



Hunt Corporate Services engineers a Melville metamorphosis

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From the shell of a former moving and storage warehouse, a new 42,000 s/f office building is emerging on Walt Whitman Rd., in Melville, Long Island. Hunt Corporate Services, Inc. (Syosset, N.Y.) has been selected as Company of the Month by the New York Real Estate Journal, for their work in acquiring the building on behalf of Anton-Cerrone Associates, also based in Syosset, and the subsequent leasing activity. Months before completion, over 70% of the building has been committed to four separate tenants. On behalf of the Journal, I was asked to interview David Hunt, president of the Hunt Corporate Services.

As I have learned on previous interviews, Hunt Corporate Services has a completely different model than most brokerage firms. The firm has no commissioned salespeople, but instead relies on a highly efficient and knowledgeable staff. And Hunt only works exclusively, by contract, with all their clients, representing them as an "outsourced real estate department." The result is impressive. Both the firm and Hunt, individually, are named as Top 20 Brokers by Real Estate Forum magazine and the Costar Group, one of the largest independent providers of commercial real estate information. Hunt and his two partners, Mark Fischl and John Hoblin, represent a wide array of corporate America. Current clients include Progressive Insurance, Coty Inc., Swiss International Air Lines, King Kullen and Davis Vision.

After the New York Real Estate Journal spoke with Robert Anton, owner and developer of the project, I spoke with David Hunt by telephone.

The Acquisition

CF: I am sorry that we were not able to get together in person this year, but it is always nice to talk to you. Your office told me that you were in Boston on business.

Hunt: Thank you, Carol. The pleasure is mine. I am actually taking real estate courses in Boston this week.

CF: I would think that, with over 35 years experience in commercial real estate, you would be teaching the courses!

Hunt: I have a Master of Corporate Real Estate designation from CoreNet Global, an international organization of corporate real estate executives. In order to keep the designation current, I must take 50 credits worth of additional corporate real estate education every three-year period. The courses that I am taking this week actually lead to a second designation, Senior Leader of Corporate Real Estate. Besides, we all need to keep learning. When do we know it all?

CF: That is true. So, I understand from my conversations with the Journal and your staff, that it is somewhat unusual to have a new office project 70% leased before it is completed. Could you talk a little about that?

Hunt: It is, indeed, unusual for a speculative office building to lease up that quickly. There were

several factors that contributed to that outcome. First, the property was purchased and renovated at a price that allowed us to be competitive with our rents. Second, we were graced with three out of four transactions that were a direct result of relationships held by either our firm or those of the developer, Anton-Cerrone Associates.

CF: Why don't we start at the beginning? I know that Anton-Cerrone purchased the building from American Storage. How did that come about?

Hunt: In late 2004, I received a call from Bob Cleva of Harlowe Realty. He exclusively represented American Storage, and was calling to see if Anton-Cerrone might have an interest in purchasing the building and leasing it back to American Storage for several years. The partners in the American Storage real estate were not exactly the same partners who owned the American Storage business.

To make a long story short, the real estate partners wanted to sell the building, and the business partners needed to stay for at least a couple of years while they planned and executed a consolidation move.

CF: So, no development could take place while American Storage remained in the building?

Hunt: You're right that no construction was possible, but a lot could be done behind the scenes. It was actually an ideal scenario. A new site plan, architectural plans, and even a sewer connection were all completed during this time. When it came time for actual construction, all the permits and plans were in place.

CF: Sounds like a home run.

Hunt: Well, actually, Bob Anton turned down the project the first time he looked at it. The price of \$100 a s/f was considerably more than we were used to paying for a renovation project. But we did a full market analysis and demonstrated the project would be viable. Our normal conversion project is a "flex" building, that is, a combination of office, R&D, and manufacturing space. It was not until later in the game that we decided to proceed with a full office conversion.

CF: If the price was higher than normal, how were you able to have such a competitive rental price?

Hunt: We felt the superior location, just minutes from the Long Island Expressway, justified the higher sale price. Anton Cerrone was also able to keep the foundation, steel, and roof of the existing building in the conversion process - a tremendous advantage over ground-up construction.

CF: How long did it take to acquire the building?

Hunt: We began our evaluation of the site in January of 2005. Part of my job is evaluating the marketability of proposed projects and making recommendations on redevelopment. We met with our architect during this period to determine our yield, that is, how much buildable square footage would be allowed by the town as either a flex or office building. Parking calculations drive everything on Long Island. In the past, we have actually demolished parts of older buildings just to create additional parking.

This evaluation process requires coordination between the broker, developer, engineers, environmental consultant and architect. I am a big believer that the tenant market should drive every decision the developer makes. Basically, what should be done, what can be done, and what will it cost? We have to have a realistic handle on this before we negotiate a deal to purchase any building.

Once this was done, we were able to negotiate a deal quickly. Bob Cleva and I have known each other for years, and the negotiations progressed in a timely manner. The attorneys worked on the contract, and a lease for American Storage, for about a month. The time period was typical for a deal of this size, and we were in contract by early May, 2005. We closed without incident in July.

Marketing and Negotiating

CF: Did you begin marketing for tenants right away?

Hunt: This is one case where we did not. First, there are very few tenants that are looking to make commitments for occupancy two years into the future. Second, we were not exactly sure how the building was to be developed. Our typical flex renovation has an exterior entrance for each tenant, as well as loading doors. But with American Storage as a tenant for two years, we had the luxury of time to make the necessary decisions.

CF: When did you make the decision for a full office building conversion?

Hunt: In the fall of 2006 we had serious interest in the property from a Fortune 500 company. They were interested in using the entire building for a Long Island facility, to include both offices and manufacturing. In early 2007, our potential tenant withdrew, ultimately deciding to stay in their existing facility. At that point, my office started taking a long, hard look at a full office building conversion.

John Hoblin, my partner, is particularly adept at these types of pro-formas. We made the case to Anton-Cerrone, with spreadsheets and market data, that the building should be converted to a full office building.

Anton-Cerrone, in the meantime, was attempting to maximize the parking with each site plan submission to the Town of Huntington, whether it was to be a flex or office building. In addition, they had obtained permission to connect the building to the sewer system, which also increased the amount of office space that could be built. In April of 2007, they agreed with our assessment, and from that point forward, all our activities were geared to office development and marketing.

CF: Tell me about the tenants who have already committed to space at 1860 Walt Whitman Rd. Are their suites being built out now?

Hunt: Yes, tenant suites are under construction right now, and we anticipate our first move-in in September.

Our first lease was executed with "Calling All Kids, Again." They are a New York State licensed child educational facility. They committed to 12,376 s/f and our installation for them includes bright, spacious classrooms with direct access to a 7,000 s/f exterior playground. They will also have their own separate entrance and parking.

The requirement was brought to us by a broker, Eric Launer of Newmark Knight Frank. We enjoy a good, working relationship with the brokerage community and depend on them to bring us deals. Launer and I puzzled over the exterior playground, which is mandated by the State. At first, Anton-Cerrone had rejected the requirement, believing that the playground would use up too many parking spaces. But by massaging the site plan once again, we were able to make it all fit.

CF: Does a child educational center pose a problem in an office building?

Hunt: Actually, we had the same debate. Ultimately, we decided that a child care facility on premises would be a nice draw for other tenants, and that has proved to be the case. Also, with their own lavatories and entrances, the child care center is completely isolated from the other tenants. They do not even have access into the common areas of the building.

CF: You mentioned that relationships were one of the reasons that the building was leased so quickly. Tell me about that.

Hunt: One of our new tenants, Ross-Strent, is an accounting firm that will be moving from Roslyn Heights. Bob Anton has had a long term relationship with them, and their lease is in large part due to their trust in Bob.

The architect for the building, Newman Design, is also relocating their offices from Huntington into 1860 Walt Whitman Rd. We represent them exclusively for the acquisition of a new headquarters, as well as the sale of their existing office building. So, obviously they have a lot of trust in us, as well as Anton-Cerrone.

And we just ordered leases for a financial services firm. Once again, Hunt exclusively represents their interests for new offices. Mark Fischl, my partner has shown and analyzed many properties on their behalf, but ultimately they agreed with us that 1860 Walt Whitman was a good match. So you see, relationships were an integral part of a quick lease-up.

CF: How about the balance of the building? Any potential tenants on the horizon?

Hunt: We have one contiguous unit of 12,551 s/f left, which we can divide to suit. However, there is a good chance that we will be able to lease it to one tenant - we are negotiating a deal now. And since this project went so smoothly, Anton-Cerrone has entered into contract for a similar building in Nassau County. So we have another renovation project in the pipeline.

The Developer

CF: Tell me a little about your client, Anton-Cerrone.

Hunt: Anton-Cerrone is a partnership that goes back over 50 years. Both of the original partners, Arthur Cerrone and Irving Anton are still active in the firm, and they were joined by the next generation, Bob Anton and Arthur Cerrone, Jr., in 1982. They have been involved in the construction of one-family homes, apartment buildings, office buildings, warehouses and industrial properties. Today, however, Anton-Cerrone almost exclusively concentrates in the renovation of buildings like 1860 Walt Whitman Rd.

CF: We asked Bob Anton if 1860 Walt Whitman Rd. was typical of other renovation projects. He said, "It was typical of many of our projects; new facade, new parking lot, new tenant installations, but the conversion to an office building requires common lobbies and entrances, as well as an energy management system for the entire building, which is not common for industrial flex buildings."

Hunt: He's right. One advantage Anton-Cerrone has is that they act as their own general contractor, and always use the same subcontractors on every project. They are absolutely "mean and lean." When I tell a new tenant that we can provide a new installation in 90 days, I have every confidence that Anton-Cerrone can deliver.

CF: Anton told the New York Real Estate Journal that "Dave and I work very close together. His office is in my office, his knowledge is invaluable to me, and he has a good pulse on the area and marketplace. He is very honorable and trustworthy, gives us individual attention and has a knack of knowing when to coddle us. He also doesn't take it personally when we disagree, I know he'll always tell me the truth whether I want to hear it or not."

Hunt: We have an excellent relationship with both generations of partners. It is probably the reason that we have represented their commercial real estate interests for nearly 25 years.

Personal

CF: Well, thank you for patiently explaining the nuances of real estate development! What's new in your personal life? Are you flying much?

Hunt: Life is very good. Yes, I am trying to keep my airplane exercised at least once a week, but it is sometimes difficult finding the time. I have a new project that is demanding time and commitment beyond all understanding.

CF: Tell me about it.

Hunt: I am the official Eagle Coach of Boy Scout Troop 113 in Centerport, and am now coaching 24 boys who are trying to reach the rank of Eagle Scout. We meet as a group twice a month, and I also meet them for individual coaching sessions. This is one of those things in life that finds you. I certainly did not go looking for it! But the opportunity arose, and I couldn't resist. I even went to Scout camp last month.

CF: I know you are an Eagle Scout.

Hunt: Yes, and it transformed my life. I told you the story of connecting with Charlie Graff, my scoutmaster from the 1960s. We still talk regularly, and I am planning to fly down to Huntsville, Alabama next April for his 85th birthday.

CF: I assume he knows about your coaching.

Hunt: Of course. I told him if I help 500 boys get their Eagle Rank, I might be close to paying off the debt I owe him for all that he did for me over 40 years ago.

CF: How is your son doing at UCLA?

Hunt: Oh, he is thrilled that his PhD dissertation topic was approved in June. It was a major hurdle. Hopefully, he will graduate with a PhD in two years. And my daughter-in-law, Andrea, is taking night courses in journalism. Her bachelor's degree was in writing, but she wanted to amplify that with additional schooling in journalism. She recently received a 100% on a paper she wrote about land use and zoning in Los Angeles! That was sparked by a comment I made on our trip to see them last May. I was forced to circle a parking lot, unsuccessfully trying to find a parking space, while my wife shopped in Trader Joe's. My comment to Jonathan and Andrea was that LA does not have anywhere near the same parking requirements as Long Island. So I guess real estate is starting to run in the family.

CF: Well, I'm not surprised! I thank you for your time this evening, and wish you well with your classes, and a safe trip home.

Hunt: Thank you, Carol. It is always a pleasure.

After I hung up the phone, I thought about Hunt's comments about relationships being the driving factor in leasing quickly. Clearly his success with 1860 Walt Whitman Rd. is a mirror of his success in the industry, where his business is powered by the same close relationships with his clients and the industry.

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