

## Committed to New York

**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. His 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-Elliot "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** Newmark Knight Frank ([www.newmarkkf.com](http://www.newmarkkf.com)) is one of the largest independent real estate service firms in the world. Headquartered in New York, Newmark Knight Frank and London-based partner Knight Frank operate with a combined staff of more than 7,000 from over 240 offices in established and emerging property markets on six continents.

**As a result of the economic crisis, how was the New York City market impacted and where is it today in terms of recovery?**

Initially, we took a big hit in terms of the value of the buildings. Unfortunately, prior to the downfall, cap rates were low; you could borrow 95 percent of the purchase price of a building, which is always dangerous.

So the first effect was that banks stopped lending money on real estate and the values declined because cap rates changed from 4 or 5 percent to 8 or 9 percent. The interesting thing is that has completely reversed itself and we're back to seeing cap rates at 4 or 5 percent; however, the banks are not going to lend 95 percent, but they'll lend you 70 percent. So to everybody's surprise, we have seen the value of the buildings bounce back.

As far as leasing, initially there was no leasing - in 2009, everybody was waiting to see if we were headed for a depression. After

the first six months of the year, people saw it wasn't a depression but a recession, so gradually, we have seen a comeback in activity. I don't think rents are back to where they were, but they have come back a great deal.

The real reason is that New York is a global city and companies that are growing are those that have a global presence, so if you want to have a global presence, you have to have an office in New York. That is a big plus

because real estate hasn't come back as quickly in other cities.

**For years prior to the crisis, many were saying that the type of increases we saw in the market weren't going to be sustainable. Should we have been surprised at the hit or was it something we should have seen coming?**

Most of us saw it coming. We didn't see Lehman Brothers, Merrill Lynch, and Wachovia disappearing. But most of us thought that buildings were overpriced. Any time you see lenders lending 95 percent of a building's loan-to-value, that is always a dangerous situation. Leverage will kill you.

**Looking ahead, where do you see most of the growth coming from?**

The healthiest markets we're in are SoHo and Tribeca where more of the young entrepreneurs who have businesses tied to the Internet and social media are locating. Those companies take 2,000 feet and a lot of them grow and sometimes they fall by the wayside, but there is a lot of growth in that.

**You have been engaged in community activities for a long time. Do you target specific areas where you can have the most impact?**

My heaviest involvement is related to the Starlight Children's Foundation, which deals with sick children, and the I Have A Dream foundation, which tries to get inner-city kids to break away from the cycle of poverty to get a college education or at least to finish high school. It's difficult to get a job today without an education; manufacturing jobs have disappeared and gone overseas.

The country has been divided where the wealthiest Americans have gotten major benefits

from tax law changes that have not created any jobs and a small percentage of wealthy Americans are doing great while everybody else is struggling. That is not what America is supposed to be about.

**With the partisanship in Washington, is it tough to imagine that we can make significant changes?**

If you're a Republican in Washington, the last thing you want to see is jobs created between now and the election, so you're going to do exactly what they're recommending, which is to cut spending as much as possible.

There is tremendous waste, but when you cut spending, you're cutting jobs. We know the states have to cut spending - they have to balance their budgets.

So the Republicans are in a good spot now because the likelihood of the economy recovering is not great unless gas prices come down, which is a big negative. The whole concept that lowering taxes creates jobs is the biggest joke I've seen, because George Bush did that when he took office and unemployment was 4 percent. He lowered taxes and now unemployment is 9 percent.

**As someone who is engaged in the racetrack industry, was the disappearance of off-track betting in the city a necessity?**

The racetrack owners tried to keep off-track betting alive and we had succeeded, but were unable to persuade the Republicans in Albany that this was going to work and so it disappeared.

It needed a new model and that is where we were headed, and had we been able to get the support of the Senate, we would have been okay. But we have to take a look at that next year, because they have gotten through some of the tougher issues and hopefully then, the Governor and leaders can focus on some of the side issues, and gambling is one of them.

**Are there projects that stand out that you're most proud of?**

The I Have A Dream program. We have a girl who works for us part-time who is getting a dual degree at NYU - a Master's in Social Work and a Law degree. Her mother is blind, has many children, and lives in the projects. The girl's education would probably not have happened without the I Have A Dream program. ●