Michael Dana

A Focus on Flushing

**An Interview with Michael Dana,
President and Chief Executive Officer, Onex Real Estate Partners**

EDITORS' NOTE *Prior to forming Onex Real Estate Partners, Michael Dana accumulated over a decade of investment banking experience that culminated at Credit Suisse First Boston, where he was the North American Head of Investment Banking. Prior to investment banking, he ran the capital markets division of Equitable Real Estate. Dana is a member of the Board of Trustees and Chair of the Baltimore Incentive Program of the University of Maryland. He holds a degree from the University of Maryland and an M.B.A. from the University of Pennsylvania Wharton School of Business.*

COMPANY BRIEF *Founded in 1984, Onex (onex.com) is one of the oldest and most successful private equity firms. Through its Onex Partners and ONCAP private equity funds, Onex acquires and builds high-quality businesses in partnership with talented management teams. At Onex Credit, Onex manages and invests in leveraged loans, collateralized loan obligations (CiLOs), and other credit securities. The company has approximately $45 billion of assets under management, including $6 billion of Onex capital. Onex is guided by an ownership culture focused on achieving strong absolute growth with an emphasis on capital preservation.*

What is the history of the firm and its key areas of focus?

Onex Corporation is an investment management company that was started in 1984 and went public in 1987. The company currently has about $45 billion of assets under management and is publicly traded on the Toronto Stock Exchange.

The main areas of business are large cap corporate/private equity, small cap corporate/private equity, a big corporate debt platform, and real estate.

Our real estate business, contrary to the other three platforms, is funded primarily by the balance sheet of the public company. The public company is a big investor in each one of the corporate funds and the other businesses raise large amounts of third-party money from pension funds and sovereign wealth funds around the world.

We started the real estate business for Onex in 2005 in New York and it is a United States-focused business.

Initially the business started with a focus on investments in joint ventures with local operating partners. When the recession hit in 2008, we took a much more active role in the day-to-day management of leasing and operations, including construction, and took total control over the assets.

We came to realize that we felt better about executing the business plans ourselves rather than through our partners, so we built a vertically integrated company with expertise in all aspects of the development process, including design, construction, asset management, leasing, and sales.

The team, 10 years after the initial formation of Onex Real Estate, is dramatically different. We have very senior people who came out of construction, including engineers, architects, and financial controllers who are very well-trained in accounting for construction projects. In addition, we have a team of development and investment professionals.

We have transitioned the company almost 180 degrees and, as a result, have moved away from having a national focus to being more regional. Our focus right now is the Northeast, where we like to engage in local market investments, which is more accessible for our team by subway, train, or car.

Is your major focus at this point on Sky View Parc in Flushing, Queens, New York?

Yes, this is a very large mixed-use project we got involved in during 2007. We built 800,000 square feet of retail and 2,500 parking spaces, and in phase one, we had 448 condominiums. Phase two, known as The Grand at Sky View Parc, is currently under construction, and will have 750 condominiums.

The phase one condominiums are on the east side of the project, the parking is in the center, and the phase two condos are being built on the west side of the project with three additional towers.

What excited you about Flushing and is what it has to offer well understood?

What we found in Flushing was a market that was dramatically underserved for retail and high-end residential. Outside of Manhattan, there are very few true 24/7 communities and Flushing was one of those.

It has the second-largest Chinatown in the U.S. behind San Francisco, making it a true destination with a tremendous infrastructure of restaurants, shopping, and entertainment.

At the time we entered the market there were few national retailers, so we felt there was a real opportunity.

Even during the recession, when every other part of the city was losing jobs, Flushing had very positive job and population growth, and that continues today.

In addition, most of the people that live in Flushing want to own and not rent, so we felt there was a real need for a high-end project that offered high-end amenities.

On top of the retail podium, we have a four-and-a-half acre park, which allowed us to create a gated community for the residents. It includes tennis courts, basketball courts, a dog walk, a putting green, and several grills and places for people to cook out and eat out. It's incredibly well landscaped and it's beautiful so people will feel like they're not in the city.

We also have a full-service gym and amenity space for the phase one residents, and we're building an additional amenity building for the phase two residents.

Brooklyn has seen dramatic growth and change over the past 10 years. We have started to see that growth and change move into Queens and we feel that Flushing is the center of that growth.

In addition to Target, BJs, Best Buy, and Marshalls, we opened the first stores in Queens for Nordstrom Rack, Nike, Uniqlo, Forever 21, and Sky Foods. As a result of those tenants coming in and seeing strong sales, as well as the overall success of our shopping center, we were able to sell that shopping center to Blackstone last summer.

Is it different this time post-recession and are you worried if the market can sustain the growth?

For the condo market in general and Manhattan in particular, it appears that the very high end of the market has slowed down. How long that will last isn't certain.

What is encouraging to us is that we're bringing Manhattan quality to Queens but at a price that, relatively speaking, is affordable, and there is still strong demand at those levels. ●