

Long Island Business NEWS

Where Business Gets Down to Business

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Profiting from privatization

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Certain things are better done in private, especially for companies. More organizations are opting for the private life free from regulation and the tyranny of the quarterly mindset, as they seek to snag bigger investors.

Reckson Associates two years ago was sold for \$6 billion to S.L. Green after more than a decade as a public company. Scott Rechler then led the acquisition of many of the firm's assets from S.L. Green for \$2.1 billion, creating a new private firm named RexCorp.

The Uniondale-based company that owns 70 properties totaling 12 million square feet is based in RexCorp Plaza in Uniondale. But even if RexCorp said sayonara to Sarbanes-Oxley, it still issues quarterly reports.

"There is an investor base that you need to report to," said RexCorp President and Chief Financial Officer Michael Maturo. "Those reporting requirements in today's environment, where all investors are looking for transparency, are significant."

Maturo believes RexCorp's culture of accountability, developed from more than a decade it spent as a public company, is an asset.

"We still provide a very high level of transparency to our investors and lenders. We see that as a competitive advantage," Maturo said. "Private real estate companies that were never public never developed those disciplines in terms of reporting and transparency."

More companies are recognizing the benefits of going private. The Dolans have tried to take Cablevision private. In real estate nationwide, Equity Office Properties and Carr America went private. Entrepreneur Bert Brodsky took health care services firm Sandata Technologies private.

"It used to be that if you were an up-and-coming company, the way to go was to go public," said Mike Desautels, a partner at PricewaterhouseCoopers in Melville. "Nowadays, there's not a compelling reason to go public."

Firms he took private, he said, enjoy life out of the spotlight.

"They enjoy the autonomy," Desautels said. "They enjoy the freedom to run the business the way they see fit and not having to answer to the general public or the investing public."

Although freedom from regulation is the main driver, companies go private for various reasons.

"Every company's different," Desautels said. "You may have two companies that go private, but their reasons for doing so are very different."

Reckson sold when it saw commercial real estate prices rise. The REIT index was at a new high.

"We saw the opportunity to realize a substantial gain for our shareholders," Maturo said. "That was the No. 1 reason."

When RexCorp was born as a private firm, it was no longer accountable to Wall Street or a board of directors, but has an

investment committee to review deals. "We can be more nimble and flexible and look at things on a wider scale," Maturo said. "The decision-making process needs to go to a smaller group."

Because shareholders seek immediate returns, public companies often find long-term planning difficult. "Wall Street has a shorter-term vision," Maturo said.

RexCorp, with its newfound freedom, is pushing ahead with the Lighthouse development in Hempstead, investment in hotels such as the Long Island Marriott in Uniondale and residential projects such as the Ritz-Carlton residences in Baltimore and one to be built in North Hills.

"It lets us be more creative in terms of the types of deals we go after," Maturo said. "It lets us be more creative in terms of how we structure transactions."

Rechler and Maturo have been on a road show lately, traveling to Seoul, Singapore, Tokyo, Arizona, California, Michigan, North Carolina, Ohio, Oregon and Texas to target institutional investors for funds their firm is launching.

"We're aggressively growing," Maturo said. "We're raising \$800 million in equity we could use to buy \$2.5 billion in assets."

While there has been a credit crunch, Maturo said firms like RexCorp – which have experience working with about 50 lenders – still can find capital and credit. "I don't think it's a matter of being tougher," he said. "There's significant capital available to private real estate companies."

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