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Miami condo king Jorge Pérez battles to survive real estate slump

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Video Series: Miami's mega-developer, Jorge Pérez

Jorge Pérez is the head of Related Group, the giant development company which is opening the Icon Brickell hotel and condos on Brickell at the Miami River.

[Introduction: Miami's mega-developer, Jorge Pérez](#)

[On his wealth: "I hope I'm not remembered by that"](#)

[On increasing urban density, changing the face of Miami](#)

[On the state of business development](#)

[On the economy](#)

[On dealing with lenders, getting aid from them](#)

[On making money](#)

 [Miami developer Perez discusses successes, economy](#)

Rising from city bureaucrat to billionaire builder, Jorge Pérez became the great American success story, Miami style. The Cuban immigrant made the South Florida skyline his canvas, erecting high-rises from Miami to West Palm Beach.

But not one of them can compare to his latest creation, the ICON Brickell, a sumptuous \$1 billion glass-and-concrete city within a city that includes three soaring towers, a pool the size of a football field, 1,640 condos, a boutique hotel and five restaurants.

It is Florida's most spectacular condo, Pérez's masterpiece, his legacy.

And, now, it may be his undoing.

Pérez is scrambling to survive one of the most turbulent moments in Florida real estate history. His company -- The Related Group -- has lost more than \$1 billion in the last year and confronts nearly \$2 billion in debt. The ICON, responsible for much of that debt, sits largely empty as those who made 20 percent preconstruction deposits either flee or find themselves unable to get a mortgage.

Last month, Pérez met with dozens of bankers at the Hilton hotel in downtown Miami, asking for more time to pay off the debt, mostly due this year. As he waits for the bankers to decide, Pérez's landmark project hangs in the balance.

The "total meltdown that we are seeing today," Pérez said, is far worse than he ever imagined.

``In order for us to succeed, we need help from our lenders."

It's a new and scary time for Miami's Condo King. But betting big -- and sometimes losing big -- has always been part of the craps game that is South Florida real estate.

In 1920s South Florida, George Merrick created Coral Gables, only to be derailed by the Florida real estate bust, the hurricane of 1926 and the onset of the Great Depression.

Miami Beach land baron Carl Fisher peddled a vision of tropical paradise to Northerners, becoming fabulously rich. Eventually, he, too, would go bust.

The real estate meltdown is Pérez's hurricane, but he says he'll never end up broke.

For three years, he has been included on the Forbes List of 400 Richest Americans. And yet, last month, when Forbes called about including him in its upcoming list, Pérez told them: ``Forget about it."

BUILDING HIS FORTUNE

Pérez was an economic development director with the city of Miami before he decided to become a developer. In 1979, he founded The Related Group with New York builder Stephen M. Ross, who recently bought the Miami Dolphins. Pérez first became rich by building low-income apartments across the state, then branched off into rental apartments before becoming the most prolific high-rise luxury condo builder in the country.

He displayed a knack for spotting markets before they got hot, and then acting quickly. Pérez and Ross built City Place in West Palm Beach, a mixed-use project of residences, shops, offices and public spaces. (Ross is chief executive of his own firm, Related Companies in New York City, and holds a minority stake in The Related Group in Miami, which operates separately.)

In Miami Beach's formerly blighted southern tip, Pérez built the high-rise towers Portofino, Murano, Murano Grande, Apogee, Yacht Club and ICON. Sunny Isles Beach is dotted with his projects.

But he made his biggest splash on the long-ignored streets of downtown Miami. Starting in 2002, Pérez erected a dozen towers totaling 5,500 condo units.

Pérez brought restaurants into an area that was previously shut down at dusk. He moved his company's headquarters into the central business district, preaching the need for a 24-hour urban center and a reversal of the trend toward sprawling suburbia.

"When they write that Miami went from a downtown that emptied out at night to suburban bedroom communities and made that uncomfortable transition to a real, urban city -- when they write about that in 20 years, they will write about Jorge Pérez," said Stephen Bittel, chief executive of Terranova, a real estate owner and broker.

THE GOOD LIFE

As Pérez's buildings grew in height and expense, so did his outsized personality and affluence. He bought

a Citation 10 jet; in addition to his five-bedroom waterfront home in Coconut Grove, he acquired vacation homes in Punta del Este, Uruguay, and Deer Valley, Utah. He has a Ferrari Modano Spider for weekend driving; shirts and ties from Turnbull & Asser (the London haberdashery favored by the Prince of Wales); and suits from Italian designers.

In 2005, he made the cover of Time magazine as one of the 25 most influential Hispanics in the United States. That same year, The Related Group was recognized as the country's biggest Hispanic-owned business. The University of Miami named its architecture center after Pérez.

Until recently, 2009 figured to be his crowning moment. The Related Group is marking its 30th anniversary. When his partner, Ross, agreed to buy the Dolphins, it initially seemed likely that Pérez would buy a stake in the team. And the staunch Democrat, who has mused about one day becoming an ambassador, at last had a kindred spirit in the White House. Pérez has hosted both Bill Clinton and Barack Obama at his home.

What's more, his boldest project yet, the ICON Brickell, was scheduled to open.

Designed by Arquitectonica, and rising near the banks of the Miami River, ICON is a metaphor for the high-flying exuberance of Miami's housing boom.

"Do you think anyone else builds something like this?" said Pérez, his arm sweeping as he showed off the two-acre pool deck, framed by Japanese blueberry trees.

The complex has its own boutique hotel, the Viceroy Miami. To run the Viceroy's restaurants, Pérez hired acclaimed New York chef Michael Psilakis and partner Donatella Arpaia, whose Manhattan eatery, Anthos, was nominated for a James Beard Award and won a Michelin Star.

French designer Philippe Starck provided a range of whimsical features for the ICON, including more than 100 22-foot columns that mimic the statues of Easter Island, an immense outdoor fireplace crafted of French limestone, and oversize chess pieces adorning a walkable chessboard.

"Starck was almost crying when he came in," said Pérez, ``thanking me for having the audacity to build this."

REVERSAL OF FORTUNE

Then, the meltdown.

It will take at least three years to sell or rent all of ICON Brickell's condos, Pérez said. Of the first 400 people who contracted to buy, only 30 closed. They couldn't get financing or didn't want to buy with property values still plummeting.

Pérez is seeking relief not only for ICON, which alone accounts for \$700 million of his debt, but for Trump Towers in Sunny Isles Beach, Oasis in Fort Myers, City Place South Tower in West Palm Beach, 500 Brickell in Miami, and the under-construction Trump Hollywood in Hollywood. Along with seeking more time to pay his debt, he is asking bankers to loosen mortgage-lending restrictions so buyers can get credit.

The Related Group has long been viewed as a company with the financial heft and savvy to survive an

extended downturn. And while it is distressed, other developers have fared worse.

Already, the credit crunch has leveled several seasoned real estate companies, including WCI Communities in Bonita Springs, which sought bankruptcy protection, and Fort Lauderdale's Levitt & Sons, which simply liquidated.

'If all the lenders said today: `Pay me the loans that we have with you now -- with no breaks in interest, no extensions,' I think you will see nobody left standing.'

Does that include The Related Group?

"Absolutely," Pérez said.

At the meeting with lenders last month, Pérez and his financial advisory firm, Algon Group, made a pitch for patience.

The bankers could decide to take back the properties, extend the terms of his loans, or sell the debt to other investors. Pérez himself has ruled out a fourth option: simply walking away.

"To me, [the bankers] wouldn't think about putting someone else in his place," said real estate analyst Lew Goodkin. "I don't think they'll get someone who is comparable."

The uncertainty has weighed heavily on Pérez.

"You first look at it and say, `My God, I could lose this, this and this. My God, banks are going to call for loans and I have to talk to them, which I've never done in the past. My God, what is the community going to think?'

'Then you say, `What are the things that are important? . . . Have I built buildings that I think are true expressions of what I wanted to create, that were honest to what I wanted to do?' The answer to those questions is yes."

REDUCING COSTS

Pérez is reorienting his company in a bid to survive the downturn. Already, he has cut costs, laying off more than one-fourth of his employees. The workforce now stands at 400.

Despite his vast wealth, Pérez has been known to pinch a penny. He has greeted associates for a morning business flight on his private jet, clutching a plastic bag of bagels from Publix. For a recent conference in Utah, he decided to forgo his jet and fly commercial.

He is prospecting for new revenue sources: reentering the government-supported housing sector, creating a real estate consulting business, and scaling back while still looking for building opportunities in Latin America. Last year, he set up a "vulture fund" to buy distressed properties -- including his own.

He won't be building more condos in South Florida anytime soon.

"My business as I know it doesn't really exist anymore," he said of the condo boom gone bust.

In retrospect, Pérez said he wished that he had done more to weed out speculators from buying units.

He also said builders -- including him -- should not have started to believe that South Florida was different, casting aside traditional methods of gauging housing demand. And he said he was wrong to assume that second-home buyers would continue to stream in from the Northeast, Latin America and Europe.

But Pérez insisted that if it hadn't been for the credit crisis last fall and bankers reining in lending, his remaining condos would have sold. "Six more months, I would have been out," he said. "Could I guess that all the banks would go bad? Did anybody guess that?"

Pérez had "an unmatched record in the condo business," said Neisen Kasdin, an attorney and former Miami Beach mayor who sits on the Miami Downtown Development Authority. "The only thing he did is stay in the game too long. If Jorge had not done that last handful of projects, he could have quit at the top of the game."

MERRICK, FISHER, PEREZ

Pérez insists that his company will survive the current economic upheaval and says ICON Brickell will ultimately be viewed as a key component in the urban renaissance he has spearheaded in Miami.

Pérez said he is more interested in leaving a legacy of livable urban centers -- buzzing street life; residences within walking distance to restaurants, schools, shops, parks and offices -- than in being a billionaire.

"If I die and am worth \$50 million as opposed to \$3 billion, it is really not important," he said. Until his recent setbacks, Forbes pegged his wealth at \$1.3 billion.

He hopes to be remembered as Merrick and Fisher are: for transforming South Florida in a lasting way.

"You think when they remember them, they remember them because they went bankrupt?" Pérez asked. "No, they're remembered for what they created."

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