

Real Estate Forum

Kenneth D. Laub says . . .

Big Deals Don't Just Happen

• MANY REAL ESTATE BROKERAGE firms measure their standing in the market by total volume of transactions. One property services operation in New York, however, prefers another yardstick, and little wonder. Dividing the number of brokers at Kenneth D. Laub & Co. Inc., into the transactions they have negotiated in the 17 years since Kenneth D. Laub opened his own shop—\$15 billion of leases and sales involving more than 25 million square feet of commercial space—Mr. Laub believes his company has generated more commission revenues per broker than any comparable realty brokerage concern in the country. The Laub client roster is equally impressive, including as it does The Port Authority of New York and New Jersey, International Paper, Oppenheimer Holdings, The State University of New York (SUNY), Shearson Lehman/American Express, The First Boston Corporation, The New York Daily News and Dow Jones & Company.

Although the firm has been built on a solid foundation of traditional real estate brokerage, Mr. Laub stresses the organization's full-service orientation and the significance of diversification in a real estate market which is in a constant state of flux. "The complexities of today's transactions mandate a comprehensive involvement in the total process," Mr. Laub argues. "Now, more often than not, the ramifications of a lease go far beyond the dollar cost per square foot. Satisfying clients demands a full understanding of their needs and the ability to service them immediately, as well as a comprehensive anticipation of future changes in both the real estate market and their own requirements."

The range of services offered by the Laub organization spans leasing, sales and investments, consulting, management and industrial brokerage. Within these disciplines, the company regularly assists clients with architectural coordination, asset swap analysis, overcharge analysis and representation, post-lease follow-up and tax and insurance analysis, among others.

Opting for quality rather than quantity, Mr. Laub has built his own reputation in the business on the size of his deals, the creativity he brings to solving his clients' needs and his negotiating prowess. Several transactions concluded just in the last year demonstrate these attributes.

Negotiations Described

Mr. Laub's work on behalf of International Paper, for instance, resulted in not one but a series of transactions which significantly enhanced the client's productivity and profitability.

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At the time the transactions were initiated, International Paper was faced with a shrinking work force, hampered by restrictive subleasing clauses for its corporate headquarters at 77 West 45th Street in Manhattan yet without the clout of ownership to effect reductions for building operation and maintenance costs. Nevertheless, management was reluctant to move because the company possessed a favorable long-term lease and had made a substantial capital investment in the facilities—the condominiumized portion of a building owned by Teachers Insurance & Annuity Association (TIAA).

“Our recommendation that IP buy the space from Teachers was based on the analysis of several factors,” explains Mr. Laub. “These included the paper company’s lease, its immediate and long-term objectives, the property’s ownership and structure, and TIAA’s financial objective as they might impact any eventual negotiations. This was supplemented by a comprehensive study of the Manhattan office market. These indicated that by purchasing this 814,000-square-foot space, several opportunities would subsequently develop for IP.”

The carefully researched and fully documented analysis of International Paper’s position—a characteristic Laub approach in determining the best interests of a client with a real estate problem—focused on the most important points. IP required a long-range planning capability and the flexibility to consolidate and/or decentralize operations. If the company bought out Teacher’s interest in the two-owner condominium, it would gain a majority of the seats on the building’s board and thus achieve more effective control of the property’s management. It would also gain an owner’s financial interests in terms of depreciation and amortization, not to mention the 18 years remaining on the property tax abatement which had been granted earlier. Later, after this first deal had been closed, Mr. Laub recommended that the paper company sell the holding which would enable it to decentralize operations according to the needs of individual units, while obtaining substantial capital gains.

As Mr. Laub diagrams the multi-faceted deal, the first stage transformed a leasehold interest into an asset with a significant value, which was designed to have a positive impact on occupancy costs. This was then transformed into capital gains through the resale. (A subsidiary of First Boston bought IP’s interests.) But Mr. Laub was not through. Shortly thereafter, he arranged for the decentralization of International Paper’s operations to three separate cities, which promise enormous long-term overhead savings for the company.

Other recent major deals which further illustrate the Laub strength and range as a consultant and broker include:

- A 509,000-square-foot, long-term lease by Oppenheimer Holdings Inc., in Tower A of The World Financial Center at Battery Park City in Lower Manhattan. This transaction also in-

cluded the purchase of an equity interest in the tower and the sublease of Oppenheimer’s original space at a profit with the participation of World Financial Center’s owner, Olympia & York.

- An 18-year, 173,000-square-foot lease with a 3-year option to buy the building at 315 Park Avenue South in Manhattan on behalf of SUNY’s College of Optometry, the first real estate negotiation of its kind involving a New York state agency. This deal made it possible for the school to remain in previously leased space, obviating both the disruption and the capital expenditure a move would engender. At the same time, the purchase option provided the school with the time necessary to secure funding for the purchase.

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- Acting as a consultant to the Port Authority, Mr. Laub arranged the lease of over 1 million square feet (24 floors) to Dean Witter Financial Services at the World Trade Center.

Ken Laub and his organization have been pulling off real estate coups of similar dimensions for years. He got into the brokerage business in 1960 following graduation from New York University. For eight years he worked at Tishman Realty & Construction Co., Inc., making so much in commissions that he opened his own firm in 1969. Today, supported by a staff of professionals that includes experts in law, financing, accounting, architecture and construction, he continues to produce at a rate that is admired by many far larger firms in the same business.

How does he do it? As Mr. Laub articulates it, his “secret of success” is the combination of creativity with a high degree of technical expertise. “Proficiency in the technical aspects of the real estate business fosters creativity,” he emphasizes. “The more details you have about a transaction, the easier it is to find a solution that defies a challenge. Each transaction is approached both analytically and creatively.” The creativity flows not only from an understanding of the real estate industry but of the business world in general, Mr. Laub insists. Ultimately, each deal must be viewed from the client’s bottom line perspective. It’s a total approach, an integrated approach, and for the Laub firm one that appears to be working to perfection. ■
