



ESTABLISHED 1907

The Economic Club of New York

114th Year
620th Meeting

Tony Malkin
Chairman and Chief Executive Officer
Empire State Realty Trust, Inc.

July 27, 2021

Webinar

Moderator: Gayle King
Co-Host, CBS This Morning
Editor at Large, Oprah Daily

Introduction

Barbara Van Allen, President and CEO

Good morning and welcome to the 620th meeting of The Economic Club of New York in our 114th year. I'm Barbara Van Allen, President and CEO of the Club. As many of you know, The Economic Club of New York is the nation's leading nonpartisan forum for discussions on economic, social and political issues, and our mission is as important today as ever as we continue to bring people together as a catalyst for conversation and innovation. A special welcome to members of the ECNY 2021 Class of Fellows, a select group of very diverse, rising next-gen business thought leaders, and welcome to graduate students joining us today from Fordham University.

It's a pleasure for me first to welcome our special guest, Tony Malkin. He's President, Chairman and CEO of Empire Trust Realty. He joined its predecessor entities in 1989 and has been a leader in existing building energy efficiency retrofits through coordinating the team of the Clinton Climate Initiative, Johnson Controls, JLL, and the Rocky Mountain Institute in a groundbreaking project at the Empire State Building, which by the way also happens to be where The Economic Club of New York's offices are.

Tony led the development of standards for energy efficient office tenant installations,

which is now known as the Tenant Energy Optimization Program at the Urban Land Institute. He's a board member of the APi Group Corporation, the Real Estate Roundtable, Chair of its Sustainability Policy Advisory Committee. He's a member of the Climate Mobilization Advisory Board of the New York City Department of Buildings. He's a member of the Urban Land Institute. He's a member of the Board of Governors of the Real Estate Board of New York. He's a member of the Partnership for New York City's Innovation Council. He's also a member of the Building Committee of the Metropolitan Museum of Art, and a member of the Committee Encouraging Corporate Philanthropy. Tony received his bachelor's degree cum laude from Harvard College.

The format today will be a conversation, and we're fortunate, very fortunate to have Gayle King doing the honors of moderating. An accomplished television journalist, Gayle interviews top news makers every day, delivers original reporting to CBS This Morning and all CBS News broadcasts and platforms. She's also an Editor at Large of Oprah Daily and hosts a live weekly radio show titled, Gayle King in the House on SiriusXM.

We're going to end promptly at 11:45, and as a reminder, this conversation is on the record. We do have media on the line. Without further ado, Gayle, the mike is yours.

Conversation with Tony Malkin

GAYLE KING: Thank you very much, Barbara, for that introduction. I just know this. When Tony calls and says are you interested, before he finishes his sentence, you go, yes, I am, Tony, whatever it is. Listening to that introduction of you, Tony, I'm like, whoa...

TONY MALKIN: I don't know who that person is.

GAYLE KING: I'm thinking, well, we wanted to talk to business leaders as we're sitting here all dealing with Covid, Covid-19 and now the Delta variant, you were clearly one of the most prominent business leaders in the city of New York. So I just want to take your temperature on how you're feeling about where we are today. So we sit here in July 2021, I, like many people, thought we've turned a corner, we can start taking off our masks, and then the Delta variant raises its head and I'm worried about us going back to where we started. How are you feeling as we sit here today?

TONY MALKIN: So I'll tell you, Gayle, I really believe that we are in a period of entering into an endemic versus a pandemic. I think so long as the rest of the world is not vaccinated, we'll have Covid exposure and new variants. And then it sounds a little bit more like the flu over time if you're vaccinated.

GAYLE KING: If you're vaccinated.

TONY MALKIN: If you're not vaccinated, you might as well live in Mumbai or Delhi. And the fact of the matter is, you know, I made a comment to someone earlier today, it's a little bit like you've got the warning, get out of Sodom and Gomorrah. You got the warning, get the vaccine. And if you don't get the vaccine, you're a real risk. But I think we manage it. I think we live with it.

GAYLE KING: Tony, that's exactly where I was going with this. Do you think, because I'm walking around like this, freaked out by everything, and just this morning someone new came into the office at CBS, and I said, are you vaccinated? And they go, no, I'm not, and I, like backed out of the room, and I'm fully vaccinated and they were masked. Do you think we need to get to the point where we have to figure out a way to live with this because it is here to stay?

TONY MALKIN: I do believe that we have to get to the point where we have to live with it, number one. Number two, I think to live with it inherently means get vaccinated. To get very sick and potentially die from it is if you're not vaccinated. And I think that, look, people have tried enticing, cajoling. There are a lot of people who were very motivated to get vaccinated. Now the vaccine numbers have pulled back. I think it will be very interesting to see, particularly as anti-vaxxers themselves begin to get sick and more

and more people come out, I don't care if it's Mitch McConnell or the governor of Alabama, you know, people are going to come out and say, please get vaccinated.

GAYLE KING: They're saying that now.

TONY MALKIN: Correct.

GAYLE KING: They're saying that now.

TONY MALKIN: That's not what they said before.

GAYLE KING: Exactly. And that's the other thing that is a little frightening to me and scary, that it has become so polarizing, that you're one group of people who are vaccinated, another group who is not vaccinated. Mayor De Blasio just announced recently that in the city of New York, 340,000 workers, he is going to require vaccinations, mandatory vaccinations for all city employees unless you have a medical excuse, and he wants that to happen by mid-September. Do you think that's the way to go for businesses to take that tactic?

TONY MALKIN: I think that you first want to give people the opportunity, you next want to give people the opportunity to learn and change their thinking.

GAYLE KING: But we've done that, Tony, and they're not changing. Some of them, over two million New Yorkers have not been vaccinated.

TONY MALKIN: Right. You know, I think that then we get down to the point where, in our company, I hate to make an HR announcement while we're doing this...

GAYLE KING: Well, don't do that. Don't do that. I don't want your HR Department mad at me today.

TONY MALKIN: I think ultimately we need to have everyone who can be vaccinated, vaccinated. There are some people who cannot. Right?

GAYLE KING: Because of medical issues.

TONY MALKIN: Because of medical issues, because of underlying conditions. There are some people who are immunosuppressed for whom the vaccine doesn't have the same reaction. And I think over time, though, when one realizes the more experience we have, and I know a lot of people – as I'm sure you may – who are fully vaccinated and who have contracted Covid.

GAYLE KING: Yes, and they've contracted it from people who were not vaccinated. And what's why I'm frustrated, because unlike the flu vaccine, if you don't get the flu vaccine,

it only affects you for the most part. If you don't get the Covid vaccine, you could potentially affect other people. And that's why I'm so frustrated, saddened, when I see people who, I believe, are putting other people's lives at risk.

TONY MALKIN: Well, I think what we need is, kind of the sad thing is to say more people of the unvaccinated variety to get sick and then for them to speak up – hopefully survive – for them and their families to speak up in churches and political settings and mosques and synagogues, and environments around the card table, where people say, you know, make the shift, I think I'll go get the vaccine.

GAYLE KING: You know, and it's interesting because we're starting to see more and more of that. Certainly on CBS there's story after story about people that were unvaccinated, which by the way, the only people who are in the hospital are people who are unvaccinated, for the most part. The only people who are getting very, very sick are unvaccinated. And we've seen story after story, and all age groups too. It used to be over 60, 65. Now there was a story we had on the other day of the 24-year-old girl who died, a 28-year-old guy who died, no health conditions whatsoever. So people need to understand that this is very serious. But you can't make people, you can't make people get the vaccine, and it is a personal decision.

TONY MALKIN: And interestingly enough, Germany and France have now exceeded

the United States for fully vaccinated percentages of their population. So Europe, which was behind, now gets ahead. So get vaccinated. Don't mess around.

GAYLE KING: Yes. Tony and I are asking you, please, people, get vaccinated.

TONY MALKIN: For the benefit of everyone around you, if not yourself.

GAYLE KING: If not yourself, for the people you love – your grandmother, your child, think about that for a second.

TONY MALKIN: The most important thing, I think we live with it. I think that's the nature of things.

GAYLE KING: I do think, I hadn't thought about it that way until you said it, instead of being freaked out, just figure out a way that we can live with it, because you can live with it and you can survive. We've just got to be extremely, extremely careful. But let's take a step back. We've been in lockdown since March 2020, is when we were first in lockdown. We've come out of it of course. But there are, I think, many lessons to be learned, what we've gone through for the last 18, 17 months. What is your top lesson that you've learned as we've, not only as we've gotten through it, but we're still navigating it? And are you still learning lessons?

TONY MALKIN: So I'm going to say that I break down the lessons learned into two pieces – big thoughts, tactical thoughts. On the big thoughts...

GAYLE KING: Don't you always have big thoughts, Tony Malkin?

TONY MALKIN: I do, but...

GAYLE KING: I saw your office. He ain't got little thoughts. You think big but go ahead.

TONY MALKIN: She's looking in my office. As you know, I don't actually have AN office.

GAYLE KING: Well, he has a side room. That's another thing, people who are watching, yes, I was very surprised to see that Tony's desk is out with the people. And I thought, I wouldn't like this. I wouldn't like an employee and the bosses sitting there. Nor would I like to be the boss and I'm sitting there. I just think everybody needs private space, but that's just me, but go ahead. But he does have a private room. Go ahead, Tony.

TONY MALKIN: So big thoughts, tactical thoughts. Big thoughts, when I think back over 17 to 18 months, I actually think about the fact, gee, we shifted from the "me too" movement to the Black Lives Matter movement to all sorts of different thoughts about critical race theory and wokeness and so the big thing for me, the take-aways are we

were already – at Empire State Realty Trust – on a pathway to change how we staff and populate our business for inclusion. Right? It's not just diversity, it's inclusion. It's parity and equity of compensation for similar jobs. It goes right down to our internship programs where we actually, we designated, we must have – we are a New York City real estate company – in our internship pool each year, we must have two inner city Black youth from underprivileged neighborhoods in our internship program.

GAYLE KING: How big is the internship program?

TONY MALKIN: There are six of them and they're in-person. And we have a tremendous, by the way, we had diversity before, but it was always people from out of town who wanted to come to New York to live and work. We want New Yorkers in the picture. So that's a tactical piece.

GAYLE KING: So you had started working on that before the pandemic.

TONY MALKIN: Diversification in the boardroom, I'd say inclusion in the boardroom. Inclusion in our executive suite. So that's part one, the big thoughts, which I don't think a lot of people lose. On the tactical stuff, look, I'm an asthmatic. You were in our offices. We walked around. As I told you, we've got cork floors, zero organic off-gassing, volatile organic off-gassing materials in our wall coverings, in our paints, our adhesives, our

carpeting is recycled. So healthy building environments with indoor environmental quality. This is a tactical response to what's happened with Covid for many. For us, we started it, this office, in 2016, but we started this five, six years ago. Merv 13 filters, ventilation, active bipolar ionization, which we actually put out there because it killed the SARS virus, which was another coronavirus.

So the big thing for us is, as far as lessons learned over this period, is to have a good work space, meaning a healthy work space, you need a work space where people can feel confident to come to work. And we have built this out for our entire population. So what does that mean? For our pre-built suites, we now have what we call indoor environmental quality certified spaces where someone can come in, in a pre-built office, it's got Merv 13 filters, it's got active bipolar ionization, it's got ventilation, it's got no off-gassing volatile organic compounds in carpets, wall coverings, paints and adhesives. They can walk in, turn the key, return to work with confidence. Those are the things that really stand out on the tactical side.

GAYLE KING: Well, you're certainly ahead of that because I tell you, I had ever given any thought whatsoever when I went to my office at CBS as to how the air circulation was. I had never paid any attention, you know it's either, is it too hot, is it too cold? Can I breathe? But I never thought what exactly is in the filters. I mean, and now we've done a complete overhaul because of Covid-19. And I think that that is a very good change.

What about in terms of people returning to work? As we sit here in July, I know many of the banks in the city have said you've got to come back to work after Labor Day, whether it's five days a week – at CBS they're still navigating that, at Hearst, my other job, still navigating, is it three days? Is it two days? Are you in the office? Are you out of the office? Have you made a decision about that? Because I don't know about you, but I am so frigging Zoomed-out, I want to go back to work. I want to be with people. Tony, I was missing people I don't even like. So I really wanted to go back to work because I think that there's a camaraderie that happens in the office. What is your feeling about people returning to work and being physically in the office?

TONY MALKIN: So, look, I think that Aaron Burr sang it best in Hamilton, you've got to be in the room where it happens. Right? You've got to be in the room where it happens. And I think the bottom line is, first of all, our tenants have steadily increased in return to office. So we're still, I think, I'll get the statistics for last week at some point today, but we're still somewhere around, just below 25%, but we were at 7%, 6%, 5% during the peak of lockdown.

GAYLE KING: And now you're at 25%?

TONY MALKIN: Now we're closer to 25% in New York City, 42% in the Greater New York metropolitan area, number one. Number two, our tenants tell us, our big, most

sophisticated, most intelligent tenants say, we are back. We will be back. Our largest tenant, which is LinkedIn, has said to us, you know, originally they had expanded at the Empire State Building, taking some of the lower floors and then they thought they might redo their lower floors and then sublease out the other floors. They said no.

First of all, New York is a great place to hire. We find it better for the talent pool and engineering and we believe we've been successful in this office. And second of all, we want to make an office as attractive and as much of an incentive and an inducement, people will want to be there. Not just desk after desk after desk, but real interactivity, greater opportunity for exchange of ideas, ideation. And then the last piece is they won't sublease any of their space is what they have told us. Of course, you know, the world, all plans are subject to change, who knows?

I really do believe that, look, work from home, you know the dialogue and the press begins to change. The press likes the story, what will happen? Right? So right up to the point where, look, it's the 27th of July today, so we're at the point that Katie Ledecky actually touches the wall. They want the drama. Right? When the woman from Alaska wins that medal, they were completely unprepared because they had built the whole dynamic and all of the previous comments about the fight between the American and the Australian or whatever. And then, oh, my gosh, here's this person from Alaska.

GAYLE KING: And she's 17.

TONY MALKIN: She's 17. Oh, my, we didn't have a back story on her. Right? So I think that the story begins to change because today now the story is what will happen to the people who not in the office?

GAYLE KING: That's what I, that's what I was going to say to you. Here's the rub. A lot of people feel that they've been working from home, been working from home very efficiently, very well. They like working from home. And they're saying, you know, I don't really want to come back to the office. Are those people at a disadvantage, the people that don't return to the office?

TONY MALKIN: So I think we have just, are beginning to finish the preseason, okay, and we're already calling, the press wants to call the final play of the Super Bowl. Right? So my view is you don't know until people get back in and begin to experience, look, we'll bring you in three days a week. And the comment there is, okay, when people are in there three days a week, how do they actually feel when they're there with all their peers? Right? And do they actually have jobs which would allow them to be there three days a week? On the Zoom call, you shut this thing off, Barbara, all the attendees, the people who say, oh, I'll watch it later because it was recorded, they don't get to ask questions...

GAYLE KING: They never do, but they never watch it later either.

TONY MALKIN: They never get, they never get to ask questions, exchange ideas with each other when they've been in the room together. They just miss out. And I think when you're trying, look, work from home is incredibly discriminatory. If you are a mother, I'll never forget being on a call with a mother who is a PhD economist at Brown. Her husband is a PhD economist at Brown. They're both writing books. They're schooling from home. The kids go to her for homework help. And her comment is, my life is different than my husband who is in the room next door. Alright, now imagine you're a single mom or a single parent of any kind, imagine that your "work from home" is in a NYCHA, New York City Housing Authority building without any broadband, high-speed broadband. Well, everybody else has access, you don't, so you can't be on the Zoom call. You're one of the phone numbers that's dialed in on the side.

GAYLE KING: So it sounds to me what you're saying is if companies say we want you to come back to work, you say, no, I prefer to work at home, it seems to me you're saying you're at a disadvantage if you stay home. Are you saying that or no, not really?

TONY MALKIN: Totally, 100%. How do you learn? How do you get mentored? How do you build culture? We're building off of, we work off of momentum now. Now, let's face it, within the tech business there have been a history of gig workers who literally, that

never, they were never employed by the companies in the first place. I'm not just talking about Uber and Lyft drivers, but programmers and people who work on marketing or graphics, and I don't think that changes. And I do think, you know, we as a company probably in the fall will begin to experiment with not days home, but the ability not to have to take a day off if you have a childcare issue.

GAYLE KING: Is that a new...

TONY MALKIN: That'll be new.

GAYLE KING: That'll be new for the company.

TONY MALKIN: If you've got a doctor's appointment nearby, as opposed to – it's your home – as opposed to having to take the day off. Right? However, we believe that most of our processes very importantly take place, interaction with people, face-to-face, and that's how we learn.

GAYLE KING: I think that's how you grow too, Tony. I don't know how you get promoted if you don't have face-to-face time with the boss or you don't have face-to-face time with your colleagues to get to interact with you. I think you're at a disadvantage if the only interaction you have with your boss is through Zoom. On the other hand, that said, do

companies have to adapt because people working from home, they've figured out a way to do it efficiently? Do companies need to rethink their business model?

TONY MALKIN: Let's look at this in the following context.

GAYLE KING: Okay.

TONY MALKIN: We are about 12 months into, a little more than 12 months into the most remarkable fiscal and monetary stimulus coordinated worldwide in the history of the world. The United States has never spent like this, not in war time. So there are lots of businesses which are in banking, in law, they are completely overwhelmed with the business that they have to do simply to process all of this money that's going around. Lots of people can earn more. I have a younger son who did the calculation, he said, you know, people who work in my company, many of them aren't coming in because they actually earn more at home than to come to work.

GAYLE KING: So, don't companies have to adjust to that then?

TONY MALKIN: I think companies have to adjust to that and people have to adjust to the fact that that tap shuts off. This is deficit spending. That's why we don't have water in Bakersfield, California for pistachios and almonds. We're using more water than

actually was produced, and then it just comes to an end. There's nobody there. So I think that that'll be an adjustment. I really do. And I think that again a lot of this conversation all takes place within the context of people who aren't in the office. I can tell you, those of us who are in the office, we've accomplished a lot more than you in the interim. It's a big difference. I don't know what your thought on that is.

GAYLE KING: No, it is my thought. I think that, I do think you're at a disadvantage. Listen, I marvel at what we were able to do from home. Honestly, the fact that we could do a TV show. I was in my family room for three months, off the air. I marvel that you can run a magazine with somebody in the Hamptons and somebody in Ohio and somebody in Maryland. I marvel that we could do that. And we showed that you could get it done. It's not the best way to do it, but we did get that done. And so I wonder, because we were able to do that, maybe we do need to rethink how we all run our businesses. I personally want us back in the office, but I'm starting to get a lot of push-back from people who say I have children, I have this, I have that, and as long as I can do my job, what difference does it make to the company where I am.

TONY MALKIN: Right. And I really believe, I've said for almost a year at this point now, let's look at things at the end of the first quarter of 2022 because that is when we'll have a better understanding. Why is New York, why do I have confidence in New York? Oh, I don't need to be in New York. Okay, well guess what? It's the biggest entre-port to the

United States, is New York City – international trade, thought, the United Nations, tourism, art, culture. This is why these kids want to come to New York City and, frankly, you know, a very interesting thing, when you hear about families that have moved out, families which have moved out of New York City, well, a lot of people stayed in New York City a lot longer than they typically did historically anyway. Where did you raise your child?

GAYLE KING: Connecticut.

TONY MALKIN: Right. Okay, and when she left for school...

GAYLE KING: Greenwich. It's very dangerous in Greenwich.

TONY MALKIN: And when she left for school, what did you do? You came to New York.

GAYLE KING: Yes.

TONY MALKIN: So I look at this, that's a natural progression for a lot of people. If you're fortunate enough to be able to afford a lifestyle and make it all work in New York City, guess what happens during Covid? Well, the nanny doesn't show up and the housekeeper doesn't show up and you have to do all these things yourself. Well, let's

stop and think about where we're most effective as parents and adults.

GAYLE KING: But there are a lot of people that don't have nannies and don't have housekeepers and have to figure out and have been making it work and will make it work.

TONY MALKIN: And that's exactly my point where I say work from home is discriminatory against them. Schools need to be open. We need to get the preschools back. We need to get the daycare back. We need the after-school programs back. We need the cultural institutions reopened, which they are.

GAYLE KING: Should teachers have to get mandatory vaccines?

TONY MALKIN: I think it's really a situation in which, in their own selfish interest, they should be vaccinated. And if they do not get the vaccine and they do get Covid, the answer to that is, it should not be, oh, we have to return the kids home. The answer should be get the vaccine. Right? You get the flu from your kids in your class. You may well get Covid from your kids in your class. If you're vaccinated, you will have the equivalent of or less than the flu most likely, statistical probability 98%. If you are not vaccinated, you could die.

GAYLE KING: But part of the problem, Tony, even in New York City, you have healthcare workers who are not getting it. And so I'm thinking, do they know something we don't know? I think even some of the healthcare workers have been caught in the misinformation cycle about this vaccine. And that's scary to me.

TONY MALKIN: You can't disagree with that. That's a fact. So then how do we educate them? Some people, how many kids do you know – I was one of them – the comment was don't touch that, that's hot. Okay. And so, okay...

GAYLE KING: Don't cross the street without looking at the light.

TONY MALKIN: Okay, well, hopefully, we don't have those accidents because don't touch that, it's hot, and you touch it. And what happens? You get burned and you cry and you get a blister and you get an ice pack on it and you get a band-aid and you got a boo-boo. And you realize and you say, I will not touch that again. That's hot. Right? And then someone next to you said, what happened? You say, I was told not to touch that, that's hot, and I got burned. Well, you can learn from your peer. The other kid learns from the kid, but not from the adult.

GAYLE KING: Yes. You know we had an expert on who gave a really good analogy – David Eggers – who said, you know, back in the day when they said no smoking in

restaurants, remember people used to smoke in restaurants and used to smoke in planes, if you can imagine.

TONY MALKIN: Sure.

GAYLE KING: And so then they changed the laws and said you cannot smoke here. Now, that doesn't mean you can't smoke. If you want to smoke at home, fine. If you want to smoke in a park, fine. But you can't smoke here. So you don't have the right to jeopardize my health. If you want to jeopardize yours...

TONY MALKIN: My father used to smoke cigars on planes.

GAYLE KING: Oh, my gosh.

TONY MALKIN: And I'll never forget one time when I was, in 1984, I was on a coach flight on Air España, whatever, a Spanish airline. The smoking section was on the left side of the plane and the non-smoking section was on the right side of the plane. And I looked up and said, what is that about?

GAYLE KING: And you know how wide that aisle is. The biggest challenges, though, about coming to New York, are you concerned about crime? We've heard more and

more stories of, listen, the fact that people have been shot randomly at Times Square, which by the way CBS is getting ready to move down to Times Square so we're all a little aaah, are you concerned about the crime in the city and homelessness in the city in terms of being a business owner?

TONY MALKIN: I am very encouraged by the fact that, not the elites, but the New Yorkers voted overwhelmingly for the two most moderate candidates. Reform the police, don't defund the police. Safe streets, safe schools. Let's get the vendors off the streets, which the police, you know, this administration has removed from the police the police ability to deal with vendors, homeless, the bail and sentencing reforms that take people with guns, who commit crimes, and put them right back out on the street. Things have gotten out of hand. And I think that it's telling and it's important that the Democratic candidate who is absolutely statistically and probably to be anything other than mayor, has said no. He's been elected by the middle class, the lower middle class, the workers, the upper middle class -- Eric Adams...

GAYLE KING: ...who is a former police officer.

TONY MALKIN: Right. And was a key component of reform of the New York City Police Department when he was a police officer. So I want to take it from another perspective and say there are socialist forces in power in the current New York City mayoral and city

council offices who masquerade as progressive Democrats.

GAYLE KING: That's a pretty strong claim, Tony.

TONY MALKIN: It's time to put the pitchforks and the torches away. Alright. Don't try to punish the people who are successful, who build success within the city, don't punish them. They will move. They will leave. And those of us who need to work here for a living will be stuck here. They pay the vast majority of the taxes.

GAYLE KING: So I hear you saying you're sorry there's going to be a mayoral change.

TONY MALKIN: I think, look, we've got...

GAYLE KING: It's not a funny topic. It isn't.

TONY MALKIN: We've got a deal with the, we've got to deal with the fact that we've got a lame duck city council and mayor right now. A lot of people in city government have already left. Some are still there working hard. I'm working with the Commissioner of the Department of Buildings, Melanie LaRocca, who is doing a very good job to work on this Local Law 97 implementation, a very important piece of legislation to show how a city can or cannot adjust to reduced carbon content and how it does its daily life.

GAYLE KING: So you plan to work with the new administration?

TONY MALKIN: I work, look, I worked with the prior administration, I work with the current administration, and I'll work with the new. I'm the only commercial landlord, residential, office, or retail on the Mayor's Advisory Board for the Implementation of Local Law 97. I embrace any opportunity to be a constructively engaged party in the process. I just think that we need to, we need clean streets, safe streets. The homeless need to be in places where they can receive services. Look, we moved all of these homeless into the midtown south area where we are right now, the brand-new Moynihan Train Hall has a homelessness outreach office, which was closed during the entire Covid period. City government was not in the office. To your example, can you work effectively from home? Get into the city and see what actually has occurred.

And I salute the members of the New York City Police Department who have done difficult work at a difficult time. They deserve more praise than criticism. There always are bad actors everywhere. The people who took over the BLM movement and took the money and bought homes for themselves, there are bad actors everywhere. What we've got to do is find the middle ground and move the middle to a more inclusive middle in my mind and still maintain city services and quality of life.

GAYLE KING: And the BLM movement, they denied that that's what happened with the

money. We have to be on record saying that.

TONY MALKIN: Okay, okay, understood. Understood.

GAYLE KING: They have a different story about the money. Competition from other cities, you know, Florida, Austin, Texas. I see people leaving California in droves. You know, in the beginning it was said that people were leaving New York in droves too. Are you worried about competition from other cities?

TONY MALKIN: Look, you always have to compete. And when you are the leader, people are always nipping at your heels, and that's the story for New York City.

GAYLE KING: Is New York still the leader in your mind right now?

TONY MALKIN: Look at where the kids want to come, okay, look at where the kids want to come. The kids don't want to come and be forced to be two people in a studio apartment and work from home. They want to come. They want to be able to go out. They want to be able to enjoy the nightlife, culture.

GAYLE KING: And they want to be safe.

TONY MALKIN: And they want to be able to go to the office and learn and build their careers. And, by the way, there are people who are born in New York City who want to do that too, and we need to include them in the process. Their job shouldn't be fated to be, oh, yes, they'll do the custodial work. No. We've got to give everybody an opportunity to participate. That's critical.

GAYLE KING: And it was reported early on that there was a big real estate crisis in New York City, that the city was struggling. I even saw a headline; New York City is dead. I never happen to believe that was true, but what are your thoughts about a real estate crisis in New York City?

TONY MALKIN: Look, there's absolutely no question that without people in the offices, the retailers and the small shops and stores at ground level who rely on those people cannot do business the way they once did. We moved early on that, Gayle, and we moved those small, local retailers to percentage rent only. We said we will give you relief from your fixed rent obligation. We want to assist you in your ability to go forward in business. And when people return, we'll return to rents, and until then we'll communicate, we'll stay in touch, we want you to survive.

So when we think about ESG, I think a lot of people just think about that as the environment. The S piece is very important. Right? You've got to be involved with your

community, and you've got to figure out how to make that work. Now, at the same time, LVMH, Sephora doesn't want to pay the rent. Guess what? You know you're controlled by one of the wealthiest people in the world, we will go to court and get your rent, and we did.

I also think that there is, look, the story before, six months ago, seven months ago, apartments are dead. There's never been such an apartment glut. Well, sales of apartments are way up.

GAYLE KING: Sales or rent?

TONY MALKIN: Both.

GAYLE KING: Both are up?

TONY MALKIN: Oh, yes. Sales of apartments...

GAYLE KING: I heard rent was.

TONY MALKIN: So, yes, rentals of apartments are way up. So people are moving both back in and, candidly, the lower prices have created opportunity for people. There's a

residential real estate expert named John Burns; he calls it the headship rate. So it's the rate at which heads of households are created. And because of the reduced rents, you don't need three people in a one-bedroom apartment, maybe it's two, maybe it's fewer. Right? So there is that benefit. There is that opportunity that we have seen.

And, by the way, in order to get people to come back to work, guess what? For many of them, you've got to pay them more. What does that mean? Well, they can afford a better lifestyle. They can afford a better place to live perhaps with fewer people. So these knock-on effects are, we're still not yet at the point, however, where I think we've got a picture of what the use of the office will be. What I will say is very much like Samuel Clemens, Mark Twain said, rumors of my death have been greatly exaggerated.

GAYLE KING: Exaggerated, yes. It's been said too that workers and employees have a bit of an upper hand here, that businesses are suffering because employees have left. Restaurants are having a hard time. People are complaining about their pay. And in order to get workers to come back, employees really have to step it up. Do you think employees have an upper hand?

TONY MALKIN: I think employees (a) have a better hand, number one. And number two, recognize what's occurred. We see it in computer chips. We see it in cargo containers. Everything was shut off. It's not a light switch. You don't just turn it back on.

I think of it as Apollo 13, in that movie, where they had to use, they went over and over again through a cycle to determine how, with the limited power you have, do you restart the capsule so they can reenter earth. Right? And the bottom line...

GAYLE KING: I do remember that.

TONY MALKIN: Right. That's what we need to do. And instead we just turned the switch back on, there's supply chain disruption everywhere and some of that supply chain disruption is with people. And if we, we need to pay people more, hey, look, on the real estate side maybe the rents will be lower, and that's how people can afford to pay people more.

GAYLE KING: Tony, I have never seen rents lower, in New York City.

TONY MALKIN: Well, they're lower now.

GAYLE KING: Are they?

TONY MALKIN: As we've announced publicly, our net effect of rents as an office REIT, are, you know, somewhere in the range of 10%, slightly over 10%.

GAYLE KING: Oh, you're talking about office, or commercial.

TONY MALKIN: And residential, the rents have gone down as well.

GAYLE KING: I was saying residential, okay, but they're lower for commercial? They're lower for commercial. I do get that, yes, I have heard that.

TONY MALKIN: They're lower for retail, office, and residential. Now, on the rent control, the very much lower rent units, well, those are already set at a very low rate. But a lot of the market rent units had reduced rents or greatly increased concessions, free rent periods of two to three months. Now maybe they're back down to two. It still costs less.

GAYLE KING: You know when I listen to you, it seems that, well, maybe things aren't so bad, Tony Malkin. Maybe, you know, because we have heard a lot of negativity. We have heard how are we going to get out of this? So I want to close on this. What concerns you most? And what are you most optimistic about? Let's go with your concerns first and end on what you're most optimistic about.

TONY MALKIN: You know, I'm always concerned about what I haven't identified. Right?

GAYLE KING: The unknown, you mean?

TONY MALKIN: Right. So we spend an awful lot of time, I spend an awful lot of time – I had learning disabilities as a kid – for me, I was constantly being faced with surprises until I figured it out. And one of the things I figured out is figure out what you don't know and then you can deal with it.

GAYLE KING: But sometimes, Tony, people don't know what they don't know, which is most frustrating.

TONY MALKIN: That's my concern. What don't I know? But what I do know is, look, we've got a great balance sheet. New York City, I'll give you one last thought. New York City's budget is nearly \$100 billion. Okay. That is nearly \$28 billion higher it was when Mayor De Blasio entered into office. Okay. There is a lot of fat in that budget. And there's a lot of good that can still be accomplished. We don't need a record number of city vehicles for civil servants. We don't need some of the excess, a lot of the excess, things that don't work. You know, you guys don't keep playing the same stories when they don't work. You move on to another story. You build another theme. There's things that go on in this city that don't work that need to be addressed. I have a high degree of confidence that the people of this city, their spirit, their energy, their creativity and the people who want to come here to make things work, will make it work. We're in a downturn. I've got a high degree of confidence. I'm also aware of how tough the journey will be.

GAYLE KING: All right, Tony Malkin, thank you.

TONY MALKIN: Gayle King, thank you so much.

GAYLE KING: Thank you, Economic Club of New York.

PRESIDENT BARBARA VAN ALLEN: Wonderful conversation.

GAYLE KING: Thank you, Barbara.

PRESIDENT BARBARA VAN ALLEN: Tony, Gayle, thank you guys. This was just great. I'm pleased to report to everyone watching that we're going to have two great events to close out the season. They're both on August 2nd and as always we encourage you to invite guests to our events. Starting with Scott Gottlieb, the Resident Fellow at the AEI, 23rd Commissioner of the FDA, will be in a conversation with Becky Quick, CNBC's co-host of Squawk Box. He will give an update on Covid-19 and the implications of the fast-spreading Delta variant heading into the fall. We will have that afternoon, Steve Cadigan, the Founder of the Cadigan Talent Ventures. He will discuss his new book, *Workquake*, which is all about coming back to work in a new normal that you just heard a lot about. Additionally, we're happy to announce, we've already started confirming fall

events. Hans Vestberg, the Chairman and CEO of Verizon, will join us September 13th. And John Williams, the CEO and President of the Federal Reserve Bank of New York and our Chairman of course, September 27th, to speak on the U.S. economic outlook.

Finally, I'd like to take a moment to recognize those of our 337 members of the Centennial Society joining us today as their contributions continue to be the financial backbone of support for the Club's programming. Thank you again for joining us today. Everyone, please stay healthy and safe.