

# Building Businesses

An Interview with Jared Kushner, Principal, Kushner Companies

**EDITORS' NOTE** At 29, Jared Kushner has been involved in over \$4.5 billion of real estate transactions. He is currently a Principal at Kushner Companies and the Chairman and Publisher of the Observer Media Group, which includes in its holdings The New York Observer. Since acquiring the company in 2007, Kushner has grown the Observer Media Group into a digital as well as traditional media entity, adding properties such as the Commercial Observer, VeryShortList.



Jared Kushner

com, and PolitickerNJ.com. Kushner graduated Cum Laude from Harvard University in 2003 and was awarded J.D. and M.B.A. degrees from New York University in 2007.

**COMPANY BRIEF** Headquartered in New York City, Kushner Companies ([www.kushnercompanies.com](http://www.kushnercompanies.com)) is a diversified real estate organization involved in the ownership, management, development, and redevelopment of numerous properties, which consist of thousands of multifamily apartments and millions of square feet of office, industrial, and retail space throughout New York, New Jersey, Pennsylvania, and Illinois.

**When you look at the past 24 months, how much of an impact did you see on your business, and is the market coming back?**

What has happened over the past 24 months has taught me and everybody a lot about downside and how to protect against it. We are seeing a lot of the market fundamentals stabilizing. During the past 24 months, the scare was the unknown, which led to irrational behavior and inefficient markets. A lot of what we're seeing now are former markets establishing themselves, albeit at new levels – markets for office space, retail, and for apartments, although the sales market is still quite erratic.

The stabilization is at levels much lower than it was a few years ago, but hopefully with time and the right supply dynamics in the city, we should see some great growth.

**What did you see in 666 Fifth Avenue that made you feel it was the right acquisition for you, and was the decision based on your vision for the property?**

The real play in 666 was always with the retail, though it's obviously a great office tower that has tremendous potential. We also

saw a lot of below market rents at the time in the office tower, although since the market dropped, those below market rents are back to being market rents.

But the real play there was the retail, and we've been quite successful in terms of buying out certain tenants. When we bought the building, the retail had a \$10 million NOI – now we have it to about \$35 million, and when it stabilizes, it will probably get to over \$50 million.

So the retail was what we saw, which is why when we structured the original debt, we had the ability to bifurcate the office from the retail because we saw a good portion of the equity value and the upside in the way the market was mispricing the retail condo of this unit.

The retail alone has the potential to be worth over \$1 billion.

**While many debate the future of print, what excited you about the acquisition of The New York Observer and what made you feel this was a wise investment?**

When I bought it, I didn't think we were going into such weak economic times, so that obviously impacted the business plan to some degree.

But the great value I saw in *The Observer* is that it's a brand that resonates with a very special group of people, to whom it is an important source of information and perspective. These are the most important, wealthiest, and influential people in the greatest city on earth. While circulation is only 60,000, it punches above its weight and can cause quite a stir. It had also never been run as a business. I was able to instill a lot of fiscal discipline, invest in areas of growth, and add ancillary businesses to it, so it was a real opportunity to turn it into a 21st century media platform.

**Did you need to start from scratch and bring in those who understood the vision?**

Yes. I turned over almost 80 percent of the staff there, so we're doing a lot more with a lot less.

Sometimes it's harder to change something that exists than it is to start something from scratch. We try to be very entrepreneurial, come up with new ideas, innovate, and to look at things differently. But you always do have the legacy business and certain legacy assets that you have to manage accordingly.

Yet, the legacy assets allow us to innovate under the cover of *The Observer* brand, which

is so well regarded and adds more credibility to the stuff we're doing.

**There are some who suggest that with the acquisition of The Observer, you're looking to build a media empire. Do you foresee more opportunities out there?**

I have built a phenomenal team at *The Observer*. We have a lot of good insight in terms of how to run, operate, and build businesses. We've started a few businesses since I've been there, and we're building a nice platform that could be the foundation of what could be a solid media company.

I don't have a specific strategic vision for the company, but we're very selectively and opportunistically pursuing new acquisitions and opportunities. We started a new paper in Las Vegas, a parenting magazine, and a commercial real estate publication during the most tumultuous recession of our time – all three are doing very well. We purchased one Web site and are in talks to purchase another.

These are all small businesses, but when you put them together, there is a lot of infrastructure savings, a lot of cost savings, and a lot of synergies and revenue opportunities.

**Have you been happy with the acquisitions you've made with the Internet properties, and is that a growing area?**

The hardest thing is getting older journalists to buy into the new forms and opportunities of Web journalism.

We have grown our digital revenue significantly, but the potential for us to quadruple our revenue in that area over the next few years is very real.

**In dealing across so many different platforms, do you have to be heavily structured and plan accordingly?**

One of my favorite quotes from Mike Tyson is, "Everybody has a plan until they get hit."

So you can plan, but you find things very rarely go according to script. The ability to improvise is even more important than the ability to plan.

**If I was talking to some of the people who have worked closely with you over the years, and I asked what it was like to work for Jared, what do you think they'd say?**

They'll tell you that I'm open-minded and that I don't mind being proven wrong. But what is most important to me is winning and doing it in an honorable way where everyone involved feels good about the outcome. ●