Repositioned for the Next Century

An Interview with Daniel J. Moore, President and Chief Executive Officer, Rockefeller Group

1271 Avenue of the Americas, which Rockefeller Group is in the process of redeveloping as part of a $600 million project.

EDITORS' NOTE *Daniel J. Moore leads Rockefeller Group's strategy and business initiatives and oversees the strategic direction and growth of the company's office, residential and mixed-use development portfolio throughout the U.S. He joined the company in 2016 as Executive Vice President and Head of Urban Development. Prior to joining Rockefeller Group, he spent 16 years with Hines Interests in various positions of increasing authority in New York, Connecticut and Washington, D.C. Moore holds an M.B.A. from The Wharton School of the University of Pennsylvania, with a dual major in finance and real estate, and a bachelor's degree in civil engineering from the University of Notre Dame. Prior to attending graduate school, he served as a Captain in the U.S. Air Force.*

Daniel J. Moore

COMPANY BRIEF *Rockefeller Group (rockefellergroup.com) is one of the most trusted names in real estate – a leading developer, owner and operator, known for pioneering large-scale urban mixed-use development, and committed to the selective development of innovative, high-quality properties that create long-term economic and civic value. For nearly nine decades, Rockefeller Group has initiated some of the most memorable endeavors in American commercial real estate.*

Will you highlight the history of Rockefeller Group and how the company has evolved?

The firm goes back 90 years. The predecessor of what became Rockefeller Group was the brainchild of John D. Rockefeller Jr., who drove the development of the Rockefeller Center that we see today. It started with a visionary view of real estate development and its place within the life of the city. Today it would be called "place making," but that term hadn't yet been coined in 1928.

Rockefeller Group was one of the leaders in this and we still see the evidence of that today. If we walk around Rockefeller Center, almost 100 years after it was built, it is as lively as ever. We're fortunate that this is part of our DNA and heritage.

After Rockefeller Center on the East Side of Sixth Avenue, the company expanded across the street and built 1271 Avenue of the Americas, and what were referred to as the XYZ buildings, virtually doubling the size of the Center. Eventually we co-developed 745 Seventh Avenue, which today is Barclays headquarters. All the buildings are interconnected by the Rockefeller Center concourse.

We are the beneficiaries of this fantastic history of big, ambitious, and bold development, especially in the urban environment.

However, we have been quieter in some ways in the recent past, though we have been very active around the country. Some of those big, bold plans that were executed early on gave rise to a subsequent generation of projects on a different scale and with a different risk profile.

During this time, we took a more conservative approach to development, taking longer-term positions on land and doing lower risk build-to-suit projects. We're more active today, especially nationally, but until recently had been a little under the radar in New York on the development side of our business in particular.

On the flip side, people have always associated us with our core assets – which were well leased and low leveraged – so that doesn't generate the same level of attention as ground-up development.

Today, we are endeavoring to make our future much more like the first part of our history than our more recent history. We have focused the company on its core business of real estate, particularly the ownership of high quality office assets in Manhattan as well as real estate development across the U.S. We have offices around the country and have expanded into Washington, D.C. this year and have also built out our development team in New York. Today, we're more active on the development side of our business than at any time in our 90-year history.

It is an exciting time to be working at Rockefeller Group, to take the best of our legacy and the wonderful things we're the stewards of with this brand, and move forward, writing the next chapter in the history of this organization. As a real estate developer and a steward of the built environment, we're looking not just to deliver quality real estate that performs well financially but that also has a civic component that adds to the quality of life in the places where we live and work.

As Rockefeller Group refocuses its business and strategy, how critical has recruitment been and how important is it to communicate this strategy well internally?

We have had a lot of smart and talented folks here for many years, but there has also been a significant amount of change in the past few years.

With the refocusing of our business and strategy, and a mandate to grow our development platform, there has been the need to make sure we have the right people in certain leadership positions. We certainly had the right people in some spots, but we had to bring in some others to help build on the core of talent that we had.

If you were to look at our organization chart even as recently as 36 months ago versus today, you'd see quite a bit of change, with more than 50 percent new names at the most senior levels of the company.

The communication about what we're aspiring to be is ongoing. However, it's not just about the words but also about the actions to back them up. For instance, the hiring of someone like Meg Brod to run development in New York for us, who can source a condominium project in NoMad – our first ground-up Manhattan multifamily project – makes a pretty powerful statement to the organization that there is some exciting work going on. It shows that what we're talking about is not just aspirational, but that we're actively moving ahead into the next chapter. Similarly, in the Washington, D.C. market, we have some projects there that demonstrate internally that we're moving in a more ambitious direction while being intelligent risk-takers and thoughtful and considerate developers with a focus on performance and quality.

Is Midtown still as relevant today as it once was and how important is it for Rockefeller Group to continue to invest in its buildings in order to compete with the new product in the market?

It's vital to invest in the buildings. Up until this wave of new supply, there really had not been a meaningful amount of new office development in Manhattan for a number of years. The average age of an office building in Manhattan is more than 60 years old. We now have a significant amount of new supply coming onboard.

Previously, people would accept a different level of physical product because there wasn't another option. Now, they have another option – it might not be as centrally located or have as easy access to transit, but the buildings themselves are well designed and well executed with beautiful structures. The success of these new developments is evident in the demand for them.

For owners like ourselves that have a significant number of assets that are relatively older, there are two choices to make in order to compete. We can decide we're not going to reinvest in our portfolio and aim at a lower target in more of a commodity-price range. Alternatively, and in the tradition of our predecessors, we can invest a significant amount of capital – in the case of 1271 Avenue of the Americas, that's about $600 million – to reposition the building and take what is a great piece of the fabric of Midtown and refocus it to meet the needs of today's tenants and improve the built environment along the Avenue of the Americas.

The proof of whether Midtown is still relevant or not is evident in the success we've had in leasing 1271; between signed leases and commitments from tenants, we're over 70 percent leased in that building after staring down 100 percent vacancy less than 24 months prior.

The beauty of New York is that it's a huge market and there is an appetite for all sorts of different product. There are tenants that want the brand new far West Side or Lower Manhattan projects, and there are others who value a Midtown address because of its place in the consciousness of the city and the global business community.

People know where Rockefeller Center is and where Avenue of the Americas is. We have found that if we can deliver high-quality physical product that gives tenants an experience similar to that of new product at this world class address we can attract best-in-class tenants to our buildings. Our leasing success in the past 18 months is a testament to this fact.

In some ways, what is going on at 1271 is a physical manifestation of what we've been trying to do as an organization. It's a building that was of a particular time that is now, through good thinking, hard work, significant investment and intelligent risk taking, being repositioned.

We have an organization that goes back a long way but, through investment of time, talent, and people, we're now positioning ourselves for success as we look forward to the next 90 years.

Are there other markets, besides the D.C. market, which offer opportunities for Rockefeller Group?

When I first joined the company about two years ago, my mandate was to grow our urban development business line, which is shorthand for anything that is not industrial or big-box warehouse space.

Our first priorities were to get reestablished in the greater New York area, then to grow into D.C. Our goals are to solidify both of those markets and then to think about other opportunities.

One of the places we're looking at now is the West Coast, where we have a development team in Southern California that has been focused mostly on industrial development.

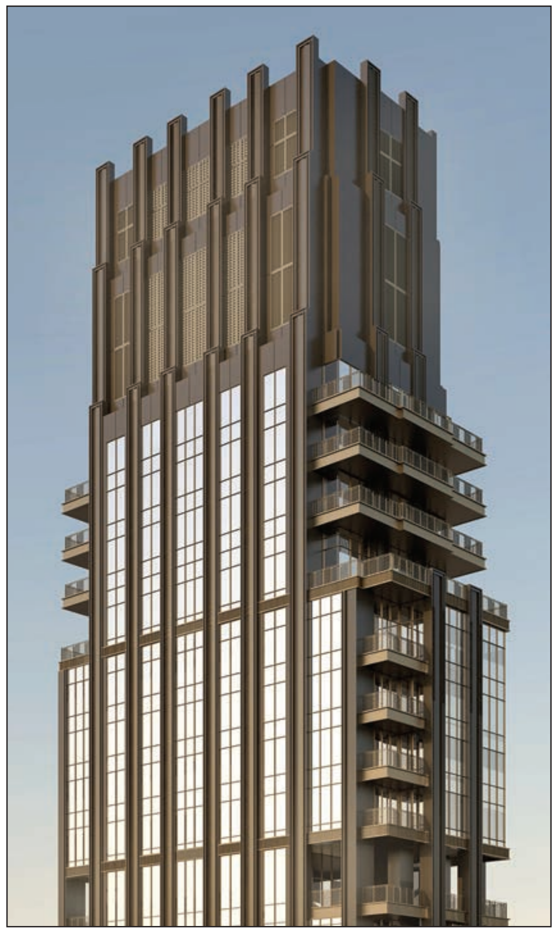
However, there is a whole swath of the country where we haven't been incredibly active on the urban side, so we're taking a very methodical and analytical approach to looking at the balance of the U.S. and thinking about the drivers, both macroeconomic and demographic, in the major urban centers. We're looking out at the markets over the next five to fifteen years for those that have the underlying fundamentals to support macro growth and then overlaying a real estate analysis on top of that to evaluate the supply/demand balances or imbalances.

There are great growing markets like Seattle, but Seattle has a lot of competition – there is a great deal of multifamily being developed there now. We're just wrapping up the first phase of analysis with the intent of being thoughtful about how we want to continue our expansion into other markets. We want to approach places with a purpose, a theory, and a thesis rather than just responding to opportunities as they are presented to us.

Where does the real estate market stand today, especially in New York, and are you concerned about a downturn?

If we're not thinking about a downturn, we should be. If anyone has been doing this over the past three decades, the clock in their head should be running. There is a visceral feeling that it is late in the cycle, but if we look at the numbers, they don't support it being too late. There is still room to run since the employment numbers continue to be strong and wage inflation is still tamped down because the participation rate is not what it used to be.

The fact that interest rates have grown to the level they are currently at is a net positive because it reflects a normalization of interest rates and that helps with capital allocation and keeps the economy working in a more efficient way.



A rendering of Rockefeller Group's new high-end residential condominium project on East 29th Street in Manhattan's NoMad neighborhood, which will include more than 100 units.

If we take away the emotional feeling that it's getting late and we use our analytical brain, there are still many reasons to be positive about where we are in the cycle. We remain focused on both macro and local market data. One number I keep tabs on is the weekly unemployment claims because they are real time and not seasonally adjusted. Those numbers are still at historic lows and have been for some time. A sustained upward trend, however, could indicate trouble ahead in the broader economy.

New York has some challenges at this point in the cycle, but also opportunities. The office market has a lot of supply and tremendous competition for tenants, but those who can put together a meaningful value proposition can still secure tenants and successfully negotiate good deals. We still think there are certain residential niche opportunities as well.

From a big picture perspective, we remain eager to find new opportunities, but we remain conscious of the bigger risks out there. We have to be thoughtful about the moves we make, but there is still a lot of positivity in the market.

Is it important to continue to build more awareness around the Rockefeller Group name?

It's one of the greatest assets we have as an organization. We have something that takes decades to build in our brand recognition and brand equity that transcends New York – the Rockefeller name has a place in the consciousness of most Americans because of the history of the Rockefeller name in the United States. We have brand equity that can't be replicated – it has taken nearly 100 years to build.

We also have a very well capitalized company. We have a strong balance sheet at Rockefeller Group and we have the support of our parent company.

What we don't have is a dogmatic playbook guiding what we do. My job has been to find smart folks who want to help us grow our development business, who understand the value of the brand and the value of what we have, and who can help take us to the next level. The brand is a vital component of that.

When we approach a town or zoning group or we're talking with a potential partner from a capital or development side, there are expectations of quality and integrity that come with the name Rockefeller Group. We take that seriously and feel it's one of the real competitive advantages we have.

Are development projects today more about the design of the building or about creating a sense of place within the community?

It's both. When we are developing a new project, we have to be concerned about the audience that is going to be living or working in it every day, so we never forget we're building for human beings. We design a building not solely for how it fits into the skyline but, ultimately, for the experience of people. One of the great things about being in real estate development is that we have a chance to impact people's lives. That can be the case even with a warehouse. If we do it right, it helps create a local economy and jobs as well as improve the quality of life for people. We always focus on the people that are going to be inside our buildings and make sure we're designing for them.

It doesn't end there, however. We can't ever forget that we are part of a greater community. The building, through its architecture and design elements, has to be responsive to the context of its unique place in the fabric of its local environment as well as the functional requirements of its intended purpose. We always aspire to create physically beautiful projects that we can be proud of.

Successful projects need to address all these concerns in order to provide the opportunity for all of us to be actively engaged in the communities in which we live and work.

Since joining the firm, has the journey been what you expected?

From a big picture perspective, it has, but it's been even better and more fun than I expected. Having been here now for a little over two years, it has been such a pleasure to get to know the people who make up our teams around the country. We have amazing people and exciting projects, and I feel like we're just at the beginning of what's to come. As one of my senior teammates told me early on, you could think of us as a "90-year old start-up company." ●