

Navigating Today's Challenges With Discipline

By Paul Bubny



Jeffrey Lenobel and his SRZ colleagues moderated the hour-long webinar.

NEW YORK CITY—As commercial real estate transaction volume expands and cap rates continue to compress, it's logical to ask what lessons the industry has taken from the previous cycle, and Schulte Roth & Zabel partner Jeffrey Lenobel posed that question Wednesday to a pair of heavy hitters in private equity. Ronald Kravit, head of real estate investing and senior managing director at

Cerberus Capital Management, was blunt in his assessment: "I think we've learned absolutely nothing," he said, warning that discipline levels were creeping downward to 2007 levels.

Russell Appel, founding principal of the Praedium Group, took a marginally sunnier view, expressing the hope that the industry had taken at least some lessons from past experience. For one thing, "We're less leveraged today than we were in 2005 or 2006." Both Appel and Kravit made clear how their firms are looking at potential deals differently in the current environment, maintaining discipline that serves them well.

The insights of Kravit and Appel comprised one aspect of

"Real Estate Triple Play: PERE, Finance and Development," a one-hour presentation of the GlobeSt.com Webinar series in which SRZ attorneys interviewed experts in these sectors. It is available for replay through August 6 by visiting <http://tinyurl.com/GlobeSt-Webinar-050714>.

On the finance side, the Blackstone Group's Michael Eglit told SRZ partner Julian Wise, and the webinar audience, what his firm is drawn and not drawn to in the current market. One no-no for Blackstone at present is class B and C shopping malls: "When those go bad, there's no resuscitating them," said Eglit, principal with Blackstone's real estate debt strategies group. The company also steers away from full-service hotels outside of major markets.

Eglit said his group looks closely at three aspects of a potential financing deal: the property itself, the sponsorship and the business plan. He said Blackstone would consider taking more risk in one of these areas if the others are stronger.

Developments hardly come any higher-profile than Hudson Yards, the 26-acre mega-project from the Related Cos. and Oxford Properties Group now under way on Manhattan's Far West Side. Dean Shapiro, SVP of investments with Oxford Hudson Yards, discussed the many challenges of the project with Fonda Duvanel, special counsel with SRZ: challenges ranging from obtaining community buy-in to the sheer logistics of building an enormous mixed-use development over a railyard that's in active use every day of the year.

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