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# Maturo: "Measure Your Risk Deal-by-Deal"

**By** **Rayna Katz** | May 21, 2015

From left to right: Howard Landsberg, WeiserMazars; Michael Schurer, Thor Equities; Brian Summers, DRA Advisors; Michael Maturo, RXR Realty; and Martin Luskin, Blank Rome.

NEW YORK CITY—Facing the economy's shifting tide, industry CFOs—and attorneys in similar positions—last week provided a rare glimpse of their daily struggles during the **WeiserMazars** Real Estate CFO Summit on the Upper East Side.

Specifically addressing the topics of joint ventures and equity raising were **Howard Landsberg**, partner, WeiserMazars; **Martin Luskin**, partner, **Blank Rome**; **Michael Maturo**, president & CFO, **RXR Realty**; **Michael Schurer**, CFO, **Thor Equities** and **Brian Summers**, CFO, **DRA Advisors.**

"Coming out of the recession there was a shift away from funds into joint ventures," said Maturo. "When you're negotiating these agreements now, you see a lot more asset management from the institutional side; they want to be more involved in the property so they can have a better sightline into what's happening."

Further he noted, “You have to address dispute resolution in every joint venture agreement. Buy/sell is a big solution to write into an agreement but there are triggers so that the partners can go their separate ways.”

“Repeated joint ventures are important, for the sake of trust,” added Luskin, noting, “The negotiation is 100% different depending on who sourced the deal. If it’s the sponsor, [that party] will have additional demands. But the pendulum is shifting toward the middle; I’m curious what the next few years will bring.”

Meanwhile, the capital source for these deals—and return expectations—have changed, asserted Schurer. “We used to count on pension funds but now it’s Chinese money that’s coming in. Those investors know that they have to pay more for economic certainty. But things have tightened, people aren’t looking for returns in the mid-20s anymore on a piece of real estate in NYC.”

Summers is seeing some different trends. “I’m seeing sponsors who are putting up their 10% but they have investors who I’m not sure the equity knows about. You think the sponsor is in the deal with an equity partner, and has put in $10 million, but with their development fee, their asset fee could be $20 million over the next few years, so they’re neutral. We have a client who was the company general partner in over 100 deals because the sponsor didn’t have the money; I see a lot of that in the marketplace.”

But the biggest challenge at this level of the C-suite is managing the unknown. “We’re long-term investors, we try to put on five-to-seven-year debt but there are all of these risks,” says Summers. “What’s going to happen in housing market? Is office contraction in the suburbs going to continue? These issues all are a counterpoint to the need to invest but if you stretch to too many deals, there’s some franchise risk.”

Adds Maturo, “There’s an endless amount of deals coming your way, you have to measure your risk on a deal-by-deal basis without tipping over parameters where the red light goes off.”

“We can’t do a deal in one way just because we did it that way yesterday,” noted Luskin. “My goal is to be nimble, quick and get the deal done.”

http://www.globest.com/news/12_1116/newyork/finance/Maturo-Measure-Your-Risk-Deal-by-Deal-358166-1.html