, but to make sure you do not lose the personal relationship. Real estate is a relationship business. Emails, texts, and social media will never take the place of phone calls and face-to-face interactions.

What do you see for the future of office buildings in New York City?

The utilization of office space is constantly changing and will continue to change as we evolve from the work-from-home experiment which was implemented during COVID. There is a huge divide between new construction class A office buildings and everything else in the office sector, including the large number of older buildings in the market. Class A office buildings are doing well, and everything else has its challenges. Right now, New York City is faced with the potential of having roughly 100 million

square feet of vacant office space. We went into the pandemic with about 25 million square feet of office space that was vacant, there is currently a little over 27 million square feet under construction, and if aggregate demand for office space goes down just 10 percent, which most people believe is a conservative estimate, we are going to have about 100 million feet vacant. The ability to convert older, obsolete office buildings into other use is something that must be explored and the city should financially incentivize the private sector to convert these buildings to housing. There are many ways to do this.

What has made the real estate industry so special for you?

I loved the industry from the first day I got into it. I entered the real estate business completely by accident in 1981 when I set up an interview at Coldwell Banker thinking that it was a bank. They were the only ones hiring college students for the summer and I loved the job from day one. Selling buildings is the coolest job there is. I still get the same excitement today when an owner calls me to discuss a potential sale that I did almost 40 years ago when I started my career. Fortunately, for me, selling buildings is not only my career, but also my hobby. I am very fortunate that I have a wife who understands that my passion and love for this business occupies a great deal of my time, and she is so supportive of my work.

What advice do you offer to young people interested in a career in the real estate industry?

I suggest they expose themselves to as many aspects of the business as possible because in real estate you can be an investor, a developer, a broker – there are so many different facets and opportunities. It is important to find out what resonates with you most and to find your passion. I am now 60 years old, and I tell people that I will never retire; when they put me in the ground, I will have deals under contract. I love this business and feel so lucky to have spent my career in the real estate industry. ●

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