

THE VERDICT

ON NYC'S TOP REAL ESTATE LAW FIRMS



The industry's biggest legal practices for 2017 and how their caseloads are changing as the market sees more 'stress'

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When upstart developer Bauhouse Group made a daring attempt to retain control of its troubled 3 Sutton Place development site on Manhattan's East Side, it wasn't just the firm's bravado on display. The company's high-stakes (and ultimately unsuccessful) gamble was also a much-watched legal chess match: On one side were the attorneys for the lender at the white-shoe law firm Kramer, Levin, Naftalis & Frankel, and on the other was the scrappy litigation firm Meister Seelig & Fein, which was representing Bauhouse principal Joseph Beninati.

The case drew the eyeballs of many in New York's real estate legal community at a time when attorneys say they're

increasingly handling troubled or strained projects.

"You see who comes out on top and how the dust settles," said Robert Ivanhoe, chair of the global real estate practice at the international law firm Greenberg Traurig, referring to the 3 Sutton deal. "It was interesting to watch the things that lawyers discuss and write about and argue about, [to see] how they evolved in practice."

Stephen Rabinowitz, chair of Greenberg's New York real estate practice, agreed, noting that these "occasional high-profile cases" can often highlight an "aspect of the lender-borrower relationship that maybe needs to get tightened up."

While New York real estate attorneys are not dealing with distress at levels anywhere

near where they were in the wake of the 2008 financial crisis, lawyers at the city's top firms told *The Real Deal* that they're working in an environment that's showing new signs of stress.

Borrowers are modifying loans, lenders are requiring more personal guarantees from borrowers, and clients are looking to protect themselves from financial loss while simultaneously preparing to make opportunistic buys when the time is right.

And all that amounts to plenty of work for transactional attorneys and litigators.

This month, with that new landscape in mind, *TRD* ranked the city's biggest law firms by number of attorneys. The early September snapshot found 1,046 real estate lawyers working at the top 20 firms. That's up more

than 4 percent from 1,003 last year and nearly 9 percent higher than the 954 in 2015.

Meanwhile, the top of the ranking saw its own mini shakeup. Global giant Fried, Frank, Harris, Shriver & Jacobson continued adding to its roster and took the No. 1 spot with 96 New York real estate attorneys — up from 78 last year.

And last year's No. 1 firm, Rosenberg & Estis, scaled back its aggressive growth and snagged the No. 2 spot with 81 real estate attorneys.

"We do see more of our clients preparing for trouble. We see projects where things just aren't going as planned or they're going slower."

—BRUCE STACHENFELD,
DUVAL & STACHENFELD

Those firms were followed by Clifford Chance (with 68 New York real estate attorneys), Skadden, Arps, Slate, Meagher & Flom (with 67), Greenberg Traurig (with 60) and Herrick Feinstein (with 58).

Lawyers at those firms and others, who have spent the last several years billing clients for work on buying and selling buildings, are finding that they must adapt to a market where those deals, while still happening, are fewer and farther between.

While lawyers last year were also reporting a slowdown in monster deals, this year attorneys at the top firms are busier working on complex litigation cases and have clients who are racing the clock as the market continues to slow.

Dan Altman, a partner at Belkin Burden Wenig & Goldman, said his firm added only one attorney, who will focus on office leasing — which is still seeing a healthy amount of activity — and retail to make up for the lack of work the firm is handling on multifamily sales, which have plummeted.

"During these less active times in one area of your practice, I think you need to go back your clients and find out what they're busy with and address those needs," said Altman, whose firm tied for No. 9 with 48 real estate attorneys.

'Preparing for trouble'

While 3 Sutton Place is a mess (see story on page 74), it isn't the only high-profile project making headlines. On Billionaires' Row, JDS Development Group and Property Markets Group have been battling with lenders at their planned supertall condo at 111 West 57th Street, which is facing cost

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overruns. And at 2 Herald Square, the long-warring Sitt brothers have been clashing in court over control of the property (see story on page 46).

But attorneys said these buildings are the exception, not the rule in today's market. What's more common, they said, are financially strained projects being recapitalized with new partners and new infusions of cash.

"We're starting to see the first inclinations of stress, instead of distress," said Jonathan Adelsberg of Herrick Feinstein. Sponsors at new development projects in particular, Adelsberg said, are being forced to renegotiate purchase prices, delay closings and extend the terms of their loans with lenders.

Belinda Schwartz, chair of Herrick's real estate department, said deals need a lot more legal work and a "lot of brain damage."

"Even though you might see fewer deals, they require a lot more putting-together and curating, kind of like a Rubik's Cube," she said.

Still, the number of foreclosure starts across the city is actually down. In the past year, there were 8,901 residential and commercial foreclosure cases initiated in the five boroughs — down 15.2 percent from the previous year, according to figures from national real estate property firm ATTOM Data Solution.

One reason fewer projects are falling into foreclosure, experts said, is because borrowers and lenders are increasingly modifying loans or joint-venture agreements before they get overextended. And all of that takes legal work.

"We do see more of our clients preparing for trouble," said Bruce Stachenfeld, founding member of the firm Duval & Stachenfeld, which took the No. 8 spot on the ranking with 51 real estate attorneys.

"We see projects where things just aren't going as planned or they're going slower," added Stachenfeld, whose firm specializes in joint ventures.

Across the city, a slowdown in the high-end luxury market, declining hotel revenues and high vacancy rates for retail properties are taking their toll

on projects and adding to the workloads of lawyers.

"The workouts we're doing now are not like the catastrophe we had in '07 and '08," said Wally Schwartz, co-managing partner

of the No. 18-ranked Kasowitz Benson Torres & Friedman.

"The properties are still basically viable. Sales have slowed down in situations where the project needs a little more time and a bit more money."

And much like last year, attorneys said also they're busy helping clients set up opportunistic and distressed funds, suggesting that investors are still preparing to pounce and scoop up properties if the market drops further.

But Evan Levy, head of the real estate capital markets practice at Skadden, said there still haven't been many distressed opportunities, given the strong financing markets.

"We see fund sponsors developing their investment strategies to capitalize on more attractive prospects when the cycle inevitably turns," he said.

Investors Steve Witkoff and Michael Ashner, for example, recently teamed up to launch a \$150 million investment fund that will consider distressed deals such as loan acquisitions, underperforming real estate and development projects.

And Delshah Capital plans to raise a \$200 million fund to focused on distressed investments.

Closed-end private equity funds focused on distressed assets in North America have, indeed, raised \$10.8 billion in 2016, according to the alternative-asset research firm Preqin. That's \$8.7 billion more than the two previous years combined.

All that blood in the water can be a feeding frenzy for the sharks who work on distressed deals, including the lawyers.

Daniel Stanco, an attorney at the firm Ropes & Gray, said he and partner David Djaha launched the international firm's New York real estate practice in 2009, which he said was "definitely not the best time for real estate lawyers."

But, he said, what helped get the firm get through that period



Jon Mechanic
Fried Frank



Robert Ivanhoe
Greenberg Traurig



Bruce Stachenfeld
Duval & Stachenfeld



Luise Barrack
Rosenberg & Estis

The NYC law firms with the biggest real estate practices

RANK	FIRM	TOTAL NO. OF LAWYERS IN NYC	TOTAL NO. OF REAL ESTATE LAWYERS IN NYC
1	Fried, Frank, Harris, Shriver & Jacobson	400	96
2	Rosenberg & Estis	81	81
3	Clifford Chance	193	68
4	Skadden, Arps, Slate, Meagher & Flom	736	67
5	Greenberg Traurig	249	60
6	Herrick Feinstein	130	58
7	Windels Marx Lane & Mittendorf	105	56
8	Duval & Stachenfeld	60	51
9 (tie)	Belkin Burden Wenig & Goldman	48	48
9 (tie)	Kramer, Levin, Naftalis & Frankel	305	48
9 (tie)	Sidley Austin	388	48
12 (tie)	Cleary Gottlieb Steen & Hamilton	557	45
12 (tie)	Borah, Goldstein, Altschuler, Nahins & Goidel	45	45
14	Arnold & Porter Kaye Scholer	294	43
15	Akerman	106	41
16	Ropes & Gray	308	40
17	Holland & Knight	130	39
18	Kasowitz Benson Torres	205	38
19 (tie)	Gibson, Dunn & Crutcher	317	37
19 (tie)	Schulte Roth & Zabel	308	37
19 (tie)	Haynes and Boone	78	37
22 (tie)	Stroock & Stroock & Lavan	183	36
22 (tie)	London Fischer	56	36
24	Bryan Cave	127	35
25 (tie)	Proskauer Rose	373	34
25 (tie)	Paul Hastings	78	34
25 (tie)	Debevoise & Plimpton	479	34
28	Dentons	192	32
29	Simpson Thacher & Bartlett	616	31
30	Sullivan & Cromwell	590	30

SOURCE: TRD analysis of NY State Open Data and of firms' websites in mid-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.

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“Clearly there aren’t as many trades going on. Having said that, if somebody’s holding assets or repositioning or recapitalizing them, there still is a lot of financing activity going on.”

—STEVE GLIATTA, ARNOLD & PORTER KAYE SCHOLER

was its focus working with investors who dealt in distress. The firm, which ranked No. 16 with 40 New York real estate lawyers, is now rolling out training programs for associates to educate them on those hairier deals. “You have to be prepared for those days,” he said.

New cash cows

A complicated development deal can be a cash cow for real estate lawyers, who work on everything from the acquisition to the financing to the land-use negotiations.

“A big development project is a massive consumer of real estate law services,” said attorney Joshua Stein, who in 2010 launched his eponymous firm focusing on financing and acquisitions, which did not make the ranking.

“Development is the coolest part of real estate law, and that’s what makes the really big practices boom,” he added. “It’s complicated, it’s interesting, it’s sophisticated [and] the numbers are so big.”

But the firms that focus on development projects are finding slightly fewer new ones in the pipeline. In the 12-month period ending August 30, the city issued 891 building permits, down about 2 percent from the previous year, according to a TRD review of filings at the Department of Buildings.

But far more dramatic has been the falloff in commercial real estate transactions. At the halfway point of the year, Manhattan sales volume was down 55 percent, according to Real Capital Analytics.

“Clearly there aren’t as many trades going on,” said Steve Gliatta, chair of the real estate practice at Arnold & Porter Kaye Scholer, which ranked No. 14 on the list with 43 attorneys. “Having said that, if somebody’s holding assets or repositioning or recapitalizing them, there still is a lot of financing activity going on.”

When the financial crisis hit in 2008,

banks stopped lending, and the law firms working on the debt were hit especially hard. But today those same firms say that despite the sales slowdown they are busy because borrowers are refinancing their properties.

Others said they’re shifting resources toward corporate real estate deals, where instead of buying into properties, investors buy part of a company.

“The parties to a corporate real estate transaction may be in New York City, but they’re lending nationwide,” said Stachenfeld, of Duval & Stachenfeld, whose firm represented NorthStar Realty Finance in a \$340 million investment in RXR Realty. Such relationships, he added, can help a firm buoy business when the New York market is slow.

“It’s not necessarily dependent on New York City deal volume,” he said.

And despite the slowdown on the sales side, firms said they’ve been busy with office leasing. Leasing activity in Manhattan through the first six months of the year stood at 17.8 million square feet, according to Colliers International. While that was flat compared to a year earlier, attorneys who focus on leasing said there’s still a healthy amount of work, particularly at new office towers at the World Trade Center and on the Far West Side.

Related Companies and Oxford Property Group, for example, use three law firms for leasing at Hudson Yards: Fried Frank along with Gibson, Dunn & Crutcher for office leasing and Kasowitz Benson for retail.

And that’s in addition to the attorneys representing the tenants.

“A new development on the scale of Hudson Yards is so large that it generates a steady stream of leases to be addressed,” said Andrew

Lance of Gibson, Dunn, which tied for No. 19 with 37 New York real estate lawyers.



Dan Altman
Belkin Burden
Wenig & Goldman



Jonathan Adelsberg
Herrick Feinstein



Evan Levy
Skadden



Belinda Schwartz
Herrick Feinstein

Which lawyers handled the highest dollar volume of sales?

The firms that logged the most \$5M+ buyer-side transactions

RANK	FIRM	TOTAL \$ VOLUME
1	Fried, Frank, Harris, Shriver & Jacobson	\$3.92B
2	Greenberg Traurig	\$1.99B
3	Shearman & Sterling	\$1.98B
4	Skadden, Arps, Slate, Meagher & Flom	\$1.16B
5	Simpson Thacher & Bartlett	\$1.10B
6	Zwack & Associates	\$672.5M
7	Latham & Watkins	\$643.3M
8	Duval & Stachenfeld	\$557.7M
9	McDermott Will & Emery	\$511.3M
10	Kasowitz Benson Torres & Friedman	\$506.3M

Source: TRD analysis of laws firms recorded in NYC Dept. of Finance records — either on deeds or other sale tax records (RPTT-RETT) — on NYC transactions of \$5 million and above that closed between May 1, 2016, and April 30, 2017. Only firms that represented the buyer were included. Deals where no tax was recorded were excluded.

Which lawyers handled the highest dollar volume of mortgage deals?

The firms that logged the most \$5M+ lender-side transactions

RANK	FIRM	TOTAL \$ VOLUME
1	Sidley Austin	\$5.33B
2	Katten Muchin Rosenman	\$5.19B
3	Morrison & Foerster	\$4.86B
4	Gibson, Dunn & Crutcher	\$4.22B
5	Fried, Frank, Harris, Shriver & Jacobson	\$3.76B
6	Dechert	\$3.71B
7	Kelley Drye & Warren	\$3.56B
8	Winston & Strawn	\$3.32B
9	Riemer & Braunstein	\$3.12B
10	Cullen and Dykman	\$2.69B

Source: TRD analysis of laws firms recorded in NYC Dept. of Finance records — either on mortgage, agreement or assignment financing documents — on NYC commercial and residential transactions of \$5 million and above that closed between May 1, 2016, and April 30, 2017. Only firms that represented the lender were included.

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Winner, winner chicken dinner

This year saw a changing of the guard among the firms with the most New York real estate attorneys.

Fried Frank bucked the slower-growth trend, which is what landed it the No. 1 spot. It increased its headcount 23 percent, jumping to 96 attorneys this year from 78 last year. The firm also added 13 attorneys last year — more than any of its rivals.

“We’ve been certainly in an expansive mode,” said Jonathan Mechanic, the gregarious chair of the firm’s real estate practice. “We’ve expanded to accommodate client demand, and that demand still is there.”

Mechanic said his firm had an incoming class of nine new attorneys and added new

partners in corporate real estate, finance and real estate litigation.

The firm represented SMI USA, the U.S. subsidiary of Shanghai Municipal Investment, in its equity investment in Gary Barnett’s Central Park Tower condo project last year. SMI, the largest state-owned enterprise in Shanghai, has thrice extended

rainmaker. One industry player said there’s a well-circulated rumor that Mechanic has his own publicist. “Jon Mechanic manages to keep an incredible amount of real estate lawyers busy,” the source said. “I think he has a full-time PR person, and the joke is that he has a full-time photographer.”

44. But managing member Luise Barrack, who spearheaded the firm’s expansion and helped transform it from focusing on landlord-tenant issues to a full-service firm, said the scaling back was strategic.

“I think things have leveled off,” she said. “We’re not prepared to grow at the same pace year over year.”

During the 2008 financial crisis, banks stopped lending, and the law firms working on debt were hit hard. But today those firms say they are busy because borrowers are refinancing.

the deadline for a put option that would give it the right to buy the site as Barnett looks to secure more financing.

Earlier this year, Fried Frank also repped BlackRock in its 750,000-square-foot lease at 55 Hudson Yards.

And sources say Mechanic is ever the

But not everyone thinks now is the time to be aggressively adding to their overhead.

Rosenberg & Estis added just one attorney this year, giving it 81 lawyers, compared to a net gain of eight last year. Between 2014 and 2015, the firm grew by a massive 64 percent, jumping up to 72 attorneys from

Rosenberg & Estis partner Michael Lefkowitz said the company’s growth depends on the health of the sales market.

“I think we all recognize that real estate is not being traded or transacted at the same exuberant level it was being done a few years ago,” he said. **TRD**

ALL RISE: These are the law firms that wrangled the big bucks

A TRD deep dive into the NYC real estate practices that handled the highest dollar volume of sales and mortgage transactions

For many of New York City’s top real estate law firms, transactional work — whether it be representing buyers, sellers, borrowers or lenders — is considered meat and potatoes.

So this month, in addition to just ranking firms by attorney headcount, we also looked at two other metrics: Who handled the highest dollar volume of New York City sales of \$5 million-plus for buyers and who handled the highest dollar volume of mortgage closings at that same amount for lenders (see charts on page 94).

The deals — which included both commercial and residential transactions that closed between May 2016 and April 2017 — offer a window into just how much investors and developers rely on their legal counsel and just how large the transactions are that lawyers are shepherding to the finish line.

On the sales side, the top 10 law firms worked on deals valued at a combined \$13 billion during that time period, while on the loan side the total stood at a massive \$39.7 billion, according to *The Real Deal’s* deep dive. While the firms are obviously not pocketing that money, they are billing significantly on those cases.

Taking the top three spots on the sales ranking were Fried, Frank, Harris, Shriver & Jacobson with

deals valued at \$3.92 billion; Greenberg Traurig with \$1.99 billion worth of deals; and Shearman & Sterling with \$1.98 billion.

On the debt side, Sidley Austin took the top spot with a massive \$5.33 billion in lender-side deals. It was followed by Katten Muchin Rosenman with \$5.19 billion and Morrison & Foerster with \$4.86 billion.

By and large, there was little crossover between the two rankings. The lone exception was Fried Frank, which made both lists.

“On the equity side, lawyers and clients are looking at how high the upside is,” said Eugene Pinover, chair of the New York real estate group at DLA Piper, which didn’t appear on TRD’s ranking but represented buyers in \$313 million worth of purchases. “The lenders and their attorneys are looking at how low the downside is,” he said. “They’re different personalities.”

Jonathan Mechanic, chair of Fried Frank’s real estate practice, said the firm tends to represent “just about everybody.”

“In many circumstances, we’re representing somebody at one end of the table and someone at the other end of the table [on another deal],” he said.

The firm, for example, represented JPMorgan

Chase in a \$748 million first-mortgage and mezzanine financing package it provided in November for the 39-story hotel-and-retail tower at 20 Times Square that the Witkoff Group, Howard Lorber’s Vector Group, Ian Schragger and several others are building. It also represented the developers when they purchased the site back in 2015.

Over on the debt side, there was a healthy mix of law firms that specialize in either balance-sheet lending or securitization. Both Sidley and the No. 6-ranked firm Dechert, for example, have a reputation for focusing on CMBS.

Andrew Lance, a partner in the real estate practice at the No. 4-ranked Gibson Dunn & Crutcher, said that before the financial crash, the firm primarily worked on the equity side of deals. But since then, it’s built up a bigger book of business with lenders.

The firm, for example, represented Blackstone Real Estate Debt Strategies in a \$350 million construction loan it provided to the Georgetown Company and hedge funder Bill Ackman in October to reposition the former Ford Motor Co. building at 787 11th Avenue, which they bought in 2015.

“During the aftermath of the financial crisis, we started getting involved through several relationships with the higher-octane, balance-sheet debt lenders,” Gibson Dunn’s Noam Haberman said. “Since then we have consistently been working on complicated and highly structured loans.”

Timothy Little, head of the national real estate practice for Katten Muchin — which represented AIG in a \$925 million loan it issued to RXR Realty on the investor’s \$1.28 billion May purchase of 1285 Sixth Avenue — said competition is ramping up to represent the top lenders. “The banks have tried to narrow down the number of firms they work with,” he said.

But winning over those clients means making them happy with both the legal work and billing. Clients, Little said, have a pretty good idea of how much a deal should cost. “If the number comes in higher, then you’re going to be on the end of an angry phone call,” he said. ■

