



Jorge M. Pérez

EDITORS' NOTE Jorge Pérez has been at the forefront of South Florida's urban evolution for some time, often being the first developer to enter emerging or undiscovered neighborhoods. Pérez began his career in the late 1970s, building in neighborhoods such as Miami's Little Havana and Homestead. He currently chairs the Miami-Dade Cultural Affairs Council and is a director of the Miami International Film Festival. He is also a member of the University of Miami's Board of Trustees. In 2013, Pérez was honored with South Florida Business Journal's *Lifetime Achievement Award*. The Miami Art Museum was named *The Pérez Art Museum Miami* after his \$40 million lead gift. Additionally, the University of Miami Architecture Center is named after him. He was also named among the 25 Most Influential Hispanics in the U.S. by *Time* magazine. He graduated *summa cum laude* from C.W. Post College and earned a Masters Degree in Urban Planning, with highest honors, from the University of Michigan.

COMPANY BRIEF Since its inception in 1979, The Related Group (relatedgroup.com), a privately held company, has built and managed more than 80,000 condominium and apartment residences in major markets throughout Florida. Today, more than 500 people throughout South Florida are employed by the firm. In addition to its core base of business, the company operates its own real estate financing, sales, and property management subsidiaries. The group is broadening its reach to other markets in the U.S., Latin America, and abroad.

To what do you attribute the success of The Related Group?

It's a lot of hard work combined with the ability to take measured risks. We do one thing and do it well: We are residential and mixed-use developers. Some of our people have been with the company for decades and lead sections of the business. They are second-to-none in what they do.

Our success is based on being well-capitalized, prioritizing significant attention to

Pérez's Purpose

**An Interview with Jorge M. Pérez,
Chairman, Chief Executive Officer, and Founder, The Related Group**

detail, understanding the markets we're in, and knowing when to get out. All of these factors combined make not just one successful project but many. Our people are well aware not only of our successes but also of the failures of the past so that we don't repeat them.

I started this business in South Florida in 1979 – and we are one of the two remaining large companies since then who continue to do the same thing, because we are very steady. We don't take risks we can't handle, and we keep good people for very long periods of time. We're very good at what we do.

Even with your international reach, does South Florida still remain the priority?

Absolutely. Other areas provide us with a sector and geographic dispersion. We're not only involved in condominiums but also in affordable housing, mixed-use projects, retail, hotels, and residential rentals. We have a geographical dispersion in that we operate in Dade Broward, and Palm Beach counties, and the cities of Tampa, Orlando, and Atlanta as well as in Panama, Mexico, India, and other areas. We limit our risk by diversifying.

However, the majority of our business is in South Florida. Ninety-five percent of our people live here, and we believe that Miami, which is the largest segment of South Florida, is destined to be one of the great capitals of the world.

Over the past decade, we have seen a transition from Miami as a sun-and-fun-type city to one that's much more serious with a focus on art, business, and finance. This is only going to get stronger as the infrastructure in Miami continues to improve. Miami has a very bright

future and this is where we're concentrating our energy.

As prices continue to rise, are you concerned that a lack of affordable housing is going to inhibit the desired diversity in markets?

I'm concerned that we are growing a city for the very rich, and not only in Miami. Ownership of housing in downtown locations is often prohibitive to the middle class and the poor. We often end up with urban areas that are only affordable to the very rich or the lucky poor who happen to get governmental subsidies, which are very few.

This is a huge problem that we are addressing both by building affordable housing and by trying to create housing programs not just for the very poor, but also for moderate



Portofino Tower, South Beach (above); Pérez Art Museum Miami, East facade (opposite page)

and middle income households. We've worked on programs with the government such as building directly adjacent to parking facilities so the structures cost a lot less. By putting up rental housing with government help, firemen, government workers, and teachers, for instance, can live in the downtown areas and we will have a truly inclusive 24-hour city.

It's very expensive to build in central cities. High-rises are extremely costly to build, so affordability is a huge concern and it's not something the private sector can handle alone. Tremendous political willpower is needed to make sure the city is becoming inclusive.

It seems that markets are now growing as they were pre-recession. Is it different this time? Do you worry structurally that the markets can maintain this growth?

As a company, we're financially solid with no corporate debt. We have diversified so we don't just build condominiums, which typically suffer most in a down market. We're spreading our operations among government-subsidized housing, market-rate rentals, and commercial product, in addition to maintaining a strong international presence and a property management division that is highly profitable. Diversification is one of the qualities that differentiates us as a company.

The difference in the market today is that leverage is much less of an issue in this upturn. All of the condominiums we're selling today require a 50 percent down payment before we top out the building. Our contracts also specify that the property be sold should anything happen instead of the money being returned. These down payments ensure that the buyer is serious and not a speculator, and that he can afford the apartment. This was not always the case in the past.

This means the amount of financing we need is much less than before when we were financing 80 to 90 percent of the costs or sometimes the sales price of the condo. Today, we're financing a third of the sales price of the condo.

When leverage isn't an issue, there typically isn't the pressure to repay banks at a time when prices go down.

Could something bad happen again? Yes, but it would have to be catastrophic, like a decrease of 50 percent of values in the market, and even then, we would be okay.

The negative outcome of that structure of buying is that it takes many of the local buyers who don't have that large of a down payment out of contention. As a result, today in South Florida, 70 percent of our market is coming from outside buyers.

Is that type of buyer primarily from Latin America?

Latin America is our backyard so that will always be our natural market. It will also continue to be our largest foreign market because Miami has become the de facto capital of the Americas. National, European, and Asian multinationals are coming to Miami to utilize the city as their base for Latin America operations.

As it becomes the base for and the link to South America, we're seeing more Italian, French, Spanish, English, German, and Russian buyers and, for the first time, we're seeing Asian

buyers. The reason we hadn't seen them before was because their countries were more easily accessible to the West Coast. As airlines open new routes and make it easier to come to South Florida, we expect a greater demand from Asia.

How critical is the role of art in terms of the culture of South Florida, and where does your passion for art stem from?

My mother influenced me early on in that she would take me to museums, exhibits, and galleries as a child. I remember that instead of buying posters of rock bands for my college dorm rooms, I would go to museums to find limited-edition lithographs for the walls. I had a passion and attraction to art books, classical movies, and the theater – visual artistic endeavors.

When I decided to settle in the U.S., art became my way of maintaining a connection with my Latin American roots. Through art, I was able to understand my history and to stay connected to it. I made a conscious decision that my collection was going to be totally focused on Latin American art. This has since changed, but for the first 30 years of collecting, my focus was on Latin America. Over the past five or six years, I have moved my focus to contemporary art from everywhere, but still with a Latin American preference.

How have you supported the arts and culture through your philanthropic efforts?

While our main philanthropic efforts are towards the arts, we just provided a very large grant to Mass General for cancer research, and funded the nursing school at Florida International University, as well as the University of Miami School of Architecture. We have also given scholarships to the University of Michigan.

My wife and I are among the fortunate few who have been given great opportunities to prosper in this society, so it's our duty to give back to make life better for others, particularly for those who don't have the opportunities we have had. When I started collecting art, I was concerned more with Hispanics who were taking a greater economic role in this country as they increased in population size. My wife and I feel it's very important for us to have a role in this society and to be considered an integral part of it, particularly carrying a Hispanic name. As donors, it's important that we become an example to stimulate other successful Latins to give.

Everything that I do is for the community as a whole, not only for low-income Hispanics. For example, we recently started a million-dollar fund for African-American art with the Knight Foundation.

As a lucky person who has been given every chance to succeed, I feel a huge



responsibility to give back so others have the same chance to continue to make this country successful.

Public grade school kids come free to the museum, and the biggest pleasure for me is seeing their imaginations touched by great pieces of art. At one time, they had to go to New York or other cities with great art collections. Now they can experience great art here, which helps improve the community and gives greater incentive to people to achieve what I've achieved.

This sense of obligation is deeply rooted but also very selfish because it makes me feel really good about myself, and it makes the community better. Since I love this community and I want my grandchildren to grow up here, making it better today is going to make it better for them in the future. It's why I'm passionate about it. All of us who are wealthy need to think that way. Our legacy needs to be community driven, not personal.

Is this work a partnership with your wife?

Yes. My wife is a nurse practitioner by profession, so she's giving by nature. This has been very special for me. She has embraced all of the things that are important to me because of her nature, and we're very much a partnership couple in the activities we do together.

Do you ever take the time to reflect on your success?

I appreciate it every minute. I'm conscious of my luck and my obligation to give back. I'm very fortunate that I'm in a business that I'm passionate about. I'm also fortunate to be in a business where there is a palpable end result. I get to look at my buildings. I'm creating properties that will stand the test of time as great pieces. This is why I mix art, design, and architecture into the buildings we build, and hope they are all iconic. These buildings not only become great pieces themselves, but make the neighborhoods change as a result of them. This makes for a better city. Every day, I see our footprint in that development and I take time to look at and admire what we have created, and I feel good about that. I'm also the kind of guy whose glass is always half empty. I'm a strong believer, like Sartre said, that the moment you stop writing on the blackboard, it's over. It's about constantly making whatever we touch better. ●