

# The Weekly Take

## Wild in the Streets: Fried Frank's Mechanic and Werner on New York City's revival

4.30.2024

### Spencer Levy

Here's some conventional wisdom: There's still uncertainty in the capital markets, distress in the office sector, a shortage of affordable housing and challenges around sustainability – lots of big issues and questions facing the world of commercial real estate. But what's the inside scoop on the largest and most complex market in the nation? On this episode: a trip to New York City as a bellwether for the here and now and for the future – a pair of power lawyers at the center of it all with a read of the industry's pulse.

### Jon Mechanic

People are back. People are back midtown. People are back downtown. We want to see more of that. We need to have everybody back in the office. But seeing that kind of activity to me is very, very encouraging.

### Spencer Levy

That's Jon Mechanic, Chairman of the real estate department at the New York law firm Fried, Frank, where he's built a distinguished career of nearly 50 years. Recently recognized with a 2023 Lifetime Achievement Award by the New York Law Journal, Jon's got a list of other accolades that is simply too long to enumerate. He also holds several influential board posts, teaching positions at Harvard and NYU Law, and more.

### Michael Werner

There's always opportunity, and we follow the opportunity. And what we're busy doing at any particular time reflects the moment.

### Spencer Levy

And that's Michael Werner, who's also a partner at Fried, Frank's real estate practice, where he has spent the entirety of his nearly two decades as a lawyer. A self-proclaimed "Swiss Army Knife" for his breadth of coverage across sectors and issues, Michael's worked on many of the firm's highest profile transactions, representing owners, developers, funds, REITs and some of the most recognizable financial institutions in the world. Coming up, we take you inside the big issues they are working on and the range of opportunities they see in New York and beyond. Law and the order of commercial real estate. I'm Spencer Levy, and that's right now on The Weekly Take.

### Spencer Levy

Welcome to The Weekly Take and I am so excited to be here today at Fried, Frank with Michael Werner. Thank you for joining the show, Michael.

### Michael Werner

Great to be here.

**Spencer Levy**

And then Jon Mechanic, probably the dean of the New York City real estate bar – and, I might add, my former boss a long time ago in a land far, far away. But what an honor to be back with you, Jon.

**Jon Mechanic**

Very happy to be here with you, too, Spencer. Always a pleasure. And I remember those old days with a lot of pleasant memories.

**Spencer Levy**

So, let's just start big picture. We could have one question, and this could be the whole episode, but just give me your big picture take. New York City real estate market. Give me your take, Jon.

**Jon Mechanic**

I think there are some exciting things going on. There was an announcement this past week by Mayor Adams of the new Citadel headquarters which will be located at 350 Park. It's a 1,700,000 square-foot office tower, which is currently in front of city planning. It's a joint venture between Ken Griffin and Vornado and Rudin to build this new headquarters building. It will be the – a bookend with the new headquarters for JP Morgan, which we've also had the benefit of working on, which is going up and you can't miss it walking up and down Park Avenue. It'll be the new headquarters at 270 Park. We've also been excited with the office to residential conversion at 25 Water Street. It'll be the largest conversion of an office to residential tower in the United States. It will be converted from a 1,000,000 square-foot office building to 1300 residential units, 100,000 square feet of amenity space. It includes pickleball courts and a basketball court, an indoor pool and an outdoor pool and a deck overlooking the harbor. I mean, it's absolutely spectacular. And of course, it's right across the street from Fried, Frank. Associates can walk, walk across the street, go to work, walk home, have a swim and come back. So now what could be better than that? In our own world. We have extended our lease at One New York Plaza, which we've been in that building since 1979. It's a building that's owned by Brookfield. We had two options to terminate two of our floors that we're currently in. We're restacked our space. We've gotten to one size offices, but the offices are beautiful. They're well-lit. They're light. People love them. Originally we thought, well, maybe we'll drop two floors. But what happened over time was, ultimately, we agreed to pass on one of those options and then last year we agreed to pass on the second option and now everybody is back in the office where they should be. People enjoy being together, which is what they should do. We've also expanded our Midtown Conference Center. We've been in 375 Park, which is a fabulous building for the last 20 years but we needed more space – we want it to be on one floor. So, we took space in Park Towers building at 535 Madison. We're on 15,000ft. The space is gorgeous. I haven't gotten a single complaint from a single Partner or Associate at Fried, Frank – that's huge. That's a real sign of success. But we're very happy. I think we're set as a firm for the next 20 years. We have beautiful space in London as well. And so, I feel really good about that. We've made transactions that were, were good for the firm, good for the owners and clients and good for the city of New York.

**Spencer Levy**

Let's turn to you now. Mike, why don't you tell us in your words – big picture. What's going on? Positive, negative.

**Michael Werner**

Adding to what Jon said, we're seeing a lot of interest in getting into the real estate credit space by nontraditional lenders. There's a lot of activity around recently constructed residential buildings in the city. Given the challenges in Albany, there's not going to be new housing that we see on the horizon without some kind of solution. So, the existing stock of residential buildings – we saw rents shoot up last year, and we've got a few projects where clients of ours are recapping their properties right now at pretty low cap rates, which is pretty extraordinary for our developer clients who constructed wonderful product around the city. And I mentioned the real estate private credit space where we are representing platforms putting out credit. They're making whole loans, they're making stretch senior loans, they're doing mezz, and they've got a lot of flexibility to provide capital solutions where banks have pulled back. So, there's always opportunity and we follow the opportunity. And what we're busy doing at any particular time reflects the moment.

**Spencer Levy**

What you just described there, Michael, about some of the recaps you're doing in the multi space speaks to what we're seeing nationally. And everybody's going to talk about office. We're going to get to office. But, I actually see more distress right now in the multi space than I do in the office sector. And New York has the double whammy which you just described, Michael, where there's some legislative issues. But, how do you see it, Jon?

**Jon Mechanic**

There's distress in both. I think we've imposed stress on ourselves in connection with multifamily by adopting regulations that make it impossible to have the rent actually cover the operating expenses, and have people want to invest in multifamily in New York, that's subject to regulation – so I think that's a problem. And the office market, I think it's a tale of two cities. There's the high end that you people have invested in their office buildings, newly built office buildings, which there's a tremendous demand. If you look at the Park Avenue corridor, it's actually a shortage of space. But, if you have a B and C building, you either need to reimagine what that building is like or you need to be able to convert it, or you need to take it down or do something else with it. And I think we're seeing that happen. I think we have some challenges on the legislative side. We were more hopeful that we'd get more out of Albany than we got in this last session. We did get an extender of the 421-a exemption, so that the outside date for completion went from 2026 to 2031 with respect to those sites that have already qualified by having their foundations or footings in the ground, and there are a number of those – so that was positive. And so things that were, basically stymied from going forward by this artificially short time frame work and that's been fixed. But, I think we were much more hopeful about what they've now called 485-x, which is meant to be the new 421-a. But, I think the final bill that was passed is really not going to do everything we wanted it to do. I think that the, percentage of AMI that was ultimately agreed upon, the term of the abatement – I think that prevailing wage that needs to be incorporated into the project in order for it to qualify – I think those things make it much more difficult to actually induce the housing starts that were intended to be covered by the new statute. I think also, they tried to deal with some of the rent stabilization laws and the provisions dealing with renovations and the ability of landlords to renovate and recoup those investments in the property. But, the amount that can be expanded is just way too low for what it costs to renovate an apartment in New York. And the other thing is the tenant protections, which were adopted, although people were moving in the right direction in terms of finding a proper balance between trying to protect the tenants rights and not artificially hampering the New York economy and the New York housing market – I don't think they got there at the end of the day. So, I think there was deep disappointment in the real estate community that, in fact, while they were on the right

path, they veered off the path before they got to the end. And so while we have a couple of things that got accomplished, there was much less accomplished than there should have been. And there were some things that came into being that, in fact, weren't what they were supposed to be. As part of the ultimate compromise in order to get a housing program adopted.

**Spencer Levy**

Let me go back to the rise of non-bank financial institutions coming into the market. In markets like today, it's not uncommon that it is common to see a shift from traditional institutions to high net worth individuals, and often foreign money coming in to take advantage of the market. Are you seeing any of that?

**Michael Werner**

When we're talking about high net worths and foreign investors, I think about the opportunities now in office where you have individuals and foreign investors who look at certain real estate as irreplaceable and real estate that they're not building more of. And if they could buy it at a even a basis that's unattractive today, they're long term holders as opposed to opportunity funds. And, you know, the high net worths, they could build generational wealth buying something that's in a great location and eventually, in their view, they'll figure it out later. And foreigners are still viewing New York City as a safe place to park money, even if they break even or lose a little bit here because they can't grow rents buying some office building, it's better than losing it where they are overseas.

**Spencer Levy**

We're going to come back to office. I just want to talk retail for just a moment. I've seen material changes throughout the city in retail and some of the high rent districts, on Fifth Avenue and elsewhere. What about Soho? What's going on there?

**Jon Mechanic**

We went through a very difficult period during Covid. Not only were people not buying, but what they said, people were on the street, there were significant crime issues. Police were more reticent about exactly what they were doing. The store owners were more reticent about exactly what they would do. I think you're seeing a resurgence of that retail. There's a recent deal that was done in Soho with my friends at Midwood, where they signed Ferrari to a ground floor space at very exciting numbers. And that made everybody in the neighborhood feel better about their real estate. People are back and people are back Midtown and people are back downtown. We want to see more of that. We need to have everybody back in the office. But seeing that kind of activity to me is very, very encouraging.

**Spencer Levy**

So. Jon, you're still going to Fraunces Tavern?

**Jon Mechanic**

I actually – the new place downtown is Casa Cipriani.

**Spencer Levy**

Okay.

**Jon Mechanic**

So, Casa Cipriani opened a couple of years ago. It's a spectacular club. They renovated the Governor's Island Ferry Building in a very creative deal, with some tax incentives and

some historic tax credits. Meanwhile, the place is designed like the interior of the Norge, which was the sister ship to the Titanic. It is absolutely spectacular. It's got a bar overlooking the Statue of Liberty. It's got a bar looking north. It's got Cipriani food. It's got the club and it's got a hotel. It's got a spa and it's got a gym, and it's got an event hall that seats 400 people and it's across the street.

**Spencer Levy**

Yeah.

**Jon Mechanic**

So, I might spend a little time there.

**Spencer Levy**

When I worked at the company, at Fried, Frank forever ago – let's just be clear – in 1997, there wasn't a whole lot of choices downtown. It is completely transformed.

**Jon Mechanic**

The availability downtown is dramatically different. And as you see, some of these projects like 25 Water Street come aboard and the influx of young people that that means and that's not the only one. There's another residential conversion at 55 Broad Street and Nathan's projects at 180 Water Street, which are converted. There are plenty. And then you've got all the stuff over by the Brookfield place and all the residential over there, plus the eating establishments that are over there are better and stuff that's in the Trade Center. So, I think there's a dramatic difference in terms of what's available. And also just a number of young people that are making that place their home and the ability to get more space for your buck in that area. It's a great place to be.

**Spencer Levy**

Now, New York has its place into itself, but I travel everywhere. I just got back from Century City in Los Angeles. Brand spanking new building, getting record rents right in Century City. I just got back from Nashville. New development, new office development in Nashville. And then in Dallas, we're seeing new development there for new folks as well. So, I think a lot of what we're hearing headline wise is true – and listening we're not going to hide the ball on some of the challenges in class B office, but we're seeing a lot of positives as well. So, let's pull the lens out for just a moment. I know we're focused, very focused on New York, but I look at laws all over the country and say, well, this seems to be a good idea. And one of the laws I point to is the new Live Local Act in Florida, which allows you to build a multifamily job if you do a portion of it affordable, faster. Basically, they reduce your permitting time by 75%. Whatever is now, a lot of localities don't like it at all, they think it usurps their power. But, it gets to a basic point that I have, which is, I think the fundamental impediment to more housing is permitting.

**Jon Mechanic**

I think there are a couple things. I think one is the permitting process and how long it does take – things done. But, to the extent you have an as-of-right project, then it's much easier to do. The problem is that with the economics today, you cannot make the project work and particularly if you have traditional taxes, can't make the economics work. So you're addressing two concerns. What is the affordability of housing and two, housing as a whole in order to generate. Otherwise, the only thing that's getting built is condominium projects because you can't make the math work. So, if you're trying to do multifamily and you want to address your affordability component, the only way to do it is the way we've done it historically over a long period of time. One is with a tax abatement, the other is

government built housing – that has not traditionally been a very – great success. So, I think that we're much better off having the private sector build and giving them government incentives to do it, rather than having the public sector built.

**Spencer Levy**

And I agree with that, by the way, and I have a lot of examples of it. I was just down in Nashville, with a company that has 30,000 affordable capital-A units. But, we have a lot of the groups here in New York City. The Related Companies just bought a big piece of the – I think it was the Signature Bank portfolio that was affordable. We have Blackstone, which has been big in this space. We just had on the Weekly Take a year ago, Nuveen, which is \$4 billion in capital-A Affordable. This is all private money, which, being very candid, didn't like capital-A Affordable, didn't like any affordable for years because of the regulatory risk, and other factors. But now we're seeing going into it in a big way, which I think will help liquefy the market, help bring more units. Any point of view on Affordable?

**Michael Werner**

I agree, we have a client who bought a property downtown that they wanted. They were desperate to build Affordable, but they couldn't. So they're building condos instead. That's not a good result. Condos are great, but that's not a really great result for the community at large and the city at large. As usual, Jon said it all, but there's another story about housing, and that's – I mentioned before the recaps, and I'm pulling it back to kind of a theme because we talked about retail, we talked about office, we're talking about housing. There's this sort of – I know that the quality gets thrown out there a lot, but there really is – elasticity to value. And so the retail point you made earlier – not just the return to normalcy in the city – but the stock market has rebounded. People that value high end things are going to continue to buy high end things. And so you saw the Fifth Avenue retail rebound to the point where you've got retailers purchasing condo units where those properties were in distress just a couple of years ago. Same thing with the office, where there's a building in the Flatiron District that just closed the CMBS loan a couple days ago. Nice building, 50% LTV, and that's a quality building in a great location. It's leased. There's going to be 20% role on that –

**Spencer Levy**

What's the rate on that deal? Do you remember?

**Michael Werner**

I think it's a little over 6% fixed. So could they –

**Spencer Levy**

That's not bad.

**Michael Werner**

Right. Could they have gotten a lower rate? Maybe. But they liked the fact that it's fixed. They like the leverage. You can't get that kind of leverage non-CMBS right now on office probably. But, there's capital there for quality assets of any class.

**Spencer Levy**

So, let's shift the topic for just a moment. I note for the record you can't see that Jon and I are wearing ties today. Maybe we're a little old school.

**Jon Mechanic**

I wear every day. Every day, every day. Suit, tie. I really break it down on a Friday, it may be a sport jacket and slacks and probably a tie, but to me it's just an indicator of that, that the world that we live in and it's a great statement and I wouldn't do it any–

**Spencer Levy**

I know, because I want to get along with both my guests. I wore the tie for you, Jon, and I wore the vest for Michael.

**Michael Werner**

Perfect.

**Jon Mechanic**

But, that's what you do. You, you address all of your constituencies.

**Spencer Levy**

Exactly. But, just talking about return to office and how you get people back and who's coming back and why they're coming back. Okay, I think we're all in agreement of being in the office is way better than not being in the office. But, it has been a heavy, heavy climb for a lot of people. Even though I was just at a presentation this morning at ULI by Boston Properties, they said at their properties – Tuesday through Thursday in New York – it's over 90% occupancy.

**Michael Werner**

I think the security systems that report like 60%, that's because they don't represent the Class-A office operators of the city. I think that the best buildings, the highest quality buildings are seeing occupancy of those levels. That's probably comparable to pre-COVID. As Jon said, if you go to the restaurants, you go on the subway. I take the subway to and from work, from home every single day, and it's packed. You go to lunch, the restaurants are packed. It's difficult to get a reservation. I give my assistant now – when I'm making a lunch reservation – three options because the first two are usually booked. So, there's clearly activity. You can't ignore what you see with your eyes – and the way to get people back – I mean, I think a lot of people want to be back. Maybe there's a little bit of inertia at first, a little bit of groaning. But the second, third day they're back in the office, they realize what they were missing – being around people, being around their friends, creating experiences, learning from one another, learning by osmosis. It just creates morale. And it creates a better quality of life than sitting in your apartment. You can't learn that way. You're not going to create relationships that way. You're not really going to grow that way. And I think the world is realizing that. We're now four years removed from the start of Covid. I think it's time to move on.

**Spencer Levy**

But, let's be clear here. When I look at cities and I look at every city, I try to look at the industry mix. A lot of law firms are having trouble getting people back. How's Fried, Frank handling it?

**Jon Mechanic**

We've redone all of our offices. We originally had 23 to 30. We thought we might drop one or two floors. We didn't do that. I think the offices are fresh and they're really nice to be in. I think people are enjoying that. We're in on a mandatory basis on Tuesday, Wednesday and Thursday. But, we have a lot of people and on Monday and Friday – I think is more flexible. But you know what? There was always flexibility. And then, so, I think it's important that people want to be there and that you're creating a sense of community. And

so I'm in the office every day. Sometimes I'm midtown, sometimes I'm downtown, sometimes I'm both. But I think the opportunity for people to interact with their colleagues, the people that they're working with, the people they're working for and get the benefit of all of that learning. Like it doesn't happen automatically. You remember, because it goes back a couple of years, but you were there doing it too.

**Michael Werner**

Yeah.

**Jon Mechanic**

You just don't get that without the exposure. So, on the big proponent – and I love having people there.

**Spencer Levy**

So, let's shift a little bit here. I'm going – I represent both big investors. I also represent the big occupiers. And because –

**Jon Mechanic**

I do too.

**Spencer Levy**

Yeah I know. Well that's why we're going to have a discussion right now. And Jon, I'm sure when we go down the list you represent everybody. Right? I'm not saying that in a facetious way. I know –

**Jon Mechanic**

And that's what we try to do.

**Spencer Levy**

Yeah. But now if we're going to go inside baseball, when I speak to my occupier and my landlord clients, I tell them the same basic thing. To my big occupiers who see all this potential distress, all this potential opportunity out there. I say, look, your best counterparty is a strong landlord, period, every time. And the reason is you don't want to be the last man standing in your office. You want to have somebody who can pay your TIs. Put the amenities into the building. All that said, a big part of the legal profession is negotiation. How do you see it, Michael?

**Michael Werner**

How do I see the interplay between –

**Spencer Levy**

Landlords and tenants today in terms of leverage, negotiation and my basic point about the strong landlord?

**Michael Werner**

I hate to keep going back to the quality point, but there's not enough great office space, new office space in Midtown right now, and there's a need for it. So, I think that the leverage has shifted back to landlords in that particular space. So, it's kind of secular, right? I think that if you want to get a bargain deal right now, you can get a great bargain deal in certain corridors. We just saw a recent one at a building on Sixth Avenue where the loan is in distress, and the landlord really didn't have any better options, and they cut the deal and the tenant got a great deal. So, it really depends on where you are. I certainly



agree with the point about strong landlords. I mean, we're back to a time when some tenants have the leverage to ask for, like, completion guarantees from their landlord for the work and guarantees to actually –

**Jon Mechanic**

I thought that's what you were supposed to ask for as a tenant.

**Michael Werner**

Right. So, you know, you're starting to see that from tenants who are a little nervous about the state of the asset and worried that they're going to end up in a situation where the lender and the landlord are looking at each other saying, you do it, no, you do it. And the tenant just wants their space.

**Spencer Levy**

So, Jon, you've been representing the biggest landlords and occupiers for a long, long time. And, obviously, market conditions will dictate the amount of leverage on each side of the table. But, I think negotiation today is in a distressed capital markets environment. Just tell me today the tenor of the negotiations between landlords and tenants. I don't think it's fair to call it a landlord's market, except for the best buildings and the best submarkets. How do you see it, Jon?

**Jon Mechanic**

I would say, like everything else, it depends. Or you have to analyze the landlord you're dealing with, the tenant you're dealing with, the space you're dealing with. Are you representing a 20,000 square-foot tenant or are you representing a 1,000,000 square-foot tenant? Are you representing a building that you're the first tenant in, or the building that you're the last tenant in, or the middle tenant? Every situation is different. And I think you just got to be sensitive to understand your negotiating leverage and what's appropriate in your circumstances. Like, when you see people who say, well, this is what I got when I was representing Blackstone on 500,000 feet, but I'm representing a 20,000 square-foot tenant in a building that's 98% leased. They're not getting the same thing. You need to just realize what your position is and make the arguments that are appropriate for that position. That doesn't mean you can't push the envelope a little bit, one side or the other, because obviously you can. And also, I think you have credibility and you've done, you know, 500 leases before you have a certain amount of credibility with the other side.

**Michael Werner**

And expanding on that, It helps to have a practice with as many partners as we have, who've seen so many things. Right. We could draw from a lot of precedent, a lot of different experiences to figure out what the right precedent is for the particular deal that we're working at that time. And we could say it with credibility, because the other side knows that we know what we're talking about. We actually have seen this on this type of transaction. So, we have a pretty good sense of what's quote market.

**Jon Mechanic**

The other thing I'd say, and I think it's a real advantage that we have, you know, we represent landlords and tenants. We represent investors and sponsors. We represent buyers and sellers. And as a result, you've sat on both sides of the table, sometimes at the same time. And consequently, you know, the parameters of what you're asking for, like, this is the best you're going to get, this is the least you're going to accept, and you know where you're going to end up in between. And by the way, I like having someone who has been on the other side because you're much more likely to get a good result and move on

than having somebody who was scared about saying yes to anything, and which event you can spend a lot of time arguing about something you shouldn't argue about at all.

**Michael Werner**

Or a lawyer who only represents like one client, and that's the only client they have for the most part. And so that's all they see. So they can't really speak to what's fair, reasonable, or market.

**Spencer Levy**

So, let's turn to green now and talk local laws. And I think – correct me if I'm wrong – it's Local Law 97, right, here in New York. I think it came into law three or four years ago just prior to Covid. But, now people are capital starved. How is that going to change the implementation? How is it changing people's perception of that law?

**Jon Mechanic**

I think people's perception is that the concept is great.

**Spencer Levy**

Yeah.

**Jon Mechanic**

The execution, that's a problem. And I think there's been discussion about pushing out the dates by which buildings, maybe to comply. I think there's also a question of whether or not there should be different categories of property. There's one thing if you're building something new, it's another thing you're taking the existing building and you're trying to transform that in order to meet the requirements. So, that's something that's an ongoing discussion. I think it's a discussion between landlords and tenants. When you're talking about office buildings, it's one thing if you're talking about something new, it's something else. Even talking about existing buildings in compliance and who that obligations – but on it. So, I think people are trying to address that and try to make it more sensible in terms of trying to achieve the goals that they want to achieve, but not simply mandating that the goals are going to be achieved when they're not doable. The government has done similar things with respect to, automotive emissions and changing what the bulls are and what the time period to implement and how you do that, and I think you're going to see the same thing here, as long as everyone is rational about doing it.

**Spencer Levy**

This is the blasphemy section of today's discussion, because I think there's two words that would actually fix it – because I bring this on every discussion on sustainability, which is not emissions but embedded carbon. Because, if somebody takes an existing building and makes it better, not necessarily perfect, instead of knocking it down and building a new one, it's better for the environment by a factor of like, you know, 40 years. And if they were to say, okay, you're an old building-A and we're going to let you keep it and maybe not get to the highest level standards – so let's pull the lens out again. I want to talk about lessons from New York that we can learn elsewhere. And it's the center of the universe for a lot of reasons – the talent, the capital, the culture, all that stuff. What are the lessons we can learn from New York that you would say to a Nashville or Tampa?

**Michael Werner**

Well, look, I think there's only one New York, and we all recognize that. But, if you see what's worked in other cities, right. These are cities that are near universities, and they have a lot of young people embedded there already. If you give them reason to stay and

you give people who would love to be in New York, but maybe too expensive for some to stay – and so they need somewhere else to go – build vibrant communities with mixed uses. You have a district of this here and a district of that there. You have everything kind of all meshed together with the live-work-play mantra, right. Great music venues, great culture, great food buildings with amenities. If you make it relatively affordable, then you'll attract people.

### **Jon Mechanic**

I think the sense of community, and I think the diversity of people that you find in New York and the attractiveness to young people to come and be here and be with other people and find opportunities for themselves. I think Nashville is not going to be New York and these other cities aren't going to be in New York. But, that doesn't mean they can't be vibrant centers where people say, you know, I want to be a bigger fish in a smaller pond, and there's a lot of growth in Nashville and there's opportunities, there's opportunities for development there, there's opportunities for this industry and that industry. Obviously, there are a lot of people who want to have technology, be an important part of their economy. My younger son is in technology, is an engineer by training, he's got his own startup, and he just found a venture capital firm to be the sponsor of a Series A. And they're based in New York. And one of the big selling points is, we're in New York. Now, not that there aren't great firms in California, but you're in New York. We're in New York. There are a lot of really smart people in New York. This is where you want to be. And yeah, they are selecting them as his backer and he's had a great opportunity to hire great people in New York. He started out, my son Ross and his co-founder at the company called Maybern, and he's done two seed rounds with some name investors that you would recognize from the real estate community. And now he's got this Series A that's going to close in the next couple weeks. So, it's very exciting to see that. And I think the kind of people that he's attracting are people who want to be in New York.

### **Spencer Levy**

One more New York question – and I might be slightly off on this – but I think Mayor Adams said the other day that he wants to add 500,000 new units into New York City by 2030. And, that's quite a shot. How's it going to happen? Can it happen? Is it new build? Is it conversions? Is it both? What do you think, Michael?

### **Michael Werner**

I think it's got to be a combination of it. We certainly hope that that gets done. That'll be. That'll keep us very busy. Certainly it would be great for the city. You're going to need to solve the tax issue. You're going to need to, to rezone some areas of the city. There's suggestion to rezone Midtown South, where you have, manufacturing districts like the old garment district and allowing those buildings to be converted to resi. There's lifting the FAR cap in order to facilitate residential development. So, you've got to tackle all of these issues in order to facilitate that growth. Our friend Nate Bliss, who works at the city, who used to be at Taconic Partners, is a very good client of Fried, Frank's, is working very hard with Maria Torres-Springer to put that plan into action.

### **Spencer Levy**

Jon, would love your final thoughts. Our listeners are real estate investors. They're occupiers, and I would say disproportionately skewing towards the beginnings of their careers, that we have a lot of CEO types as well. Your outlook for the market for the next couple of years?

### **Jon Mechanic**

I love the real estate industry. Obviously, I've been living here my whole life. I've got two boys. People say to me, did your kids go into your business? And I say, yes. And they say, what, did they become lawyers? I said, no, they went into the real estate industry. My older son, Mark, is a partner of Meadow Partners. We just closed a deal for him. He did the preferred equity for Eliot Spitzer on a deal in Brooklyn, and he also did the preferred equity for Aby Rosen on 982 Madison, and Ross has this startup called Maybern. I think they're both excited about what they do and listen, the opportunities change. The opportunity today is not the opportunity tomorrow and it's not the opportunity next year. And I think the talent is be able to recognize what the opportunity is – that's the flavor of the day or maybe the flavor of tomorrow. And being in the place to be able to realize the benefit of being a part of that opportunity.

### **Michael Werner**

And it's just a lot of fun to be the lawyer in that process, to be creative and to take that ride with our clients and to anticipate what our client's needs are going to be, and to anticipate where their opportunities are going to be, and to plan and strategize with them how to get there, and what the pitfalls are going to be, and pave the path for them to get where they want to be. It's just a lot of fun. I've been doing this 20 years now, and each phase of my career has seen such a different emphasis on what it is I do. I'm very bullish on the next couple of years and we're going to be active. Whatever it is we're doing, we're going to be active doing it.

### **Jon Mechanic**

And the group, which has grown from ten people way back when, when I started to north of 120 today, between that real estate litigation and corporate real estate and real estate, tax and real estate and the REIT practice, it's unbelievable. And I'm just a big believer that there's still more room for growth, more opportunities, and always looking for what else we should be doing, what else we should be in, what we should be thinking about tomorrow. And with talented, next generational people like my friend Michael and some of the other great partners at Fried, Frank, to me, that's what's exciting. That's my second family, and that's really what it is. And I'm very proud of what they're doing.

### **Spencer Levy**

Look, guys, let's be direct here. The headlines are more negative than this conversation. What makes you more optimistic than perhaps the headlines are suggesting in the paper?

### **Michael Werner**

The fact that four months ago, 95% of my practice was dealing with legacy issues and how to work our way out of them, it's now skewed more towards new activity than it is dealing with the legacy stuff. I have plenty of the legacy stuff. We're going to be dealing with that stuff for years to come, probably on assets that were financed in a low interest rate environment, but those create opportunity. Plus, we get the inbound emails from the brokerage shops with deal flow with notes being marketed, buildings being marketed. That has increased significantly over the last few weeks. So, we're expecting a pretty active rest of the year. And the headlines of the headlines, we don't really pay attention to those.

### **Jon Mechanic**

And I would say, I'm also representing some major tenants that are in the marketplace. And so like I'm seeing in real time, and that doesn't mean that they don't have a lot of leverage in terms of their negotiations. They have a lot of leverage, but they also want to do something. And so as long as they want to do something and they're someone who wants to do something with them, we're going to see transactional activity. And that's

good. And it's good for New York and it's good for the country. And obviously I'm a big proponent.

**Spencer Levy**

Well, what a wonderful conversation. And it was a privilege to see Michael Werner, Partner at Fried, Frank. Thank you so much for coming out.

**Michael Werner**

Thanks.

**Spencer Levy**

And my old boss, old friend, literally the dean of the New York State Real Estate bar and what a privilege to have you here, Jon, today. Thank you so much.

**Jon Mechanic**

Always a pleasure. Thanks, Spencer.

**Spencer Levy**

Thanks again to Jon and Michael for opening up, sharing their time and making the case for optimism. And thank you for joining us as well. We hope you'll share their take with your network, which you can do through our landing page at [cbre.com/TheWeeklyTake](https://cbre.com/TheWeeklyTake). You can also subscribe, rate and review the show wherever you listen, whether it's on Apple Podcasts, Spotify or another platform. Your feedback helps more people find the show and get the latest insights and analysis. We'll be back with more case studies to help you keep your fingers on the pulse of the business, including the work of other dealmakers, investors and occupiers. Upcoming episodes will feature looks across the industrial sector, starting with an examination of nearshoring next week. Thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.