The Next Big Thing

JEFF BLAU got his start in the real estate business at a young age. He worked for his father—a contractor and developer—during summers, weekends and vacations as a high school student in Woodbury, NY. He then went on to the University of Michigan where he began buying and renting out student housing and, in the process, was introduced to Related Companies' chairman (and fellow Michigan alum) Stephen Ross. He was offered a summer job at Related and after graduating from The Wharton School of Business at the University of Pennsylvania, stepped into a full-time role. Twenty-four years later, he is still with the company and they have both grown up quite a bit.

by Haley Friedlich
portrait by Jessica Nash

What was your original position at Related once you had a full-time job at the company?
I started as a financial analyst. I did a lot of the grunt work—this was 24 years ago and the company was much smaller. It was right at the beginning of a pretty bad time in the world, 1990–1992; we had a slowdown in [the market]. I would say it was a very pivotal moment in my career. You reflect back on those times as cycles change, and you can realize what you did the last time, and learn from your experiences.

What was the path like, to becoming Related's CEO?
Well, there were a lot of years between: The company really grew over the years from '92 on; we rode a pretty strong wave of growth in the economy and in New York City, and growth in our business. I moved up the ranks over the years and became president in 2000. And then I became CEO just this past year.

What were some of your earlier projects?
The company's background is actually in affordable housing. We continue to do a tremendous amount throughout all of our offices and our portfolio. On the retail side, I did a very small deal down on 17th Street and Union Square, where Barnes & Noble is currently located; it was a historic building. That really got us entrenched in the Union Square market. We did a lot of what's called 80/20s, or rental buildings that are 80 percent market and 20 percent affordable—buildings like the Strathmore, the Monterey, One Carnegie Hill, the Tate, the Caledonia, and the Chatham. We have built those throughout the city and became one of the largest developers of that product.

How did you end up developing the Time Warner Center?
We wound up competing for the Time Warner Center starting in 1997 and won it in '98. It was 2.8 million square feet, and a $2 billion deal. I think that really changed the perception of Related as an organization in New York and around the world. It's really become a calling card for us. The retail has become, if not the first, the second highest-grossing per-square-foot retail sale in the country, when everyone said vertical retail would never work in New York City.

The most notable since then is Hudson Yards.
We entered the competition for Hudson Yards in 2008 and we ultimately won against several other nationwide developers. Hudson Yards is by far the largest private development ever done in this country. It'll be 15 million square feet on 26 acres along the West Side of Manhattan. It came out of [Mayor Michael Bloomberg's] vision for allowing New York City to become the great commercial center that it should be, and the question of, "How do we attract large corporations here?"

And Hudson Yards will be the solution?
Basically, what's happened is our office stock is much older than [that of] competitive cities around the world—the statistic is like 60 percent of our office stock in New York City is over 50 years old. And if you just think about how technology has advanced and how our workplace has changed over time, New York really hasn't kept pace with that. The Mayor's vision was to rezone the West Side of Manhattan—from 30th Street to 42nd Street—as a new commercial core for commercial development, and to bring the Number 7 subway line over to the West Side, open it up, and connect it to Grand Central. That subway has now been installed and will become operational next year. Hudson Yards will be 15 million feet of office and retail space, 5,000 residential units, a school, a cultural facility. Then half of it will be open space: 13 acres of parks. So it's really going to be a new center for New York City.

> "IT CAME OUT OF [MAYOR MICHAEL BLOOMBERG'S] VISION FOR ALLOWING NEW YORK CITY TO BECOME THE GREAT COMMERCIAL CENTER THAT IT SHOULD BE."

How will these buildings have a modern, technological edge?
First, they are state-of-the-art in terms of power efficiency. They're all green buildings; LEED-certified Gold buildings with backup power and backup technology, and they'll have CoGen plants on site, so if there's ever an outage or anything like that, these buildings will keep running. They're all high above the floodplain, so the mechanical systems in the lower levels can survive any kind of flooding like we had during Hurricane Sandy. Then they will be hyper-, hyper-efficient in terms of floor-plate size and column spacing. Companies relocating to Hudson Yards will take about 80 percent of the square footage they are taking in existing buildings. So it's a combination of "healthier" buildings in terms of environment and understanding what kinds of building people want to live in. Plus there will be 500,000-plus square feet of retail, restaurants, bars, activity—that's part of the complex. Tenants and visitors can go downstairs and enjoy all that and they can go up to the observation deck—there will be a new private dining concept from Danny Meyer up there. Really, this will become a new center for New York.

What are some of the challenges of developing Hudson Yards?
What was great about Hudson Yards: It was 26 acres [of unused land]. It poses its own challenges because we're building over active rail yards. So we, in effect, have to build our own land. But at least you didn't have the issue of other towers or rent-control tenants there to prevent development. But, really—building the deck [over the rail yard] is a Herculean task. It comes with its own unique set of challenges.

And then you have a condo building going on the market this spring: One Madison Park. Can you tell me about that?
We started a fund management business, through which we raised and manage about $2 billion in institutional capital. So through the Related Recovery Fund, we purchased the mortgage on that building—which was a failed condo—and we took it through bankruptcy, and now we're finishing construction, and we're going to start sales in a couple of months on that. It will be one of the highest-end, for-sale products on the market—with incredible 360 degree views—floor-to-ceiling glass; very, very high-end finishes; and a great location.

What has been either your pet project or a project that really stood out to you as a favorite?
Definitely Hudson Yards and the Time Warner Center. Hudson Yards in particular because it's so city changing. It's something that's never been done in this country before. To have the opportunity to build 15 million square feet in one place, essentially at one time, that's unheard of, maybe around the world, and certainly in the U.S. Bringing together the talent that we need to do that, signing on all the tenants, and the retailers and hotel—it's just incredible. This is going to be something I look back on in ten years and say, "Wow." ✦