

Making Companies Great

**An Interview with Howard M. Lorber,
President and Chief Executive Officer, Vector Group Ltd.**

EDITORS' NOTE *Howard M. Lorber has been with Vector Group and its diversified interests since 1994. In addition to his role at Vector Group, he was President, Chief Operating Officer, and a Director of New Valley Corporation from November 1994 until its merger with Vector Group in December 2005. Chairman of the Board of Directors since 1987, Chief Executive Officer from November 1993 to December 2006 and currently Executive Chairman of Nathan's Famous, Inc.; a consultant to Vector Group and Liggett Group from January 1994 to January 2001; a director of United Capital Corp. since May 1991; a director of Prime Hospitality Corp. from May 1994 until its acquisition by Blackstone Group LP in November 2004; Vice Chairman of the Board of Ladenburg Thalmann Financial Services since May 2001; a member of the Board of Directors of Morgans Hotel Group Co. from March 2015 until November 2016, and Chairman from May 2015 to November 2016; and a director of Clipper Realty Inc. since July 2015. Lorber holds a Bachelor of Arts degree, a Master of Science degree in Taxation, and an Honorary Doctorate from Long Island University, where he is also a trustee.*



Howard M. Lorber

COMPANY BRIEF *Through their subsidiaries, Liggett Group LLC and Vector Tobacco Inc., Vector Group Ltd. manufactures and markets high quality tobacco products in the United States. Vector Group also owns New Valley LLC, which in turn controls Douglas Elliman Real Estate.*

Will you discuss the history and heritage of Vector Group?

Vector Group was the successor company to both Western Union and the Liggett and Myers tobacco company.

The two companies were merged through corporate shells and it became Vector Group. At that point, we bought Douglas Elliman – one thing they all had in common is that they were all companies that had a long history and great brand names, but not great management.

What do you look for when it comes to management?

It is always easy to find money to buy almost anything. What is really hard to find is the

right people. If one is lucky enough in their career to find a few great people, then they are doing well. I have been able to do that over the years.

Are you primarily interested in growing your current companies or finding new opportunities?

I am not looking for any acquisitions in different lines of business at this time. We have been investing in real estate, and I am investing with developers who I trust and admire.

Is it hard to separate yourself within the real estate industry and how do you differentiate in the space?

We are different – we do things differently and we are much more entrepreneurial. We are the fourth largest residential real estate company in the country and we are only in six states – the first three are big national franchise operations.

With the impact Douglas Elliman has had in New York, are there opportunities to expand to other markets?

The advantage of where we are – New York and the suburbs around New York, such as the Hamptons, Westchester and Fairfield County as well as South Florida, California, Aspen/Snowmass and Boulder, is that many owners in these markets are buying or plan to buy houses in the future in the other markets we service.

Geographically, it might not be perfect, but it is pretty much the same type of clients that we are used to dealing with.

We will probably end up in a few other markets – we might like to add Boston at some point. We went to Los Angeles because we saw opportunity in ground-up, high-rise construction.

Douglas Elliman himself actually promoted vertical living in New York City more than 100 years ago. He was telling wealthy New Yorkers living in mansions to try living in big, beautiful apartment buildings.

As you explore other markets, are you looking to acquire firms?

We started from scratch in LA, Miami, and in some suburban markets on the East Coast. The only one we took over was in Aspen because we found a boutique high-end company with a good market share. In California, we just purchased Teles Properties, which gives us over 500 new agents and 21 offices from Carmel to Coronado.

How important is the cultural fit in regard to acquiring a new company?

I was very impressed by Teles' management, and the reactions we have received after announcing the acquisition have been fantastic. After having spoken to a few of the brokers at Teles, I think their culture fits in perfectly with that of Douglas Elliman.

Will you touch on the transformation of Nathan's and what you were able to do with that brand?

The key there was a great brand name – it is very well known given the actual size of the company, which was quite small. It was started by a family that took it public. We took it private in the late '80s and changed it around – we went into franchising and branded products, not just restaurants, and took it public again in the early '90s.

It is now more of a licensing, branding, and franchising company than a restaurant company. We have very profitable licensing deals for supermarket sales, and we are the number-one premium-selling frank in the Tri-State area.

The old Nathan's had a few big stores, but generally, hot dogs are not considered meals, so there was not a lot of dinner business being done. It is a lunch product or something to eat on-the-go, like in an airport.

When you bring in the right management, how engaged do you remain and is it hard to step back?

It is always hard to step back when I see something I do not like, but if that happens, I have a conversation about it. I have tried to have an open-door policy so people can come to me when something comes up.

The interesting part of Douglas Elliman is that I happen to love the real estate business, so it does not feel like work. I like to know what the agents are thinking. A lot of agents have coaches and I decided to also have one to help me understand what our agents are thinking so I could work better with them. I am eager to learn every day. I make mistakes, but I try not to repeat them.

Are you surprised to see the real estate development that is happening throughout New York?

I was not born and raised in New York City – I was born and raised in the Bronx and then New Jersey. I raised my children in Long Island.

Ever since I have lived here full time, I have a completely different view than I did before. I used to wonder how people raised their children in the city. Now, it's just the opposite – the city has so much to offer and certain things we do not have to worry about, like our children driving.

I still do not understand why the markets in the suburbs have not returned to their pre-recession highs. They are a great value, so I would not be surprised to see a shift back to them. Over the past few years, we have seen people starting in the city, having a few kids, and then moving to the suburbs. They then move back to the city once the kids get older and move out. Today, they are not moving out so quickly.

There are still many people who do not want the hassle of commuting and who have decided that their children are going to get more out of being brought up in the city than in the suburbs.

On the development side, is there still such a thing as affordable housing?

There is affordable housing and it is never going away. That is why there are no bad areas in New York City anymore because there has been an integration of all types of people in just about every area of the city.

What we are seeing is that developers are now trying to make units more efficient – one-bedroom apartments are between 700 and 800 feet; two-bedroom apartments can be from 1,000 to 1,200 square feet; and a three-bedroom can be 1,500 to 1,800 square feet. A few years ago, the spaces were larger.

People today look at total price, not just price per square foot. There is only so much

■

We have been investing in real estate, and I am investing with developers who I trust and admire.

■

they want to spend, so developers have to be smart in their design.

What interested you in becoming Chairman of the U.S. Holocaust Museum?

My grandmother and grandfather were Greek Jews born in Thessaloniki. Greece had 100,000 Jews and 50,000 of them lived in this area of Greece.

Ninety-five thousand of those 100,000 Jews were killed. In Thessaloniki, 48,000 of the 50,000 were taken to Auschwitz and murdered.

Luckily, my grandparents were able to come to the United States years before World War II. I remember my grandmother telling me that my grandfather died so young because he had lost his will to live as a result of every single relative and every person he knew having had been murdered.

When I looked at getting involved in the museum, those whom I'd spoken to who had been involved in the past all described the experience as life-changing. I then accepted the opportunity to become the Chairman of the United States Holocaust Memorial Museum.

What is your vision for the museum?

In 2018, it will be the museum's 25th anniversary. A capital campaign that has been started has been very well-received. We would like to see what else we can do.

They just opened a facility in Maryland, close to D.C., the David and Fela Shapell Family Collections, Conservation and Research Center, which is dedicated to the preservation of archives and all documentary evidence of the Holocaust. They showed me a letter from a young woman who had graduated high school from Poland who wanted to come to the States for college. She received a letter back saying they could not get her a visa. She wrote again and she got the same response. The third time she wrote, they said they could help her. The thinking at that point was that she got out before the part of Poland where she lived was invaded, but a few months after that last letter, they found a list of the deaths at the camps and they found her name, so she did not make it out.

This center is to show history with documents like that.

If I was talking to people who have worked with you and I asked them about you, what would they say?

They would say that I am honest and fair, and they might say that I could be tough, but I am very fair.

Was the value of philanthropy instilled in you early on?

My father's tombstone lists him as "a great guy" because that is what everyone used to call him. If my tombstone bears the same words, I would be happy with that.

When you have a mentality around continuous improvement, are you able to take moments to enjoy the wins?

I celebrate every day. I appreciate what I have and what I can do for others, as well as the opportunities I have.

I grew up feeling that my family was well-to-do, even though by definition we probably were not, but I felt that way because my parents were able to provide lots of love, a college education, and even my first three cars.

■

It is always easy to find money to buy almost anything. What is really hard to find is the right people.

■

What advice do you give young people to help them build sustainable careers?

It depends what they are interested in, but it is a different world today. When I graduated high school, one had to go to college, but it did not matter what college you went to because the bar to high-end employment was lower.

Today, if someone wants to be in finance and find a job with a great investment bank, they have to attend an Ivy League school and, to get into the best of those companies, they probably have to graduate near the top of their class. That is very limiting for many.

I have always been in sales: I was a stockbroker when I first graduated college, then I went into the insurance business, and then into real estate.

These are all sales jobs for which someone does not need capital. Generally speaking, people appreciate salesmen in those roles and what they are doing for them.

Can you teach the ability to sell or does someone have to be born with that skill?

Someone has to like it. If they do not like it, they are never going to be good at it.

The best part of it to me is that it is a social, networking activity. One has to know what people want but, once that's clear, if someone enjoys meeting people and helping them, they will be successful.

Is there a point at which you'll slow down?

It is not in my nature. I would have to reach a point where I did not like it anymore, which I do not anticipate happening. ●