Long-Term Focus

**An Interview with Dennis Friedrich,
Chief Executive Officer, Brookfield Office Properties**


Dennis Friedrich

EDITORS' NOTE *Dennis Friedrich was appointed to his current post in July 2012 following a year as President and Global Chief Investment Officer. Before this, he held the position of Chief Executive Officer of U.S. Commercial Operations since 2009. Previously, he was President of Brookfield Office Properties' U.S. Commercial Operations, following two years as Chief Operating Officer of U.S. Commercial Operations. He also previously held the role of Head of Strategic Initiatives for the U.S. property portfolio. Prior to joining Brookfield Office Properties, Friedrich was Co-Head of Jones Lang LaSalle's tenant advisory practice in New York. He holds a business degree in finance from Baruch College and is a member of the Real Estate Board of New York.*

COMPANY BRIEF *Brookfield Office Properties (brookfieldofficeproperties.com) owns, develops, and manages premier office properties in the United States, Canada, Australia, and the U.K. Its portfolio is comprised of interests in 112 properties totaling 80 million square feet in the downtown cores of New York, Washington, D.C., Houston, Los Angeles, Toronto, Calgary, Ottawa, Sydney, Melbourne, and Perth, making it the global leader in the ownership and management of office assets. Landmark properties include the World Financial Center in Manhattan, Bank of America Plaza in Los Angeles, Bankers Hall in Calgary, and Darling Park in Sydney.*

What is the secret to Brookfield's success and to what do you attribute the strength of the firm?

Financially, we have run a disciplined business over the long term – a business that is geared up to perform and create value on a long-term basis.

The brand has come a long way in that we are one of the only true global brands in the office sector today – at least on the ownership side – and we've experienced very high growth. We spend a lot of time thinking about access to different capital markets, whether public or private – we do that more than a lot of the other very good public companies.

We mind the balance sheet quite a bit and also finance on a conservative basis at the asset level as opposed to the corporate level. So we've been able to take the ups and downs.

Brookfield Office Properties has always gravitated toward a very high quality office asset base and those assets perform well in up and down markets, which is why our occupancy and cash flows have always been steady despite the credit crisis or the events of 9/11, where we were the primary owner in Lower Manhattan.

Do you still see strong opportunities in the U.S. market?

There is still strong opportunity in the U.S. markets. We have positioned ourselves for the past year or two to look at opportunities in the U.S. markets that are supporting more of the tech and social media industries.

So we have been working hard in Seattle, San Francisco, and parts of New York and we have remained mindful of those markets that support high-growth sectors.

We're also unique as a firm being the largest landlord in North America to the oil and gas and natural resource sectors. So we have undertaken a conscious strategy of diversification among dynamic tenant sectors. We have achieved strong growth in Houston, Denver, and Calgary and that has helped drive some of our performance.

Are you surprised at the development that has taken place in Lower Manhattan and what is your outlook for that area?

We were surprised at how resilient the market was and how quickly the momentum came back after 9/11, but we're not surprised at how Lower Manhattan is trending today. With all the infrastructure improvements under way and the growth of the commercial and residential core, it is a very exciting time for Lower Manhattan. The quality of life here supports residential, which is why Downtown is one of the highest growth residential neighborhoods in New York City.

Going forward, will the market have to look at pricing differently or will it bypass that prerecession ceiling?

It depends on the nature of the asset and the city you're in. In a market with interest rates as low as they are and an environment where we expect rates to remain low for some time, the pricing is either at or close to where it was in the highs for trophy assets in core markets and it's going to stay there for a period of time. We don't see easing of cap rates; if anything, there has been some compression for certain product because there is a supply/demand imbalance. There is more capital looking to invest in real estate as an alternative investment than there are offerings in the marketplace. That will continue to hold true for a period of time and you're going to see record pricing in certain markets.

We have a stable portfolio and we take stock of markets and what direction they're heading in – and we have been finding opportunities. In the last quarter alone, we announced acquisition transactions for $1.2 billion. These are in Washington, D.C., Seattle, and London where we think we have achieved good pricing.

But I don't see reversal in asset pricing for many years; assets are highly sought after.

What makes the New York City market so resilient?

In the simplest form, the human resource talent is attracted to being in New York City, so companies continue to build around that.

You hear time and time again that financial services is going to shrink or Manhattan will be hit with high vacancies, but New York City is a place where people want to work, live, and play, and that is why businesses seize the opportunity to grow here. In this past financial services slow down, we saw in our portfolio a number of foreign firms and mid-sized firms grow and build up their talent base.

The tech/social media trend we're experiencing is also sustainable. Those businesses are more mature now and they look to New York as a place to grow and attract more talent.

How critical is corporate responsibility to the firm?

Very important. In terms of social responsibility, we look to causes that are important to the markets where we have a presence and those that support the growth of those communities.

With regard to responsibility to the environment, one of the mandates we set years ago was that in every one of our cities, we would have LEED certification in at least one of our buildings to reduce our carbon footprint. We quickly got to that goal – we're now up to over 30 certifications and are making a difference throughout our portfolio. ●