

Silverstein's Strengths

An Interview with Marty Burger,
Chief Executive Officer, Silverstein Properties, Inc.



Four Seasons Resort Orlando at Walt Disney World® Resort

EDITORS' NOTE Marty Burger joined Silverstein Properties in February 2010, and was named Co-CEO in 2011 and CEO in 2013. He is in charge of the day-to-day operations of the company and leads Silverstein's efforts to develop new projects in the United States, China, Eastern Europe, and Israel. Prior to this, Burger was President and Chief Executive Officer of Artisan Real Estate Ventures, a company he founded in 2006. He spent 15 years at Related, serving as President of Related Las Vegas and Executive Vice President of The Related Companies, L.P. From 1994 to 1997, he was a vice president at The Blackstone Group. From 1993 to 1994, he worked for Goldman Sachs' Whitehall Real Estate funds. Burger received a bachelor of science degree in Economics from the Wharton School of the University of Pennsylvania.



Marty Burger

COMPANY BRIEF Silverstein Properties, Inc. (silversteinproperties.com), is a full service real estate development and investment firm that has developed, owned, and managed over 40 million square feet of office, residential, hotel, and retail space. The firm, based in Manhattan, has \$10 billion worth of development activity in the pipeline, including rebuilding the World Trade Center.

How has Silverstein Properties been able to keep its entrepreneurial culture as the firm has grown?

It starts with Larry. It's a family-run business, and he's always kept it that way. We need to be institutional to our partners and lenders and equity investors, but at the heart of our firm, we care very much about our employees, and we run it like a family business even though we're staffed like an institution.

We have industry experts in each of our disciplines. For Downtown, not only do we have great development, design, construction, planning, and other real estate professionals, but we have great marketing and PR people, as well as event planners because we're constantly creating events to promote Downtown. There is so much happening Downtown, and we're a small part of it, but Larry's guiding hand from 2001 going forward has been a huge force in what has become a totally revitalized Downtown.

While Silverstein Properties has been an architect of the revitalized Downtown, is it also well understood that the firm's footprints are all over the city?

We're in Midtown, Downtown, and we've been looking in the outer boroughs. We own a 101-year-old office building a block away from a three-year-old office building we just built. We operate the old and the new.

We're building a new million-square-foot mixed-use project with a condominium component on 59th and

West End, and we've had rental apartments on 42nd Street between 11th and 12th since 2000. For 50 years, we've been operating buildings in Midtown as well.

We're also spending time in D.C. and we built the Four Seasons Orlando, which has been incredibly successful. We had a venture in Poland and, while we're mostly raising money in China, we did get involved in a project that is under construction there.

We're looking for opportunities anywhere we can find them. We have to be creative to compete today.

How do old buildings compete when there is so much new development in New York City?

Everything comes at a price. When we're creating new technology buildings, they're more efficient. They make it easier for our tenants to attract and retain employees because they have advantages such as floor-to-ceiling glass windows, fresh air intake from the top of the building, fast elevators, great bathroom capacity, and a higher level of security, so they don't have to worry about heating and cooling capacity, and people waiting on lines for bathrooms or elevators. However, they have to pay more to be in those spaces.

We charge less in our older buildings, and there are always firms that are cost-conscious and don't feel they need to be in a new building.

When a building becomes too obsolete, it gets converted to a hotel or for residential use. We have seen a lot of that Downtown because 50 percent of the buildings in New York are 75 years or older, and Downtown New York was the first financial district so we have a large concentration of older buildings there.

Where does the World Trade Center project stand today?

We've had incredible success. 7 WTC was completed 11 years ago; 4 WTC was completed 4 years ago this fall; and 1 WTC was completed by the Port Authority about 2 years ago. In addition, we're completing 3 WTC the first quarter of next year. We have already delivered space to one of our tenants in the building.

7 and 4 WTC are 100 percent leased. 7 WTC is a 1.7 million square foot building at 52 stories and 4 WTC is a 2.3 million square foot building at 72 stories. We completed a lease with Spotify in February that brought 4 World Trade Center to virtually 100 percent leased.

We also did a lot of leasing in 2016 in that building for Zurich Insurance's New York headquarters, along with SNY, Hudson River Trading, MediaMath, and MorningStar. These are great tenants, and most of them are either just getting in or will be soon.

The Port Authority and Westfield completed the transportation hub and the retail center within it late last year. It has North/South and East/West spines that connect the lobbies of 1, 2, 3, and 4 World Trade Center to the Oculus, which is the transportation hub. Nowhere else in the world can you find a place with 13 mass transit lines within one block of each other.

We have two PATH trains coming in from Jersey City and Hoboken, and there are 11 MTA subway lines coming out of the hub within one block of each other. It's amazing and a phenomenal amenity.

A block north of that, we opened a Four Seasons hotel and luxury residences in September that includes a Wolfgang Puck Cut Steakhouse – it's the first five-star hotel Downtown.

Eataly also opened last year at 4 World Trade Center, and it occupies 46,000 square feet. They're bringing 10,000 people a day through there. This is all brand new and on the heels of what Brookfield has done at Brookfield Place, and our retail connects to them.

Down one level from the Oculus is retail that connects the lobbies of 2, 3, and 4 World Trade Center. The #1 train lets off there, and there is a street that goes underground to 1 World Trade Center and past that to Brookfield Place.

If one goes to the steps below that, they're at the PATH terminal platform, where there are two trains to New Jersey.

The impact and success of this Downtown development is clear. Has the response been what you expected?

Everyone who visits is amazed at what has happened, but it has taken a long time. We have two pieces left, including the Perelman Performing Arts Center. We had \$100 million from the Lower Manhattan Development Corp. allocated to it and, recently, two famous New Yorkers provided \$20 million each so we can finish the fundraising for the Center. It will be a \$400 million facility which is now under construction.

The other piece will be 2 World Trade Center, which is a \$4-billion, 100-story building, just under three million square feet, and we're working hard to find a tenant for that building. It will be the last piece of the rebuilding of the World Trade Center.

What is the estimated timing for 2 World Trade Center?

We're dealing with a few tenants that could start the building or we may do it spec, so we're hoping we will be under construction by the end of next year.

What are your feelings about what Silverstein Properties has been able to accomplish?

I'm amazed. I've been at Silverstein for almost eight years. When I got here, we had no deal with the Port Authority; we hadn't finished financing 4 World Trade Center; 3 World Trade Center was a pipe dream; and the Port Authority was nowhere with the transportation hub or with 1 World Trade Center. It took until the end of 2010 before we had an agreement in place.

Then, everything started happening: 4 WTC started coming up – we sold the bond issue to get the proceeds to build the building. We started building 1 World Trade Center, and the transportation hub started to get built. We put the infrastructure into 2 and 3 World Trade Center for footings of the Oculus to take form. Later, we landed GroupM, which is a division of WPP, for the base of 3 World Trade Center. This allowed us to go back to the bond market, and JP Morgan and Goldman Sachs sold \$1.6 billion of bonds for us to get that building started, and now it is coming to completion, which is really exciting. All we have left is 2 WTC.

When you look at the current state of the New York City real estate market, are there still opportunities for growth?

There is a ton of growth left, but for someone like me, unless we have really cheap capital, it's hard to compete, so we have to be creative. We just bought a building on West 54th Street that is 80-plus years old, but it has a life sciences zoning so it's appealing to tenants that want lab and biotech space. We just opened a stem cell research center there.

That is not a typical Silverstein deal, but we love it, and it's in our core competency of office. We're doing it with some of our existing financial partners, one of which is a pension fund and another which is an insurance company. It was owned by Taconic with a bunch of New York City pension funds. They stayed in for 10 percent and we came in for 90 percent, so we now run that building with Taconic, and we're excited about this opportunity.

That is a new wave deal for us. It's not finding a piece of land, building a big building, and running it for a generation. I'd rather be building multifamily in the city, but I can't do that because the land is too expensive, and construction prices are prohibitive. I'm currently spending time in Jersey City, the Bronx, and Queens to try to make that work.



Silver Towers on West 42nd Street

What brought you to the D.C. market, and will there be additional U.S. cities?

We're working on a bunch of transactions there. We also have a great partner there in the Lerner family, which owns the Washington Nationals. They have built a lot of Tysons Corner in Virginia, and we are considering opportunities there with them.

Has the experience with Silverstein been what you expected?

I don't ever think it's what one expects, and there are good and bad things along the way. We spent a year with 21st Century Fox

and News Corp negotiating a lease for a three-million-square-foot building that we were going to anchor with them occupying half of it. The deal fell through after a year of hard work on both sides. We spent a ton of money and time and they did too, and it didn't work out.

That was disappointing, but we don't fold our tent – we pick up the pieces and move on to the next one, which is what we're doing. Hopefully, we'll find an even bigger tenant to take a bigger portion of the building. Larry is the poster child for perseverance. When we lost Fox, he told me that we had to put on a strong face for the firm; we've been through worse things and need to put everything in perspective and move on. I'm always learning from Larry.

Real estate is an industry where there is major competition but also a lot of partnering to support the needs of New York. Is that common in other places or special to New York?

I've had experience in markets like Las Vegas where I've seen a philanthropic business community, so I don't know if it's just in New York, but it's great to see. When we have industry events in New York, thousands of people show up, and the generosity in New York is incredible. There are so many causes out there that so many different people are pushing for their own charities. I sit on the board of at least two charities that I spend a lot of time on.

I'm the chair of the New York District Council for the Urban Land Institute, and I also participate nationally as a member of America's Executive Committee.

We can't do everything, so we pick and choose what we can do. Larry, for instance, is extremely involved in five or six things in a very big way. He tries to give to whatever he can, and will contribute and participate on a very significant basis to a number of these charities, be it UJA or NYU or Denver's National Jewish Hospital, which now has a New York outpost.

For young people today coming out of school who are interested in building a career in real estate, what advice do you give them?

I spend a lot of time with kids. I'm on the advisory board of the Real Estate and Finance Center for Cornell, the advisory board of the NYU Shack Real Estate Institute, and the executive board of the Zell/Lurie Real Estate Center at the Wharton School at Penn. I meet with kids all the time and the common theme I share with them is, "You're all going to work really hard at what you do so you had better like what you do, or change what you're doing." I encourage them to talk to as many people as they can in the industry and do as many things as they can to figure out what works for them. ●