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Related Group poised to start new projects

BY OSCAR PEDRO MUSIBAY

The Related Group has begun a new round of development that includes the possible takeover of the Omni Center in downtown Miami, a new residential brokerage partnership and the start of construction soon on two new projects.

The most provocative action involves the start of foreclosure proceedings against the borrower on the Omni Center within weeks of buying the senior debt from Capmark Bank for more than \$100 million. Although the site has no housing, the current owner once envisioned several residential towers for the site.

Related also recently made news in the hotel sector. On June 14, Park City, Utah-based Gemstone Hotels & Resorts said Related and its RSR Hospitality had invested in the company to take advantage of the improving hotel market.

Four days prior to the Gemstone announcement, Related and another group of partners raised their profile by filing a \$204 million foreclosure lawsuit against the

RELATED: Two new projects are beginning with short timelines

THE DETAILS



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APOGEE BEACH

■ **Units:** 49
■ **Address:** 4053 S. Surf Road, Hollywood
■ **Construction start:** Late 2011 or early 2012



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MY BRICKELL

■ **Units:** More than 200
■ **Address:** 39 S.E. Sixth St., Miami
■ **Construction start:** 2012

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Omni Center and Hilton Miami Downtown property.

The property, at 1501 Biscayne Blvd., has 1.5 million square feet of office, retail and hotel space, and a 2,700-space parking garage on 14 acres. The hotel has 527 rooms.

The property, which is north of downtown Miami and close to Biscayne Bay, has received \$66 million in capital improvements since 2008. Formerly a mall, it has been mainly transformed into offices and educational space.

Possible redevelopment opportunities might include demolishing the north portion of the structure, which has not been renovated, and building residential there, according to one real estate professional with knowledge of the site.

Related has already announced two new projects with short timelines for the start of construction. The first will be Apogee Beach, a 49-unit condominium on the beach in Hollywood. Chairman and CEO Jorge Perez said crews should be working on the site by the start of next year. Related also plans to begin construction on the 200-unit My Brickell project, adjacent to 500 Brickell condominium, by next year.

On June 9, Related announced the launch of its new partnership with residential brokerage International Sales Group, led by Phil-



Perez



MARK FREERKS

Related's possible takeover of the Omni Center in downtown Miami may signal large-scale development once again for the company.

ip Spiegelman and Craig Studnicki.

The new company, to be called Related ISG, will run sales at the 22-story oceanfront Apogee Beach.

Spiegelman said South America will be a big focus for sales going forward. For that reason, Related and ISG have implemented a payment structure used in South America that asks buyers to gradually pay the bulk of the unit's purchase price before the project is complete.

Jack McCabe, CEO of McCabe Research & Consulting, said the strategy is not only tailor made to buyers from Latin American buyers, but it will favor users instead of investors.

"It's clear Related learned from the mistakes of the past," he said. "Now, if things go south, [buyers] have too much invested to just walk away."

Related suffered large losses - including a

friendly foreclosure on Icon Brickell, its signature condo project in Miami - when many buyers walked away from units in projects built toward the end of the recent residential boom.

F. Thomas Godart, CEO of Godart Florida, which specializes in troubled commercial assets, said Related's moves make sense, specifically in the hotel sector, because Perez's competency covers a lot of ground. Investment funds from Wall Street to Europe want the kind of experience Perez has honed in the last few years.

"Big money all over world is looking for a strong marketing and sales machine, someone who knows how to take advantage of marketplace," he said. "Who is better than Related?"