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The Anti-Trump

Gary Barnett, the builder of this era's glitziest buildings, does not have cotton-candy hair or a big mouth—but what he does have is hubris.

By Gabriel Sherman

"I'm not Greta Garbo," says Gary Barnett of Extell company, a developer of luxury Manhattan buildings and just about the only builder of consequence who hasn't been stopped by the crash. While Barnett is an increasingly visible presence on the Manhattan skyline, most of his life is elsewhere. An Orthodox Jew and father of ten children, he lives in Queens and guards his privacy obsessively. In a recent *Crain's* article, he refused to divulge his age (he is 54). "It's not like I'm frightened of the camera," he continues. "I'm not Howard Hughes. It's not that I hate publicity because I hate publicity. It's that I don't see any good use of it. Donald Trump sells buildings that way, or he gets a television show and makes money off it. But that doesn't do anything for me."

Barnett is the anti-Trump. His buildings are as ostentatious as he is unassuming. Extell, which Barnett founded in the early nineties after a career as a diamond trader in Belgium, is emblematic of a new type of New York real-estate firm that specializes in developing ultraluxury buildings that are akin to gated communities in the sky, where buyers with millions to spend can satisfy nearly any desire without ever stepping outside. His condos, like the 60-story Orion on West 42nd Street or the Ariel towers on Broadway at 99th Street, include such extravagances as indoor lap pools, spas, screening rooms, and pet salons. Barnett's particular vision for urban living now appears wildly out of touch with current economic realities—and yet he continues to sell properties to buyers who, so far at least, have been insulated from the ravages of the recession. "He has a really strong stomach," Corcoran CEO Pamela Liebman says. "He shows no fear."

Barnett's lone-wolf style has not exactly endeared him to his peers. New York real estate has long attracted players who view business as both a commercial and a civic pursuit. Jerry Speyer, the co-CEO of Tishman Speyer, is perhaps the most famous archetype of the New York *macher*, serving as a confidant to mayors and governors. Inside the fishbowl of New York real estate, Barnett has few friends. He's a subject of fascination and derision, a combative figure who is unafraid to challenge the industry order. Since blasting onto the scene at the start of the last decade, he has clashed with Bruce Ratner and the New York *Times* for control of the land under the *Times*' new Eighth Avenue headquarters and made a surprise eleventh-hour bid for Atlantic Yards just as Ratner thought the massive development project was in his grasp. And now that the boom is over, Barnett is even more out of step with his peers. While few other developers are building, Barnett is charging ahead with projects that are grander than anything conceived at the market's vertiginous peak. In March of this year, he snapped up the Helmsley Carlton House at 680 Madison Avenue for $170 million, vastly outbidding other suitors. And, in an act of either extreme confidence or epic folly (or both), Extell recently started construction on a project called Carnegie 57, a 1,000-foot-tall, $1.3 billion condo and hotel designed by Christian de Portzamparc and backed by the investment arm of the Abu Dhabi royal family. When completed in 2013, Carnegie 57 will top Trump's U.N. Plaza tower for bragging rights as the city's tallest residential building. "There's a resentment that he's able to still build and doesn't give the appearance that he's affected by this market," says Stuart Saft, a partner at Dewey & LeBoeuf.

The resentment is tempered by the fact that many of his peers expect him to fail. "You have to bet that the peak will be higher than it's ever been," one incredulous real-estate banker said. "It's a huge bet."

"I don't see there being significant competition for what we're doing," Barnett tells me. Barnett is standing at a conference table in his corner office, flipping through a glossy prospectus with renderings of the Carnegie 57 tower—a real-estate fairy tale in blue glass, punching out of a scrum of midtown skyscrapers. "I hate to speak in hyperbole, but I think it's going to be the - nicest project done in the city, because the architecture is beautiful," Barnett says, sounding, it must be said, more like Trump than usual.

Barnett claims that irrational exuberance is not involved in his building spree. "There's no new inventory coming to market," he says. "If you go around, there's a lot of pieces of dirt that didn't get built. When this thing crashed, there wasn't tons of overhang of inventory. If the bubble had continued for another two or three years, it might have been really bad."

Photo Courtesy of Extell

Early in our conversation, Barnett's cell phone rings. He pulls out what looks like a flip phone circa 1997. He's not wielding a BlackBerry—standard-issue for a businessman of his station—nor, I notice, are there any computers or electronic devices in his office, apart from the Bose Wave radio sitting on a shelf behind his desk. "I'm a dinosaur," Barnett says when I ask him why he doesn't use a computer. "My secretary gives me my e-mails. I have financial people who do spreadsheets. I understand the concepts of how all these things work, I just don't know how to use them. I'm getting along fine just like this." Barnett says he doesn't trust technology. "I think the e-mail is very dangerous. I see people write things they'd never dream of saying."

What Barnett lacks in technological literacy he compensates for with raw intelligence. "He does the numbers in his head," says Sue Ault, who's worked with Barnett. "That's what's scary. You go in and show him this big spreadsheet, he'll look at it and instantly pick out something that's wrong with it."

Barnett started his journey in an altogether different part of Manhattan from where he's making his mark now. Born Gershon Swiatycki, he was raised in the cloistered Orthodox Jewish community on the Lower East Side. His father, Chaim Swiatycki, a respected rabbi and Talmudic scholar, later moved the family of ten children out of the city to the strictly observant Rockland County community of Monsey. Later, at Queens College, Barnett studied math and later got an economics degree at Hunter.

During a vacation in Florida, he met and fell in love with Evelyn Muller, an heiress to a prominent Jewish diamond-trading family from Antwerp, Belgium. Barnett and Muller married, and her father, Shulim, invited him into the family business. For the next ten years, Barnett lived in Belgium, trading diamonds while raising five children with Muller. "He developed the American market for us," Evelyn's brother Jean Claude Muller told me. "He saw America at the time was a big market."

In the early nineties, the Mullers and other Belgian diamond dealers were looking to diversify into real estate, and Barnett offered to explore opportunities back in the States. His first deals were modest. He bought shopping malls and office buildings throughout the Midwest.

In 1994, Barnett made his first major New York purchase when he bought the Belnord, the H. Hobart Weekes–designed Upper West Side apartment tower on 86th Street. "This was like a 100-carat diamond in the rough," he remembers telling his Belgian investors. "Somewhere in there is a really beautiful diamond." He paid a scant $18 million. Few other New York developers were willing to touch the rent-controlled building, fearing nasty litigation with longtime inhabitants, which was already under way, but Barnett was undeterred by the legal fight, a fearlessness of which he's made a habit.

Just as Barnett's New York business was getting off the ground, his wife was diagnosed with cancer. She died two and a half years later, at 37. Alone with five children, Barnett was devastated. "That was a very, very sad time for him," says Ault. "You never totally recover, you just move on. That's what he did. He had no choice. He had the five children to parent. I saw a change, in that he was a much sadder person. Not depressed, but a sad person, for many years."

It was a dark time, but Barnett's real-estate business was taking off. He remained close to the Mullers, who continued to invest in his projects. In 1998, he built what would become the W Times Square. It was a flagship project that helped convince Barnett he could play on the biggest stage. As an outsider, he operated without inhibition where others might have proceeded more cautiously. "We didn't start small," he says. In 2001, Bruce Ratner and the New York *Times* were maneuvering to buy a plot of land on Eighth Avenue and 41st Street to develop the *Times*' Renzo Piano–designed headquarters. Barnett, who owned a parking lot on the site, tried to organize surrounding landowners. "I said, 'Let's all join together and we'll be in control of the site, and if the New York *Times* really wants it, they'll pay us more,' " he told me.

The W Times Square: *1567 Broadway*; The Lucida: *151 E. 85th St.*
(Photo: Courtesy of Extell.)

The effort failed, and when the state seized his property in an eminent-domain ruling, he sued. "The litigation can go for a lifetime, as far as he's concerned," says Ault. "He will tell lawyers, 'I got more money, I got more time, and I got more lawyers.' "

The judge in the case ruled against him, a decision that still rankles. "I don't think that whole process was fair at all," Barnett told me. "The market turns great and [the state] turns around and hands it over to another developer and the New York *Times* to make money on?"

By this time, the city was shaking off the post-9/11 recession, and Barnett was looking for deals all over the city. In 2003, he partnered with the Carlyle Group and built the $305 million Orion, a 60-story luxury tower on a far-west stretch of 42nd Street that became the city's sixth-tallest residential building.

In March 2005, as he was finishing construction on the Orion, Barnett chased the biggest deal of his career. A pair of Hong Kong investors had quietly put Riverside South—a 77-acre tract stretching from 59th Street to 72nd Street—on the block. The massive development site had first been optioned by Trump in 1974, and had languished. But following the real-estate crash of the early nineties, Trump sold a majority stake to a group led by investors Henry Cheng and Vincent Lo, in 1994, for $100 million. (Trump retained a 30 percent minority interest.) With the market blasting, the prospect of buying such a giant swath of undeveloped land drew interest from the city's A-list real-estate players. Related, Durst, and Vornado Realty Trust all lined up to bid on Riverside South. Barnett was by far the least known of the bunch. But while the others hesitated, he pounced.

The sale was being run by real-estate executive Barry Gross, who represented the Hong Kong partners in the deal. "Gary was ready to buy the plane ticket and go" to Hong Kong, Gross told me. "The other bidders acted in a cagey manner throughout the negotiations."

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It was a chaotic time in Barnett's life. His second wife, Ayala, had given birth to their second child. Barnett called Gross a day before the flight to say he might have to cancel his trip. But the next day, a few hours before they needed to leave for the airport, he called to say it was on.

On the Cathay Pacific flight to Hong Kong, Barnett met Gross and his lawyer and started negotiating different ways to do the deal, running numbers in his head. Landing in Hong Kong, Barnett showered and met Cheng at his office, where they negotiated all day, after which Gross and Barnett repaired to a kosher dinner at Hong Kong's Jewish Community Centre.

Back in New York, Barnett submitted his formal bid. He called Gross and said he had financial backing from the venerable Carlyle Group. He faxed a letter on Carlyle letterhead stating that they were prepared to bid $1.76 billion, at that time a record price for a New York transaction. To make the deal work, Barnett planned to sell three of the condo towers on the site to Sam Zell's Equity Residential for $800 million. Cheng and Lo accepted the offer.

On the morning the deal was announced, in June 2005, Donald Trump was in his office overlooking Fifth Avenue when one of Cheng's representatives walked in and informed him that they had sold to Barnett. Trump went ballistic. "What development? Our development?" he snapped. He believed the Chinese had gotten far too little for such a prized Manhattan development site. "I've always felt it was undervalued," Trump told me recently.

Trump began furiously lobbying Gross to undo the deal, telling him that Richard LeFrak and Colony Capital were each willing to pay twice what Barnett paid. "He said you can get out of it," Gross recalled. "He said I'll get you a billion dollars more." Gross told me that Colony did offer to pay nearly $3 billion, but that its bid was only a one-sentence faxed letter and wasn't viewed as a serious offer.

The Chinese ignored Trump's demands. A month later, Trump sued them in Federal District Court in Manhattan, alleging that the Hong Kong investors had breached their duty to sell for the highest price. The suit also contained explosive allegations that the Chinese had sold the property to Barnett on the cheap and received kickbacks of $19.8 million as part of a tax-avoidance scheme.

Barnett laughed when I asked about Trump's lawsuit. "It's like so stupid, to be blunt," he said. "It makes zero sense, and the judge basically agreed."

Trump was furious with the court's decision to dismiss nineteen of the twenty charges. "Colony would have paid more money!" Trump fumed. "I had an incompetent judge. This whole thing should be investigated. I don't give a shit. This guy is a total gross incompetent, he's an arrogant fool."

While Trump lost the case, the allegations apparently caught the attention of Robert Morgenthau's office. In September 2009, Morgenthau charged Gross with tax fraud, alleging he funneled a $1 million bonus from the deal into a shell company to avoid paying taxes. Last December, Gross pleaded guilty to a misdemeanor, agreeing to pay fines of $135,000. "It came down to me at the end, I was the guy standing," Gross told me, speaking about the matter for the first time. "I was the open target, so you shoot at him."

Barnett was never implicated in any wrongdoing and throws up his hands at what he sees as sour grapes on Trump's part. "It's ludicrous," he says "[The Chinese] owned it! They're getting all the money. What, you think [the Chinese are] giving up a billion dollars in order to cheat Donald out of $17 million? The whole thing's a joke."

In June 2005, shortly after he signed the record deal for Riverside South, Barnett summoned John Cetra, a Harvard-trained architect who was finishing work on the Orion, to his office. Barnett told Cetra he was thinking of making a bid for Atlantic Yards. Cetra was shocked by the idea. At the time, the Metropolitan Transportation Authority was in the process of negotiating with Bruce Ratner over the rights to transform the area over the Brooklyn rail yards into a Frank Gehry–designed futurescape. Ratner's team of engineers had done years of planning and invested millions in the project. Bloomberg, and much of the city's political Establishment, was behind Ratner's bid, as well as his plans to bring the Nets to Brooklyn. Barnett was undaunted by the long-shot odds. "Gary said, 'I want to go after this,' " Cetra recalled. "We worked around the clock on it."

Barnett's improbable bid stunned the real-estate world. He offered to pay the MTA $100 million more than Ratner, and in a nod to community opposition, his proposal called for just 4,800 occupants compared with Ratner's plan to house 18,000. Barnett left the controversial Nets arena out of his bid and agreed not to condemn any blocks, two principal demands by community activists. Owing to their prior battle over the New York *Times* headquarters, the real-estate press jumped on the feud, portraying Barnett and Ratner as bitter rivals once again at war over prized development rights. Advisers in the Ratner camp certainly viewed it that way. "It was an effort to throw a wrench into the process, given what happened earlier," one person close to the process told me. Barnett downplayed the whole matter when I brought it up. He told me he's never met Ratner and insisted his bid was strictly about business.

In the months after Lehman Brothers filed for bankruptcy in September 2008, Barnett, like many of his peers, faced his own crisis. He was sitting on millions of square feet on which he was paying interest. In December 2008, three months after the financial crisis exploded, he laid off about 15 percent of his company. “It was a dark time,” he told me.

As the crisis eased, Barnett emerged stronger than his rivals. He invested more equity in his deals and avoided the crushing debt that hurt many less-fortunate investors. With his established network of European investors and a solid relationship with Carlyle and Abu Dhabi oil money, Barnett’s access to capital has remained secure even as other players have seen their sources of funding cut.

Still, Barnett has hit a rough patch in recent months. A few days before we spoke, he had turned over a deed on a parcel on Tenth Avenue at 30th Street, where he had envisioned building a hotel. “It was a tough decision,” he said. “I wasn’t happy about it at all. That project wasn’t viable in today’s market.”

Several of his recent projects have hit sales snags. At the Rushmore, a luxury condo on the Upper West Side, he’s embroiled in a bitter legal dispute with a group of 41 buyers. Some brokers who deal with Extell bristle at Barnett’s hard-knuckle tactics. “He’s tough as nails,” says Upper East Side broker Larry Kaiser. “The brokerage community, whether you like it or not, can make you or break you. His relationship with the brokerage is controversial.”

In the diamond district, Barnett is ensnared in a turf war with the owners of 580 Fifth Avenue over his plans to build a Skidmore, Owings & Merrill–designed office tower. Barnett has stumbled with the project. Though it was conceived as a 750,000-square-foot tower for diamond and gem companies, Barnett has so far not managed to get enough tenants to get a construction loan. Kenneth Kahn, a part owner of 580 Fifth Avenue, on the corner of 47th Street, has blasted the city and state for extending financial incentives to Barnett, essentially arguing that they’re subsidizing his investment at the district’s expense. “He was trying to get the city to almost pay for it,” Kahn says. Tensions between Kahn and Barnett were ratcheted up after Barnett poached Kahn’s tenants. “He’s making them real-estate deals they can’t refuse!” Barnett, not surprisingly, believes it’s all fair play. A few months ago, he even approached Kahn about buying 580 Fifth Avenue and converting it into a hotel and condo, but Kahn turned down the offer.

Barnett says he’s just trying to get the tower built and get out without too much damage to his finances. “God willing, we’re going to rescue our money.”

Given his meteoric rise, many in the real-estate world wonder if Barnett is creating a global firm like Tishman Speyer or Related. That seems unlikely, because Barnett insists on controlling every aspect of the development, from the financing to the choice of marble counter space, so the company will always be essentially his operation. He chuckled when I asked if he sees himself as part of the Establishment. “I don’t think of myself as a *macher*,” he said.

But *machers* are definitely paying attention. “A lot of guys, I call them the Rendering Boys,” says Trump. “They come in with renderings. They’re always showing renderings but never get them built. He gets them built.”