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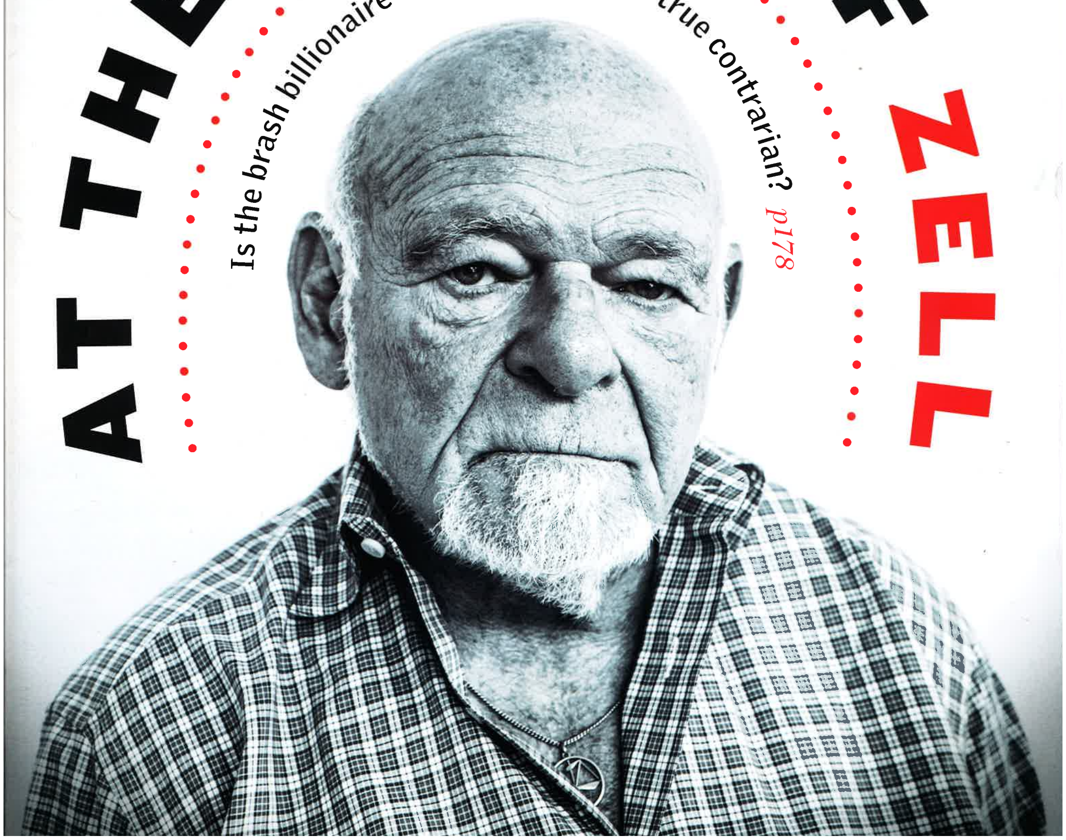
AT THE GATES OF ZELL

Is the brash billionaire the industry's last true contrarian? p178



REAL ESTATE'S QUIET CLANS

When it comes to NYC real estate, families have ruled for decades. *TRD* decided to look beyond the knowns like Fisher, Jack Resnick & Sons, Rockefeller and Zeckendorf and explore a few under-the-radar firms that have been nearly as active across the five boroughs.

BERNSTEIN REAL ESTATE

IN 1925, ALEX BERNSTEIN BOUGHT FOUR-STORY OFFICE BUILDINGS AT 348 AND 350 Seventh Avenue, which would eventually be replaced by a 22-story office tower, according to a New York Times article. The family still owns the building through Bernstein Real Estate, which Alex's son Sidney officially founded in 1929. At the time, the firm primarily focused on developing Chelsea properties to grow the city's fur trade, but today it manages roughly 2.5 million square feet of commercial property — mostly Class B office space in Chelsea and near Penn Station. Sidney's nephew Asher Bernstein joined in 1972, and Asher's son Alex joined 15 years later. "This entire area has exploded in terms of growth and diversity," Asher told *TRD*, adding that much of the firm's portfolio has undergone extensive renovations over the years to keep pace with the more modern office space springing up.

350 Seventh Avenue

PISTILLI REALTY GROUP

23-30 31st Road in Astoria

MICHAEL PISTILLI'S FIRST FORAY INTO REAL estate was selling a small Astoria building, at 23-30 31st Road, to cover medical expenses, according to an interview with his son, Joseph, on CUNY TV. From there, the Italian immigrant and carpenter by trade founded Pistilli Realty Group in the 1970s, with a focus on multifamily investments in Queens and the Bronx. Now, Joseph serves as the firm's CEO, while his brother Tony is president. Both their children also work at the Queens-based firm. The company owns 6,000 apartments and 700,000 square feet of commercial space, according to Mike.

Azure

DEMATTEIS ORGANIZATIONS

LIKE MANY REAL ESTATE DYNASTIES, THE DEMATTEIS FAMILY got its start in construction. Leon DeMatteis founded a construction company in 1918 in Brooklyn and ventured into property management and development by the late 1940s. Leon's son, Frederick, joined the family business after serving in World War II, according to the New York Times. His sons, Richard and Scott, took over the company following his death in 2001. The company manages 8,000 residential units across the five boroughs, according to Alex DeMatteis, Richard's son, who also works at the firm with his cousins Drew Langan and Michael DeMatteis. "We can build it, we can develop it, and we can manage it," Alex told *TRD*. "There are only five of us working here, but it certainly means something if you are around for 100 years and on your fourth generation."

CIAMPA ORGANIZATION

4430 Douglaston Parkway

SIMILAR TO THE DEMATTEIS FAMILY, ITALIAN immigrant Joseph Ciampa Sr. got his start running a construction company in Astoria. The family started building single- and two-family homes in the 1930s and moved on to constructing multifamily apartment buildings in the 1960s, with a focus on Queens. The Douglaston-based company, which is now run by Ciampa's four sons — Joseph Jr., Benjamin, Dominick and Douglas — owns 1,733 residential units across 20 buildings, as well as 300,000 square feet of industrial space and 185,000 square feet of commercial space, according to its website. The company recently added a fourth building to its Packard Square development in Long Island City.

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company in 1920, after immigrating to the U.S. from Poland.

They earned their reputation first with a building materials company in Ohio but then expanded into retail and prefabricated apartment building development in the 1940s. The company went public in the 1960s — and, in 1985, formed a New York division that was headed up by the founders' nephew Bruce. He ran the company until 2013 when he turned the steering wheel over to a nonfamily member, MaryAnne Gilmartin.

Roughly three years later, in January 2016, Forest City became a REIT — a move taken to "unleash value in the public markets" and ramp up the firm's competitive edge in a market filled with public rivals, according to Gilmartin, CEO of Forest City's New York division.

The Ratner clan relinquished its unchallenged voting control over the company last year. In addition, Bruce and his cousin Charles Ratner announced that they would be stepping down from the company's board.

The company is now entering a new phase — and with a new name, Forest City New York — focusing less on development and more on investing in market-rate apartments and office properties.

And Forest City is not the only one-time family-run firm to go public recently.

Clipper Equity, founded by Moric Bistricer in the 1950s and currently headed by his son David, also converted into a REIT this year. The move was intended to provide the Brooklyn-based family firm with more access to capital, David Bistricer told *TRD* when he first announced that the company

> **"The phrase is always, 'If so-and-so dies.' They always phrase it as 'If.' There is no if. It's a when."**
>
> **—JANICE MAC AVOY,** FRIED FRANK

was going public in 2015. When the company debuted on the New York Stock Exchange this past February, it raised $86 million.

Still, Gilmartin said private companies have the advantage in the development game because they can make "long-game investments" and don't need to focus as much on quarterly profits.

"We are subject less to the issues around investments from companies here and abroad and more beholden to the public market," she said.

On the other hand, private companies are often at the mercy of lenders, who they frequently rely on to provide construction financing. For the last few years, the lending spigot has tightened.

And some family firms have changed course as a result.

In 2016, Donald Zucker told *TRD* that he "finished [his] last building a few years ago."

Since founding the firm in 1961 as a mortgage brokerage, Zucker has developed nearly 30 rental, co-op, condo and retail buildings.

"I just can't compete in a marketplace where I can't make sense of the economics," said the now-86-year-old.

"I'm not interested in developing condos anymore, because the tax world punishes you terribly. I would do another rental."

Well-established, family-run firms are basically in the same boat as corporations or REITs in terms of landing financing from banks, which put a high premium on reputation. But the rise of private lenders, which are more open to lending to other types of firms, has increased competition, according to Rosenberg & Estis real estate attorney Richard Sussman.

"Lots of these private lenders aren't scared about [a borrower] defaulting, because they'll take over the project if they have to," Sussman said. "Banks don't want to do that."

Public companies may attract a somewhat lower cost of capital than certain private family-led firms, explained George Doerre, who runs one of M&T Bank's New York City commercial real estate lending teams. That's largely because those public firms have access to the public markets and, within reason, can issue stock and bonds at will, he said.

Jed Walentas — who heads up Two Trees, which was founded by his dad, David — acknowledged the limits of his company's structure. His firm bid on

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