

Gural's Passion

An Interview with Jeffrey R. Gural,
Principal, Newmark Holdings, and Chairman, Newmark Grubb Knight Frank

EDITOR'S NOTE Prior to joining Newmark & Company Real Estate, Inc. (now Newmark Grubb Knight Frank) in 1972, Jeffrey Gural was employed by 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 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 Holdings is the parent company for the Gural family's real estate investments. Along with its prior ownership in what is now Newmark Grubb Knight Frank (ngkf.com), the family, with various partners, has acquired over 30 million square feet of real estate leading to the development of noted properties in New York, New Jersey, Pennsylvania, and Connecticut. Newmark Holdings currently owns and operates over 8.5 million square feet valued at over \$3 billion. The portfolio includes iconic New York properties such as the Flatiron Building, 515 Madison Avenue, 10 Astor Place, 520 Eighth Avenue, 40 Worth Street, 230 Fifth Avenue, The Film Center, and the Actors' Equity Building. Current and previous joint venture partners include: S.L. Green, Savannah, Wharton Properties, Sorgente Group, RREEF, Deutsche Bank, and others. Ownership completes over one million square feet of leases per year, as well as over \$20 million in construction projects annually. Among its projects, Newmark Holdings has developed The Sands Casino (pasands.com) in Bethlehem, Pa., with its partner Las Vegas Sands Corporation, and owns and operates the Meadowlands, Tioga Downs (tiogadowns.com), and Vernon Downs (vernondowns.com) racino race tracks in New Jersey and upstate New York.

Is it tough to be patient with your portfolio when you see all the opportunity in the market today?

If you live long enough and don't take on too much debt, almost any real estate investment will be successful, but that takes discipline. My experience has been that, over time, New York continues to appreciate. If you avoid foreclosure in the down cycles, you will eventually benefit from the ever-increasing values.

Does it surprise you to see what some areas of the city have become? Are we at a point where a large percentage of the market will be priced out?

It does surprise me. I always thought people needed to be close to the subway. We used to own the building between 11th and 12th Avenue, right next to the Starrett-Lehigh building. My father sold the building in the 1970s and it was one of the happiest days of his life. I never envisioned that neighborhood would become what it has, nor did I envision the Meatpacking District would become what it has. I found out recently that a credit tenant leased 100,000 feet at the property for a very healthy rent, which would not have happened in the past.

That said, our focus has been on areas like SoHo and Chelsea. For example, we own the building on the Northeast corner of 8th Avenue and 14th Street at the front door of the Meatpacking District. That building used to be very difficult to rent despite having a subway on the corner. I knew people liked to come to work in jeans and sneakers and felt uncomfortable in Midtown. Today, these people represent the growing industries in the city and our buildings are well-positioned, and appeal to them.

Is it understood that the real backbone for New York City is real estate?

The modern economy works on a global level and New York is one of the gateways to that economy. If a major company anywhere on the planet is growing, there is a strong likelihood that it will seek office space in New York. No other market in the country has such a powerful, resilient source of demand for its real estate. Along those lines, ultra-wealthy individuals are going to want to own high-end residences here.

How are your investments in the racinos faring?

Of the two racinos I have in upstate New York, Tioga Downs is profitable and we're applying for a casino license. If we get that license,

we will replace what is now a video slot machine parlor with a full casino that will be a much bigger draw to the property. I'm optimistic that the combination of a modern casino and the refurbished harness-racing track will help us to draw visitors from the younger demographic groups that are largely unfamiliar with horse racing.

By contrast, Vernon Downs is still struggling, due largely to competition from a nearby tribal casino.

On the gaming side, are you surprised at the proliferation of casinos today?

I'm not entirely surprised. I was involved in the industry 10 years ago when we first started talking about introducing casino-style games at racetracks. I projected then that we would generate as much as \$1 billion a year for the state, and we are approaching that amount this year.

The racing industry was in peril back then and states needed a way to boost revenues without increasing taxes, so it made sense to address both of those needs by bringing in casino gaming.

Are you hopeful that racing can be revived?

I'm doing my part to keep horse racing alive and sharing my love of the sport with a new generation. The industry is facing an uphill climb, however, because the tracks have become dependent on casino income, and the focus on gaming increases the risk that track operations will fall by the wayside.

I care about racing because it's my passion: I have two breeding farms, I like going to the track, and I make an effort to market the racing. At the Meadowlands, we don't have a casino so racing is our entire offering. We just built a new grandstand and we have been successful in drawing young people, but so far we haven't discovered a way to elicit from this demographic the volume of betting generated by their predecessors.

Do you agree that public/private partnership is the key to addressing the city's issues?

It makes a difference. I was on the first Business Improvement District (BID) in New York City. BIDs require all of the money to be spent in a specific area, and none on local concerns. There is also a huge amount of money coming from private industry to help the school systems, fight hunger, and improve the quality of medical care. ●