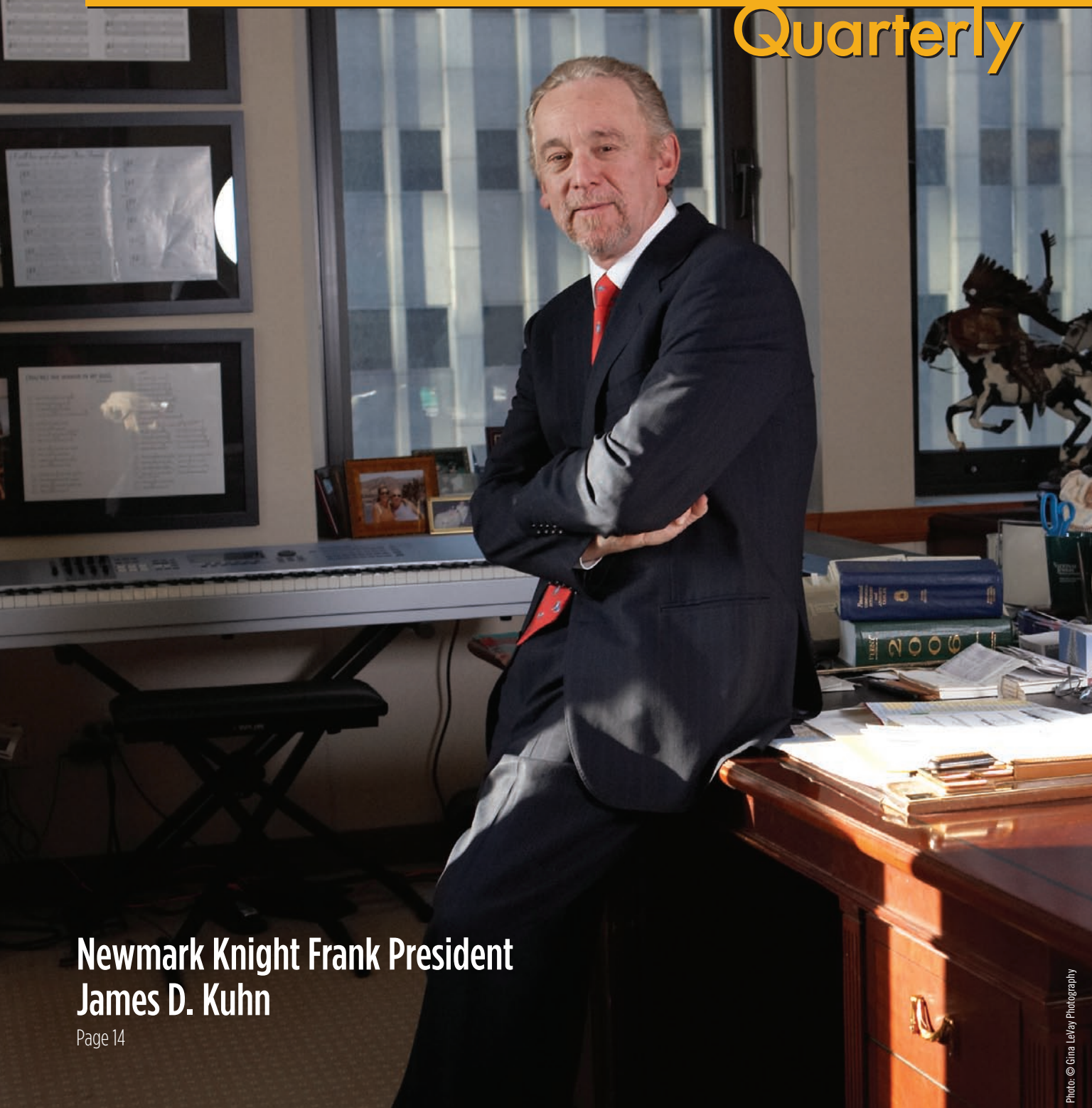


COMMERCIAL

REAL ESTATE

Quarterly



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WELCOME BACK TO THE COMMERCIAL QUARTERLY

This fifth issue of the Commercial Quarterly, a joint effort of The New York Times and CityFeet.com, has us thinking about the nature of real estate investments. More precisely, for those of us not born yesterday, real estate has been thought of as a local investment. However, as we can see from the recent activity in the real estate investment trust (REIT) area of the business, real estate is changing from a local proposition to a global investment. While REITs are consolidating, they are also going global. In short order, investors may have the opportunity to invest in Des Moines and Djibouti and Manila and Milwaukee — all at the same time and all in the same fund. Now that's what we call diversification!

With all of the money continuing to flow into real estate investment today through REITs and direct investments and the subsequent compression of cap rates, Cushman & Wakefield's senior managing director Janice Stanton tells us that the investments to focus on in 2007 are the blue chip properties in the blue chip markets. One of her favorite investments, and ours, is none other than New York City.

The investments to focus on in 2007 are the blue chip properties in the blue chip markets.

Our main feature in this issue focuses on office or commercial condominiums. It will never be a giant piece of the office market action, but it is an interesting segment nevertheless. Even in red-hot Manhattan, where there might be a strong tendency not to slice up a building into smaller parts, one successful Wall Street area developer is eagerly looking for more deals to put together.

We also want to highlight our profile in this issue. We focus on James D. Kuhn, president, Newmark Knight Frank. In a recent conversation with us, he quipped that "once a developer, always a developer." When you look at what he has accomplished over his long career and what he continues to achieve today, you will conclude, as we did, that he indeed continues to be a developer not just of properties but also of people, universities and institutions and communities.

We hope you enjoy this issue and find it helpful.

Ron Derven
Editor
rderven@gmail.com

2007 Commercial Real Estate Quarterly

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ON THE COVER: NEWMARK KNIGHT FRANK PRESIDENT JAMES D. KUHN

James D. Kuhn is president of Newmark Knight Frank, New York, one of the largest brokerage firms in the world. He began his career in development in the early 1970s, and continues to delight in that area of the business. However, today, besides employing his formidable skills as advisor to the firm's large client roster, he also devotes his unflagging energies and talent, often on a pro bono basis, to assisting universities, hospitals and communities with real estate issues.

ONCE A DEVELOPER, ALWAYS A DEVELOPER

JAMES D. KUHN (he prefers Jimmy) is a real estate developer at heart, and even as president of New York-headquartered Newmark Knight Frank, one of the largest brokerage firms in the world, he continues to hold a special interest in this area of the business. Today, however, in addition to employing his formidable skills as advisor to the firm's large client roster, he also devotes his energies to assisting universities, hospitals and municipalities with real estate issues.

During the course of his 35-year career, Kuhn has been advisor or principal for more than \$3 billion in transactions for 25 million square feet of commercial and residential real estate. Whether it be acquisition, leasing, management, repositioning or liquidation of major investments, his experience transcends them. He has acted as merchant banker, de facto advisor, partner and co-investor with such firms as Bear Stearns, Goldman Sachs & Co. Inc., The Equitable Life Assurance Society, J.E. Robert Companies, Lennar, Steinhart Partners and Prudential.

"I never thought that I would be a real estate developer until the day I became a real estate developer," said Kuhn recently, but added that he did get a taste of the business early on. "My father worked as a movie theater location specialist so he used to take me to cowboy movies and then we would drive around in his car looking for movie theater locations. He wanted me to be an aerospace engineer, actually, anything but enter the real estate field."

Kuhn graduated from Syracuse University in 1972 with an MBA. He took a job with Metropolitan Life in its mortgage department, "foreclosing on landlords," as he put it. "I found that you can learn a lot more about the business in tough times than you can in good times." Kuhn entered the business during one of the worst real estate recessions in the city's history; that period from 1973-1978.

One of the landlords he tried to foreclose on was the late Bernard Mendik. Kuhn later became Mendik's partner. "Bernie had split up with his former partner, Larry Silverstein, and needed someone to do acquisitions for him," Kuhn explained. "Over the next 13 to 15 years, we became the largest purchaser of real estate in New York City, with perhaps the exception of Olympia & York." Upon joining Mendik, Kuhn remembered his father's aversion to a career in real estate and figured there was one way to change his dad's attitude — he hired him! The company purchased approximately 17 million square feet of real estate. Among those purchases were 2 Penn Plaza, 11 Penn Plaza, 330 Madison Avenue, Two Park Avenue, 909 Third Avenue, 100 Church Street and 110 William Street.

Mendik continued its purchases until the early 1990s when the real estate market again tanked. Mendik eventually sold its company to Vornado Realty Trust in 1996 and Kuhn became a stockholder. Said Kuhn, who is still a large shareholder in Vornado: "I always want to own the very best companies in industries with diminishing assets. I want the best gold mining company; the best oil exploration company. In the case of real estate, I want to own Vornado."

In the early 1990s, Kuhn was facing the second real estate recession of his career and decided to team up with who he called "two brilliant financial geniuses," Chuck Davidson and Joe Jacobs. "We started buying non-performing loans, real estate and oil and gas assets," he said. After two years Chuck and Joe outgrew real estate.



James D. Kuhn

In 1992, Kuhn got a call from Barry Gosin. Gosin and Jeff Gural ran a development company called Newmark & Co. (which later became Newmark Knight Frank). The partners had recently added a brokerage arm to the business. "Barry asked me if I would help him run Newmark" said Kuhn. "I had never been a broker; I did not even have the word 'broker' in my vocabulary. However, I felt it was a situation where I could exercise my entrepreneurial skills and it would enable me to spend time with my three young children before they grew up. Barry is a brilliant visionary, comfortable in front of any CEO in America and Jeff is a true genuine folk hero who sets the standards of integrity in our business."

Gosin focused his attention on the corporate business world while Kuhn, given his background as a developer, addressed the landlord side of the business. He started doing due diligence, helping clients like Whitehall, Archon, Lennar, J. Roberts, Apollo, Angelo Gordon and others buy New York office buildings and then taking over the leasing and management.

Enter the Nonprofit World

About three years ago, Kuhn observed that at the non-profit end of the business, organizations had a real estate component that was necessary for them to grow their institutions. These might be universities competing with the private sector for land and buildings to build academic or residential components; hospitals needing to sell off excess real estate assets to raise capital to build a new facility; or municipalities that needed to monetize their landholdings to bolster their real estate tax base.

"I felt there was a real vacuum in the real estate community for

developers that could be hired as advisors," he said. "There were certainly developers with tremendous expertise out there, but you couldn't hire them. Consequently, we built a client base that includes NYU, Pratt, Mount Sinai, Lenox Hill, Brooklyn Hospital and more. I have tried to marry my experience as a developer with the market knowledge of a large real estate services company. For instance, Mount Sinai Hospital needs to develop a hospital research facility on land it owns at 102nd Street between Madison and Fifth avenues. To pay for that facility, it needs to find a developer who will team up with the hospital to build the science center and buy the 300,000 square feet of residential development rights and its building at 1212 Fifth."

Kuhn said that many universities are desperate for housing for undergraduates, graduates and faculty but at the end of the day, they need to own these facilities to take advantage of their non-profit status to remove taxes from the table and eliminate the inevitable spike in rent. "The challenge is to make the clients happy while working your way through the political environment and staying sensitive to the communities' participation in the process," he said. With the challenges of tax regulation, zoning issues and budget crunches, real estate may be the only asset to bail out the health care institutions. "But most of the time we are not selling cookie-cutter assets," says Kuhn.

Kuhn and Gosin recently hired Michael Lifland away from AVR to focus on their private investment fund, which focuses on redevelopment opportunities like the Bethlehem Steel site where they recently, in partnership with the Sands Corp., won the gaming license to build a 500-slot casino-hotel and retail project. They are also partners with Taconic in Coney Island; and are about to build residential condominiums in Flushing. They recently leased their landmark Flatiron building to a large publishing company for 15 years.

Pro Bono Work

Kuhn has undertaken considerable pro bono work and he has been extremely generous in a variety of ways to, as he put it, "give something back." He recently started a real estate center in his name at Syracuse University (along with a scholarship in his parent's name), which is something he had set his heart on years ago when he left the institution. "We opened on the ground floor of the new Whitman Business School and it sits next to the number one ranked entrepreneurial program in the country. The real estate program will start as a minor but over time it will grow into a major that will teach students in the fields of real estate investment, real estate development, real estate finance and real estate law."

Kuhn is on the board of trustees at Pratt Institute (he named the new lobby in the architectural school for his late father Leo Kuhn last year). He is on the board of National Jewish Hospital in Denver, CO., which is the number one respiratory hospital in the country (he is asthmatic). He is also chairman of the advisory board for the Real Estate Institute at NYU, on the advisory board of the Whitman Business School, and a recent addition to the board of the March of Dimes.

Working at Newmark Knight Frank

One of Kuhn's great pleasures at Newmark Knight Frank is working with his partners and senior executives with whom he comes in contact. "It is kind of corny to talk about in today's world but at Newmark, we are still a family. We also put charity high up on our list mainly because of our chairman, Jeff Gural."

"The company has also allowed us to leverage our time by assembling the key people we work with," he continued. "Without guys like Brian (Watterman), David (Noonan) and others, I couldn't have achieved the level of success I have."

Other Activities

Kuhn is a high-energy person with athletic prowess who demands perfection from himself. He graduated from Stuyvesant High School in 1965, where he had been captain of the fencing team, second-place finisher in the tri-state championship and member of the 1964 City Championship team. He went on to fence at Syracuse, winning tri-state championships

"It is kind of corny to talk about in today's world but at Newmark, we are still a family. We also put charity high up on our list mainly because of our chairman, Jeff Gural."

in 1968 and finishing 12th in the nationals. Then, after a 25-year absence from the sport, Kuhn returned to fence in the Veterans division, where he ranked 7th in the country when he retired in 2002.

In another remarkable feat, Kuhn decided to take up running at the age of 39 after most people have long settled into life as coach potato. However, he was not content merely to jog around a track on weekends. Instead, on taking up running, he entered the New York City Marathon, ran the race and went the distance—all 26 miles. "I guess I am just compulsive-obsessive at everything I do!"

Who Do You Aspire To Be?

"Most people who come into the commercial real estate business probably aspired to be Harry Helmsley or Bill Zeckendorf," said Kuhn with a smile. "I wanted to be Billy Joel. So the closest I get is with my band (Square Feet) when we are playing at the Red Lion. When there are 200 people in the audience, I get to be Billy Joel for a couple of hours (he is the keyboard player and back-up singer) and I will play rock music as long as they let me stay in the band."

The Web site for Square Feet sums up Kuhn well: "He's a little bit corporate and a little bit rock 'n' roll." ■