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Prospering In NEW YORK

Cutting-Edge Design

An Interview with Kent M. Swig,
President, Swig Equities, LLC

Kent M. Swig

EDITORS' NOTE *In addition to his responsibilities at Swig Equities, Kent Swig is owner and Co-Chairman of Terra Holdings, LLC, a company that owns and operates several real estate service firms, including Brown Harris Stevens, one of the oldest and largest residential real estate service providers operating in New York City, the Hamptons, and Palm Beach; Halstead Property Company, a residential brokerage and management company; and Vanderbilt Holdings, a service firm with expertise in appraisal and consulting, advertising and marketing, insurance, and residential mortgage brokerage. Additionally, Swig is a principal in, and serves as Chairman of the Board, of the Swig Company, a family-owned real estate and hotel company based in San Francisco and New York, which owns approximately nine million square feet of commercial properties across America. After earning a degree in Chinese history from Brown University, Swig attended Hastings College of Law (San Francisco), where he was selected for the Law Review.*

COMPANY BRIEF *Based in New York, with additional offices in San Francisco, Swig Equities, LLC (www.swigequities.com), is a real estate development, investment, and management firm that purchases and develops prime residential and commercial buildings, operating companies, and securities. Notable recent developments include 110 William Street and Sheffield57 in New York.*

Have you been happy with the growth of the Swig brand over the last year?

We pulled ourselves out of the acquisition marketplace about 15 months ago because we had grown extensively between 2000 and 2005. We decided to focus on the infrastructure of the company, so we moved into new and expanded offices and pulled back from acquisitions. We spent all of our time on our existing properties, making sure that they were fully leased and conservatively financed. Over the past 15 months, we have refinanced every building and locked away 10-year money for all of our commercial properties. On the residential side, we made sure that all of our properties were fully capitalized going into the sales market, and we spent the same time period putting in brand new computer systems and hiring a lot of staff. Indeed, our staff has grown from 15 to 20 people five years ago to 114 or so now.

We spent that time putting our company in order, so that if there was any kind of hiccup in the marketplace, we would be well situated to deal with it and take advantage of any opportunities. I think that was a very wise decision. Now, we have almost a free slate to acquire, which we're starting to do again.

How much of a focus is downtown Manhattan for your firm, and what is your outlook for that market?

A big piece of our portfolio is in downtown Manhattan and, specifically, the FiDi (financial district) area. In 2000, I sat down and wrote a business plan to determine where the best value for acquisition was, and downtown Manhattan jumped off the charts for several reasons: First, New York is a big city and downtown Manhattan has the third-largest office concentration in the United States; second, downtown has more transportation infrastructure per square foot than anywhere else in the United States; third – believe it or not – it has the highest income per-capita-per-zip-code by day, and, coincidentally, it's one of the top income per capita per zip code generators by night. Add to that the massive influx of tourists that FiDi receives – more than 8.1 million annually – and it seemed to make great economic sense to invest there. Plus, at the time when I started acquiring, land was selling in Manhattan for about $125 per square foot, and I was buying buildings in FiDi at about $125 per square foot, so in effect, the land was thrown in for free. Or, I was buying land for $125 and it came with a 400,000-

square-foot building for free. At that time, the discrepancy between values in midtown and downtown were the highest they had ever been in history, which continues even now to some extent. So I will keep buying downtown until the financial model changes.

Is it hard to differentiate one's company in such a competitive market?

Yes, it is getting more difficult to distinguish yourself. Everybody has access to computers and information technology, and all of our competitors are marketing themselves and pushing their brands. Interestingly enough, there are about the same number of units being delivered to the market as there have been for the past 25 years. But the projects are smaller now, so there are more projects, each with a smaller number of units. So what does that mean? The market is inefficient in its use of the services of architects, engineers, brokers, advertising space, banking, and so forth, as their services are spread over more projects, but about the same number of units. So there's a lot more clutter than before, making it tough to distinguish among companies.

We're doing well at distinguishing ourselves through our cutting-edge design, as well as good basic design. We are very thoughtful in our design, and how it relates to how people live. For example, when one takes a shower, we understand that people like to put their soap in a niche, not on the floor, and we design our showers with this in mind. It's little things like that that make the difference, and others who are new at the business do not think of the little things. We've been able to bring a level of experience and commitment to stand behind our product, and that helps distinguish us.

How challenging is it to get away from the business?

I try to get away, but it is difficult. I know why they call the BlackBerry the "CrackBerry": It's terribly addictive. I don't speak on the phone as much as I use to, but I do keep up with my e-mails. I get around 300 a day, so it's tough and it doesn't stop. Forty years ago, if you got a business call at home, it was a big deal and everybody needed to be quiet in the house. Today, you're reachable everywhere, all the time, period. On one hand, that allows you to travel more, because you can actually work while you're away. On the other hand, you're half-engaged with your business all the time, and that can be a problem. It's a double-edged sword. ●