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PROFILE

Knakal's new game plan

After a longtime focus on small deals, Bob Knakal goes after higher-priced assignments

Bob Knakal said he expects to do $2 billion in deals this year, a personal record.

BY ADAM PINCUS

Robert Knakal calls his move into the realm of mega-deals "a slow and steady progression." Slow and steady is a wild understatement for Knakal, co-founder and chairman of the city's largest local commercial services firm, Massey Knakal Realty Services.

Knakal, 51, is by general industry consensus among an elite group of investment sales brokers. But unlike many of his successful counterparts, Knakal got there mostly by selling smaller buildings priced under $50 million.

His one big breakout sale, a $179 million, 346-unit residential portfolio for developer Harry Macklowe in 2004, was a professional anomaly, not a launching pad.

Now, however, under pressure from the frenetic Aaron Jungreis, who far surpassed him in sales last year, Knakal is going after more pricey property and portfolio sales.

And so far this year, he's on something of a roll. Last month, he had three simultaneous assignments to sell properties or portfolios of $100 million and above.

"It is easy to pigeonhole someone into a specific niche, and sometimes it's difficult to break that stereotype," Knakal said. "But we are working hard to demonstrate what we can do."

The $10 billion man

Knakal told *The Real Deal* that he and his now 13-member team have closed more than $10 billion in sales at nearly 1,500 properties since the firm launched more than 25 years ago.

While those figures cannot be independently verified because accurate records do not go back that far, others acknowledge that Knakal has likely sold more buildings than any other broker in the city with the possible exception of Jungreis, president of the much smaller Rosewood Realty Group (see related story on page 56.)

However, a handful of institutional-level brokers have sold far more in terms of dollar volume over the years, including Eastdil Secured's Doug Harmon and Adam Spies, who did more than $10 billion in 2013 alone, and CBRE Group's Darcy Stacom, who sells $10 billion every couple years.

Still, over the past year, Knakal has ramped up his large listings.

In January, he and company partner James Nelson announced the listing for a 1.2-million-square-foot site in Hudson Yards owned by the Rosenthal family that is likely to sell for about $200 million. And, along with Thomas Donovan and Jason Preuss, Knakal was hired to sell a 53-building portfolio in Kew Gardens, Queens, for Hudson Realty Capital, which is likely to fetch more than $225 million.

"I have been focused on and wanted to do larger deals in the past two years," Knakal said. "I did over $1 billion [last year], and based on $400 million done already [in 2014] and $1.7 billion in listings, I feel confident that I will do over $2 billion this year."

Nelson, who has his own 10-member team, the second largest at the firm behind Knakal, said, "We are definitely handling larger, institutional-grade assignments."

He noted that while the deals the pair worked on in the past were at lower dollar amounts, they set the duo up well for moving into a higher price range.

"When we are meeting with an owner, especially when taking an assignment over $100 million, clients want to know your track record," Nelson said.

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> BOB KNAKAL, MASSEY KNAKAL REALTY SERVICES

Even before the Macklowe portfolio closed in 2004, Knakal was well positioned to land pricier deals.

In 2003, he was marketing an 11-building package of Manhattan multi-family properties for the South Carolina–based asset management firm Greystar Real Estate Partners. Real Estate Finance and Investment reported that year that the portfolio of East Side residential buildings was in contract to sell for $320 million. But despite being just a few million dollars apart, the deal collapsed and the package was recapitalized, Knakal said. Two years later, with new decision makers overseeing the portfolio, the investment company HFF was hired, and sold the buildings in several pieces over seven years. Knakal said in about 2005 or 2006, he and Massey considered hiring someone to specialize in larger deals.

"We talked to a couple of people. [But] we did not find a good fit, and felt that the natural progression the company was on would bring us to even larger transactions. And that has played out," he said.

There is a potential downside to vying for the larger deals, insiders say. Big firms like CBRE and Cushman & Wakefield, which currently feed Massey Knakal leads on smaller deals, would likely stop doing that, said one broker at a large firm. But, the source said, it might only be one or two referrals a year.

Plus, company co-founder Paul Massey noted that because the firm sends business back to other firms, "I can't imagine that stopping."

Getting territorial

Knakal grew up in Maywood, N.J., the son of a school principal and stay-at-home mother. His grandfathers, who were both from Prague, were small businessmen, and provided him with an entrepreneurial streak.

In 1981, he began in commercial real estate as a summer research analyst at Coldwell Banker Commercial, a precursor to CBRE Group. Two years later he got his license, and in 1984, teamed up with Massey to form a property group at the firm.

The pair struck out on their own in 1988, launching Massey Knakal and exclusively representing sellers. Although they co-founded the firm, they play different roles in day-to-day operations, with Massey focusing on managing the business and Knakal on developing deals.

They also adapted Coldwell Banker's territory structure. Under Massey Knakal's system, which is still in use today, every broker is assigned to one of 54 regions in the city and New Jersey. The company is the only brokerage in the city that uses such a system today.

One advantage is that the brokers end up with a block-by-block understanding of their territory, forcing them to know virtually every owner and generating constant leads. That has helped the company, which has 104 investment sales brokers and agents, sell more buildings than any other firm in the city over the past decade.

But some outsiders say the downside is that the territory system limits agents' knowledge to their one area. In addition, commercial and multi-family portfolio owners, who often have buildings scattered geographically, typically prefer tapping brokers with broader experience. That leaves Massey Knakal vulnerable to competition for large portfolio sales. In recent years, Jungreis has had an edge in the market for the $100 million-plus, multi-family deals.

Knakal, whose own territory includes Hudson Yards, Midtown West and Penn Station, often gets listings outside that range. But like any other broker at the company, when that happens, Knakal is required to work with the territory's broker and split the commission, even if he's the lead on the deal.

Knakal, who sits in a cubicle in the firm's open bullpen layout, declined to disclose what percent he or any other broker is paid when a commission is shared.

Some industry players criticize the practice of firm heads, including Knakal, acting as both a broker and an owner, arguing that it presents a conflict of interest. For example, if Knakal approaches a junior broker about a commission split, he has the upper hand.

Knakal said the structure of the firm prevents that sort of abuse of power, saying he is incentivized to give a decent split to a junior broker, because that broker might have a deal in his territory at some point.

In addition, some criticize the practice of owners heading up large company teams, saying it provides them with an unfair advantage over junior brokers at the firm. Knakal defended the practice, though, noting that he is generating enough business to support that system.

Nelson added that Knakal's relationships are incredibly beneficial to the firm.

"Bob, with his contacts, brings in a lot of institutional-style business. For a newer agent, they might not have that access. For Bob to bring in those opportunities is a great thing for the firm," Nelson said.

Knakal is also adamant that he does not invest in real estate, saying it's a conflict of interest. It is a sensitive point in the industry, because many brokers quietly invest in deals as minority partners, but few admit to it, insiders said.

Last year, he told the New York Times that he doesn't invest in real estate. But last month he told *TRD* he had made passive investments in a few deals, although he would not say when or where.

Through a search on real estate database PropertyShark, *TRD* identified at

Top, company co-founder Paul Massey. Bottom, Massey Knakal's James Nelson has worked on several big deals with Knakal.

least two properties Knakal had a stake in: The 10-unit rental building 2112 Honeywell Avenue in the Bronx, which was purchased in 2004 for $585,000 and sold in 2007 for $980,000, and the six-unit 18-11 Linden Street in Queens, purchased in 2002 for an undisclosed amount and sold in 2012 for $895,000. He declined to confirm either address.

Other than his personal residences, he said he never purchased an investment property on his own.

"I have made a few passive investments, always with other partners who sourced the opportunities, and viewed them more as helping a friend than making an active, hands-on real estate investment," he said.

Numbers man

Knakal, who is married and has a 5-year-old daughter, is meticulous when it comes to keeping records and setting goals. "I get hired 31 percent of the time that I do

Continued on page 112

a valuation," said Knakal, who can rattle off the number of weekly business pitches he's made over the past year.

He aims to call his top five prospects for listings each week, and pitch new business five times a week.

He also keeps stats on how many days a week he goes to bed by 10:30 p.m. (he shoots for four) and how often he drinks green juice.

He tracks all of the results on a multi-year "scorecard."

Ever since his days as a Little League Baseball pitcher, when he began keeping personal data records, he's "been a nut for statistics."

The range of figures has ramped up exponentially since 2011, when he hired a professional coach, Rod Santomassimo, president of the North Carolina–based consulting firm the Massimo Group. Knakal went from recording a handful of stats in a ledger to using a giant spreadsheet.

Santomassimo said most brokers he advises look at 10 to 20 metrics, compared with Knakal's 130. The two check in every Monday.

"He is very disciplined and receptive," Santomassimo said.

Jungreis credits Massey Knakal's analytic approach to brokerage with revolutionizing the local industry in the 1980s. Massey Knakal, Jungreis said, brought a corporate and professional model that forced other brokers to retool.

Comparing Knakal with Tiger Woods, Jungreis said at first other golfers thought Woods was a wunderkind who could not be copied. Then they realized his strength lay in a better form of training, and other golfers saw they could emulate that, improving the overall quality of the sport.

"He took real estate brokerage to such a refined level, he made the bar so much higher," Jungreis said. "He made everyone around him better."

Now, however, Jungreis estimates that he's sold 1,500 New York City buildings or more.

Jungreis is also well on his way to matching Knakal's $10 billion figure, which for brokers who focus on smaller deals, remains a significant achievement.

Just last year, Jungreis sold more than 300 individual buildings for a total of more than $2 billion, compared with Knakal, who sold 87 buildings for about $1 billion.

Jungreis has grown his firm through large assignments of the sort that Knakal is vying for. Earlier this year, Jungreis landed the exclusive for two massive apartment buildings owned by Urban American that could sell for a combined $500 million. And last year, he sold a Queens portfolio for $367 million and a Manhattan portfolio for $247 million.

"I admire Aaron very much. I think he is a good broker. He works his tail off," Knakal said. But, Knakal added, "I will do everything I can to make sure he does not catch up to me."

But as Knakal pushes to close more than $2 billion in 2014, he will have competition from all sides.

Nonetheless, the number of buildings sold and the dollar volume of sales are not the final goal.

"What it really boils down to is how much money you make," he said. "Ultimately how much money you make is what you are in business for." TRD