Sunday Summary: Shutdowns, Earnings and Wildcatters

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After the Pfizer *accident* (if that's the right word — we're still not sure what to call it) Commercial Observer was somewhat sanguine in our predictions.

Would an incident in which nobody got hurt and the building is still standing forestall the mighty wave of office-to-residential conversions that was about to crash on Manhattan's bejeweled shores? No, probably not.

"I have to imagine there will be more scrutiny," said former developer Laura Rapaport who is the founder of C-PACE lender North Bridge. "But I also believe that there will be very successful conversion projects in New York and other cities."

That seemed right. And it might still be right. But you certainly have to hold your breath when the Department of Buildings halts construction at SL Green Realty's $805 million conversion project at 750 Third Avenue, as happened last week. Work was also stopped on the conversion project at 222 Broadway. Work picked up again soon after at both projects.

We would *hope* for heightened vigilance and scrutiny after the largest office-to-residential conversion begins to buckle and a five-block radius needs to be temporarily evacuated, but call it two prominent cases of putting everyone in the conversion space on notice.

Still, we're sticking to our thesis that the scrutiny will, in the end, not inhibit this wave. Mostly because the alternatives are few and far between.

Yes, there are developers who are trying to make the state's 485-x development program work — but the margins are getting ever slimmer, thanks to spikes in inflation and other costs. And building 99 units at a time is not going to meet the Mamdani administration's goal for 200,000 units of new housing and the preservation of another 200,000 units.

Some have gotten ambitious like Richman Group and Monadnock Development, which filed plans for an 828-unit residential building at 243 East 125th Street in Manhattan's East Harlem. But until we learn more about that project we're going to have to assume it's not something easily duplicable.

Take two

We're officially in August, and last week we saw nearly a dozen important earnings calls — and the reports varied from poor, to middling, to mind-blowingly excellent.

Empire State Realty Trust saw a dip in funds from operations, due at least in part to a dropoff in tourists to the Empire State Building. (Visits were down 28.5 percent year-over-year. Which is doubly disappointing given that many started the year with sky-high expectations of international tourists descending on Gotham.)

Likewise, Blackstone Mortgage Trust logged $81.2 million in net losses on its earning call.

But Welltower, on the other hand, could boast the acquisition of Amica Senior Lifestyles, a 38-community portfolio that Welltower spent $1.91 billion on, as well as other purchases, and some $7.2 billion of outpatient medical property sales. Plus, Welltower's net income was $12.2 billion — well ahead of the $10.6 billion it reported in the second quarter of 2025.

Vici Properties seemed to hint in its earnings call that the company is gearing up to build a National Basketball Association arena in Las Vegas, riding the city's "massive growth in pro sports," as per Chief Operating Officer John Payne.

The major real estate firms all had pretty solid news to report.

Revenue rose 17 percent year-over-year for Newmark, reaching $884 million and beating analysts' expectations (they predicted only $852.28 million in revenue for the company).

Cash flow from operations grew at JLL from $332.8 million to $488.1 million year-over-year, and revenue shot up from $6.2 billion to $6.9 billion.

And on CBRE's earnings call the firm could boast $11.2 billion in second-quarter revenue, which is a 15.5 percent uptick from last year and a 6.6 percent boost from its first-quarter numbers.

We probably aren't telling you anything you didn't already know when we say that a data center developer would be doing pretty well in this climate — as is the case for Equinix, which saw a 7 percent uptick in revenue to $2.63 billion from the first quarter, and a 16 percent increase from this time last year.

Invesco had better-than-expected results with $1.83 billion in adjusted net revenue — a 20 percent jump from the $1.52 billion year-over-year.

We found out on BXP's earnings call that the largest private owner of Class A office space had secured a $1.2 billion construction loan to build the latest in its prized collection: a 930,000-square-foot tower at 343 Madison Avenue.

And KKR's earnings call. … Well, it was just bonkers. KKR did $1.21 billion in fee-related earnings (a 37 percent annual rise) and total operating earnings jumped to $1.53 billion (up 29 percent) — which is a company record. But the thing that caused us to double-take was their $34 billion capital raise, which brings their total fundraising haul over the last year to … $133 billion?!

Oh, and while we're on "state of the industry" topics, last week also marked the second Fed meeting chaired by Kevin Warsh. The central bank opted to hedge against inflation by keeping interest rates steady.

Plus, did you hear that Brookfield Properties and AvalonBay have officially undergone name changes? Brookfield Properties is now BRGE, and AvalonBay is now Vivmark Residential after its merger with Equity Residential.

Comings and goings

We saw a number of hirings last week.

SJP Properties snapped up Paul Chung from Quinlan Development Group to lead its acquisitions strategy.

Brian Grindall is going to Goulston & Storrs after a 16-year stint at Tenenbaum & Saas.

And Taryn Brandes is upping the game of her retail brokerage Brand Urban in getting Matthew Krell, Daniel Bodner, Lucas Kooyman, Max Swerdloff, Rikard Cederberg and Isabel Krajovan all to cut bait from Alvarez & Marsal Property Solutions and move to her firm.

Sunday reads

Families are the backbone of New York City real estate, and this week we sat down with the next generation of the Gotham Organization's Picket family to get the three siblings' take on the future and what they're doing within the organization.

"The Mamdani administration is prioritizing a lot of affordable housing and deeply affordable housing getting built," Matthew Picket told Commercial Observer, "and that's obviously in our core expertise. So, we're certainly leaning into that."

Indeed, if you were to look at the most durable asset classes, housing (affordable and otherwise) is one of them — at least in New York.

But, as we've already hinted at, the other big one in the current climate is data centers. In fact, they have become so profitable that certain developers are essentially building on spec.

"I call them 'wildcatters' because, in the same way people would buy tracts of land, drill, and hope to find oil, they buy land with the optimism they can turn it into powered land with 100 megawatts of power," said Morris Betesh, founder of Arrow Real Estate Advisors.

To read more about the data center wildcatters, go here.

See you next week!