

{ ALUMNI SPOTLIGHT }

# Building Business Muscle Takes Time

Harvey Spevak, BBA '87/MAcc '87, Works Out a Healthy Deal for Fitness Operation



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**H**arvey Spevak, BBA '87/MAcc '87, knows the value of warming up before a big workout. As president and CEO of fitness club operator Equinox Holdings Inc., he's found the concept works in the business world as well.

"I am a big believer that it is better to build relationships or do a transaction when you're not looking for something, than when you are," Spevak says.

He cites one of his most fortuitous business pacts to illustrate the point. New York-based Equinox operates about 50 upscale fitness clubs in prime locations around such cities as New York, Los Angeles, and Boston. One of the New York clubs was a tenant in a property owned by The Related Companies LP. As a result, Spevak often encountered Related's Chairman/CEO **Stephen Ross**, BBA '62, and its president, **Jeff Blau**, BBA '90, in and around the location.

In addition to their ties to Michigan, the executives shared similar values in serving their overlapping demographics. Both

brands are known for a commitment to lifestyle, service, innovation, and design. So it was not a stretch when Related's Ross accepted an invitation to join the Equinox board in 2005. And what started as a casual exercise with roots in Ann Arbor ultimately grew into a mutually beneficial partnership in 2006, when Related partnered with Spevak and purchased Equinox from Spevak's former private equity partners, who were ready to sell.

"We had done a lot of business with Equinox when they were our tenant," says Blau. "We liked them. It was a brand with the highest standards, very consistent with what we do. In the for-sale residential business, it's very difficult to differentiate your product. What influenced buyers' decisions, according to our surveys, were high-quality fitness clubs. So to offer a top brand can offer a lot of value."

The transaction has worked out well for Equinox, since the company likely would have gone public without it. Staying private has allowed the high-end fitness operation to invest in new businesses and focus on the long term without having to appease hedge fund managers or shareholders looking for fast, short-term returns. And since closing the deal in February 2006, the company's profit has doubled, Spevak says.

The trick now is to keep that momentum going. Equinox is working on brand extensions and recently launched a business extension with Hong Kong-based Pure Yoga in which Equinox holds exclusive rights for the U.S. Early feedback and reviews from the New York location have been excellent, says Spevak, and he's currently scouting other locations in New York and Los Angeles.

On the brand extension, Spevak is assessing a hospitality business for Equinox that includes a branded retreat and an urban hotel concept. He also plans to keep opening new fitness centers and will take advantage of the depressed real estate market with lower prices for prime locations.

"If we were public, we wouldn't even be talking about most of these opportunities," he says. "We would be more focused on cutting costs and head count. As a private company, we are not. I am going to need those people. We still need to be prudent and make good, sound business decisions. But we're willing to take more educated risks that ultimately will yield great rewards."

Planting the seeds with Ross and Blau early — before he knew anything would ever come of it — was the catalyst for the healthy partnership, says Spevak.

"It's been really helpful in accelerating our growth," he says. ✦  
—Terry Kosdrosky