

The Advantage of Specialization

**An Interview with Robert A. Knakal,
Chairman, Massey Knakal Realty Services**

EDITORS' NOTE After summer internships at Coldwell Banker (CB) while going to college, Robert Knakal started as a full-time investment property specialist with CB's midtown Manhattan office. He collaborated with Paul J. Massey Jr. to establish a property sales group in Manhattan and they served as Co-Directors for the new specialization. In 1986, they shared CB's prestigious top salesman award in New York. Knakal and Massey left the



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firm in November 1988 to start Massey Knakal Realty Services. In 1993, Knakal was elected President of the National Realty Conference and, since 2003, has served on REBNY's prestigious 20-member Executive Committee. He is also a regular lecturer at Columbia University, New York University, The Wharton School, and The Institute of Real Estate Management. In 2012, he was highlighted as one of the five top building sales brokers in North America in the best-selling book, *Brokers Who Dominate*. Knakal's personal civic involvements are numerous and are highlighted by his presidency of the 156-year-old The Prescott Fund for Children & Youth. He graduated from The Wharton School of Business at the University of Pennsylvania with a Bachelor of Science degree in Economics.

COMPANY BRIEF Massey Knakal (masseyknakal.com) specializes in the sale of investment and user properties in the New York Metropolitan area. Since inception in 1988, their agents have closed over 4,200 transactions with a market value in excess of \$15 billion.

What was your initial vision for Massey Knakal and how has the company evolved over the years?

The initial vision for MK was for the firm to be a sales company that covered Manhattan and had a few agents. I remember at one point in the early 1990s saying to my partner, Paul Massey, that if we kept working hard and implemented our platform, someday we might have 10 brokers. Today, the firm has four offices (Manhattan, Brooklyn, Queens, and Northern New Jersey) and employs over 250 people. While we started out as a sales company, we have branched out into mortgage brokerage and retail store leasing. These new business

lines are thriving and we are able to provide a wider array of services to our clients, who have been so loyal to us over the years.

What key strategies have made Massey Knakal so successful?

One of the key strategies has been to keep our operating platform as simple as possible. On the sales side of our business, we only represent sellers and we only work on exclusive listings. Each of our salespeople works in a specific geographic territory. This simple platform allows our

agents to have a laser-like focus on what they are doing each day. We support each salesperson with extensive and constant training, such that all agents are allowed to reach their full potential. We are also approaching the mortgage and retail leasing business lines in the same way. Specialization allows us to differentiate our company and creates a competitive advantage for us. In services businesses, specialists have a tremendous advantage over generalists.

Would you provide an overview of the range of services that Massey Knakal provides?

We cover commercial investment sales, mortgage brokerage, and retail store leasing. On the sales side, we sell all types of properties including, office, retail, multi-family, mixed-use, hotel, medical, loft, development, and land parcels. We also sell transferable development rights (air-rights), inclusionary housing rights, and 421a certificates. This business line also provides clients with valuation services. We prepare over 5,000 valuations each year for property owners in New York City. On the capital markets front, we offer mortgage brokerage services for all of the product types the sales team sells, as well as sourcing equity for clients. The retail leasing group focuses on representing property owners who are looking to rent their retail space. We do not represent tenants.

For the past couple of years, we have also been active with the Massey Knakal RiverOak equity fund, which provides passive gap equity to buyers who are looking to fill gaps in capital stacks for property acquisitions in New York City. We have already made several investments and look forward to continued growth in this area.

How challenging is it to differentiate in the market and what makes Massey Knakal unique?

Our operating platform is what differentiates us. The territory approach is unique and is very difficult to replicate. Existing firms cannot morph into a territory system, and growing a platform like this organically takes a long time. Interestingly, many of our competitors claim the territory system is restrictive but the proof is in the numbers. According to CoStar, we have sold more buildings in New York City each year for 13 years in a row (as long as they have been tracking it) and, in the aggregate, have sold nearly four times the number of properties as the number-two firm over that time period. While historically, our sales have been in the small to mid-size range, we are now brokering some of the largest sales in the city, and should have a strong hold on the number-three spot this year in terms of the dollar volume of sales. We are on track for about \$4 billion this year.

What is the state of the real estate market today in New York?

The state of the market is as good as it can get today. Sales volumes are on track to set records in terms of the number of properties sold and the dollar volume. Along with this, values continue to rise, achieving record levels each month. Demand is exceeding supply by a great margin, which is leading to higher prices. The higher prices mean more folks are selling their properties, which adds to the volume. This is causing what economists refer to as a "positive feedback loop," which is creating these amazing market conditions. This is very frustrating for buyers but great for sellers and couldn't be better for brokers.

With all of the high-end development being created, will a large percentage of the population be priced out of New York?

It's a distinct possibility, which is why our elected officials need to come up with a sound plan for affordable housing. The market is in desperate need of "workforce housing" to accommodate the policemen, firemen, teachers, bakery workers, and all of the other folks who make this city run. The mayor has announced aggressive goals in this area but if the proper incentives are not created, the goals will not be achieved. If the proper incentives were given to the private sector, the city would have all of the affordable housing it needs. Increased density is the key and costs nothing except some push-back from folks who don't want the city to ever change. ●