Risk, Ruin & Riches

INSIDE THE WORLD OF BIG-TIME REAL ESTATE

JIM POWELL

Risk, Ruin & Riches: Inside the World of Big-Time Real Estate, by Jim Powell, is, "the inside story of the deals behind the deals, an eye-opening, immensely readable examination of how the most powerful builders, brokers, landlords, syndicators, developers and architects operate."

Featured in various chapters are such well-known names as Donald Trump, Harry Helmsley, William Zeckendorf, Trammel Crow, Philip Johnson, I. M. Pei, Cesar Pelli, Neil Bluhm, Gerald Hines and John Tishman. To illustrate the high-stakes atmosphere of mega-deal brokerage, the author chose to profile the career of Kenneth D. Laub.

To read this facinating chapter and see pictures from the book, please click in the lower or upper corners of the book to turn this page and all following pages.

BROKER DEALS

NEGOTIATING A COMMERCIAL LEASE IS ONE OF THE TRICKIEST TASKS in real estate, because it can be extraordinarily complex—running into the hundreds of pages. Many factors may easily exceed the impact of rent. Often critical lease terms influence a company's decision to stay at a present location or leave a city, remain in business or go bankrupt. So even Fortune 500 companies retain specialized brokers to negotiate their leases. The top brokers earn far more than most corporate chief executives.

Recently I talked with lean, feisty Kenneth D. Laub, one of the superbrokers who handle the bulk of major commercial real estate transactions in New York City. To Laub's credit: deals with rentals in excess of $15 billion for 20 million square feet of space. Kenneth D. Laub & Company's commissions average 2 percent to 3 percent. Real estate observers believe Laub has personally earned more than $50 million during his career.

Keenly attuned to current market conditions, Laub is a master of the complexities of lease negotiating. More often than not, he represents tenants rather than landlords, who traditionally pay brokers' commissions. "If you're a big corporation with a lease expiring," Laub asserts in his booming voice, "there aren't many places you can go. A landlord with, say, 300,000 feet of space available has you by the kumquat. He'll squeeze you, particularly with nonrent variables like taxes, energy and operating costs, which can easily exceed the rent."

Success enables the spirited bachelor, 46, to indulge his many pleasures. He lives on the forty-third floor of an exclusive Sutton Place co-op with a splendid view looking east, north and south. His suite includes a library, recording room, exercise room and steam room. The whole place is wired for rich stereo sound. Laub has a 1920 Louis XIV-style Steinway oak grand piano. He writes ballads, which he plays on his piano, and uses a DX-7 synthesizer and mixer. He enjoys fine cars, including his 1974 Maserati Bora, 1979 Rolls Royce convertible and 1985 Rolls Silver Sprint.

For cruising the Mediterranean, Laub has an 80-foot yacht called

Exocet—named after a French flying fish. He celebrated his parents' fiftieth wedding anniversary by hosting them and a couple hundred friends on a weekend cruise to Nassau. Highlight of that occasion was a two-hour musical revue he wrote and performed along with jazz pianist Billy Taylor, New York newscaster Roger Grimsby, actor Dick Shawn, Mitzi Hamilton of *A Chorus Line* and Linda Hart, who used to accompany Bette Midler.

Some of Laub's pleasures are public. He backed Broadway shows like *Break a Leg* and *The Second Greatest Entertainer in the Whole Wide World*. He funds a Municipal Arts Society project marking historic sites around New York with eight-sided signposts describing and illustrating what notable buildings were on a site before.

Now he's writing and producing a record of ballads that will poke fun at the real estate industry and celebrate the city where he made his fortune. The record will be called *Giving a Little Bit Back*.

He and his sister grew up in Cedarhurst, Long Island, where his father was a dentist. Since Laub loved animals, he thought he wanted to become a veterinarian, so he spent his summers working on poultry farms, grain farms and dairy farms. "My dad showed me two nice schools, Cornell and Princeton, and I fell in love with Cornell," Laub smiles. "But I can say without the slightest hesitation that I couldn't cut it as a prospective vet," Laub says. After two years, he transferred to New York University, where he switched to business.

Meanwhile, a national intercollegiate bowling champion, he began his deal-making career at age 20, canvassing fire departments, police departments, B'nai B'rith and other organizations to hold their tournaments at Viking Lanes, a Babylon, Long Island bowling alley built by actor Kirk Douglas from his earnings in the movie *Vikings*. Soon Laub was canvassing for five bowling alleys, each paying him $400 a week—$2,000 altogether. That canvassing was great preparation for real estate.

"After I got out of the Army," he says, "I went to work for Barchris Construction, which built bowling alleys—I thought there was a bright future in bowling. Less than a month after I started, they told me I'd have to relocate to Atlanta, which didn't interest me.

"I didn't know what to do. I spent the next 11 months interviewing people. Instead of going out and looking for a job, I tried to find out what different industries were about. I saw people in market research, advertising, insurance and real estate. I realized I didn't want to be a salaried person. I wanted to be at risk with the world as my oyster. I'd be in the sales industry, so the task was to identify the greatest opportunity."

He started as a 22-year-old trainee selling commercial real estate for a New York brokerage firm Collins, Tuttle & Company. He got a $35 a week draw against commissions. "While real estate brokerage offered tremendous potential," he says, "you were cut up like a piece of pie every time you made a deal. You got 30 percent of the commissions you generated. Senior people had overrides. Moreover, you were allowed a draw against commissions that was just enough to get you through the day. I guess it was good training for anybody to get raped by an employer. Even at 30 percent commission, though, my high five-figure income was more than any other sales person at the firm.

"Like most commercial brokers, I'd go into a building and take the elevator to the top floor. I'd go from office to office, asking to see the office manager, administrative vice president or whoever was responsible for leasing and willing to see me. I'd ask when their lease expired, how much space they needed, whether they anticipated much growth, what they planned to do. If they were cutting back people and needed less space, I'd offer to help sublet it.

"When I was canvassing the building at 285 Madison Avenue, I met a man named Gabe Carlin with the Haloid Corporation, and they were thinking about new offices for a national sales operation. I showed them a 650-square-foot-suite—about the size of my living room—in the old Union Carbide Building, 30 East 42nd Street. They took a five-year lease for $6 a square foot. My commission would have been $150.

"After the lease was signed, I got a call from a Haloid executive named Jack Rutledge, who said another broker had previously showed them different offices in the same building, and apparently the broker was angry that he didn't get the business. Rutledge asked me to split commissions, so they wouldn't get into litigation over the matter. I needed the $150, but I agreed to do it. He thanked me for being gracious and promised that his company would grow, and he might be able to throw more business my way. I settled for a $75.64 commission.

"About a year later, things started to happen. Haloid changed its name to Xerox. I started doing deals for them not just in New York, but in Rochester, where their corporate headquarters are located, and elsewhere around the country. Altogether, I've done 37 deals with Xerox.

"Unfortunately, I didn't really get the comprehensive education I wanted while I was with Collins, Tuttle. That's why I left. It scared me to think that I was making money by being persistent and lucking out. How would I fare against somebody who was good? In retrospect, if it were possible for me to work directly with the key people, Wylie Tuttle or Herb Papock, I might have stayed.

"I got the directory for the Real Estate Board of New York. I virtually memorized it and learned the cast of characters in the New York real estate community. I decided there were two large, diversified firms where I might have a chance to learn many aspects of the business: James Felt & Company and Tishman Realty & Construction Corporation.

"At Felt, I would have worked for Stanley Sultan, a broker who had done some highly creative consulting work. He was 56 years old, bit his nails to the quick and lived with his 86-year-old mother. His desk was piled with papers, which was common in the real estate business, except that he was the only person who could find anything. So while he was a very bright man, I didn't think I'd enjoy the association."

The Tishmans were among the oldest and most powerful New York real estate families, their fortune founded by Julius Tishman, who built tenement houses on Manhattan's Lower East Side. Son David, who joined the firm after his graduation from New York University Law School in 1909, pioneered apartment buildings north of 86th Street on the West Side. Tishman Realty & Construction became a publicly-held company in 1928.

"There were a lot of Tishmans," Laub recalls, "and I didn't know exactly what each one did, so I started at the beginning of the alphabet. I called Alan on the telephone.

"I said, 'This is Kenneth Laub, I work for Collins, Tuttle & Company.' I figured that would be good enough, because the Tishmans certainly knew Collins, Tuttle & Company. Sure enough, Alan picked up.

"Mr. Tishman,' I continued, 'I'd like to come and talk with you.' I expected he'd figure it was about some real estate deal. But I was wrong.

" 'Why, do you want a job?' he asked, without a moment's hesitation.

"I meant to say 'Yes,' " Laub laughs, "but it came out about three octaves higher than usual. 'Y-e-s.'

"I lucked out again, because Alan Tishman was in charge of leasing their buildings. I had started with the right person. He introduced me to Joe Gavron, then director of commercial leasing. Joe liked me, and I was hired as an assistant director of leasing. I accepted with one condition: that they not pay me a salary. I wanted to earn only commissions.

Soon the Tishmans established a subsidiary called Tishman Management Corporation, which handled leasing, advised corporations developing their own buildings, provided consulting and brokerage services to tenants. "Behind me, I had an organization with credibility in leasing, financing, management and construction. I spent seven wonderful years, from 1962 to 1969, learning the business."

The Tishmans were a family of talented, diverse, sometimes eccentric characters. David Tishman, in his 80s, was a reigning patriarch along with his brother Norman, who was reportedly a wild driver in his Rolls Royce. When David negotiated with somebody who didn't want to sell him a property, he'd turn off his hearing aid, so he could say he didn't hear the insistent noes. David's son Alan, a rugged and handsome man with olive complexion, seemed perfectly cast as an outgoing salesman, and he taught Laub how a sophisticated landlord approached lease negotiations. Tall, lean, soft-spoken Robert Tishman, Alan's older brother, was very much an operations man. His domain was finance.

Tough, gruff John Tishman made the firm into perhaps the most formidable force in the construction industry. So highly valued was his expertise that many times when he failed to win a job as general contractor, he was retained as a consultant to watch over a big project. He was to tackle such mammoth undertakings as Chicago's John Hancock Center, Detroit's Renaissance Center complex and the twin towers of New York's World Trade Center.

Laub had an irresistible urge to meet John Tishman, so he walked in to ask for advice. "I told him I had this 3,000-square-foot tenant," Laub says, "which was a big deal for me since I was new, but it was small potatoes to him at the top of his profession. I asked the value of the work letter, which specified how much allowance the landlord would give a tenant for building interior finishes to their specification.

" 'What's in the work letter?' he replied.

"I explained orally—nothing written down. This was very naive, because if you really want to know how much a work letter is worth, you turn it over to the construction department. They have the various jobs bid and give you back a meaningful answer.

"Well, John started making funny noises like an adding machine—bup-bup-bup-bup-bup-click-bup-bup-bup-bup-bup-click. Then he gave me a number.

"I thanked him and left, feeling rather stupid."

Even in this league, though, Laub was a dazzler. Interpublic, for instance, was a troubled advertising conglomerate with a tangle of leases which, if renegotiated, might realize substantial savings. Laub handled more than 30 transactions in five years, canceling leases, consolidating space, subletting space for more money. The value of these transactions was about $150 million, and in the process Laub earned Interpublic an estimated $10 million when they needed cash badly.

John Tishman earned an $11 million fee as construction consultant for the World Trade Center, while Laub was applying knowledge of a landlord's pressure points to get tenants into the World Trade Center. He was hammering competitors and earning personal compensation of more than a half-million dollars annually. The Tishmans feared they'd be charged with conflict of interest and jeopardize their consulting fee, so they asked Laub not to lease any more space in the World Trade Center.

In 1969, Laub went out on his own with the Tishmans' blessing. Two years later, the real estate market slumped. Things got even worse when recession, inflation and unemployment struck together during the mid-1970s. Unable to pay their bills, many landlords abandoned their buildings. Companies found they were using far less space than they had contracted for, and they were desperate to sublet it and relieve the rent burden. Laub became the New York sublet king, doing more business than almost anybody else, finding takers for space hard-hit companies no longer wanted to occupy.

One of the earliest tenants to approach him was IBM. The company couldn't expand anymore at its 77 Water Street building. They hired Laub to study the market and explore their options. They paid him $36,000 for the report, but they weren't obliged to use his brokerage services.

"I set up a 10-point standard," Lamb explains, "for evaluating rentable versus usable space, nonrent variables like taxes, electricity, occupancy tax which was a new subject in New York. We had to evaluate the construction of buildings we were considering. We evaluated heating systems. We compared escalation clauses from one building to another. We analyzed the market. We estimated their future needs and their landlord's attitude toward granting them more space on various options and leaseback possibilities. By today's standards, this analysis was simplistic, but it was state of the art then, and it gave IBM everything they needed to negotiate. The outcome was that they decided to stay in their present building and sign a 300,000-square-foot lease. So IBM paid us for the report but didn't go on to use my brokerage services."

If Laub was disappointed, the market analysis he did helped him develop a remarkably thorough profile of the Manhattan office market. He established a file on every business leasing over 4,000 square feet of space in Manhattan—their space needs, rental levels and lease expirations. What he learned in barbershop talk with a Fortune 500 executive might find its way to a file along with the results of systematic surveys.

Laub seemed to thrive amidst crisis. When real estate tycoon Sol Goldman defaulted on the Chrysler Building during the mid-1970s, it reverted to the long-term lender, Massachusetts Mutual, which turned to Cooper Union, a college that owned the land—about 70 percent of its endowment. Massachusetts Mutual wanted to invest $30 million in renovation, but for this to be feasible, the insurer needed lower ground rent. Laub was retained to negotiate a deal that would protect that endowment. Both the Chrysler Building and Cooper Union have thrived since then.

In 1979, the *New York Daily News* was on the verge of bankruptcy. Contributing to the crisis were losses from their headquarters building at 220 East 42nd Street, where International Paper leased 550,000 square feet of space. Laub's rival, Cushman & Wakefield, recommended that the *News* accept a lease renewal for $7.50 a square foot. Laub scoffed that the market was significantly above that—at least $11 a square foot—and he insisted the *News* had an excellent chance of generating desperately needed cash if they told International Paper to take a walk. This was a tough decision for *News* General Manager Joseph Barletta, for International Paper also supplied him with newsprint, and he wanted to continue a good relationship.

But he did tell International paper that $7.50 was unacceptable, and Laub proceeded to lease the space. Since it was an antiquated facility—three buildings patched together, with floors ranging from 6,000 to 60,000 square feet—it would be inefficient for large tenants. It made sense for International Paper only if it were cheap.

So International Paper dickered for space at Park Avenue Plaza, a glass tower which Manhattan developers Lawrence and Zachary Fisher were building 10 blocks north. Rent would be about $17 a square foot. But since it wouldn't be ready for occupancy until a year after the International Paper lease expired, they offered Laub $5 million if he would extend the lease. "I refused," he says, "because I believed the market was working in our favor, and I didn't want to run the risk of losing the opportunity."

Laub went on to lease space vacated by International Paper not for the estimated $11 a square foot, but for between $25 and $30. The building filled with a lot of small tenants. The resulting surge of cash helped save the *News*. Several years later, the *News* sold the building for a nifty $150 million profit. Laub's $9 million commission seemed like a bargain.

Curiously, though Laub gave International Paper a hard time at the *News* building, the company sought his help several years later.

Unable to wait for Park Avenue Plaza, it signed a 15-year lease (1980–95) to move into 1166 Avenue of the Americas, a 1.5 million-square-foot building that became Manhattan's most famous default case.

Back in 1967, Tishman Realty & Construction had joined with Edwin Glickman to assemble a site on the east side of the Avenue of the Americas—Sixth Avenue—between 45th and 46th streets. Broker Henry J. Kassis did well assembling parcels until he encountered Bernard Pravda who, with his brother Alfred, owned a five-story loft building at 56 West 46th Street. Pravda agreed to sell for $170,000. He reneged on this, agreed and reneged on many subsequent offers. The Tishmans, who had bought out Glickman, decided to modify their design so they could build around Pravda after he demanded $2,066,000. Their total costs for assembling the site exceeded $42 million, but time was even more critical.

Delay meant the building opened during the 1974–75 recession, and it sat empty for five years. Avon considered it, but they were afraid of being the only tenant. They moved into 9 West 57th Street, where they reportedly ended up suing the developer Sheldon H. Solow. GTE considered 1166 Avenue of the Americas, too, but crime—particularly a bomb that went off in their building—helped convince them to build a new headquarters in Stamford, Connecticut.

Awash with losses and unable to lease any space, the Tishmans defaulted—walking away from more than $20 million they had invested in the property. The building passed into the hands of the construction lenders headed by Citibank. They defaulted. Then the building became the property of Sol Goldman, who owned the land. He defaulted. Teachers Insurance & Annuity Association took it over.

Their top real estate man, Martin Cleary, together with Jack Collins of New York Telephone, decided to buy the building for $32.5 million, the balance on the outstanding mortgages. New York Telephone occupied lower floors for a total of about 700,000 square feet. Levitt leased the ground floor plus upper floors—800,000 square feet—to International Paper.

Chairman Edward Gee, a tall man with a commanding personality, decided to spend an extraordinary $65 million on office improvements, which included a highly sophisticated security system, private reception area with escalator, corporate library, corporate auditorium, training rooms, conference rooms, executive kitchen and dining room, special dining rooms, full-floor employee cafeteria and lavish interiors by acclaimed designer Marv Affrime, which was the envy of New York. This was before a new breed of aggressive corporate raiders targeted profligate chief executives.

As recession and declining commodity prices forced International

Paper to tighten their belts, management decided it would be a good idea to cut the number of people at headquarters and transfer many functions to offices elsewhere. But the way their lease was written, they were vulnerable. Staying in the building until expiration in 1995 would mean paying a market rent which could easily exceed $60 a square foot. They hadn't used their tremendous space commitment as leverage to gain protection for their $65 million of leasehold improvements. Nor, if they sublet space, did they have a right to enjoy the profits.

International Paper Chairman Gee asked Laub for advice. He approached John Somers, a vice president at Teachers, and proposed to split 50–50 any profits generated by subletting space. The lease called for $17 a square foot, but the market was around $40. Teachers nixed the deal.

"I could hit a grand-slam home run for you Ed," Laub said, "if you move out of the building. Then we'd buy the space from Teachers. They'd make a profit. You'd also make a substantial profit by turning around and leasing or selling the space. A buyer would gain mortgage interest deductions, depreciation and tax abatement."

"That's not something I want to do," Gee replied. They were talking about the House that Gee Built.

But in a few years Gee retired. An equally strong man named John Georges became chairman. He faced a tougher financial situation, and he didn't have the personal stake in the offices. He commissioned Laub to arrange the purchase as he had proposed. Consummated in November 1985, this deal was worth an estimated $150 million, and observers rated it the largest condominium deal ever. It was expected that Laub and International Paper could "flip" the building to buyers for $300 million.

Among the current tenants in space acquired by International Paper: Laub's rival, giant Cushman & Wakefield. Being in the right place, obviously, isn't enough to clinch a deal.

Though Laub became known as a tenant's broker, he does many of his biggest deals representing landlords. The innovative, litigious developer Sol Atlas, for instance. He was a white-haired man of medium height who lived in a palatial contemporary home at King's Point, Long Island, with immaculately maintained Japanese gardens and a splendid view of Long Island Sound.

He built first-class office buildings with many innovative operating systems which hadn't been used before. He gambled that he could get enough extra rent to cover their cost. An aggressive negotiator, he was among the first landlords to pass fuel costs, electricity, taxes and cost-of-living adjustments onto tenants. He was rough and stubborn, enraging tenants. Quite a few corporations refused to go into a Sol Atlas building, no matter how much a deal might be sweetened.

During the late 1960s, he and his partner John McGrath, chairman of East New York Savings Bank, started One and Two New York Plaza, an office complex built upon landfill off the southeast tip of Manhattan. Anticipating a windfall, they never bothered with long-term financing. They figured when they had some major tenants signed up, they could get long-term financing at more favorable rates.

Then interest rates went up. Moreover, when their first building, 2.1-million-square-foot One New York Plaza, was around 80 percent filled—just short of the breakeven point—leasing stalled as recession set in. Tall, bespectacled Richard Boyle, a loan officer at Chase Manhattan Bank, wanted long-term financing to pay off their $75 million short-term construction loan. But since the building was a money-loser, a new loan would be available only on steep terms. Losses mounted, and Chase sat on its construction loan for nine anxious years.

In another of their attempts to lease space, Atlas and McGrath turned to Laub. He noted that Chase had options on five floors where leases were expiring by 1979. If Chase waived their options, those floors plus other space in the building would be big enough to attract a major corporation and increase the rent roll. "I asked Boyle for a dozen concessions, and he agreed to four," Laub recalls. "Fortunately, they were the right four for me. Among other things, he waived the bank's options to lease five floors. He also agreed not to raise interest rates for six months. I offered my best efforts to deliver a tenant for the vacant space and obtain permanent financing."

Canvassing the marketplace, Laub discovered that investment banking firm First Boston needed room for expansion. He signed them to a 20-year lease for 260,000 square feet starting at $12.50 a square foot. First Boston plus other tenants he signed boosted the rent roll more than $3 million annually, enough to achieve black ink. This enabled Laub to negotiate a 32-year, $70-million mortgage at 8.75 percent with a tall, gray-haired real estate loan officer named Bill Frentz of the Equitable Life Assurance Society.

Two hours after First Boston signed the lease, Laub got a call from George Shinn, chairman of the firm. He reported an unexpected rebellion among his corporate finance executives. They didn't want to stay downtown. They were pressuring to get out of the lease and move to midtown.

"Why did you sign the lease?" Laub asked.

"We felt committed," Shinn replied. "How much will it cost to get us out of the lease?"

Laub pondered the question overnight. "Sol Atlas and John McGrath won't let you off," he said, "because the long-term financing is linked to it. But with the lease at a fixed rate, it's an attractive deal for other companies who might consider subletting the space. You're not due to start paying rent for a year, so there should be enough time to sublet the space and realize as much as a $6 million profit."

Shinn asked Laub to sublet the space. Soon he was talking with Walter Fried of the downtown law firm Fried, Frank, Harris, Shriver & Jacobson which for two years had shopped for new quarters in midtown.

"Walter," Laub said, "it will cost you $3 or $4 more per square foot per year to move midtown. By piggybacking on the deal I did with First Boston, you and your partners can save $20 million over the term of the lease." Fried Frank moved into the space vacated by First Boston at One New York Plaza. Laub collected a $1.6 million commission in addition to the $1.6 million he got for signing First Boston.

First Boston executives liked the way Laub turned First Boston's multimillion-dollar headache into a whopping profit, so they asked him to negotiate the move of their back office into 110,000 square feet at Five World Trade Center. In November 1985, Laub arranged for First Boston to take an additional 50,000 square feet of contiguous space there. So the crisis triggered by First Boston brought Laub unexpected commissions worth millions.

There's more. One of the tenants at One New York Plaza was a small institutional research firm named Faulkner Dawkins & Sullivan which was bought by Sanford Weill, an aggressive financial empire builder who had bought the bankrupt brokerage firm Hayden Stone. The Brooklyn-born Weill started his career as a runner at Bear Stearns, after Merrill Lynch had rejected him for its sales training program. By 1960, his apartment-house neighbor Arthur Carter was starting a brokerage firm, and Weill became a partner in Carter, Berlind, Potoma & Weill. Partners came and went, and the firm changed to Cogan, Berlind, Weill & Levitt. They were known on Wall Street by their acronym, corned beef with lettuce. They did considerable business with wheeler-dealers like Charles Bludhorn, who built the conglomerate Gulf & Western, and Saul Steinberg, who took over Reliance Insurance, parlaying that into a tidy empire.

In 1970, the slumping stock market hit brokerage firms hard, and this in turn precipitated a wave of mergers. Weill was making deals as fast as he could. The firm acquired the troubled Hayden Stone, cut costs and labored to turn that around. Then it went on to acquire Hentz & Company, a commodities firm, and Saul Lerner & Company, an options broker. Weill had vehement differences with his partners about how their rapid expansion should be handled. In the ensuing shoot-out, Weill emerged on top. Marshall Cogan left and eventually took over another company called General Felt.

Weill acquired still more companies, at a faster pace: Shearson Hammill, a major Wall Street firm which became the umbrella for all the firm's holdings. Lamson Brothers & Company, a midwestern broker, was acquired, as was another midwest firm, Reinholdt & Gardner; a California mortgage banker, Western Pacific Financial Corporation; Loeb Rhoades Hornblower, a Wall Street firm resulting from several prior consolidations; and Faulkner Dawkins & Sullivan, then a tenant at One New York Plaza.

Weill is said to be a tough, tight executive who insists on controlling every aspect of the firm. He doesn't delegate much. When underlings stray from the policies he establishes, they may be summoned to his offices for a tongue thrashing. He cuts costs, lets people go, then looks for more places to cut. He's as tough on brokers as anybody else, trying to minimize or altogether eliminate their commissions. He's a polite man with ice in his veins, as one associate puts it.

Weill wanted to cut back staff and consolidate Faulkner Dawkins with his firm's other holdings. "You say you're so good," he challenged Laub, "do something special for me. Get us out of the Faulkner Dawkins lease without a loss."

It was for $14 a square foot—an above-market rent then—and had 12 years to run. If Laub failed, he wouldn't get any commission at all. Laub took the bait.

"What Sandy didn't know," Laub recalls, "was that Salomon Brothers, on the floor below, needed expansion space. They could have rented space elsewhere for $10 a foot, but this was convenient, contiguous space, and in any event I wasn't representing Salomon. So I called Vincent Murphy of Salomon. They agreed to take the Faulkner Dawkins space at $14 plus a 50-cent-per-square-foot commission.

"I saved Sandy about $120,000 a year of potential write-down, more than $1.4 million altogether. He liked that very much and gave me the right to represent his latest acquisition, Shearson. They moved into 330,000 feet at the World Trade Center, and I earned a $1.6 million commission."

Meanwhile, Weill's Hayden Stone acquisition gave Atlas and

McGrath a nightmare at Two New York Plaza, because when it went bankrupt, it defaulted on a lease there. After some scrambling, Laub produced another tenant—the brokerage firm A. G. Becker. Atlas and Becker executive Paul Judy shook hands on a deal for 120,000 square feet. Legal documents were prepared.

The summer evening before they were to be signed, Laub learned Becker was simultaneously negotiating with the Uris brothers to move into their office tower at 55 Water Street. "It was imperative that Sol find out what was going on," Laub says. "I found somebody who gave me Sol's unlisted home phone number, and I called, but Sol and Edyth were out. I didn't know just when he left in the morning to inspect his construction sites, but it was early. My general counsel Murray Grodetsky and I drove to their house, arriving by about 6:30 A.M.

"Sol's maid answered the doorbell. From upstairs, he sent word that the maid was to make us comfortable, and she did. She prepared scrambled eggs, crisp bacon, toast and coffee, which we ate outdoors, enjoying the gorgeous view of Long Island Sound. Sol didn't ask why we had come until after we were finished. He took everything one step at a time."

After Laub left, Atlas got on the phone to Becker executives and lawyers. They wanted out of their lease because they were worried they'd be virtually alone in Atlas's white elephant building. Atlas threatened lawsuits if they didn't sign the lease as they had agreed.

Becker refused to sign. They moved into 55 Water Street. Atlas didn't sue. Laub lost the deal, but it proved fortuitous.

American Express, in cramped quarters at 65 Broadway, was looking for a new building with at least 600,000 square feet. There weren't many choices. The Tishmans' 1166 Avenue of the Americas was still empty, but it was in midtown Manhattan, and American Express Chairman Howard Clark had agreed, partly because of David Rockefeller's urging, that his company should stay downtown and help keep the financial district strong. The World Trade Center had plenty of vacant space, but being over there would be a turnoff, surrounded by so many time-in-grade government employees.

So American Express executives negotiated with Laub. Talks became deadlocked, though, because American Express wanted to buy the building, and Atlas was more interested in collecting rents. After all, having taken the risks of development, he wanted to enjoy the cash flow and hopefully a big capital gain later. He set a high price at which he'd be willing to sell, and American Express balked. Soon afterward, Atlas died.

Virtually empty, Two New York Plaza lost $500,000 a month.

Alarmed, John McGrath, Atlas's widow Edyth and daughter Sandy Atlas Bass were eager to get rid of the building for a lower price.

Laub got a timely opportunity to resume negotiations when he received a handwritten invitation from Howard Clark. It was to a little evening get-together at the American Museum of Natural History.

But after Laub arrived at the museum, checked his coat and reached the reception area, he discovered more than 300 people already there. Perhaps a third were competing brokers and building owners. Suddenly, he grasped Clark's clever ploy: Everyone in the brokerage community was chasing Clark, and he lured them here so they'd at least benefit the museum. The situation wasn't encouraging.

Laub was further disheartened when he learned that the crowd was going to break up into small groups, with everybody drawing a number to determine which room they'd go to. Laub might never get a chance to see Clark. Some people went to agronomy, others to archeology and so on. Laub drew ichthyology. It was a dreary basement room filled with bottles of fish in formaldehyde.

"It was absurd," Laub remembers, "standing around staring at bottles of dead fish. How fond could you get of the museum? This didn't strike me as a reason why you should make a donation unless they were going to modernize jars for the dead fish.

"But I lucked out, because Howard Clark was in my group, and I was the only broker there." Clark is a broad-shouldered, good-looking man with a strong jaw. He looks like a chairman of the board for a major corporation should, a formidable presence. Alan Tishman, having heard Clark was in ichthyology, tried to wander in nonchalantly, so he could pitch the virtues of 1166 Avenue of the Americas. But Clark just said hello and told him he belonged in paleontology.

Though the party lasted a couple of hours, Laub had less than three minutes of conversation with Clark. It was enough. "I told him I represented developer John P. McGrath and the estate of Sol Atlas who owned Two New York Plaza," Laub recalls, "and I handed him a letter of authorization. I explained the terms were more favorable than any other location in Manhattan. If I could meet with him and his associates, I could show why it might fill their needs. He told me to put the letter back and call Stevens L. Shea, the American Express executive in charge of real estate.

"That three-minute conversation was crucial, for if I hadn't actually met and talked with him, there would be no personal chemistry, no reason for him to believe me. I'd have been forever brushed aside by secretaries and assistants."

About 18 months later, the deal was done: American Express would buy the building for $32 million. Two New York Plaza would become the company's new headquarters, known as American Express Plaza.

In 1981, Clark's successor as chairman, James D. Robinson III, got out his bankroll and peeled off more than $1 billion for Shearson, and as a major partner in Shearson, Sanford Weill immediately was one of American Express's major stockholders. He became president of Shearson/American Express, Wall Street's second largest brokerage firm. The parent company was a $35 billion giant that needed ever more office space. Weill eyed the magnificent Battery Park City office complex being built on the Hudson River by the Reichmanns of Olympia & York.

Many times he asked Laub to serve as a consultant, but he never put enough money on the table. Laub passed.

The commissions would have been beyond a broker's wildest dreams, because the deal was a blockbuster. Concluded in March 1982, it called for American Express to occupy 80 percent of a 51-story, 2.3-million-square-foot tower at Battery Park City. Rent and other payments reportedly would exceed $2 billion during its 35-year term. With a financial services giant like American Express signed on, the Reichmanns renamed their Battery City project World Financial Center. Since American Express would be vacating its old building, they sold it to the Reichmanns for $240 million. The hefty capital gains would be sheltered by losses in American Express's bond-portfolio. American Express Plaza was renamed 125 Broad Street.

Curiously, though Weill led the negotiations, his Shearson/American Express would be the only division of American Express that wouldn't move. Laub had got such a bargain for them at World Trade Center that they couldn't afford to vacate it. That deal involved 330,000 square feet for 25 years, starting at $10 a square foot.

Within months, though, Weill insisted on renegotiating the World Financial Center deal, because Manhattan office rental rates fell, and the lease began looking more and more expensive. Moreover, the bond market rallied, reducing American Express's bond losses. Consequently, capital gains on the sale of American Express Plaza would be exposed to taxes.

A new agreement provided that the Reichmanns would buy American Express Plaza for only $160 million, reducing American Express's capital gain on it. Then instead of leasing space at World Financial Center, American Express would buy their building for a reported $600 million.

If the Reichmanns regretted giving up ownership in a premier property, it virtually assured them huge profits at World Financial Center. A tenant may always demand to renegotiate a lease or walk out of it, but a purchase is final. American Express's decision to buy a piece of the Reichmanns' project demonstrated as no lease could that World Financial Center is a location for the finest companies and would become a stupendous success.

The American Express deal made World Financial Center a more serious alternative for Merrill Lynch executives, who were considering a move into the World Trade Center. The brokerage giant had 12,000 employees spread among 10 buildings in addition to their 53-story headquarters, One Liberty Plaza. By August 1984, Merrill Lynch agreed to lease two towers at World Financial Center—about 4 million square feet altogether—for 25 years. Price tag was about $1 billion. Merrill Lynch would gain a 49 percent equity interest in the towers, and the Reichmanns would take One Liberty Plaza off their hands. This transaction, according to Merrill Lynch Executive Vice President Edmond N. Moriarty Jr., would not only consolidate their operations, but also shave occupancy costs 25 percent. It was a byzantine transaction whose lease documents filled five four-inch-thick volumes. It would also represent a good real estate investment if they elected to lease some of the space.

Curiously, this deal was negotiated not by Laub but by a ferocious West Coast competitor named John C. Cushman III. After losing a struggle for control of his family firm, Cushman & Wakefield, he moved to Los Angeles where he became a star, single-handedly leasing an incredible 40 percent to 70 percent of the downtown space there. He cut deals with heavy hitters across the country, including the wealthy Hunt and Bass families. At 44, Cushman enjoyed annual commissions estimated around $10 million. When he wasn't speeding to new deals in his four-engine Jetstar plane, he might be enjoying his 80-foot yacht, 550-acre Idaho ranch or three Rolls Royces. He was no stranger to World Financial Center, having negotiated the very first lease deal there—to City Investing Company. However, City executives decided to liquidate the company, and so it never moved in.

While Merrill Lynch was the biggest deal at World Financial Center, it didn't mean riches for Cushman. He served as a consultant, rather than a broker, and a consulting job pays a fraction as much as the 2 percent to 3 percent commission involved with brokering.

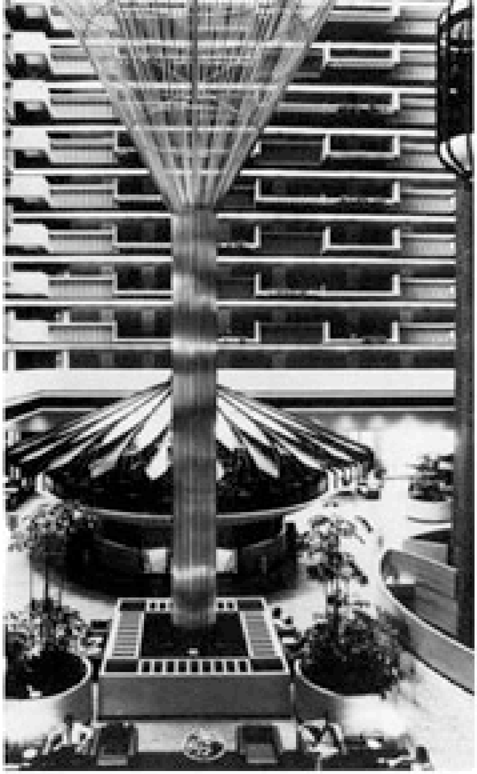
Representing the Reichmanns, Laub got more for brokering the deal that brought Dow Jones, publisher of *Barron's* and the *Wall Street Journal*, into World Financial Center. They were cramped at 22 Cortlandt Street, a building owned by Metropolitan Life and Harry Helmsley.

Laub surveyed the market. Dow Jones signed a 20-year lease for 300,000 square feet, a deal worth about $300 million. In October

1985, Laub negotiated for an additional 60,000 square feet. His commissions exceeded $4 million.

The very next month, he concluded a 550,000-square-foot joint venture/lease transaction which brought Oppenheimer & Company into World Financial Center. His cash register rang up another $4 million more.

The Reichmanns were delighted. Like owners everywhere, they try to avoid paying brokerage commissions. The only significant commissions they paid were to Laub. Several years before World Financial Center was finished, it was 92 percent leased. Observers expect the remainder to go shortly. This leasing success is a triumph for their foresight and daring, Laub's expertise and tenacity.



When it opened in 1967, the spectacular 22-story atrium of the Atlanta Hyatt Regency Hotel (*left*) helped secure fame for architect and entrepreneur John Portman (*seated below*). (Atrium photo credit: Atlanta Hyatt Regency Hotel; Portman photo credit: Portman Properties)

The most valuable property in Dallas—Trammell Crow's complex of merchandise marts and hotels. It is the city's greatest drawing card. (Dallas Market Center)

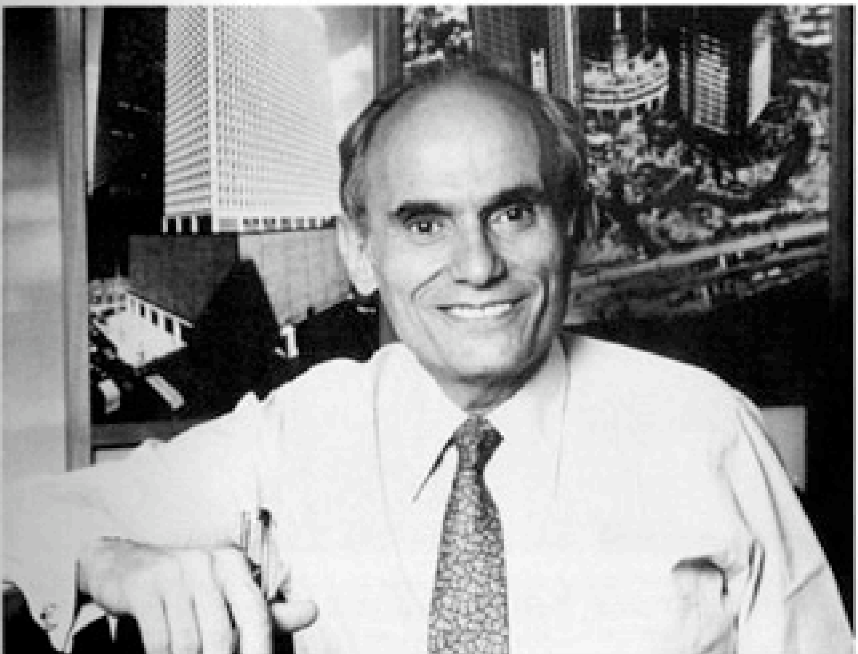
Trammell Crow

The Reichmann's World Financial Center, at Manhattan's southwestern tip.

Vienna-born Albert, Paul and Ralph Reichmann (*left to right*) fled the Nazis to Tangier, then emigrated to Canada where they bought an aging tile company and parlayed it into Olympia & York, North America's largest real estate company. (The Globe and Mail, Toronto)

Here you see the dramatic impact of construction managers who keep a job on schedule. The barren 600-acre Orlando, Florida site (*top*) cleared for construction of Disney's EPCOT Center. EPCOT Center (*above*) was ready for opening just two years later on October 1, 1982. (Tishman Realty & Construction)

John Tishman invented construction management, and built such mammoth projects as Chicago's John Hancock Center, Detroit's Renaissance Center, and New York's World Trade Center. (Tishman Realty & Construction)



"Buy real estate!" Harry Helmsley's mother advised. So the would-be tycoon began buying used buildings at distress prices.

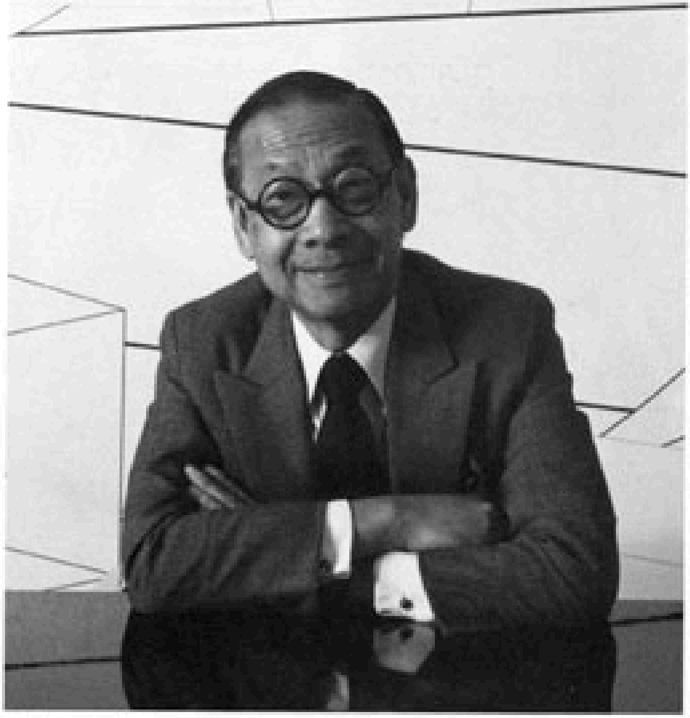
Chicago attorney Neil Bluhm earned his fortune by hitching real estate syndication to the marketing clout of major brokerage houses during the 1970s. His JMB Realty Corporation is the largest syndicator, with $12 billion of property. (JMB Realty Corp.)

Superbroker Kenneth D. Laub chats with New York's Mayor Edward Koch about markers describing the historical significance of selected Manhattan locations. During his career, Laub has probably earned $50 million brokering Manhattan property. (Steve Friedman)

Manhattan's Donald Trump is worth an estimated $400 million. Here he surveys his domain in the peach marble and brass atrium of Trump Tower. (Don Hogan Charles/New York Times)

Architect Philip Johnson (*left*) helped introduce the International Style to America. In recent years, with his partner John Burgee (*right*), they have led a trend toward distinctive styles.

Downtown Houston skyline shaped by Gerald D. Hines. He commissioned I. M. Pei to design the tall, slender Texas Commerce Tower at far left. Philip Johnson and John Burgee designed the short, dark trapezoids of Pennzoil Place, as well as the spiked, Dutch-gabled Republic Bank Center immediately to its right. (Gerald D. Hines Interests)



Chinese architect I. M. Pei is among those who continue to pursue the spare, elegant geometry of modern architecture. (Evelyn Hofer)

Cesar Pelli is transforming a lower Manhattan sandbar into the greatest urban complex since Rockefeller Center a half century ago. (Cesar Pelli & Associates)