

## **Douglas Elliman makes a big push in South Florida** **[The Miami Herald :: ]**

Sept. 08--When Douglas Elliman opened shop in Miami in December 2004, the giant New York real estate brokerage seemed to be just another boutique in a crowded field.

Its debut was hamstrung by a franchise agreement with Prudential Real Estate Financial Services Company of America Inc. that restricted Elliman's ability to compete in Florida. With the housing crash came more headwinds.

With the Prudential agreement now ended, New York City's largest real estate brokerage is expanding aggressively and putting the firm on the map in South Florida.

During the past year, Elliman has hired nearly 300 real estate agents in South Florida, increasing its ranks to 430 agents, part of a national network that reached 5,000 agents in July. It has eight offices from Palm Beach to South Beach, where it is bursting at the seams in its 3,000-square-foot space at 1111 Lincoln Rd.

A separate arm of Elliman that markets preconstruction luxury condominiums has been clinching assignments for some of the priciest new developments in South Florida's new condo construction boom. That includes the sold-out Faena House in Miami Beach and, more recently, Park Grove, a luxury condominium project in Coconut Grove that is being co-developed by Terra Group and the Related Group.

On other fronts, Elliman is deepening its alliance with Knight Frank, the London-based real estate brokerage that operates in 41 countries around the world. That move should strengthen the international sales that are so pivotal to the luxury real estate market in South Florida and elsewhere.

Since the wealthy often buy luxury homes in several locations, "Our vision for the company is we want to be where the same people travel: New York, Florida, L.A., Aspen," said Howard M. Lorber, Elliman's chairman.

For 2013, Elliman -- buoyed by higher commission income -- reported net income of \$41.6 million, up 44 percent from \$28.9 million a year earlier. Revenue rose 10 percent to \$416.5 million in 2013. In addition to its brokerage firm, it has a large property-management business in New York.

This year, even as it ramps up in South Florida, Elliman opened an office in Los Angeles and it plans to open an office in Aspen, Colorado, and Greenwich, Connecticut, following the tracks of the wealthy.

### **GROWING RANKS**

At the heart of Elliman's growth strategy is an ongoing campaign to deepen the bench.

Last summer, Lorber tapped Jay Phillip Parker, a Miami Beach lawyer, to

become CEO of Elliman's Florida brokerage. Parker knows the South Florida luxury market from running Clear Title Group LLC, a title insurance company that he founded.

Parker's goal, he says, is to build a collaborative team of high-producing professional agents who will focus more on client relationships than one-time transactions. To help with that effort, Parker recruited Tom Bryan, a veteran of Coldwell Banker, who became the managing broker for Miami.

"The barriers to entry to become an agent are very low," said Parker, who is originally from Canada but has long lived in Miami. "To become successful, you need training, direction. You need to be able to leverage the experience of others."

In June, Elliman boosted its Miami expansion with the acquisition of Majestic Properties, a locally prominent boutique started by Realtor Jeff Morr. Morr and about 100 agents came over to Elliman's stable.

"They have tremendous tools for agents," Morr said. "They have that New York connection. I'm always getting referrals from New York."

Elliman's New York ties, are of course, its biggest strength. Everyone knows the saying Miami is the sixth borough of New York, but Elliman builds a business around that connection.

Its presence in Miami is a natural progression of serving wealthy northeastern clients who keep one foot planted in South Florida.

"The transfer of wealth from New York to South Florida is the future Howard [Lorber] saw long ago," Parker said.

New Yorkers' love affair with Miami dates far back, arguably to 1896 when New Yorker Henry M. Flagler extended Florida East Coast Railway to Biscayne Bay.

But those ties are perhaps never stronger than today, when high income tax rates in New York City and easy commuting options by commercial and private jet make Miami seem like a viable suburb of Manhattan. In addition, the growing popularity of luxury residential real estate as an asset class is making Miami's dazzling waterfront properties a target for wealthy investors from around the globe, many of whom have ties to New York.

Lorber bought into Douglas Elliman in 2003 through Miami-based Vector Group Ltd., a New York Stock Exchange Company where he is president and CEO. The 66-year-old New Yorker has maintained a home on Fisher Island for 23 years, along with homes in Manhattan and Southampton, Long Island, among other spots.

Vector, a holding company, initially acquired a 50 percent stake in Douglas Elliman through its New Valley LLC unit. Elliman's franchise agreements with Prudential expired in March 2013, freeing its hand to compete in Florida.

In December 2013, as a final step in unwinding its ties to Prudential, Vector

bought out Prudential's 20.6 percent stake in Douglas Elliman for \$60 million, boosting Vector's ownership in Elliman to 70.6 percent. The remaining 29.4 percent of Elliman is owned by Dorothy Herman, Elliman's president and CEO, who bought into the company in 2003 in cooperation with Lorber.

"When we finished the franchise agreement with Prudential, that's when we went full speed ahead in Florida," Lorber said.

Vector, headquartered at 4400 Biscayne Blvd. in Miami, is best known for Vector Tobacco and Liggett Group, the fourth-largest U.S. tobacco company. The company makes and markets cigarettes and has expanded into the e-cigarette business.

Dr. Phillip Frost, one of Miami's preeminent investors, controls a 16.7 percent stake in Vector, making him its top shareholder. Lorber said Frost has long been "a very close personal friend."

"We're happy to have Dr. Frost as an investor," Lorber said. "He's made a lot of people very rich, and we're lucky to have him."

Lorber's position at Vector has ranked him several times as the most highly compensated CEO in South Florida. He also is vice chairman of Ladenburg Thalmann Financial Services, a Miami-based investment banking firm where Frost owns a 35.9 percent stake and serves as chairman.

Lorber encourages an entrepreneurial spirit among this team. Elliman's parent company, New Valley LLC, which has taken equity stakes in several New York development projects, is expected to participate as an equity partner in a future project with Terra Group.

In December 2013, a unit of New Valley invested \$3.8 million in a joint venture to acquire a 15 percent stake in the Howard Johnson's Dezerland Beach Hotel at 8701 Collins Ave. in Miami Beach, a site Terra is set to redevelop into a hotel and condominium.

Lorber said that deal marks "the only equity investment" his firm has made in a Florida project.

## COMPETITION

Despite Elliman's recent gains in South Florida, the firm is playing in a crowded and competitive field. Since 2003, the ranks of the Miami Association of Realtors have doubled to more than 32,000 real estate agents, many with years of experience in the market and carefully nurtured relationships in the luxury sector. Top-producing Miami firms like Coldwell Banker and EWM Realty International have stables of agents who carefully nurture relationships with high net worth clients. But its stiffest South Florida competition may be up-and-comer One Sotheby's International Realty.

Mayi De La Vega, who founded One Sotheby's in 2008 and is its CEO, has recruited more than 350 agents and catapulted the firm to one of Miami-Dade's top-selling firms, behind Coldwell Banker and EWM International Realty.

With its wide reach among affluent clients through Sotheby's international network, One Sotheby's has created a development division that has snared several of South Florida's most coveted pre-construction condominium marketing assignments.

Among them is One Thousand Museum, a luxury tower designed by renowned architect Zaha Hadid. One Sotheby's also was selected with Fortune International Realty earlier this year to co-manage marketing and sales for Reach and Rise, two condominium towers currently in the works that are part of Swire's massive Brickell City Centre project in Miami.

At Douglas Elliman, "they have a lot of catching up to do -- as I would if we went to New York," said Alicia Cervera, managing director of Cervera Real Estate, a Miami-based brokerage that is overseeing sales and marketing for its own wide variety of new Miami-Dade condominium projects.

Local real estate firms like Cervera and its competitor, Fortune International Realty, have networks of agents in Latin America, where a large share of Miami's wealthy international buyers are based. They continue building their contacts throughout Europe and beyond.

Cervera said Elliman's focus on Miami underscores the city's emergence as a global destination.

"They're not going to Tucson. The fact Douglas Elliman is coming to Miami is a compliment," Cervera said.

#### CURRENT BOOM

Elliman's focus on development projects intensified with the current boom in luxury condo construction. In June 2011, Lorber and Herman courted Susan M. de Franca to boost Elliman's role in marketing new developments.

De Franca, president and CEO of Douglas Elliman Development Marketing, was president of sales for Related Companies, the New York development firm headed by Miami Dolphins' owner Stephen M. Ross.

Ross holds a minority stake in Miami-based Related Group, which he co-founded with condo kingpin Jorge M. Perez, its chairman and CEO.

Since de Franca took over, the development arm has grown from \$2 billion in projects to more than \$20 billion, much of it in Manhattan. In a new foray into Los Angeles, Elliman is handling marketing and sales for Metropolis, a massive mixed-use project planned for downtown Los Angeles that is being developed by Greenland Group, a Chinese state-owned firm that is the largest real estate company in the People's Republic.

"What we're seeing is it's the same client wishing to own in New York, Florida or LA," de Franca said. "There is a lot of cross-marketing opportunity. Many brokers are licensed in both New York and Florida."

In Miami Beach, Douglas Elliman Development was selected to market Faena

House, a super high-end condominium project where the top unit was listed for sale for \$50 million. (While the contract price won't be disclosed until the sale closes at the project's completion, Jeffrey Miller, an agent with Zilbert International Realty, who brought the buyer, has said it "breaks all Miami records.")

Elliman also headed development sales for the Residences at the Miami Beach Edition, an Ian Schrager project.

As Elliman began stepping up its focus on Florida, de Franca recruited Horatio LeDon to head its expansion of new development marketing in the Sunshine State.

LeDon, a Miami native who joined Elliman in January 2013, previously worked with De Franca at Related Companies before going to Starwood Capital.

"Susan called and said there was an opportunity. I was all ears. After a few months, I became president of the Florida unit," LeDon said. "I was born at Mount Sinai and raised in Coral Gables. It was a natural fit to me to run [marketing and sales in] Florida."

The development marketing arm has taken on a variety of projects in South Florida -- all waterfront -- including the Shore Club in Miami Beach and the Conrad Fort Lauderdale Beach Residences.

LeDon said persuading New Yorkers to embrace the Latin American financing model used to build condos in South Florida has been a challenge. That approach typically involves a deposit of 50 percent of the price during development and construction. By contrast, the usual down payment on a New York apartment is 20 percent.

"New Yorkers being New Yorkers, they were testing the waters whether there was an appetite to lower that 50 percent deposit," LeDon said. "They'd play hardball, and the broker would end up taking someone else [as a buyer], and they were losing deals. I think they're pretty comfortable with [the Latin financing model] now."

At the sold-out Faena House project going up in Miami Beach, the vast majority of the buyers are from New York and the Northeast. "I like to joke where else but New York do people think \$2,000 a square foot is a bargain," Lorber said.

In July, Douglas Elliman Development was selected to head marketing and sales for The Bath Club Estates, an exclusive project by the Peebles Corp. that will have only 13 oceanfront units with asking prices ranging from \$10 million to \$50 million.

The Bath Club, 6747 Collins Ave., Miami Beach, will include 10 full-floor units, two duplex villas and a three-story penthouse.

Heading sales for the project are Elliman agents Oren Alexander and Chris Leavitt. Leavitt, a former Sotheby's agent, has boosted his celebrity by appearing regularly on Bravo's Million Dollar Listing Miami, a reality TV show about the

high-stakes drama of selling luxury real estate.

"The program gave me an amazing platform for my business," Leavitt said. "I get calls every day."

De Franca said Elliman likes to get involved at the earliest stages of new development. "It's creating the narrative and coming up with the story line. It's working with designers and architects to give a property a personality: How is the property differentiated in the marketplace," she said.

For the Park Grove project, Elliman introduced the developers to William Sofield, a prominent Manhattan designer who was tapped to lead interior design at the project, which has a sellout value of \$600 million. The project, designed by architect Rem Koolhaas, will be located at 2701 S. Bayshore Dr., the longtime home of Coconut Grove Bank, which will get a new headquarters at the site.

"They introduced us to Bill and really helped to curate the amenities and the project together with us," Terra group president David Martin said. Martin said he was drawn to Elliman's international reach and its contacts with prospective "end-users" -- owner occupants that Park Grove is targeting.

"There's a lot of love in the relationship," Martin said.

Douglas Elliman Real Estate

Business: Real estate brokerage.

Agents: 5,000 nationwide, 430 in South Florida.

South Florida new condo developments: Faena House; Park Grove; The Residences at the Miami Beach Edition; The Bath Club Estates; Conrad Fort Lauderdale Beach Residences.

Founded: 1911, opened in Florida December 2004.

Bravo reality TV show: "Million Dollar Listings Miami."

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