

A Family Culture

An Interview with Jeffrey R. Gural, Chairman, Newmark Knight Frank

EDITORS' NOTE Before joining Newmark Knight Frank in 1972, Jeffrey Gural was a member of the staff of Morse-Diesel Construction Co. Gural's industry and charitable affiliations include the Board of Directors of The Real Estate Board of New York; President of the New York Chapter of the Starlight Starbright Children's Foundation; Chairman of "I Have a Dream - NY" and Co-Sponsor of the two Chelsea-Elliott "I Have a Dream" projects; Chairman of the Board of Directors of the Times Square Business Improvement District; and Vice President of The Broadway Association. Gural is also the Chairman of American Racing and Entertainment, LLC. He is a graduate of Rensselaer Polytechnic Institute, with a degree in Civil Engineering.



Jeffrey R. Gural

COMPANY BRIEF Headquartered in New York, Newmark Knight Frank (www.newmarkkf.com) is one of the largest independent real estate service firms in the world. Newmark Knight Frank and London-based partner Knight Frank operate with a combined staff of more than 6,300 from over 200 offices in established and emerging property markets on six continents. In 2009, transactions were valued at more than \$32 billion with annual revenues of over \$811 million.

Were you surprised at the severity and speed of the economic crisis, and when you look at your industry, where is it in regard to recovery?

I thought real estate values were overinflated and that it was the equivalent of a game of musical chairs, because most of the people who were buying buildings realized after a year that they couldn't make any money operating them, so they then sold to the next guy and made a substantial profit in many cases. Sooner or later, the music would stop and people would be left holding buildings they intended to sell.

To a certain extent, that applied to the banks. They were making loans with the intention that they were going to sell the loans, and they were successful doing it until one day, they could not sell the loans. You would expect under normal circumstances that it would go down gradually, but it didn't; it dropped off a cliff.

In New York, things have leveled off very quickly. We've seen buildings being sold now

at much lower cap rates than I would have expected a year ago.

As far as leasing is concerned, rents are lower, but we're seeing a lot of activity.

It also depends on the building and the ownership structure. For those buildings that don't have a lot of debt and can make deals where they can afford to lower rents if they have to, and do the work and pay the commission, the building will be able to weather the storm. Those buildings that have a lot of debt are at a disadvantage because

of the fact that they can't lower the rents. The city itself is divided into group A and group B, and group B is where the problem lies. We'll see those buildings either changing hands or owners making deals with the lenders to step up and provide the equity needed to build space and the flexibility to make deals at market rents.

How has your role evolved and how do you focus your time today?

My nephew and son work in the business so I keep an eye on the buildings we own, and try to guide them in the right direction, and when we need financing, I handle it.

I'm also on a lot of boards, and I do a lot of fund-raising for political candidates - mostly democrats - on the national level. Additionally, I have two racinos that I own in upstate New York that I bought and developed five years ago. I built a home near one of the tracks so I spend a lot of time up there.

How did you end up owning two racinos?

I've owned standardbred racehorses and a breeding farm. I used to go to the track when I was 16. It was obvious to me that the business of horse racing was in trouble because it no longer appealed to young people.

It also became obvious that the only way for horse racing to survive is to have an alternate source of revenue, which is casino gambling. Without that, most racetracks will close.

I got involved on the lobbying side, because I knew some of the legislators, and someone asked if I wanted to own a racetrack, so it went from there.

The first track I bought is Tioga Downs near Binghamton, which I built from scratch. My mother was from Binghamton and I thought she would appreciate my doing something for the local community.

Being a horse person, my goal was to integrate the racing and the casino. The racing loses money, but we've been able to use the racing to help generate revenue for the casino.

Will there be additional opportunities for you to expand in that area or do you see that remaining where it is?

I had a small interest in the SL Green group who bid on Aqueduct and I have an investment in a casino in Bethlehem, Pennsylvania. Because of the success of Tioga, even though it has poor demographics, I have been approached to invest in other projects as well.

Could you have imagined that the global strength of the firm would have developed the way it did?

I never would have thought that. I give my partner Barry (Gosin, CEO) credit for it. It's a hard job and it requires a lot of travel and entertaining. We have developed a good reputation, and we learned our lessons from the past recession so we don't have a lot of debt on the properties we own or on Newmark.

What is it about the culture of your firm that has made it a place where employees want to stay?

I have had people who, before they left, said that this is the best company they ever worked for. I think people appreciate the fact that we're charitable. Whenever there has been a crisis in the world, we've always immediately reached out to our employees to see who wants to donate money and we have always matched it or given more. It's not a bureaucratic company because we're not public. Anybody can walk into the offices of the major partners because we're all approachable.

In some respects, it's still run as a family business even though it no longer is. When you have that kind of culture, you tend to attract the people who thrive in that culture.

The next generation of your family is entering the business. Is that important for you?

It is important to keep real estate in the family because if you leave it to a third party to manage, it's not the same.

Real estate also has the advantage that family members get a monthly check so they can't screw it up too badly, as opposed to having someone just inherit money. ●