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## South Florida BUSINESS JOURNAL

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# 2009 People to Watch in Real Estate

South Florida Business Journal

### Jay Massirman, CEO, The [Massirman Group](#)

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Jay Massirman, founder of the 2-year-old Massirman Group, spent much of last year analyzing the financial dynamics of buying blocks of units in struggling condo projects and fractured condo conversions.

In 2009, Massirman is poised to be out in front of the investing pack, pouncing on these projects, as sellers and lenders are expected to capitulate to lower pricing levels to reflect the risk and realities of bulk condo sales.

“One of the things that happened as time went on is we learned more and more about what it takes and the risk involved with these deals,” said Massirman, a former vice chairman in the multifamily division of [CB Richard Ellis](#).

Through its Rivergate Residential subsidiary, Massirman Group is now seeded with \$200 million in equity from a core group of high-net-worth investors and actively raising more capital. Its objective this year will be to sink that money into distressed multifamily projects, condominiums, residentially zoned land and debt.

Massirman, like other would-be buyers, will be navigating bulk-buying minefields that are riddled with potential liabilities created by shoddy construction, insolvent homeowners associations and falling resale values.

Hedging risk by sufficiently discounting these units from their boom-era values creates another challenge, he said.

The continuation of falling values means bulk buyers could lose money.

“There is a pretty good chance that you will not be able to achieve that pricing in the foreseeable future,” Massirman said. “So you have to come up with a whole new pricing structure.”

But, he thinks there are now deals out there that make economic sense.

Among his targets this year: smaller, value-add apartment buildings not on the radar of larger groups.

Massirman also is part of a development group partnering with [Miami Heat](#) star Alonzo Mourning’s charity to build 190 affordable apartments on 7 acres of county-owned land in downtown Miami. The partners plan to apply for tax credits that can then be sold to create the needed equity for the \$39 million project.

### Jorge Perez, Chairman, The [Related Group](#)

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Jorge Perez has become one of the most influential men in South Florida’s business community. He’s become one of the most successful condominium developers in the world, has lots of money and has access to money at a time when few others do.

Two of his latest ventures include an investment fund that has already spent millions of dollars buying into 50 Biscayne, a Related Group condominium in downtown Miami.

He has also launched a consultancy to help distressed property owners navigate development in the age of the credit crisis. Others have leveraged the same real estate downturn strategy, but Related’s version includes playing the role of lender, if need be.

Perez and West Palm Beach-based [Florida Crystals](#) CEO Alfonso Fanjul talked to [McClatchy Co.](#) executives about the possible sale of [The Miami Herald](#). Perez told the Herald he met with executives “a couple times” in November, but “nothing has materialized.”

MEDIA



As the clock ticks, more deals and projects are likely in the works that will put Perez on front pages everywhere. Some will likely focus on what the billionaire is known best for – condominiums. The most dominant condo builder in South Florida, his Related Group generated lots of money in the good times – and lots of risk now that the market has turned. The Related Group has more than 2,000 units for sale in the Brickell Avenue area, including 1,800 at the recently completed Icon Brickell. Related has also started construction on the high-end St. Regis Resort & Residences Bal Harbour.

Observers will also be watching Perez to see whether Related Group makes a deal to develop a high-end assisted living facility on Mercy Hospital land. Related had planned a high-end waterfront condo on the site, but the deal fell through, leaving the door open for the assisted living facility.

### **Sergio Pino, President, Century, Homebuilders**

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Homebuilder Sergio Pino and a group of powerful partners are entering 2009 with a proposal for a massive project outside Miami-Dade County's development boundary.

The proposed Parkland project would produce 7,000 homes, plus fire stations, businesses, schools and parks southwest of Kendall-Tamiami Executive Airport. The review process on the 961-acre project began in 2008.

Supporters and opponents voiced the familiar mantras of the necessity for growth versus the consequences of urban sprawl. Supporters said it's a well-planned project that would produce jobs, and provide schools and amenities to neighborhoods that badly need them. Opponents argue the project would further undermine the buffer with the Everglades and spur sprawl.

Miami-Dade County staff came out against the project, which would require moving the line that separates the county's greatest density from some of its least-dense parcels. Staffers said it was unnecessary, arguing for development on available land inside the county's urban development boundary.

In addition to Pino, the partners in the Parkland project include **Lennar Corp.**, Ed Easton and Adolfo Henriques, former president and CEO of **Florida East Coast Industries**.

So far, the project received a recommendation to transmit from the county's planning advisory board and a community council. The full county commission has delayed review, which is likely to be in the first quarter.

Pino's Century Homebuilders continues moving forward, facing the same tough market conditions as every other developer in South Florida. A combination of fewer buyers and a tight credit market will make for a tough year on one of South Florida's biggest homebuilders.

Pino also has a hand in the banking industry with his investment in **U.S. Century Bank**. A ballooning portfolio of problem loans caused U.S. Century's income to fall 78 percent in the third quarter.

The Miami-based bank – the 11th-largest South Florida bank based on assets – made just \$85,000 in the third quarter, down from \$379,000 in the second quarter, according to its filing with the Federal Financial Institutions Examination Council. In each of the previous five quarters, the bank made at least \$1 million a quarter.

### **Tere Blanca, Executive Managing, Director, Cushman & Wakefield of Florida**

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The executive managing director of one of South Florida's largest commercial brokerage has a few challenges ahead in the coming year. Tere Blanca has to navigate through a crushing credit market that is tying up deals and limiting – if not halting – refinancing.

In December, commercial developers asked for a bailout as credit became harder to come by.

Office vacancies are on the rise, with 2 million square feet of new office construction under way in downtown Miami and Brickell Avenue alone. Blanca manages leasing at 1450 Brickell, one of the three massive buildings now under construction.

Overall commercial transaction activity is down for all brokerages nationwide, which means brokers are likely to have another tough year in 2009.

But, a bright note has emerged, as offerings in South Florida's apartment rental market appear to be on the uptick. Failed conversions and

the overall real estate downturn are bringing prices on apartment properties back down to earth, with cash buyers becoming the primary game in town for transactions.

Blanca also took on the role of chairwoman of the Beacon Council, Miami-Dade County's business development organization. **The Beacon Council** is responding to the local economic downturn by focusing on job retention and recruiting new businesses worldwide, Blanca said.

She outlined her objectives during her Oct. 2 inaugural speech, and spoke to the Business Journal about how she and her group plan to navigate perilous economic times.

The Beacon Council, in partnership with the **Business Development Board of Palm Beach** County and the **Broward Alliance**, has received an **Enterprise Florida** grant to market South Florida to Europe. Last year, the tri-county partnership received the same grant to market to Canada. Blanca has said that the private sector should also be tapped for financial support.

#### **Jack McCabe, CEO, McCabe Research and Consulting**

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Experience has proven that Jack McCabe is a man to listen to.

Few listened when the Deerfield Beach-based real estate analyst criticized the wholesale lending that fueled the housing development hysteria from 2004 through 2006.

Speculative condo converters were in denial when he warned of the poor lending practices of supposedly brilliant mortgage companies peddling exotic loans that were destined to turn toxic for their borrowers and their buyers.

Even some major real estate industry players dismissed his reports and predictions as gloom and doom – and thought the party would go on forever.

It didn't – and all his cautions, predictions and warnings were accurate.

Major publications and television programs now regularly tap him for comment.

"We are seeing the deconstruction of the construction boom," McCabe said. "And it will get worse because of the credit freeze and growing unemployment."

Previous housing downturns, he explained, were the end result of unemployment-sparked recessions. The current recession is the result of a primary housing meltdown that triggered a job loss follow-on.

Expect a credit card debacle and a major hit to the retail and office sectors next, McCabe predicted.

"Existing housing inventories are moving very slowly, and even absolute auctions are doing little more than setting a baseline for pricing, but producing very little in the way of sales," he said.

How much lower can it go? A lot lower, evidently.

"A client recently bought a portfolio of finished building lots for all cash – and got it at an 88 percent discount from the previous sale," McCabe said. "Cash truly is king."

He sees an ongoing period of falling residential prices, tepid demand and more project failures as leverage is wrung out of the system waiting for the bottom.

And when will that be?

"The market bottom is a process, not an event," McCabe said. "We are watching for the signs of a turnaround, but there is no light yet at the end of this very long tunnel."

#### **Peter Zalewski, Principal, Condo Vultures Realty LLC**

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Real estate broker and research analyst Peter Zalewski didn't invent the vulture buyer concept, but he has perfected it over the last two years. His company, Condo Vultures Realty, has turned buying deep-discounted real estate into a mainline business, with 33 active brokers and salespeople representing real estate investment buyers. He has also licensed Condo Vultures Realty for the territory west of the Mississippi River.

"We are working seven days a week, and 10 to 12 hour days," Zalewski said. "Believe it or not, we still need additional agents to handle the volume of business out there, and our January closings should be impressive."

Now, the vulture king is soaring to a new level that includes online real-time research on a subscription basis His revamped interactive Web site will include research tools and shortcuts for real estate investors.

"We'll be offering daily breaking real estate news, video backgrounders, plus a monthly newsletter, a series of white papers and a market strategy overview on a regular basis," Zalewski said.

The prime offering will be a real time listing of all lis pendens notices in the tri-county area, including property address, legal description, borrower's name, lender, amount of lien, filing attorney and the attorney's contact information. Lis pendens, Latin for "a suit is pending," is the initial warning of a lawsuit or foreclosure action – and fresh meat for vulture investors.

Subscriptions for the lis pendens service are projected to cost \$600 a year.

Also planned are investment and business books as Internet downloads or in hard copy, most in the \$10 to \$50 price range.

"We are adding additional research staff, concentrating on adding a power broker network, and we see a transition to a more conventional brokerage operation in about three or four years as our vulture buyers look to exit their investments," Zalewski said.

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