

# COMMERCIAL OBSERVER

SEPTEMBER 21, 2021

► **Plus**

- 18 JBG achieves carbon neutrality?
- 23 CRE warms to geothermal power
- 30 San Diego: Life sciences mecca!

**SUSTAINABILITY ISSUE**



## Hines & Mighty

Sarah Hawkins is the new East region CEO of the Texas real estate colossus



Sarah  
Hawkins.

# LIKE A HAWKINS

Sarah Hawkins manages Hines' work in major East Coast markets like D.C. and New York as a recently minted regional CEO. Here's what she sees.

By Cathy Cunningham | Photographs by Yvonne Albinowski

**S**arah Hawkins joined Hines in 2011, and, a decade later, she's now CEO of the U.S. East region, overseeing the developer's activities in New York, Boston, Philadelphia and Washington, D.C.

The Houston native started her career in finance, working at Blackstone and Fortress Investment Group, before the development side of the business drew her in and she searched for a role that would combine her expertise with the creation of real estate.

Her first project at Hines was 7 Bryant Park, after which she earned her stripes tackling multiple pockets of the developer's portfolio — including acquisitions, asset management and retail leasing — across multiple asset types.

Hines was founded in 1957. Today, it has a presence in 255 cities in 27 countries. As CEO of the U.S. East region, Hawkins now sits at the helm of \$19.8 billion in assets under management, and 33 million square feet as well.

She spoke with *Commercial Observer* in late August, just before her promotion became official on Sept. 1, including about what's high on her priority list as she takes the reins.

**Commercial Observer: Congratulations on your promotion! What are some of the things you want to accomplish in the first few months of your new role?**

**Sarah Hawkins:** Thank you! I've been transitioning into this role for three years now. We've had two other CEOs in the East region over our 40-year history, so we take transitions very seriously and we try to do them the right way. It's something that's happened very

organically and naturally, and a lot of what I'll be doing is actually a continuation of what I've been putting in place over the last three years.

**Where have you been focusing your efforts during that time?**

There's been a big focus on diversification efforts. Most people know Hines for the big, core trophy office developments that we do — and we do amazing office developments across the globe — but a lot of people don't know that we're also incredibly active in multifamily and industrial. We have over 100 million square feet of industrial across the U.S., and 40,000-plus units of multifamily. We're also in the senior housing business and the single-family-lot development business. There's been a real benefit to that diversification.

**Industrial and multifamily are two of the most heavily competed-over asset types today. What's your competitive edge as you target these sectors?**

We're at this incredible time in real estate right now, where there's tremendous uncertainty and it's more competitive than ever. There's more capital flowing into real estate than ever before.

And, so, bringing the model that we have — the local market experts combined with our proprietary research; our investment management platform; and then our vertical integration where we have not only the product experts, but the engineering team, the property management team, the construction managers that are experts in their local market — we can figure out exactly what's needed. We're bringing our capital directly

to opportunities and working with the team that's actually effectuating the change.

**You joined Hines in 2011. What was your path to the company?**

I worked in finance before coming to Hines, at Blackstone and then at Fortress. I had hit a point in my career where I was interested in doing development, and finding a way to combine my financial experience and expertise with the creation of real estate.

Someone recommended that I reach out to Hines, and that led to meetings with several people [at the firm]. I was completely blown away in those initial meetings by how much people at Hines seemed to like their job — just the pride that they had in it, the passion and how fun it seemed. I wanted to be part of that.

When I first joined, Tommy Craig, who runs our New York office, told me: "We can teach you the design and the construction and the project management. On-the-job training is the best way to learn." So, I decided to take a leap of faith.

**What do you remember about your first day at Hines?**

I was invited to a design meeting for 7 Bryant Park. We're sitting in a huge conference room with our engineering team. Henry Cobb [of Pei Cobb Freed & Partners] was the lead architect, so to have him in the room was just amazing.

Tommy Craig was standing up, commanding the room and talking about his vision. This was my first development meeting, so I understood 50 percent of what he said as he talked in acronyms — I'm sure I do now, too — but it was so exciting to be part of. I looked at Tommy and thought: "I want to be like that."

### How was the transition into the development side?

It was a bit of a career change. I started as the assistant project manager at 7 Bryant Park, and had the incredible benefit of getting to see the full life cycle of a project. I loved the developer role, in that we were bringing all the experts together, we were making decisions, and we were figuring out the right way to put it all together.

So, in the first four years, I was almost completely focused on pure project management experience. Since then, I've started our senior housing platform on the East Coast — we have two senior housing projects underway — and I've also been involved on the retail leasing side, acquisitions and asset management. I've touched a lot of different things.

### You worked on the Hudson Square portfolio repositioning in 2016, and brought in Shake Shack as an office and retail tenant.

Yes, I'm actually sitting in one of the buildings today! Back then, Trinity Church Wall Street and Norges [Bank] Real Estate Management had put out a [request for proposal] to identify an operating partner to help with their massive portfolio in Hudson Square. From the minute we saw the opportunity, our entire office was energized by it. The buildings used to be printing buildings, built in the early 20th century, and in a moment of transition, there was just an enormous opportunity for us to come and do what we do so well — which is bring the best out of real estate.

We were so committed to the opportunity that we moved our office headquarters from Midtown, where we'd been since the beginning, to Hudson Square. We wanted to be part of the neighborhood's transformation. I now walk to work every day because I live a few blocks away.

### Why was Shake Shack a good fit for Hudson Square?

We knew the retail was a very small percentage of the [net operating income], but we also knew it could have a big impact on the neighborhood. So, it was a very strategic focus for us to bring in the right retailers.

These are buildings with huge ceiling heights, large-scale basements, and big windows and openings, so there was an opportunity for office occupiers who also wanted a retail presence — to have it all in one place. We knew Shake Shack was looking for a new headquarters, and we approached them. The space had transitioned through three or four different restaurants over the prior 10 or 15 years, and was vacant at the time.

We were able to get Shake Shack's CEO to tour the space. I'll never forget, we were walking down Varick Street, and his comment was: "Oh, I remember this space. This is where restaurants come to die." We laughed about it, but we were ready.

We had amazing visuals and took him through what was possible in the ground-floor space — if you had the right user with the right vision, the opportunity to connect it to the below grade — and then the



**A DECADE ON:** Sarah Hawkins joined Hines in 2011, after stints at Blackstone and Fortress Investment Group. Her initial work at the company involved the planning behind the office tower at 7 Bryant Park, which opened in 2015.

opportunity for their office headquarters. They loved it and are now fully open with their innovation kitchen in the basement, Shake Shack retail on the corner and their office headquarters above. So, it's exactly the type of vision that we had for this space and it's been just a phenomenal partnership.

### Why did you decide to launch the senior housing element of Hines' business a few years back?

Senior housing was something that I'd been involved with prior to Hines, when I was working at Fortress. When I came to Hines, I looked at the beautiful residential condo buildings we were doing and I asked: "Why aren't we doing senior housing? Hines could bring something to this business that doesn't exist today — a building in Manhattan for seniors that's beautifully designed, that gives dignity to seniors and as a place that people want to live, as opposed to something that feels like an institution." It really didn't exist in Manhattan for a variety of reasons.

We were fortunate enough — at the time that I was making my case for senior housing — to be approached by our partner, Welltower, who came in and said: "We want to own senior housing in Manhattan. It doesn't exist, so we need to build it. Let's do something together." Welltower has been a great partner to us, and we now have our first project almost complete and our second project underway.

### Will Hines develop more senior housing in New York City?

We currently have two large sites and a significant investment in the two existing buildings. At this point, we are going to wait for those to open and lease up before we do more. Even with those two projects, New York is severely undersupplied compared to other [metropolitan statistical areas], but we don't have any external pressure on us.

We want to prove out the thesis, make sure

those are successful, and then we'll look for other opportunities. We're active in senior housing outside of the East region at Hines. We're also looking at new opportunities in D.C. and in Boston, so I'm very confident that we'll do more senior housing.

### Has the pandemic made you reassess which asset types you want to pursue going forward?

I think a lot of what's happened through the pandemic has just validated our thesis. We're a trophy office developer — and we think we're one of the highest-quality developers — but when it comes to office, the uncertainty in the market makes us very measured. It's been very validating that the best office buildings have been the beneficiary of tenant demand through — and, we expect, beyond — the pandemic.

The flight to quality is absolutely real. We see it every day. We see it in New York, we see it in D.C., we see it in Boston. So that's been incredibly validating. In New York City alone, we started 1.4 million square feet of spec office to development during the pandemic.

Our thesis on multifamily hasn't changed substantially. We had started moving into the suburbs several years ago, when New York City's population started declining in 2017, and so we've been focused on capitalizing on that trend. And, then, we couldn't have expected the wave change in the industrial market, but we had really gotten our platform up and off the ground before the pandemic. We have 4.6 million square feet of industrial underway in the East region today.

### With the delta variant wreaking havoc on return-to-office plans, what are you hearing from tenants today?

Tenants are looking for flexibility regarding long-term decisions. I'd say that's a theme at the same time. Starting this year, we've seen tremendous activity at One Vanderbilt and at One Madison, so we're absolutely seeing the

flight to quality. Tenants want to be in new buildings, and when it's a tenant market, you just see that trend.

### How was your personal experience of keeping the business wheels turning through the past 18 months?

I think, in some ways, all of us are still processing what we just went through. At the height of the pandemic, it was scary. We didn't know what the impact was going to be for our business. We didn't know if tenants were going to keep paying rent, if our projects that were underway were going to continue, or get financed or get the approvals they needed to move forward. There were so many questions.

I'm very happy to say we've come out of it — in many ways — stronger than we were before. Last year ended up being a very positive year for us, despite the immense challenges, and our team has never been busier. You want to be circumspect about it because there is such uncertainty out there, but we have been surprised by how many opportunities we have seen. It's been a complete whirlwind.

I'm clearly biased, but Hines has a special culture in that we really enjoy one another and we're very proud of what we do. When I first interviewed with Hines, that pride just came through — I think that social capital that we've built up really carried us through the pandemic.

### What else is keeping you busiest right now?

We're underway with what I think will be one of the most exciting projects in North America right now — South Station in Boston. It's been 20-plus years in the making, and is now underway and is one of the most exciting projects that we have in the East region.

Another one that I think a lot of people don't know about is our horizontal land development. So, it's really lot development for home builders. I think a lot of people are reading about the demand in the housing markets, and we think, in the D.C. market, there's going to be a need for 300,000 new homes over the next 10 years. It's a business that we like a lot.

### You grew up in Houston. Are you the first member of your family to be in real estate?

I am. I didn't grow up in a real estate family and I didn't grow up in New York, but I've always been a competitive person. I went to University of Texas — the business school there — and, at the time, what everyone wanted to do was get the investment banking job. I got an internship at Blackstone, came up to New York and just loved it. I loved the energy, and I felt so challenged by the people.

I probably moved up here with 50 friends from Texas, but almost all of them have moved back at this point. My husband, who's also from Texas, and I kind of laugh like, "How are we still here?!" We just love being in New York City and I actually was able to convince my mom to move here. If you had asked me, as a kid in Texas, I could never have imagined I'd be here today, but it's really fun to be in real estate in New York City.