

A Trusted Brand

**An Interview with Bruce Mosler,
Chairman of Global Brokerage, Cushman & Wakefield**

EDITORS' NOTE Before assuming his current role, Bruce Mosler served as the President and Chief Executive Officer of Cushman & Wakefield, a position he assumed in January 2005. Prior to being named CEO, he served as the firm's President of U.S. Operations and, before that, as Executive Vice President. Mosler is also Chairman of the BENS (Business Executives for National Security); Co-Chairman of the Intrepid Sea, Air & Space Museum; Chairman of the Wharton Executive Education Program; a trustee of Quinnipiac University; and a member of the boards of the Police Athletic League and Duke University's Trinity College of Arts & Sciences.



Bruce Mosler

COMPANY BRIEF Founded in 1917, Cushman & Wakefield (www.cushmanwakefield.com) has 243 offices in 61 countries and more than 15,000 employees. It offers a complete range of services for all types of property, including leasing, sales and acquisitions, equity, debt and structured finance, corporate finance and investment banking, corporate services, property management, facilities management, project management, consulting, and appraisal.

How is New York real estate faring today?

We have continued to be the beneficiaries of an urbanization because young people want to be in an environment where they can work, live, and play. This is the first driver behind why New York continues to exceed expectations but also remains one of the most relevant markets in the world.

Also, under Mayor Bloomberg there has been an extraordinarily strategic focus on how to make New York more attractive to the growth industries.

For technology, we have seen the ability from the Mayor's office to plan ahead in terms of education with Cornell. We have also seen a thoughtful plan on how to rebuild the city's infrastructure, which is critical to our success.

We continue to see from the Mayor a thoughtful way to develop that work/live/play environment in the future, hence the emergence of Manhattan West and Hudson Yards.

In Manhattan West, we're developing a 7.2 million-square-foot community within a community; brand new 2.2 million-square-foot commercial office towers with column-free efficient, environmentally sustainable space in a mixed-use environment that includes residential,

a potential hotel, a master plan retail community, and the redevelopment of 450 West 33rd, a two-million-square-foot property that is part of this community.

We can average down rents by using 450 West 33rd with these big 100,000-square-foot-plus floor plates. Redevelopment there will include a brand new lobby and windows, a retail plan, and infrastructure upgrades.

All of this is being done under the guise of its connectivity to the High Line. So the area is attractive to people.

New York is still a very inexpensive market compared to some of the world marketplaces. We, from a capital investment perspective, are continuing to soar because we are a safe haven. The marketplace is robust; and now we're not just financial services but also technology – we have exceeded Silicon Valley in terms of total jobs; we have health care and education, and other component parts of our tenant base that continue to see robust growth. Eventually, the financial services community will grow again.

We're also doing this despite the momentary fluctuation or movement in interest rates; we're still at historic lows for interest rates and all of this is driving investment into the city.

We're going to see for the first time, with some of the acquisition pricing and underwriting, midtown conversion to residential, which is going to remove some commercial stock and drive vacancy even lower.

How high can rates go when you look at supply?

We're still seeing pricing that is pressing north of \$1,000 to \$1,200. Some of this is based on the new value proposition for retail because we're seeing extraordinary retail growth in this city of not just high-end brands but also big box, mid-level brands – this is driving retail to historic highs. It's sustainable because retailers need to and want to be in those places where youth is moving in so they can capture that market share. So retail is one component to why we underwrite differently to commercial office today.

The second piece is that we are seeing this conversion to residential that is allowing purchasers to underwrite to a higher level as well, and that is driving the increase in cost per square foot.

This is a sustainable capital markets occurrence for the near future because there are few

marketplaces besides the gateway cities where you can see the robust demand in the marketplace that is happening here.

People are also talking about the Sixth Avenue vacancy. We had some vacancy created but there are a lot of deals pending and I'm going to bet that the vacancy rate on Sixth Avenue comes down by half by year end. What we will be left with is tower space at high prices with significant demand.

There is enough demand in the marketplace and enough shrinkage in product to do that.

Downtown is going to go through a shift as we see new development take place, new product come online, and the ability for that product to be aggressive. Pricing is going to attract tenants, which will leave some vacancies. But even there, people see the value proposition of downtown and we will absorb that because of the extreme tightness in midtown south, which leaves you few places to go.

Are you surprised that there is almost no part of the city that isn't hot today?

What surprised me was the rapidity of the development. Now we have this whole new submarket of 65 million feet that has the lowest vacancy in the country and has seen the most appreciation in rental asks and rental pricing.

I'm also surprised by the robustness of some of the peripheral markets, like Brooklyn, but if you look at where people are going to live in close proximity to Manhattan, the choices are few.

What is the Cushman advantage?

From CEO to CEO, we have always had a core set of principles that define the culture, such as the emphasis on our clients and the focus on keeping a balance sheet that has little to no permanent debt.

This gives our company financial strength. We have always coined the phrase, "Bigger is not better, better is better." So we have focused our growth on the gateway cities and the platform cities. While we're in 61 countries and we have 15,000 employees, there has always been a focus and purpose to our growth.

We have had a firm objective to follow our clients around the world and provide them a consistent, high level of best-in-class service, and these disciplines have never varied. We have the benefit of a strong shareholder and, as a result, we are the most unique and trusted brand in real estate. Additionally, we take a team approach at the firm.

Our success has been based upon the relationships we have built over the years, the ability to service them on a global scope, and the talent an organization like Cushman can attract. ●