

Executive Summary – The Liar’s Ball

Preface and Intro:

The author, Vicky Ward, begins by describing the Liar’s Ball (an annual gala held at the Hilton Hotel and attended by New York’s real estate elite) in addition to briefly introducing the key players who were involved in the development, sale and resale of the GM Building. She also explains her fascination with the numerous attendees at the event and her subsequent desire to uncover and understand their insecurities and successes.

Chapter 1: Stealing the Spotlight

The chapter starts by describing the story of how the “Trump” letters (which were previously attached to the GM Building and vanished overnight). It then goes on to mention one of Harry Macklowe’s murkier stories – the S.R.O. debacle of 1985. As the narrative goes, Harry’s company apparently demolished four S.R.O. buildings (with no permits in hand) in order to avoid a city moratorium which would come into force the following day, all the while forgetting to turn off the gas line! Ward also brings to light Harry Macklowe’s nuanced personality, citing examples of his grittiness and out-of-the-box thinking.

Chapter 2: Alpha Males

The chapter introduces Harry’s two right-hand men, both of whom happened to be named “Rob”. It goes on to detail the groundwork Harry did prior to his bid for the GM Building, one aspect of which involved him purchasing a building at 125 West 55th Street for full value (\$125m) merely to impress Eastdil (the broker on the GM deal in ‘03) and show that he could “close” deals.

Chapter 3: The Rigged Bid

In this chapter, the author discusses the bids made by both Harry Macklowe and Sheldon Solow, the two apparent frontrunners vying for the prize of the GM Building. We learn how Macklowe’s bid was accepted although it wasn’t necessarily the highest price offered, and how he eventually closed the deal despite his primary lender (Wachovia) not delivering when Macklowe needed them most.

Chapter 4: Harry’s Hero

We are provided with a glimpse of the history surrounding the southeast area of Central Park, in particular the Savoy-Plaza Hotel, and are introduced to Harry Macklowe’s icon, namely: William Zeckendorf. We then learn more about William Zeckendorf, his flamboyance as a real estate developer and his untimely financial troubles. We also hear about his “last great real estate effort” during which he assembled the entire block by buying out the Madison Hotel and the Emmet Arcade, paving the way for the future development of the GM Building.

Chapter 5: The Odd Couple

Ward introduces us to two British characters, Lord Max Rayne and the “Housewife Tycoon” Cecilia Benattar, each of whom would play pivotal roles in the development of the GM Building. We learn how Cecilia put together the development of the GM Building, overcoming numerous obstacles in the process. One of such obstacles included her lack of track record – she subsequently “borrowed” William Zeckendorf’s entire management team for a day in order to convince General Motors that she was an established New York real estate player and that they could sign a 30-year lease with her.

Chapter 6: The Age of the Wolf

In 1971, General Motors bought out their remaining 50% share in the GM Building, but ran into financial difficulties when the 1980’s recession struck. In the chapter, we learn of a smart, horrible man named Disque Dean who (via his company CPI) bought a convertible note on the GM Building for \$500m in order to save approximately \$150 million in sales tax. Disque eventually bought the building from General Motors in 1991 but was ousted from his own company and CPI was later sold to Simon Property Group as a portfolio deal valued at \$5.8bn.

Chapter 7: Donald Trump's Big Man

Having now acquired the property, David Simon (of the Simon Property Group) wanted to offload the GM Building before even taking transfer in order to avoid paying taxes. We learn of how Donald J. Trump entered the fray (via his relationship with Indianapolis based Steve Hilbert – a man the Simon family trusted greatly) and how he ended up purchasing 50% of the GM Building by putting down a mere \$11m in equity.

Chapter 8: The Money Hunters and Salesman from Indianapolis

This chapter focuses primarily on Steve Hilbert and his financial troubles following the dramatic dip in Conesco's stock price from \$58 in '97 to \$5 in 2000 (Hilbert was the CEO of Conesco until being replaced by Gary Wendt in June 2000).

Chapter 9: Donald's "Force Majeure"

Over the next 2-3 years, Donald Trump proceeds to squander the opportunity to acquire the building from Conesco which was desperately looking for finance at the time. We hear of Trump's litigation against Conesco (regarding the hiring of Eastdil as the broker) and how he fought desperately in court, demanding an extension on the deal following the 9/11 attacks in 2001 on the basis of the event being classified as a "force majeure".

Chapter 10: Paradise Briefly

We learn of the history surrounding the infamous Apple Cube and how it completely transformed the GM deal for Macklowe, helping him raise the building's profile (and the rents) immensely. In its first year, the basement store did \$1m a day, averaging 50,000 visitors a week – Rob Sorin later regretted not charging Apple a higher floor on the retailer's percentage rent!

Chapter 11: Mr. Toad's Wild Ride

By 2006 Macklowe appetite had grown and he was not content with merely owning the GM Building – he wanted more. We subsequently learn of his purchase of the "seven million square feet of prime real estate for seven billion dollars" and how it ties in with the largest levered buyout in history, Blackstone's acquisition of the EOP portfolio from legendary "grave-dancer" Sam Zell for \$39 bn.

Chapter 12: Tick Tock - A Year on the Clock

In this chapter, the author explores why this most recent transaction (which Macklowe personally guaranteed) felt a little different to the hubris experienced when he closed on the GM Building. The market was beginning to turn and timing of the deal meant the portfolio was incredibly highly leveraged, resulting in the eventual sale of the building for \$2.9bn in May 2008 to Boston Properties' Mort Zuckerman.

Chapter 13: The Fall that Wasn't

Following the sale of his beloved GM Building, Macklowe remained a tenant in the building. However, his family troubles persisted and to this day he continues to have troubles with his son, Billy. We also learn about his latest gamble, 432 Park Avenue which is the tallest residential tower in the western hemisphere, with penthouse sales reaching as high as \$87.7 million.

Matthew de Klerk, May 2017