



Darcy A. Stacom

EDITORS' NOTE Darcy Stacom is head of the Investment Properties group for CBRE's New York Office. With over 30 years of real estate experience, Stacom's expertise is often sought, evidenced by her speaking engagements for numerous industry and educational organizations including Urban Land Institute, Harvard, New York University, Columbia, Wharton, AFIRE, Practising Law Institute, and many others.

COMPANY BRIEF CBRE Group, Inc. (cbre.com), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services and investment firm. The company has approximately 44,000 employees (excluding affiliates), and serves real estate owners, investors, and occupiers through approximately 350 offices (excluding affiliates) worldwide. CBRE offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting.

What has been the secret to CBRE's success and what makes it so strong?

The leaders are very engaged and engaging, so they're easy to have a conversation with. They're quick to follow up and to follow through, which is the key differentiator.

How has your business evolved and are there opportunities for growth within this market?

The evolution of the capital markets has been really quite extraordinary this cycle. We have moved from a market where historically we just sold a building or development site outright to where it's all about creating strategic partnerships, recapitalizing, and equity raising for somebody to do an acquisition or development. Financing has always come in the form of straight financing and mezzanine, preferred equity has taken a larger role in the market, and complex tax structuring is a big part of our deals.

CBRE's Strength

An Interview with Darcy A. Stacom, Vice Chairman, CBRE

It used to be finance it or sell it, and now there are 10 things one can do and, thankfully, 10 things to make fees on.

Has that kind of complexity changed the type of people you're bringing in?

We can't just hire somebody who is good with people anymore. We need to hire someone who has a strong math brain, is a good writer and communicator, can concentrate for extended periods of time, and can walk into a room and sell themselves.

In terms of the pressures among emerging markets, have you seen an impact on the capital coming in?

We have the widest range of foreign capital we've ever had. I haven't seen any measurable fall off in interest, or in the desire to execute. It's a bit of a watch-and-see what is developing, but that is more based on their home countries. Fifty percent of the market was in no way, shape, or form touched by offshore capital. The onshore capital looking for product has wished there was less offshore capital.

Does Midtown Manhattan still have the relevance and stature it always had?

It does and it will continue to, but we're going through a moment in time where there is a lot of competition for those tenants, much of it being drawn away with considerable tax benefits.

Central Midtown shifted west in the last cycle when there were a lot of tax benefits and zoning bonuses to put up the buildings on the West Side. That does affect markets, but people are starting to realize that we haven't had a lot of new development in Midtown. So now we have 390 Madison being completely redeveloped, as well as 425 Park; 75 Rock; and 1 Vanderbilt will be brand new. It will be nice in time, when 75 percent of Midtown isn't 50 years or older.

Will older buildings be able to compete?

Might I suggest that the next time the city gives out tax breaks that they give them to building owners to renovate these older buildings? It's not like we can tear them down – for many, the sheer cost of demolition would not be economical, plus there are tenants throughout.

Tax benefits will create jobs which is, of course, why they give benefits. There should be tax breaks for renovations of the older buildings, which truly can be renovated.

On the residential side, with new development almost all in the luxury space, are you concerned where we are with affordable housing and can we retain the diversity the city is known for?

Yes. In truth, the number of truly luxury units that are being built that will stay luxury units are not that many – it's just that they are so high-profile and tall that they overwhelm everything else. Some of this real estate may end up back with lenders who will repurpose it to fit the community in which it was built.

I'm the Vice President of the New York Restoration Project. I am a big believer in not over-gentrifying areas but in improving them. Unfortunately, 421A is gone – it's not been reconstituted into something that is accessible for New York City. It was a vehicle to produce affordable units. So we need a plan in place.

Is it different this time around for the market in terms of pricing? Do you worry about the sustainability of this market?

There will always be another cycle. We are going to have a downturn – the question is when.

The key thing that is different in real estate from the last cycle is that most people, because they weren't earning anything on their money in the bank, used a lot of equity buying and didn't use a lot of debt as a percentage of the deal.

Where we will see some pain is in the development sector, which is where the borrowing was not as high as last time but higher than a downturn will sustain.

Are the opportunities there for young women in real estate and what advice would you offer them?

I really do not think there is a lot of diversity at the top. As for young women entering, the space, they have to pick which sectors are good for them. For women who like math and are good at math, they can head towards the capital markets space. If they're more into interacting with people, and are great at writing and creative arguments, they might head to the agency side of the leasing space. If they like the nuts and bolts of real estate, they might want to head to the property management area.

There are fewer women in capital markets and in the leasing space. There are, and have traditionally been, more in property management and a lot of women have grown quite successfully in their careers there.

Do you still celebrate the wins along the way?

I have taken time to reflect on wins. I celebrate when I watch people on my team getting to the next level, and I am able to compensate and reward them for their hard work. ●