

The Rudin Way

**An Interview with William C. Rudin,
Chief Executive Officer, Rudin Management Company, Inc.**

EDITORS' NOTE Bill Rudin joined the family real estate business, which was founded by his grandfather, Samuel Rudin, full time in 1979 and was appointed President in 1993. He is an active participant in New York's political, civic, and philanthropic life, and serves as Chairman of the Association for a Better New York (ABNY) and Chairman of The Battery Conservancy, and is a board member of the Lower Manhattan Development Corporation, The Metropolitan Museum of Art, New York University, the Real Estate Board of New York, the Alliance for Downtown New York, The Real Estate Roundtable, the Council on Foreign Relations, and the New York Center for Autism. He graduated from New York University's School of Business and Public Administration in 1979.



William C. Rudin

COMPANY BRIEF New York-based Rudin Management Company, Inc. (www.rudin.com) was founded in 1925 and operates one of the largest and most respected private real estate portfolios in New York, comprising 16 office towers and 20 luxury apartment buildings. Rudin family projects include the development of the Thomson Reuters' North American headquarters at 3 Times Square, a 750,000-square-foot, state-of-the-art, environmentally friendly office building; the conversion of 32 Avenue of the Americas to an international telecommunications and media center, with tenants such as, RAI, Globo, Clear Channel Communications, Cambridge University Press, and Bartle Bogle Hegarty; and 345 Park Avenue, the family's flagship two million-square-foot office tower, which houses several industry leaders, including The Blackstone Group, KPMG, Deutsche Bank, Wafra Investment Advisory Group, Bristol-Myers Squibb, and Loeb & Loeb.

Were you surprised by the speed and severity of the economic crisis, and where are we on the road to recovery today?

It wasn't unexpected that there would be a slowdown. For the past several years, we've been very concerned about the run-up in values, whether it's real estate or the stock market, and that's why our family didn't make a concerted effort to buy any additional properties. But after the middle of September, the severity

and speed of the credit market freeze and the negative impact on the economy was very surprising.

We are on a path to recovery. In New York City, since April, we've been seeing many more people looking at spaces, both residential and commercial, and prospective tenants are now feeling more confident that they can expand or reinvest, albeit at much lower costs. Rents are significantly down, so people are realizing they can take advantage of competitive prices.

Some believe rents will eventually return to where they were. Are you of that belief, or are we going to see a new model for pricing?

This market has already created a new model for pricing. We do believe that, over a period of time, rents will start increasing, but at a level that is reflective of the new world that we live in.

Given your portfolio and the position of your business before the downturn, did you have to change the way you were doing business based on the speed at which the crisis hit?

Through every type of business cycle, the Rudin way has always been about responsiveness to our customers and providing the highest level of service to satisfy their business needs. The Rudin way is synonymous with stability, which we believe gives us a competitive advantage. As long-term owners, the fact that we have low leverage on our properties and have the capacity to reinvest in our buildings – whether it be for tenant improvements, commissions, or eco-friendly, building-wide upgrades – helps us attract top quality commercial and residential tenants.

Obviously in an economy that is going through stress, you have to be adaptive in your business planning. A perfect example of this was our conversion of 55 Broad Street in Lower Manhattan in the mid-'90s into New York's information technology center. Our COO, John Gilbert, came up with a cutting edge plan to adaptively reuse the building and we turned it into a state of the art, completely wired, and affordable technology and media center, which helped kick-start the revitalization of the downtown community.

We're also very conservative investors, and fortunately for us, we do not have any projects

currently under construction. We are, however, working on an important long-term project that will have a positive impact on the City of New York – the St. Vincent's Medical Center redevelopment in Greenwich Village. We are continuing to proceed with the city land use process. In June, we received approval from the NYC Landmarks Preservation Commission (LPC), and we're now going through the City Planning Commission.

Where do you see the commercial side today, and has the commercial business had some movement in coming back?

There have been positive signs on the commercial side of the business since April. We've seen a significant increase in activity in all of our commercial properties where we have available space. A recent signing with international law firm, Loeb & Loeb, at our 345 Park Avenue building, of 155,000-square-feet, which includes a 36,000-square-foot expansion, is indicative of the positive momentum that the entire city is seeing. Additionally, at 345 Park Avenue, we are in discussions with several major tenants for the remaining 300,000 square feet of available space. Tenants are certainly taking advantage of the reduction in pricing and are making long-term commitments.

For your large tenants, which have felt the necessity to downsize, Rudin has adapted by breaking up some of that space for smaller companies that are planning for growth and that may potentially need more space in the future. Has that been successful for the business?

In September, we opened approximately 100,000 feet of pre-built eco-friendly spaces throughout our portfolio. At the beginning of this year, we realized that in order to accommodate the needs of small- and medium-size companies, we were compelled to develop a pre-built program. We also combined it with our desire to be green and eco-friendly, and we've come up with a design that uses a significant amount of recycled materials, and we have gotten a very positive response to the spaces that have opened up. That's a good example of adapting in a challenging marketplace. Small- and medium-size companies can literally walk in, sign a lease on a Friday, and on Monday, be open for business in our building.

With regard to the St. Vincent's and the Greenwich Village Historic District project, how critical has it been to work with the

community, and have you been happy with the understanding within the community of your plans for that project?

We've been working on this very important project for over two years and have worked very closely with the community, the local elected officials, and the city. The approval from the LPC shows that we have addressed the concerns of the stakeholders. Our plan preserves four buildings and adaptively reuses them. We are also building town houses on Eleventh Street and a residential tower on Seventh Avenue, on which we've lowered the height significantly to address concerns. In addition, we helped facilitate the development of a new Pre K-6th grade public school in the West Village, the Foundling school, which will benefit all who live in the area.

In the future, will tenants expect that eco-friendly focus on green development, and is it fair to think that type of building will bring higher rents?

It has become a part of our core philosophy to focus on eco-friendly design and development. In our pre-built, eco-friendly program, we have found that cost differential is not that significant in adapting the design and the construction to be green. Our intent on any new development would be to go for LEED-rated design. Tenants today are becoming more environmentally sensitive and we think it's important to make every effort to reduce our carbon footprint.

In terms of the debate over New York City's position as the financial capital of the world, do you feel New York is holding that positioning, and are you confident long-term about the global leadership of the city?



In our business, we endeavor to maintain the Rudin way of providing the highest levels of service and responsiveness to our tenants.



Absolutely. In the past few months, I've traveled to the Middle East and Europe, and the response to New York City, in terms of a financial capital and a world city, is still very strong. New York is on the top of the list of important cities for potential investors. The financial service industry has gone through significant change, but the city is resilient and with the leadership of Mayor Bloomberg, we still retain our position throughout the world as an important place and as a financial capital.

Even as the company has grown in size and scale, you've been able to maintain what some refer to as a family feel. How critical has that been for you?

It's very important. The Rudin way has always been about family involvement. Samuel Rudin, the founder of our company, instilled in his sons, Jack and Lewis, the importance of hands-on, active involvement. That philosophy has been passed on to my generation, which includes my sister Beth, and my cousins Eric and Madeline. We are very lucky that we now have the next generation, which includes my children: Samantha, who has worked with us for several years and been involved in the St. Vincent's project; and Michael, who has been working on real estate projects in Colorado, joined our company in September. They will be great assets to our company and will continue the tradition of family involvement, which is very important to our tenants, our bankers, and our organization. The importance of continuity is fundamental to the way we run our business.

How critical is it to maintain that community focus, which the Rudin name has been associated with since the beginning? Also, do you see that community involvement today as being critical for business leaders?

Part of the Rudin way has been about giving back and being involved in the community, whether it's civically or philanthropically. Family members and senior executives at our company literally sit on dozens of not-for-profit boards throughout the city. My family understands the importance of active involvement in the community as part of our responsibility in running our business.

Most CEOs in New York City are actively involved in giving back. Everyone knows, for the long term viability for their company, that it's imperative that they instill a sense of public service in their employees. Rudin Management Company is starting volunteer and wellness programs within our company, which Samantha is spearheading. The programs encourage our employees to take care of themselves, both mentally and physically, and to get involved in volunteer activities, taking leadership cues from President Obama and Mayor Bloomberg.

What are one or two key priorities you're most focused on as you look to the coming year to make sure Rudin continues



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its success and that the company remains on a strong footing?

On a national level, I'm on the board of The Real Estate Roundtable, where we have been dealing with the severe lack of liquidity in the credit markets. There is a significant credit crisis now and in the future with over \$2 trillion of commercial mortgage debt coming due over the next seven to eight years. We worked very hard to have real estate included in the Term Asset Loan Facility (TALF), that the U.S. Treasury Department initiated earlier this year. The Treasury Department recently announced an extension of the program to June 2010, which will be critical to the industry, but more needs to be done, including modifications to the Foreign Investment in Real Property Tax Act (FIRPTA) and amending Real Estate Mortgage Investment Conduit (REMIC) regulations.

On a local level, through my role at ABNY, our focus continues to be making sure that New York City is the best place to live, work, and visit. On a statewide level, we are working with a consortium of statewide business groups, including the Real Estate Board of New York, the Business Council of New York State, the Citizens Budget Commission, and the Long Island Association to reign in the cost of running our government, while keeping a watchful eye on tax implications for businesses so we can remain competitive.

In our business, we endeavor to maintain the Rudin way of providing the highest levels of service and responsiveness to our tenants. We're also focused on the St. Vincent's redevelopment project, looking for other investment opportunities and training the next generation in the Rudin way.

Being involved in a family business, it would seem difficult to differentiate between your personal and professional lives. Have you found the ability to turn the business off when you're together?

You definitely have to balance the internal world with the external world. My wife, Ophelia, and our children, spend many weekends and family vacations together. We all turn the BlackBerrys off and unplug from our workday world. You definitely have to find time for yourself and your family, which has always been my priority. ●