

# COMMERCIAL OBSERVER

## Richard Kessler Is Taking Benenson Capital Into Brooklyn and Beyond

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RICHARD KESSLER

In speaking with [Richard Kessler](#), the chief operating officer of [Benenson Capital Partners](#), it becomes clear that his responsibility in shepherding the company's portfolio—which consists of 140 assets spanning more than 12 million square feet of space around the country—comes with some historical weight.

Celebrating 40 years with the company this year, Kessler recalled his early days under the tutelage of the its late chairman, Charles Benenson, who died in 2004.

“When we were doing our website in the fall of 2015, we went through the corporate history and found that he was looking at sites on Second Avenue for the Second Avenue subway around 75 years ago,” said Kessler, who noted that he’s unsure if Benenson bought any properties there at the time.

“I remember being able to drive around New York [with Charlie], and almost any block you stopped on, he would tell a story about owning something, or almost owning something.”

While Kessler’s title is COO, he effectively serves as the company’s chief executive officer. He calls himself a “very distant cousin” of the Benenson family—his grandfather’s sister was Benenson’s mother—and he didn’t meet Benenson until he was in college.

But at this point, having run the company since 1998, Kessler is both its public face and its guiding force.

“He was handpicked by our father to run the company, and he knows everything there is to know about real estate,” Benenson’s son Lawrence Benenson, who owns the company with his two brothers, William and Frederick, told Commercial Observer. “He knows all the key players and has good relationships with everyone in the real estate world. He eats, drinks and sleeps real estate.”

Born in Forest Hills, Queens, Kessler, 60, initially considered a career in medicine.

“Throughout high school and early college, my passion was for science and medicine,” he said. “I picked Boston University because they had a program in

biomedical engineering, and I thought that was the direction I wanted to go in. I spent part of my senior year in high school volunteering at a hospital. I was very much into the medical world.”

When he came down with mononucleosis in his freshman year, however, he had to miss several multi-semester classes for his major and took business classes to fill the gap. By sophomore year, his goal had changed, and he proceeded in more of a business-oriented direction.

The summer before his senior year, Kessler called his grandfather, Bernard Shapiro, who was then working at the Benenson organization, about a job at the company. Shapiro arranged a meeting for Kessler with Benenson, who suggested that if Kessler was looking to start in real estate, he should rent out [apartments](#), as Benenson himself had once done. Benenson arranged a meeting with a friend at the largest residential brokerage in New York at the time, J.I. Sopher Realty, and Kessler got his start in the industry in the summer of 1977, showing apartments for Sopher at Ruppert Yorkville Towers at 1619 Third Avenue between East 90th and East 91st Streets.

He was offered an internship at Benenson a few months later, and after graduating from BU with a B.A. in finance and accounting, he was working at Benenson full time by May 1978. (He earned a diploma in real estate finance and investment analysis from [New York University](#) in 1983, where he was a [Mortgage Banker's Scholarship Award](#) recipient, and completed the advanced management development program at Harvard University in 2003.)

He had no title at first, he said, since the company was decentralized except for its leader.

“The company was very different,” Kessler told CO. “I always joked that the [organizational structure](#) was kind of like a wagon wheel. Charlie was in the center, and people just reported to him. There weren’t layers of management.”

This loose structure gave Kessler a chance to learn many aspects of the business, including handling the financials and dealing with banks, working on acquisitions and construction issues and determining rental prices.

“I worked on pricing models for [Connaught Tower at 300 East 54th Street],” he said. “We didn’t have computers then. We decided that the middle of the building would be the average, and we would raise rents \$5 or \$10 [per unit] going up [each floor] and drop them by \$5 or \$10 going down. We had a group of brokers come in and tell us what they thought we could get for those apartments, and that’s how we priced it. At the time, one of the Tisch family members—Andrew Tisch—was at [Harvard Business School](#), and the two of us decided we would get someone to do a linear programming regression model to price the apartments using a series of variables”—it was long ago enough that the exact details slipped Kessler’s mind.

“Of course, the brokers all thought this was ridiculous,” he went on. “ ‘That’s not how you rent real estate, with fancy computer models,’ they said. So we went back to the [initial pricing model].”

Kessler was named the chief financial officer and a managing director in 1989 and elevated to COO—essentially the head of the firm, given its lack of a conventional CEO—in 1998. He credits his time working with Benenson for helping prepare him for the responsibility.

“Working with Charlie was fantastic. He was a brilliant man,” Kessler said. “He was a back-of-the-envelope, instinct guy. If he liked something, all the analysis in the world wouldn’t change his mind.”

Kessler came to understand from Benenson the wisdom of the company ethos, which included holding assets long term to establish and maintain value. The company's current occupancy rate across its portfolio is 98 percent, and Kessler aims to have that number as close to 100 as he can at all times.

“The portfolio's always been low leverage,” he said. “[Benenson] had a thing against [what he called] hocking up properties, which is probably heresy to most people in real estate who want to put as much debt on as possible. He never wanted that much debt. He had a really, really long-term view of things.”

He told a story about Benenson and how he helped drive this principle home for him.

“[Benenson] bought a portfolio of properties from a major insurance company, and it included a 200,000-square-foot building in Chicago a block off Michigan Avenue,” he said. “A Cadillac dealership occupied the whole building—the tenant was GM. I don't remember the numbers exactly, but [he paid] something like \$450,000 or \$500,000, and the rent was maybe \$20,000 a year. The people at the insurance company's law firm wanted to know why he was buying this building at such a low return—he was always known as a smart man. He explained it to me. ‘This is one block off Michigan Avenue. The lease is up in 20 years. I may or may not be here in 20 years, but my kids will be, and I know today what the value of that land is vacant. I know that in 20 years, if it continues to grow, it will be worth so much more. So I don't need it for today. It'll be very valuable in the future for my kids.’ That was his thinking. A couple of years later, a real estate firm in Chicago said they wanted a net lease on the entire building. They had a deal to buy out GM. So they did a net lease on the building for 100 years, and our rent is more than the purchase price of the property.”

Benenson began buying single-tenant net leases, doing leasebacks with major companies, in the 1950s, as Kessler explained it to CO. Over the years, Benenson came to own the buildings and land where the Albertsons and Safeway supermarket chains opened, as well as Home Depots under this philosophy. These types of long-held properties comprise around 70 percent of the Benenson portfolio and, compared with other types of holdings, are relatively easy to manage.

“You have a long-term lease of 25 years plus options to a company like Home Depot,” he said. “They pay the rent and all the expenses, they send you a check, you pay the mortgage if there’s a mortgage, and you keep the difference. In terms of operation and management, there’s nothing to do during the life of that tenant’s occupancy, because they run everything.”

Kessler finds his greatest challenge in rare hard-to-fill vacancies, such as his current dilemma at 127 East 59th Street, where a 35,000-square-foot location between Lexington and Park Avenues has sat empty since Pottery Barn and Williams Sonoma vacated in September 2015.

“It’s absolutely shocking to me that [the space is] vacant. I don’t understand it,” Kessler said. “It’s very hard for retailers in New York to find 35,000 square feet in a single location.”

Kessler said he’s had interested parties, but whether it’s due to rents finally escalating beyond reason (the asking rent on the ground floor is \$400 per square foot; it’s \$125, \$100 and \$65 per square foot on the lower level, second floor and third floor, respectively) or simply a change in corporate thinking, he’s been unable to close a deal.

“We’ve had [requests for proposal] with [potential tenants] who loved the space, then all of a sudden, radio silence,” he said. “I don’t believe it’s about dollars and

cents. I believe it's more about corporate strategy. This is New York. If it's dollars and cents, people make offers, they negotiate. But there are people we're in discussion with right now, and we're very comfortable this will be leased this year."

Kessler's main responsibility could be seen as finding ways to maximize the company's long-held assets. One major project in that vein is the redevelopment of 210 Livingston Street in Downtown Brooklyn. Purchased by Benenson in 1971 and previously leased to New York City's Human Resources Administration, the city recently consolidated the department in Manhattan, vacating the premises. Given the area's enormous growth and having the A, C and G subway lines on the same block, the building was a perfect candidate for redevelopment.

In a joint venture with Rose Associates, Kessler tore down the existing building and is replacing it with a 26-story, 368-unit, 340,000-square-foot luxury residential tower with 25,000 square feet of retail space.

"Richard has tremendous understanding as a developer and financial partner," said Amy Rose, the co-president of Rose Associates. The relationship between the two firms, Rose said, goes back to Benenson's friendship with Rose's uncle, the late chairman of her company, Fred Rose, and the two family firms have partnered on numerous projects over the years, including The Metropolis on 150 East 44th Street in Midtown, and 21 West Street in the Financial District.

"Brooklyn is going through this gentrification," Kessler said. "Williamsburg is coming up, City Place is coming up. We said, 'This is a great location to go ahead and do an apartment building.' "

"I've known Richard for over 25 years," Rose said. "He has the perspective and the history, and the respect of institutional players. So when you're talking about

financing strategies, you're talking to someone deeply knowledgeable in the industry. We both have similar end goals and a similar mindset. We're very fortunate to be able to work with [Kessler]. He commands a lot of respect."

Another Kessler priority for 2017 is the development of long-time Benenson property 432 East 14th Street between First Avenue and Avenue A, the former site of the Peter Stuyvesant Post Office, where Benenson will build "about 140,000 square feet of residential multifamily and retail," in a joint venture with Mack Real Estate Group.

Benenson does many joint ventures, often with other family-owned firms. Kessler said these firms are more likely to be oriented toward similar long-term investment strategies.

"Our view is a generational view of real estate," Kessler said. "We want to own or build assets that we're going to own for generations. So finding partners who have a similar philosophy, who are not [looking] to do something in two or three years and then sell it, requires us to find the right strategic partners. A number of families we know well, who we've done business with, like the Rose family, have the same goal: to own long term."

Brian Steinwurtzel, a managing director at [Newmark Grubb Knight Frank](#), also comes from a real estate family (his firm's chairman, [Jeffrey Gural](#), is his uncle). NGKF and Benenson have worked closely together on numerous projects, including current co-ownership of 1560 Broadway. He considers Kessler's experience in real estate "invaluable."

"I worked most closely with Richard when we created big-box retail at 1560 Broadway and leased it to [SL Green \[Realty Corp.\]](#) and [Kessler] was instrumental in structuring the deal," Steinwurtzel said of the 99-year lease (which was



negotiated in pieces from 2011 to 2014) at the property between West 46th and West 47th Streets. “He has tremendous experience doing long leases of retail space, so he negotiated the clauses we wanted. He knew where to give on certain points and where to hold firm.”

In addition to his work at Benenson, Kessler, who lives on the Upper East Side with his wife of 36 years, Stephanie, also serves on the board of the Urban Land Institute (ULI), having been a New York district chairman for the organization from 2010 to 2013. (He also happens to be a father of four.)

“I joined ULI primarily to get access to people on a national basis in the real estate industry,” Kessler said. “I like the people who are part of ULI. I like the interaction.”

Benenson’s strong, steady history eases the task of setting a path forward, as Kessler’s main objective will be to continue maximizing value for the company’s extensive portfolio. Given Benenson’s stability, he sees himself helping set that direction for a long time to come.

“People have historically stayed with this company late into life—we’ve had employees in their 80s here,” he said. “I think [in the coming years], we’ll do pretty much the same things we’re doing today—trying to maximize value for the Benenson family and working with assets we want to hold for the long term.”