

THE REAL DEAL

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JORGE PÉREZ'S RELATED GROUP takes on
a long-awaited national expansion

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From left:
Jon Paul, Jorge and
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WHEN FLORIDA ISN'T ENOUGH

From left:
Jorge, Jon Paul
and Nick Pérez

Inside the Pérez dynasty's plans
to take Related Group national

BY KATHERINE KALLERGIS

PHOTOGRAPHY
BY STUDIO SCRIVO

Getting burned twice in Las Vegas didn't kill Related Group's dream of national expansion. But it taught the megadeveloper the importance of boots on the ground.

Miami condo king Jorge Pérez and his son Jon Paul are expanding their Related Group with a \$13 billion pipeline of projects throughout the Americas, their boldest move beyond Florida since their first Las Vegas venture in 2005, when they teamed up with George Clooney and Cindy Crawford's husband, Rande Gerber, on a hotel, condo and casino development called Las Ramblas.

"We were selling like hotcakes. Then we got our construction costs back and realized, 'I'm going to lose money for every condo that I sell.' So we had to scratch that," Pérez said. "Thank God somebody gave us a great offer for the land, and we left Las Vegas."

Related is moving quickly to develop roughly 25,000 units in the United States and Latin America. By next year, markets outside Florida — including Georgia, Tennessee, the Carolinas, Virginia, Texas and the Rocky Mountain region — could account for more than half of its developments. In Latin America, it has condo developments in Mexico, Brazil and Argentina.

Pérez said Related is in its "highest growth mode" for each of its divisions, including condos, affordable housing and market-rate and mixed-use developments. The company is affiliated with, though independent of, New York-based Related Companies.

"We are right now pumping on all cylinders," he said, adding that South Florida is experiencing "one of the rosier periods" in its history, citing huge demand from the Northeast, California and other areas.

Related's failures to launch in Las Vegas helped shape its current expansion strategy. Both times, Pérez pulled out due to higher-than-expected construction costs, a sign the company hadn't understood the market well enough before going in. Now Related establishes regional offices before building in new markets.

In Florida, Related's knowledge and relationships run deep, but in new markets, its "guesswork has to be correct," Pérez said.

In November, the 71-year-old Pérez, who is Related's chairman and CEO, named his elder son, Jon Paul Pérez, president of the company. The 36-year-old had already been thrust into the existential challenge of dealing with the pandemic.

When Covid hit, Related employees started working remotely immediately, and the firm lobbied hard to keep the construction industry going in Florida, Jon Paul said during a joint interview with

his father at Related's new headquarters in Miami's Coconut Grove.

"That was extremely important for us," he said. "We got together with all the government officials, lobbied with them all, and we were able to deem construction an essential business, which allowed all of our projects to continue."

Like other multifamily landlords, Related feared its tenants wouldn't pay rent, but collections bounced back faster than anticipated, he said. Florida also benefited from the migration of wealthy buyers from high-tax states in the Northeast, as well as Chicago and California.

Still, critics warn of a bubble that eventually will burst, with sales slowing and rents and prices falling as demand vanishes.

"This is reminiscent of 2006, 2005 for me. Everybody's drinking the Kool-Aid again," said Peter Zalewski, a condo market consultant and former columnist for *The Real Deal*. "The reality is no one knows what's going to happen until the eviction moratorium is lifted."

Covid reset

Before the pandemic, a number of developers were saddled with condo inventory from the previous cycle, including Related.

"At the time, we thought we probably had three to four years' sellout of that remaining inventory, and as of [mid-May], we're completely sold out," Jon Paul said.

Condo sales dried up at the start of the pandemic, but since this January, inventory has dropped and developers are reporting sellouts on brand-new projects as well as those that have been on the market for years. Last year, Related launched sales of Solemar in Pompano Beach, led by Nick Pérez, Jon Paul's brother and a vice president at the company.

Solemar, a 105-unit oceanfront building, sold "twice as fast as we were expecting," said Nick, 33. "Our goal was to get to 40 [percent], 50 percent by this time. We're at 80 percent."

Related recently teased a new project, Baccarat Hotel & Residences, planned for a Brickell riverfront development site in Miami that the company has owned for nearly a decade. The first tower, with 375 units, recently began taking reservations.

With projects in Miami, Palm Beach, Boca Raton, Pompano, Fort Lauderdale, Tampa and Jacksonville, "the condominium division has become, again, a very important division," said Pérez.

Being first to market — and first to sell out — is key for Related. "Our job is to act very rapidly in understanding what that demand wants," he added.

Related plans to launch at least two more projects in downtown Miami: a high-end condo tower at 1400 Biscayne Boulevard where Auberge was previously

planned, and a short-term rental/condo development with Airbnb. It also plans more projects throughout Florida.

Migration to Florida from across the country has driven much of the development. According to the state's Office of Economic and Demographic Research, nearly 330,000 new residents moved to Florida between April 2020 and this April. They are seeking to take advantage of zero state income tax, warm weather and a business-friendly environment.

Related is among those developers taking note.

Can they afford to continue to have the social programs that they have?" he said. "Will there be a reduction in taxation, so they're not taxed at a higher level than anyplace else?"

New York is following a strategy that would require large government spending, funded by increasing taxes on the wealthy, Pérez believes. "If I'm correct in that, you will continue to see the exodus, because a lot of firms are just tired of it."

He predicts that Northeastern buyers will continue to flock to Florida for the next two to four years. Any decline in domestic demand will be offset by an increase in South American buyers, he said.



Jorge Pérez

"South Florida has a history of extremes ... extreme ups and downs. We're like a roller coaster."

JORGE PÉREZ, RELATED GROUP

"There seems to be, in the developers' minds, no end in sight for the next three to five years," said Jim Andrews of Integra Realty Resources, a research and advisory firm. "I think all of that will have to slow down at some point." A lot will depend on the national economy, as well, he added.

In particular, Pérez is watching the political landscapes in New York, Chicago and California.

"In talking to my fellow developers and bankers, they're extremely afraid about the politics in New York. Who will be the mayor?

"Florida, particularly South Florida, has a history of extremes ... extreme ups and downs. We're like a roller coaster," he said. "When you're doing these huge jobs that take years to do, you need to make sure that you're not caught in the middle. So we're constantly doing research."

The huge demand for single-family homes during the pandemic pushed prices up and eventually spilled over into condos. In the first quarter of this year, condo sales — excluding new construction — increased

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FOXWORTH
REALTY

PREMIER POWERHOUSE BUSINESS LEGENDS WITH DEEP ROOTS IN REAL ESTATE

TWO UNLIKELY POWER PLAYERS FROM THE WORLD OF REAL ESTATE, one who grew up in the United Kingdom and one from the Mountains of North Georgia, have joined forces to offer more service and coverage to buyers and sellers looking for properties in the USA and beyond.

HOW DID THESE TWO INDIVIDUALS COME TOGETHER?

It all began with the International Real Estate Federation (FIABCI-USA). The Federation originated in Paris, France, in 1951 and today has 44 chapters, members in 70 countries, and members consists of any profession that touches a real estate transaction. Today we are 2500 members strong and are one of the largest business networking organizations in the World.

FIABCI-USA is the largest Chapter, and **HUGH GILLIAM** (Dir. Of Int'l Real Estate for Realty Hive, Atlanta, Ga) is the past 2020-2021 FIABCI-USA President, and **EUGENIA FOXWORTH** (Owner/Broker, Foxworth Realty, New York, NY) is the 2021-2022 FIABCI-USA President. Their relationship began ten years ago, and each has been moving toward the Presidency of this organization for years. Their relationship was bonded through the FIABCI organization and has gained strength and momentum through the years.

They share the same goal regarding FIABCI-USA in building a solid infrastructure, creating multicultural educational programming, and bringing other Chapters together to participate in member events.

OUR MISSION IS TO GIVE OUR MEMBERS THE VERY BEST EDUCATION AND TOOLS TO EXPAND THEIR INTERNATIONAL BUSINESS.



EUGENIA FOXWORTH



HUGH GILLIAM

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COVER STORY

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by more than 50 percent to over 4,800 in Miami-Dade County, according to the Miami Association of Realtors.

Zalewski said everyone is “gambling” on the market right now and that developers should collect as much cash as they can while the spigot is open.

“At some point reality and the fundamentals will become important again. Right now fundamentals don’t mean anything,” he said, citing ongoing low interest rates, an eviction moratorium and stimulus payments.

Changing demands

Pérez is a noted art collector and patron — his name is on the Pérez Art Museum Miami — and Related’s projects tout their artistic elements as a selling point. Pérez said museum-quality art has become more and more important for the high-end buyer.

High expectations

Related’s CEO is notorious for his attention to detail. During the photo shoot with *TRD*, he noticed a dying tree on the terrace of the company’s office building. By the afternoon, Nick was in the process of having the tree removed.

“I never know what to expect, because I’m the younger brother,” Nick said. “I’m keeping my head down and trying to execute and grow and move up the ladder.”

Pérez required his two eldest sons to work outside of the family company before joining Related. The succession plan has been in place for years.

Though restrictions on travel in the first eight months of the pandemic slowed the company’s growth plans, Related now has between 90 and 100 projects in the works. In addition to regional offices in Atlanta, Dallas and Phoenix, Pérez and Related’s development division chief, Steve Patterson, said Related

“There seems to be, in the developers’ minds, no end in sight for the next three to five years.”

JIM ANDREWS, INTEGRA REALTY RESOURCES

Related will soon be rolling out an ultra-luxury multifamily brand, while it’s also venturing into affordable condos, priced in the \$300,000 range, geared toward buyers who have been priced out of home ownership in the city.

And as a result of the pandemic, most unit designs now include an extra bedroom or den that can be used as a home office, Jon Paul said. In some of the market-rate multifamily projects, Related is also including “big house units” with ground-floor entrances and attached garages.

The company’s projects are built with resiliency in mind — think higher seawalls and energy-efficient buildings. Though it’s not something buyers are asking for, according to Pérez.

Related is also incorporating air purification systems, increased outdoor amenities, more touchless features and warm lighting that’s easier on the eyes.

“If you’re running out of milk, you can actually communicate with the supermarket [through the refrigerator],” Pérez said. “These are small things, but really they’re the things that are going to make one’s life easier.”

Pérez recently moved from his waterfront Coconut Grove estate to a penthouse at Related’s Park Grove project, which the company developed with Terra. He plans to list the Coconut Grove property for about \$40 million, and calls condo living, which he has become synonymous with, “everything that I want.”

is considering opening an office in California and may make a bigger push in the Rocky Mountain region.

Patterson said the younger Pérez is making key decisions regarding Related’s expansion.

“He’s getting comfortable with our confidence in him and his dad’s confidence in him. That needed to happen for him to take the reins,” Patterson said of Jon Paul. “Jorge will step in where he needs to.”

Related’s goal is to become “more geographically and economically diversified,” according to Patterson. In Atlanta, it’s completed two apartment developments, Icon Midtown and Icon Buckhead, and has four in the works. In the Southwest, Related is working on four projects in Arizona and two proposed developments in Texas.

That’s in addition to luxury hotel and condo buildings in São Paulo, Buenos Aires, and Mexico’s Cancun, Puerto Vallarta and Zihuatanejo.

Along the way, Pérez said he has learned it is crucial to be grounded in the details of the markets he wants to enter, which requires local intelligence and a degree of caution.

But Pérez’s most important lesson came from the Great Recession, when he stood before a ballroom filled with his creditors to renegotiate the nearly \$2 billion in debt he owed.

“The biggest thing we learned is humility,” Pérez said. “We are not bigger than the market. We have to listen to the market.” **TRD**