JUDGMENT DAY FOR NYC'S LAW FIRMS

Real estate lawyers see a boost in billing from an improving investment sales market and a newly competitive lending environment

By Rich Bockmann
Research by Ashley McHugh-Chiappone | Illustration by Isabel Espanol

When news broke this year that Jamestown Properties was selling the Chelsea Market building to Google for $2.4 billion, the story went viral.

But behind the scenes, it was the attorneys, not the CEOs, who were hashing out the finer points of the monster deal.

"When the numbers get up into the stratosphere, there's a certain level of scrutiny, a level of complexity," said Joanne Franzel of the law firm Gibson, Dunn & Crutcher, who represented Jamestown in its sale of the 1.2 million-square-foot building.

Representing Google on the other side of the deal was Robert Sorin of Fried, Frank, Harris, Shriver & Jacobson. His relationship with the tech giant dates back to 2010, when he won a competitive bidding process to represent Google in its $1.8 billion purchase of 111 Eighth Avenue.

But the Chelsea Market was a far more complex transaction given the food market and extra development rights, he said.

"The scope of the due diligence is just vastly expanded, because I've got to understand how this potential development is going to work and get all the land use and zoning lawyers involved," he said.

But that deal was something of an outlier in today's market.

While the first half of 2018 finally saw the market turnaround from two years of declining activity, the Google trade was in a category of its own — it was the second most expensive sale in New York City since the GM Building sold for $2.8 billion in 2008.

Nonetheless, the reboot of the investment sales market provided a relatively steady pace of work for New York's real estate attorneys in the last year. Attorneys working on debt and office leasing, meanwhile, continued to see robust activity.

This month, against that brewing backdrop, *The Real Deal* stacked up the city's top law firms by biggest real estate practice. We also ranked firms by the dollar volume of the commercial sales and loans they handled (see related story on page 90).

By headcount, the global firm Fried Frank snagged the top spot for the second consecutive year, with 94 real estate attorneys.

The real estate specialty firm Rosenberg & Estis clocked in at No. 2 again, with 82 attorneys. It was followed by perennial powerhouses Clifford Chance and Skadden, Arps, Slate, Meagher & Flom, which had 79 and 70 attorneys in their real estate departments, respectively. Greenberg Traurig rounded out the top 5, with 69 real estate lawyers.

In total, the early-September snapshot found 1,117 real estate lawyers working at the top 20 firms. That's up nearly 7 percent from 1,046 last year and up more than 11 percent from 1,003 in 2016. (The top 30 firms — *TRD* expanded the ranking this year — had a combined 1,486 attorneys).

For transactional real estate attorneys, an increase in mergers, acquisitions and competition among lenders is creating movement in the market, helping to bring more work in the door.

Meanwhile, many are gearing up for 2019, when the impacts of President Donald Trump's tax reform package will come into sharper focus and a new attorney general will take office in New York.

A rueful group

A few months ago, Duval & Stachenfeld hosted what founding partner Bruce Stachenfeld called one of its regular "Scotch and cigar" networking events.

On this occasion, the room was full of CEOs at various lending institutions: banks, insurance companies, private equity funds.

"One of the agenda items was, 'Who has the upper hand, the borrower or the lenders?'" recalled Stachenfeld, whose firm ranked No. 11 with 51 attorneys.

"Every single one of them said the borrowers are holding the upper hand," he said. "It was a rueful group."

And the feelings percolating among the "Scotch and cigar"

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crowd are being seen in the stats.

Competition among lenders has grown over the past year, especially as equity players who are wary of a potential downturn have shifted their focus to providing debt.

That dynamic, coupled with fewer quality deals to chase, has given borrowers the upper hand in negotiations, according to attorneys who work with both lenders and borrowers.

Mergers, acquisitions and competition among lenders are creating movement in the market, helping to bring more work in the door for NYC real estate's top attorneys.

Eddie Frastai, a partner in the real estate group at Clifford Chance, said that in certain instances lenders are relaxing their underwriting standards when it comes to things like carve-outs and loan-to-value ratios.

For the attorneys, he said, that means trying to ease the stress for lenders while also making sure borrowers are protected.

"In terms of structuring transactions and doing the paperwork, I think the nuts and bolts are still the same, but you're often trying to figure out creative solutions," Frastai said.

Skadden Arps partner Evan Levy, who chairs the firms' real estate capital markets practice, said he's seeing these new dynamics play out at the negotiating table as well.

"We have clients that we represented in financing properties two or three years ago that are back in the market for refinancing, looking for higher proceeds and getting higher proceeds," he said.

"[But it's] not based necessarily on dramatically higher performance or returns, but on a perception of increased asset values and more readily available financing," he added.

The environment has improved somewhat since last year at this time. Last year, attorneys told *TRD* that there were more signs of stress — with loan restructurings and joint-venture partnerships — and that they were generally helping clients get ready for a downturn in the economy.

But after two straight years of declines in investment sales, activity in the five boroughs climbed 20 percent to $21.6 billion in the first half of the year from the same time in 2017, according to the Real Estate Board of New York.

And on the office leasing side, Manhattan recorded 15.36 million square feet of new leases in the first half of the year — the highest total for that stretch in more than three years, according to CBRE.

All of that is not to say there aren't issues brewing.

Some attorneys noted that they've seen more fights among players in the capital stack.

One of the most high-profile cases came this year, when Ian Bruce Eichner sued his partners Fortress Investment Group and Dune Real Estate Partners over control of their Flatiron District condo tower at 45 East 22nd Street. The partners eventually settled the case when Eichner landed a $168 million condo-inventory loan in June. But the situation

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THE NYC LAW FIRMS WITH THE BIGGEST REAL ESTATE PRACTICES

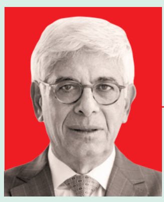

Robert Sorin
Fried Frank


Michael Lefkowitz
Rosenberg & Estis


Evan Levy
Skadden Arps


Stephen Rabinowitz
Greenberg Traurig


Belinda Schwartz
Herrick Feinstein


Jay Neveloff
Kramer Levin


Bruce Stachenfeld
Duval & Stachenfeld


Joanne Franzel
Gibson Dunn

RANK	FIRM	TOTAL NO. OF LAWYERS IN NYC	TOTAL NO. OF REAL ESTATE LAWYERS IN NYC
1	Fried, Frank, Harris, Shriver & Jacobson	372	94
2	Rosenberg & Estis	82	82
3	Clifford Chance	190	79
4	Skadden, Arps, Slate, Meagher & Flom	660	70
5	Greenberg Traurig	241	69
6	Windels Marx Lane & Mittendorf	103	57
7	Herrick Feinstein	101	54
8 (tie)	Borah, Goldstein, Altschuler, Nahins & Goidel	52	52
8 (tie)	Proskauer Rose	358	52
8 (tie)	Kramer Levin Naftalis & Frankel	306	52
11	Duval & Stachenfeld	51	51
12	Belkin Burden Wenig & Goldman	49	49
13	Cleary Gottlieb Steen & Hamilton	558	48
14 (tie)	Haynes and Boone	81	45
14 (tie)	Paul Hastings	285	45
14 (tie)	Ropes & Gray	349	45
17	Akerman	119	44
18 (tie)	Sidley Austin	366	43
18 (tie)	Simpson Thacher & Bartlett	623	43
18 (tie)	Holland & Knight	134	43
21	Gibson, Dunn & Crutcher	321	42
22	Stroock & Stroock & Lavan	193	41
23	Arnold & Porter Kaye Scholer	324	40
24	Kasowitz Benson Torres	199	39
25 (tie)	Schulte Roth & Zabel	303	37
25 (tie)	Sullivan & Cromwell	623	37
27 (tie)	Kirkland & Ellis	543	34
27 (tie)	Bryan Cave	125	34
27 (tie)	London Fischer	56	34
30	Pryor Cashman	167	31

SOURCE: *TRD* analysis of NY State Open Data and of firms' websites in early August. Firms were provided totals for confirmation, but not all responded. Attorneys had to spend at least half their time working on real estate matters to qualify.


45 East 22nd Street, where developer Ian Bruce Eichner sued his partners

1,117

THE TOTAL NUMBER OF NYC REAL ESTATE ATTORNEYS WORKING AT THE TOP 20 FIRMS, UP NEARLY 7% FROM LAST YEAR

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highlights what some attorneys say is a growing trend of partners battling it out. "I'm seeing fights among partners, disagreements among tranches of debt," said Jay Neveloff, chair of the real estate group at Kramer Levin Naftalis & Frankel, which landed in a three-way tie for No. 8 with 52 attorneys. "All the while the deals are fundamentally the same deals; it's just the expectations have changed."

Slow and steady

Most of the top real estate law firms in the city either held their headcounts steady or grew them slightly over the past year.

Managers said they wanted to make sure they could handle their current workloads but also didn't want to get bloated.

733 Third Avenue, where Rosenberg & Estis expanded its offices

Greenberg Traurig, for one, added nine attorneys over the past year, pushing it to its final total of 69 and its No. 5 spot.

Stephen Rabinowitz, chair of the firm's New York real estate practice, said last year the group added only one partner, who focuses on leasing, to its senior ranks.

> **"I'm seeing fights among partners, disagreements among tranches of debt. The deals are fundamentally the same deals; it's just the expectations have changed."** JAY NEVELOFF, KRAMER LEVIN

"Most of the growth has been on the associate level to staff up for our existing workload," he said.

He added that when hiring associates, the firm prefers to hire "well-rounded lawyers, so that we can slot them in wherever we find the need." "Otherwise, they can end up being idle when one area is quiet," he added.

For its part, Clifford Chance added 11 attorneys.

Ness Cohen, chair of the firm's real estate practice in the Americas, said the growth was a combination of associate-level and lateral hires, with new attorneys bolstering the tax and fund/investment-manager departments.

That field of expertise, Cohen noted, is usually the main factor driving hiring, but he added that it doesn't hurt when a lawyer can bring in a significant book of business.

"The funds partner did have a very significant relationship with an asset manager that, frankly, by itself is a practice," he said.

Cohen said the firm — which was known for its relationship with big banks before the 2008 crash — is also continuing its push to diversify its client base.

"[Big banks were] thought to be a very good and steady business, and it was for decades until nearly every bank was on the edge of bankruptcy," he said. "I think we find ourselves now with a more level mix."

Meanwhile, Rosenberg & Estis held its headcount steady, adding just one attorney. But after a few years of rapid expansion — between 2014 and 2015, it grew to 72 attorneys from 44 — the firm took an extra floor at the Durst Organization's 733 Third Avenue.

"We were pretty maxed out prior to this," Rosenberg & Estis' Michael Lefkowitz said. "We can see we're going to be able to stay on a path of moderate growth. This way, we're positioned now for the next few years — over the term of this lease — to be able to grow in place."

Figuring out a real estate giveaway

Around this time last year, Congress was getting ready to unveil its plan for the most significant tax reform legislation the country had seen in 30 years. Now, with the first full year of that tax reform wrapping up, real estate attorneys are working closely with their tax-attorney colleagues to figure out its finer points.

One of the biggest issues to emerge from the overhaul for the real estate industry is so-called "opportunity zones," which allow investors to defer capital gains taxes on income until 2026 in exchange for investing capital in designated low-income communities through properties or businesses.

"Every client is wondering whether their site will work, whether it fits into one of these zones," said Belinda Schwartz, chair of the real estate department at Herrick Feinstein.

"It is a very hot topic," she added. "The language for these zones is rather pithy, and we're trying to all figure it out."

Venture capitalist Ross Baird of Village Capital Group told the Wall Street Journal in July that the program "was written by and for real-estate investors."

And New York real estate investors are already lining up to get a piece of the action.

Keith Rubenstein of Somerset Partners is working on putting together a $200 million opportunity zone fund for new projects in the South Bronx. Scott Rechler's RXR Realty plans to raise $500 million, mostly by tapping high-net-worth individuals. And Youngwoo & Associates is teaming up with real estate investment startup EquityMultiple to raise $500 million for an opportunity fund focused on Washington Heights and the South Bronx, as well as Los Angeles, Detroit and elsewhere.

But the Treasury Department has yet to outline the parameters for implementation, so questions are still swirling. Attorneys will also get a clearer picture of how the new overall law will impact their real estate clients when the Treasury Department issues its guidance.

Issues like the new 20 percent reduction on pass-through income for sole proprietors and LLCs, or the 100 percent depreciation allowance bonus on the purchase of business assets — up from 50 percent before — are all being closely watched in the industry.

Wayne Cook, an attorney at the firm Windels Marx Lane & Mittendorf, said the new $10,000 cap on homeowners' deductions for state and local taxes "will bring down some pricing in the market."

"I still think these deductions being lost by a certain component of our industry will not really hit us until 2019, when we have to write those checks and realize what the tax consequence is," he said.

"We're almost living at this point where we don't believe it yet," Cook added. "But it's coming." TRD

THE REGULATION SITUATION

The precedent-setting rent regulation case that kept real estate lawyers (and landlords) busy this year

Considering that some 1 million New York City apartments are rent-regulated, cases with the potential to impact policy in that area are closely watched in real estate circles.

And this year one of those cases was front and center.

The case stems from a 2014 lawsuit filed by tenant Richard Altman against S.W. Management, claiming that the previous owner of his apartment had illegally deregulated it nine years earlier.

In 2015, much to the dismay of landlords citywide, a court ruled in Altman's favor, ordering S.W. Management to pay him back $165,000 and drop his rent down to the $1,829 per month he was paying when the unit was deregulated.

But this past April, the New York Court of Appeals reversed the lower court's 2015 decision.

The case — officially known as Altman v. 285 West Fourth LLC — could have resulted in more than 100,000 market-rate apartments reverting to regulated status.

"There was a lot riding on the case," said Rosenberg & Estis' Jeff Rosenberg, whose firm represented defendant S.W. Management in the case. "Literally thousands of apartments would have been reregulated if Altman had not been reversed. But as a result [of the ruling], the owners dodged a bullet. … That was a major win for the industry and a major blow to tenants."

The April decision set a precedent that apartments deregulated between 1997 and 2011 didn't need to strictly meet the $2,000 rent threshold for deregulation, which is triggered when a tenant vacates a unit.

Attorneys who work in the space characterized the ruling as the most significant decision concerning regulated apartments since 2009, when Stuyvesant Town tenant Amy Roberts sued owner Tishman Speyer. That case centered on stabilized units at the massive housing complex. A judge found that property owners tapping the J-51 tax break for improving buildings could not also use luxury decontrol to deregulate apartments.

The S.W. Management ruling, experts said, helps resolve conflicting court decisions.

"When [the 2015 decision] came down, it cratered the entire landscape of deregulation because it was such a significant departure from what was widely accepted law," said Matt Brett, an attorney at Belkin Burden Wenig & Goldman.

Brett — who represented the landlord group Community Housing Improvement Program, the Rent Stabilization Association and the Real Estate Board of New York as amici curiae supporting S.W. Management in the Richards case — added that it "led to a lot of chaos."

Brett said this latest decision gives investors more assurance about the free-market status of apartments deregulated before 2015.

"It does give more clarity and certainty to prior deregulations so that owners can understand with confidence that the deregulation they had done — as long as they followed the rules that were in place — were appropriate," he said.

— By Rich Bockmann

SHOW ME THE MONEY

Ranking the law firms that handled the highest dollar volumes of NYC loans and sales

By Rich Bockmann
Research by Ashley McHugh-Chiappone
Illustration by Isabel Espanol

In a year when the law firms representing New York's top lenders had less on their plates, it paid to be the attorneys for Bank of the Ozarks. The Arkansas-based bank, which this year changed its name to Bank OZK, is New York City's biggest construction lender. And it handed the legal work on the vast majority of its Big Apple loans to the midsized law firm Riemer & Braunstein.

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WHO HANDLED THE HIGHEST DOLLAR VOLUME OF NYC LOANS?

The firms that logged the most $1M+ lender-side deals

RANK	FIRM	NO. OF DEALS	TOTAL $ VOLUME
1	Riemer & Braunstein	36	$3.73B
2	Gibson, Dunn & Crutcher	30	$3.63B
3	Sidley Austin	41	$3.39B
4	Cadwalader, Wickersham & Taft	13	$3.32B
5	Cullen and Dykman	253	$2.34B
6	Shearman & Sterling	6	$1.9B
7	Blank Rome	19	$1.89B
8	Fried, Frank, Harris, Shriver & Jacobson	11	$1.77B
9	Arnold & Porter Kaye Scholer	18	$1.42B
10	McDermott Will & Emery	1	$1.4B

SOURCE: *TRD* analysis of law firms recorded in NYC Dept. of Finance records — either on mortgage, agreement or assignment financing documents — on NYC commercial and residential transactions of $1 million and above that closed between July 1, 2017, and June 30, 2018. Only firms that represented the lender were included.

WHO HANDLED THE HIGHEST DOLLAR VOLUME OF NYC SALES?

The firms that logged the most $1M+ buyer-side deals

RANK	FIRM	NO. OF DEALS	TOTAL $ VOLUME
1	Fried, Frank, Harris, Shriver & Jacobson	17	$6.12B
2	Gibson, Dunn & Crutcher	7	$1.2B
3	DLA Piper	8	$1.14B
4	Stroock & Stroock & Lavan	13	$1.04B
5	Greenberg Traurig	13	$923.3M
6	Hunton Andrews Kurth	5	$898.2M
7	McDermott Will & Emery	8	$879.4M
8	Paul, Weiss, Rifkind, Wharton & Garrison	9	$767.5M
9	Kirkland & Ellis	3	$523.2M
10	Kasowitz Benson Torres	3	$475.9M

SOURCE: *TRD* analysis of law firms recorded in NYC Dept. of Finance records — either on deeds or other sales tax records (RPTT-RETT) — on NYC commercial and residential transactions of $1 million and above that were recorded between July 1, 2017, and June 30, 2018. Only firms that represented the buyer were included. Deals where no tax was recorded were excluded.

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That affiliation with Bank OZK helped buoy the firm to the top of the pack for handling debt deals (on the lenders' side of the transaction) over the past year, according to *The Real Deal*'s annual ranking of the city's top real estate law firms.

But the victory for the relatively under-the-radar firm may be short-lived.

The seven-person Riemer team led by Erik Andersen, Elizabeth Gable and Jared Zaben that worked on all of Bank OZK's loans decamped in June for the larger global law firm King & Spalding.

"We have a team of about 16 to 20 folks who are devoted exclusively to real estate finance," Andersen told *TRD*. "And we're growing."

Still, Riemer — a 100-person firm headquartered in Boston with an office in New York — handled $3.73 billion worth of loans for lenders in New York between July 1, 2017, and June 30, 2018. That was up from $3.1 billion the previous year, when it ranked ninth.

The top 10 law firms worked on nearly $25 billion of lender-side loans and nearly $14 billion of borrower-side sales.

Riemer worked on Ozarks' $300 million construction loan for the second phase of the Wolkoff Group's 5Pointz rental project in Long Island City and did the legal work on the mammoth $1.15 billion loan Landesbank Baden-Württemberg issued to Brookfield Property Partners to refinance 5 Manhattan West.

The attorney who worked on the latter deal, Richard Lefkowitz, is still at the firm, which still has a strong practice focused on large, syndicated loans.

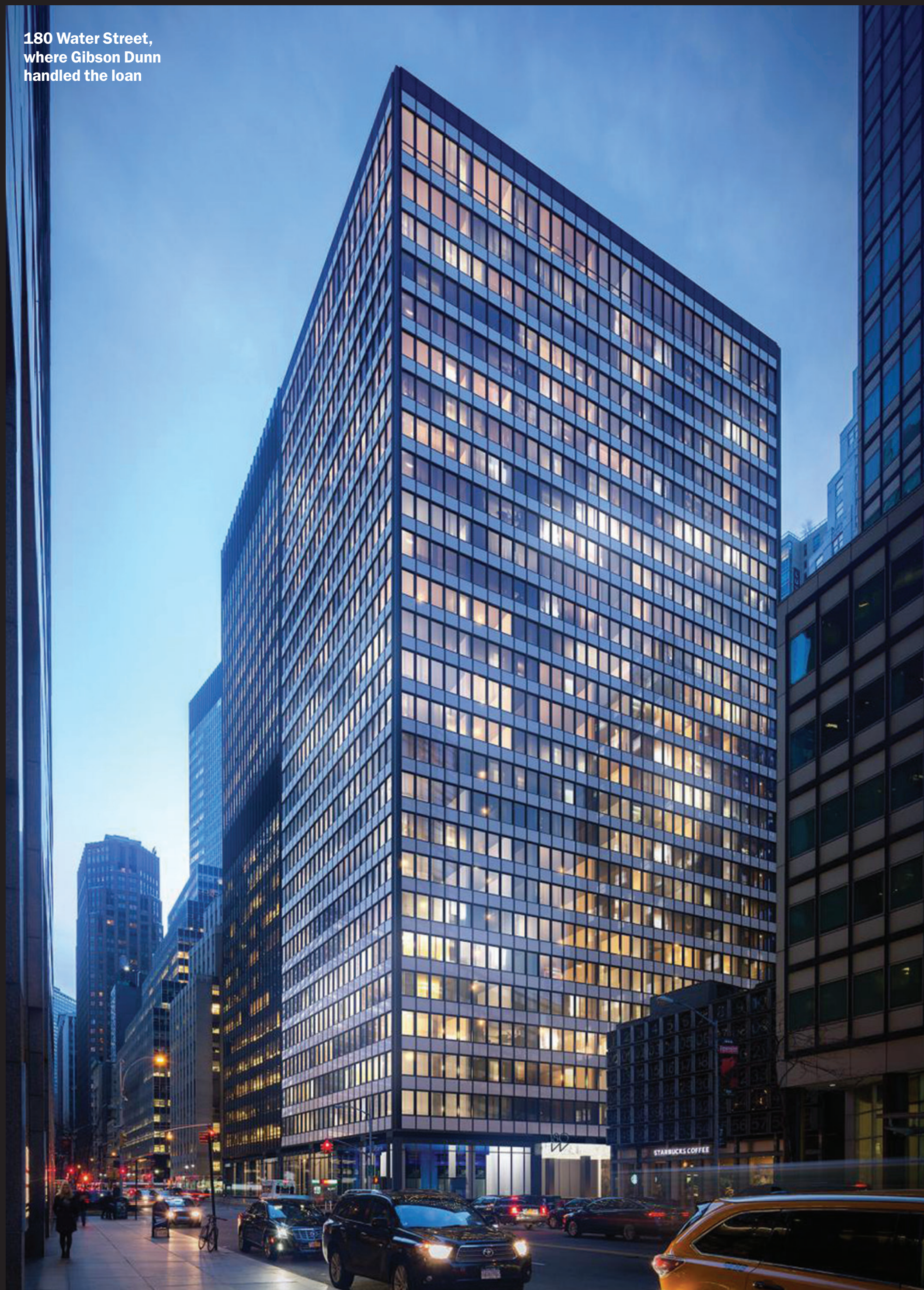
Riemer was followed by Gibson, Dunn & Crutcher, which handled $3.63 billion in lender-side loans, including a $315 million loan on the 573-unit rental 180 Water Street, where Metro Loft Management bought out partner Vanbarton Group last year. Interestingly, that was down from the $4 billion-plus in debt deals that Gibson Dunn handled last year, when it ranked No. 4.

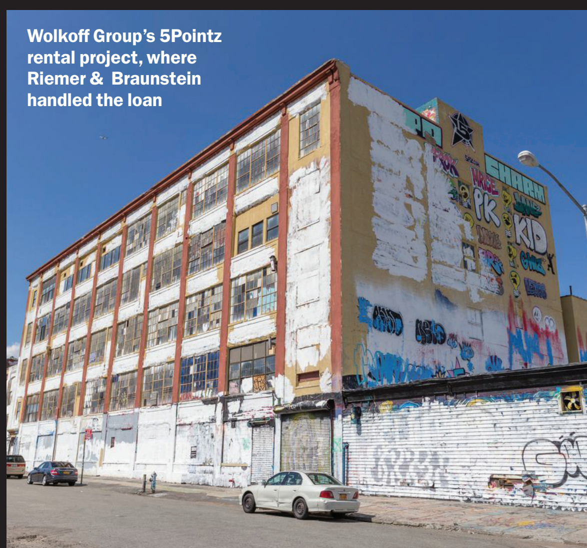
But that reality speaks to the drop in the market. Altogether, the top 10 law firms worked on $24.79 billion worth of loans (on the lenders' side) during the year-long period *TRD* reviewed. That's a drop of more than 37 percent from the $39.7 billion they did the prior year. And that's despite the fact that this year *TRD* included loans of $1 million and up — rather than $5 million and up.

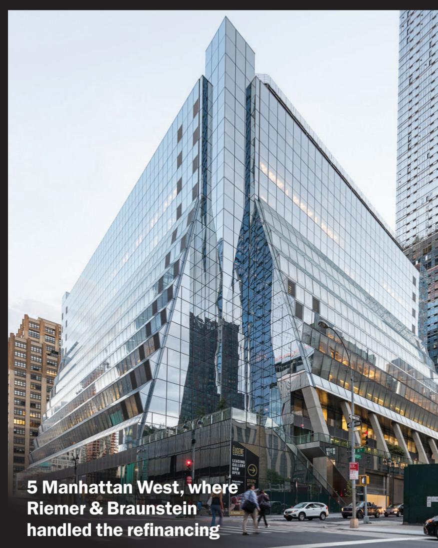
Rounding out the top 5 were Sidley Austin (which did $3.39 billion); Cadwalader, Wickersham & Taft (with $3.32 billion); and Cullen and Dykman (with $2.34 billion).

The landscape on the sales side was rosier. In that arena, the top 10 firms saw a slight increase — handling $13.96 billion worth of sales (on the borrowers' side), slightly up from the $13 billion the top 10 did last year.

That ranking saw a more familiar name in the No. 1 spot: Powerhouse real estate firm Fried, Frank, Harris, Shriver & Jacobson. The firm, which also took the top spot last year, worked on $6.12 billion worth of deals — just on the buyers' side. That was a 55.6 percent increase from its $3.92 billion last year and far more than any other firm on the ranking.


180 Water Street, where Gibson Dunn handled the loan


Wolkoff Group's 5Pointz rental project, where Riemer & Braunstein handled the loan


5 Manhattan West, where Riemer & Braunstein handled the refinancing

It was followed by Gibson Dunn (with $1.2 billion) and DLA Piper (with $1.14 billion). Rounding out the top five were Stroock & Stroock & Lavan (with $1.04 billion) and Greenberg Traurig (with $923.3 million).

For its part, Fried Frank represented Google in its $2.4 billion purchase of the Chelsea Market building this year. But Fried Frank's Robert Sorin, who handled that deal, said it was an outlier and noted that the trophy commercial sales market is cooling.

"From an investment sales perspective, I think that market has kind of toned itself down a little bit," he said, adding that the high-end condo market "is trending to be a little bit softer."

"The market is regulating itself. There's not as much new product being built today," he said. "It's going to be tougher." TRD