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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Dealmakers Q&A: Schulte Roth's Jeffrey Lenobel

Law360, New York (September 04, 2014, 5:04 PM ET) -- Jeffrey A. Lenobel is a partner at Schulte Roth & Zabel LLP, where he serves as chairman of the Real Estate Group and is a longtime member of the firm's Executive and Operating Committees. A veteran of the firm, Lenobel has grown the real estate practice at SRZ, which now completes billions of dollars in real estate transactions annually.

Jeffrey A. Lenobel

Nationally recognized as a leading lawyer, Lenobel has a reputation for expediently structuring complex deals that utilize diverse financial vehicles. Recent deals include the ongoing representation of the Oxford Properties Group and The Related Companies joint venture, which is developing Hudson Yards, a $15 billion development, and advising on the construction of the expansion of the main gallery at MoMA's main campus in New York City. Lenobel also led the real estate team in advising Albertsons LLC and an investor group led by Cerberus Capital Management in the $9 billion acquisition of Safeway Inc., the largest leveraged buyout since the 2008 financial crisis.

As a participant in Law360's Q&A series with dealmaking movers and shakers, Jeffrey Lenobel shared his perspective on five questions:

Q: What's the most challenging deal you've worked on, and why?

A: For many years now, we have advised The Georgetown Co. in the development of the first Frank Gehry-designed NYC office building, the InterActiveCorp headquarters at 550 W. 18th St., known for its distinct curved glass-curtain wall. In building the nine-story, 550,000-square-foot structure, there were numerous obstacles.

First, from a legal perspective, the owner of the fee estate was an old line NYC trucking company that had formerly used the property as a parking lot, and the scope of the project involved the negotiation of a lengthy, complex long-term ground lease that took many months to complete. Second, the environmental condition of the property was contaminated by a nearby Con Ed plant, and negotiating the cleanup arrangements with Con Ed was extraordinarily difficult. Third, the materials involved in this uniquely designed building included a glass facade with distinctive curvatures, and concrete floors and columns, making the construction extremely difficult. Due to the zoning issues, building code regulations, types of building materials, complex ground lease terms, a unique financing mechanism, and the number of players involved, this was a memorable and challenging transaction.

Q: What aspects of regulation affecting your practice are in need of reform, and why?

A: There's no question that Mayor Michael Bloomberg's 12 years in office and his administration's approach and policies were favorable to the commercial real estate industry. In fact, during his tenure, NYC experienced a boom in construction. Now, with the current administration in place, developers and investors are not as aggressive and there is some hesitancy in the marketplace. Specifically, in terms of the regulatory environment, several players in the market are disappointed in the way that the administration has handled the Grand Central business district zoning proposals. However, the current administration's plans to increase the amount of affordable housing in NYC is commendable, as the city will reap substantial benefits from implementing those types of policies.

Q: What upcoming trends or under-the-radar areas of deal activity do you anticipate, and why?

A: Private equity firms are turning their attention more and more toward investing in real estate. These firms are replacing investment bankers, real estate families and corporations — and alternative investment funds are strategically positioned for continued growth. Private equity firms are taking advantage of low valuations worldwide, including executing trades on distressed properties and distressed debt.

As the world economies continue to recover from the financial crisis of 2008, the majority of property markets are either flat, or have improved only slightly. Moreover, the disappearance of many investment banks, as well as the consolidation and elimination of many of the commercial and savings banks, have led to a confluence of events, creating more opportunities and incentives for private equity firms to invest in real estate.

Q: What advice would you give an aspiring dealmaker?

A: The most important aspect of a real estate negotiation is your word, and your word is your bond. However, once your reputation is tarnished, it is tarnished forever. Dishonesty, a lack of integrity and underhanded dealings will stay with you forever. The best, most respected and effective dealmakers in the industry are those who are known for their honesty and integrity, and they do not retrade issues once a handshake has taken place. Throughout my career I have strived to uphold these values, and I encourage aspiring dealmakers to do the same.

Q: Outside your firm, name a dealmaker who has impressed you, and tell us why.

A: I have been the partner in charge of handling all of our firm's lease negotiations in the U.S. for the past two decades. We have two offices in the U.S. — New York and Washington, D.C. — aggregating 400,000 square feet of space, and as with any law firm, rent is our largest expense (after salaries). Over the years, we have been very lucky to have made excellent decisions with regard to our space needs and have received superb advice from the consummate dealmaker, Lewis Miller, vice chairman of CBRE.

He consistently demonstrates the art of making complex economic situations appear simple and understandable. I am amazed by his level of preparedness and receptiveness to questions, comments and alternative approaches, and he handles himself in negotiations with unflappable patience. His reputation and integrity are beyond reproach, and the respect he has garnered in the real estate community adds to his success. I have always trusted Lewis' opinions and value his suggestions — he never ceases to impress me!

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