

Rooted in the Fabric of New York

An Interview with Barry M. Gosin,
Chief Executive Officer, Newmark Grubb Knight Frank

EDITORS' NOTE Barry Gosin has served as CEO of Newmark Grubb Knight Frank (NGKF) since 1979. Gosin spearheaded NGKF's merger with BGC Partners in 2011 and, since, has led its acquisition of 23 companies and quadrupled the firm's annual revenues. Gosin is a member of the Board of the Partnership of New York City; trustee of the Citizens Budget Commission; and received the Ernst & Young "Entrepreneur of the Year" award in 2002. He is a graduate of Indiana University.



Barry M. Gosin

COMPANY BRIEF Newmark Grubb Knight Frank (ngkf.com) is one of the world's leading commercial real estate advisory firms. Together with London-based partner Knight Frank and independently owned offices, NGKF's 14,100 professionals operate from more than 400 offices in both established and emerging property markets on six continents. With roots dating back to 1929, NGKF's full-service platform offers commercial real estate tenants, landlords, investors and developers a wide range of services including leasing; capital markets services, including investment sales, debt placement, appraisal, and valuation services; commercial mortgage brokerage services; as well as corporate advisory services, consulting, project and development management, and property and corporate facilities management services. NGKF is a part of BGC Partners, Inc., a leading global brokerage company servicing the financial and real estate markets.

What has been the key to the success of NGKF?

We've been around for a long time and rooted in the fabric of New York, not only from the brokerage side, but also from the ownership side. Not many of our competitors straddle both the brokerage advisory and principal side of the business.

Many people like to use us because we understand brick-and-mortar from the inside out and, to a certain extent, we put our money where our mouth is.

A lot of people hire us because we can help them understand how to navigate the issues around real estate. The company has a

strong base of management and facilities in the New York market.

Is New York still your primary market?

New York has become smaller and smaller in proportion because we have grown bigger and bigger elsewhere.

We're a fairly mature business and we have a dominant presence in the New York market. We have taken that formula and adapted it to the local culture in various markets taking the things that can be transportable

to the markets where we've opened.

We have more than 100 offices in the U.S., as well as offices around the world, and we've grown through the acquisition of companies over the past 4½ years. We bought 23 companies in the past 24 months and hired 500 brokers around the country. We've grown at an incredibly rapid clip with the help of BGC, which is a public company, and being a partner with Cantor Fitzgerald, which has been a great boost to our business.

This firm had a very strong culture developed over decades. How important was it to blend the cultures?

To a certain extent, BGC really acts as our banker. NGKF's culture hasn't been changed much. We now have a capital partner, which means we have permanent capital in being a public company. We have a significant amount of cash, so we have more resources to do the things we want to do.

We felt we had a differentiated model, so we had an opportunity to bring what we've created here in our brand and export it to other markets.

We have our own unique approach to the real estate business, which we're able to export with the help of the capital provided by the partners.

With so much new development, can older buildings compete long-term?

I've been saying this for 30 years. We can rebuild an old building. The only difference between a new and old building is the floor to ceiling glass, which is attractive for some.

One can repower a building. An old building can be no different than any building in America even though it's older.

A tremendous advantage of New York is having 125 million square feet of Midtown

South old factory buildings that have already been converted for that market.

Now we look at DUMBO and Industry City in Brooklyn – there are many cities that just don't have the stock or history. It gives New York a tremendous advantage because it has an old stock of buildings being converted into apartments and offices. There are certain businesses that are driving the economy today that would prefer to be in an older building.

We need a mix. There are certain kinds of businesses that need the floor plate, the ceiling heights, and the power. It's easier to build from scratch. It's easier to create a LEED building or Energy Star building from scratch than it is to convert the old buildings to a sustainable product.

When you consider the impact on New York that real estate has in terms of taxes, jobs, philanthropy, etc., it seems that real estate is the backbone of economic growth and stability. Is that well understood?

In any city, real estate is the most impactful, even in tertiary cities with their stadiums and retail, like Cleveland or Pittsburgh, that have been affected by development, which drives change. To a certain extent, gentrification and things like retail bring people in. Real estate is the most visible change for a city.

In terms of taxes, in New York City, the financial industry provides 30 percent of the taxes and approximately 9 percent of the employee base. That's primarily because of the relative high pay for the average financial worker. But that is finally starting to wane. We're seeing more coding, software design, technology, life science, and bioscience.

Every city has its fundamental DNA. For example, in San Fran, the technology business drives the market while in Nashville, the music industry drives the market. Every city has its own strengths that drive the market but all of it has to be housed in real estate; all of it ultimately pays real estate taxes as well as income tax.

Some markets have a higher proportion of their gross receipts in real estate than in income tax. There are some places like Florida that don't have income tax so real estate drives all of their revenues. In New York, the commercial real estate tax is a significant component of the budget. ●