

Industry Leader Profile

Chairman and CEO,
The Related Group

Jorge M. Pérez

Jorge M. Pérez is the Founder, Chairman and CEO of The Related Group, the largest multi-family real estate development firm in the United States. Under Pérez's direction, The Related Group has redefined the South Florida landscape. Since its inception in 1979, the firm has steadily built and managed more than 60,000 apartments and condominium residences, becoming Florida's top multi-family developer and the largest Hispanic-owned business in the United States.

TIME Magazine has named Mr. Pérez one of the top 25 most influential Hispanics in the United States, and he has made the cover of Forbes twice.

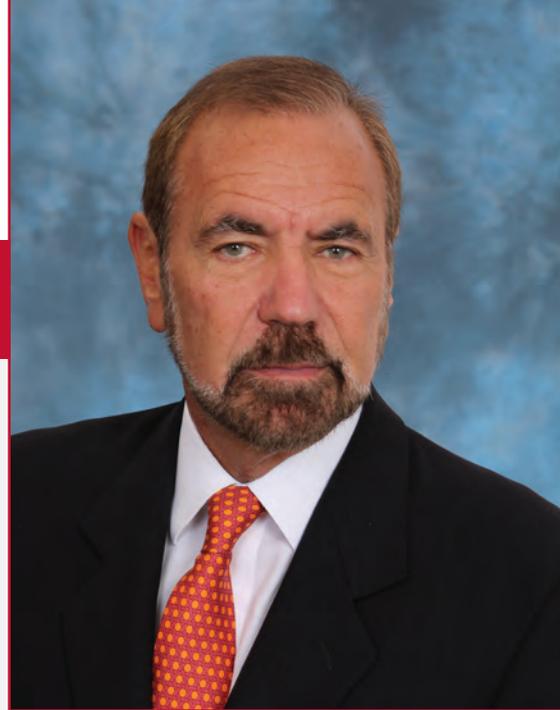
Pérez has been at the forefront of the long South Florida urban evolution, often being the first developer to enter emerging or undiscovered neighborhoods. His passion for vibrant urban communities is reflected in his involvements in the arts and cultural affairs. A knowledgeable art collector, he is a previous board member of the National Endowment for the Arts, and serves on the board of directors of the Miami Art Museum, spearheading the capital campaign for its new Museum Park location in Miami's Bicentennial Park with a \$35 million donation in 2011. The Pérez Art Museum Miami opened in December 2013 to international acclaim.

In Miami, Pérez helped lead the new downtown urbanism movement with several projects in Brickell. The Related Group's developments are often distinguished by groundbreaking partnerships with world-renowned architects, designers, and artists to create residential developments that are recognized as urban landmarks. The talents of Philippe Starck, David Rockwell, Karim Rashid, Carlos Ott, Yabu Pushelberg, Arquitectonica and many others have served as collaborators and inspirations behind Related properties.

While The Related Group is best known for its luxury high-rise developments and mixed-use urban centers, Mr. Pérez made his first impact on South Florida's affordable housing market. He started building in neighborhoods such as Miami's Little Havana and Homestead. Even then, his attention to detail and commitment to creating quality living environments distinguished him in the marketplace.

He has received numerous awards for his professional and philanthropic achievements, including the Icon in Real Estate Award of Excellence at MIPIM in Cannes, France; the only American developer ever honored with the award. In June of 2007, Mr. Pérez received the National Building Museum Award in Washington D.C. for his contribution to design and architecture. The Urban Land Institute honored Mr. Pérez with the Lifetime Achievement Award in September 2006. Mr. Pérez was born in Buenos Aires, Argentina to Cuban parents. He graduated summa cum laude from C.W. Post College and earned a Master's Degree in Urban Planning, with highest honors, from the University of Michigan.

The Cornell Real Estate Review had the pleasure of having the following conversation with Mr. Pérez:



One of the great things we as Editors get to do for the Review is to present the distinguished Industry Leader Award on behalf of the Cornell Real Estate Review. Congratulations on receiving the award and thank you for participating in this interview.

No, thank you for choosing me. It is a real honor. Cornell has a great real estate program and I'm hopeful the students can learn something from me; that is most important.

Since its founding, The Related Group has found success in emerging neighborhoods throughout Florida and now internationally. What do you think has allowed you to see things others didn't?

In almost everything we do, I'm looking at trends and the way people are living in other places. I've always loved cities and when I visit other cities I am always taking notes on what things people want and what has and has not been successful. In many ways, development is a form of imitation. When I see something that works in Vancouver that we don't have in Miami I explore the possibilities of bringing that concept to the Miami market. Most importantly, I'm looking at population and trends. Today,

while the world seems bigger, it is actually getting smaller. Everyone is getting the same signals, with TV and the Internet and other media so trends move quickly and move globally. I am always looking to see how trends in other places can be imitated in cities where they have not been adapted.

You mentioned Brazil and while you've been a stalwart of Miami real estate for many years, you are also moving into international markets. When you are looking at new, international markets, what are the challenges you see and how do you expect to overcome them?

The biggest challenges in many international markets are often the legal system and transparency. They work differently. Things take longer and the laws are not as clear as they are in the US. When we see those challenges, the first thing we do is ask, 'who do we partner with that is extremely strong in those locations?' You cannot go to Sao Paulo or Mexico City and expect to know everything that great developers who are experienced in the market know. We need a strong local partner that knows construction, politics and law in that specific market. We bring the expertise in marketing, new systems, branding, and design. The key is to not think you know it all. Get a local partner.

Earlier you had mentioned seeing trends and noticing the urbanization movement, specifically in Miami, and creating a new urban center. What skills in working for cities, municipalities, and having studied Urban Planning at Michigan, have helped you in the development side of the business?

I taught a class at Michigan called "The Urban Planner as a Developer." I always felt that urban planning can get theoretical, with little to do with the for-profit world. We didn't learn any market or economy-driven things when I was in school. What we

learned was more socially-based. And remember, I never intended to be a developer; I intended to be an urban planner. At that time, I didn't care about supply and demand or how to make a dollar. But even as a planner, the basics of what I learned—the basic analytical assessment of the needs of cities—were critical. How do you analyze population growth? Income growth? Housing growth?

For example, we do a lot of affordable housing. How do we create housing programs that help the poor? How do we set up systems that combine the public and private sectors to get something that is affordable to a population that otherwise could not afford it? Those skills were very helpful—particularly as a planner. As I became more of a developer, market rate metrics were something I didn't fully study in urban planning. At its core, however, the benefits of my time in planning helped me think about and understand concepts related to city growth and city needs. It was important to me—as a planner—that as cities developed, they grew evenly. In a city such as New York, unless you're either very poor and qualify for public housing, you need to be very well off because prices have become so expensive. I think we need to have better income distribution in city households so the 24-hour city is a 24-hour city for everyone. We were very successful—and some of the projects I think we're most proud of—incorporating public-private partnerships to achieve housing with minimal subsidies inside central cities which produced middle-income and workforce housing. Recently, we created a great program in key areas where it would be too expensive to build. The county needs their public housing stock to be rehabilitated, so they've given us long-term leases to own their housing stock and rehabilitate them, and allowed us to take excess land to build more affordable housing. We're always looking at new ideas to do things for cities. All those things—back to your question—came from my urban planning degree.

Switching gears a bit—many of The Related Group projects like ICON Brickell, have won prestigious

architectural awards. Why do you place such an emphasis on good design?

First, because I love it. That's the part of my business I love the most—dealing with great designers. For me, it's such a thrill to work with Arquitectonica, Rem Koolhaas, Cesar Pelli, Herzog and de Meuron, Philippe Starck and many others. Working with them has been such a pleasure. I really work with them—I sit down and draw with them. It's important to me, purely from a personal growth and satisfaction perspective. Second, it's branding. It's not just that design sells—and it does, particularly for the people we're selling to on higher end projects—but branding sells. A building by Rem Koolhaas will sell for more and faster than a building done by a random architect. Whenever we work with people like Philippe Starcks or Cesar Pelli, we make sure we brand those projects. You'll see that in all of our materials. Art and design are what set us apart. People who know us know they can expect high quality in the exterior and interior design. Landscaping is also very important—we go to Switzerland to get Enzo Enea to do our landscaping programs and he's the best in the world. When people know they're getting that type of design and execution, they pay more. So the two reasons are: I love it and it brings us greater economic returns.

Your relationship with Related Companies Founder and Chairman Stephen Ross is often written about. How do you keep such a long-lasting partnership thriving?

Two reasons—one is we're best friends and that means the full definition of friendship. We see each other frequently and we have full trust. We talk about everything personally and professionally. The second reason is we're extremely respectful of each other's jobs. Stephen runs his jobs. I run my jobs. He has absolutely no say in what I do here, and I have absolutely no say in what he does in New York. Even when we go to places like Brazil, we decide up front which of us is going to take the lead. We're 50-50 partners there,

but I run Brazil, so he would not get involved in whom the architect is going to be, how much we're going to sell for, or how much we're going to invest. There is absolute trust and if that wasn't the case we couldn't do it because we're both very opinionated and we don't like people telling us what to do. I couldn't imagine Ross coming here and saying, 'I don't like your balconies like that.' You know—go jump in the ocean! Right before this interview, he was asking for my opinion about something he's doing with the city and the Miami Dolphins as well as my thoughts on a project in China. So we look for each other's advice often, but just as advice. We give our opinions but the decisions are his, or mine. That's very important—you don't want to take any of the decision-making away from the person that is in charge. I think if Stephen and I were 50-50 partners, we lived in the same city and had to do things together—it'd be World War III on a constant basis because we're both strong personalities and opinionated.

That's one of the things we've enjoyed, that duality of your strong personalities and the iconic projects—like the Time Warner Center or the ICON Brickell or even projects abroad. They're distinctive but complement each other well and help build the Related brand. It's a great collaboration and a partnership many people would aspire to have.

And look—you mentioned Time Warner Center or ICON, Stephen would ask 'would you please come to New York?' and I would go and spend the day. And I would opine and he would do the same here. I'm saying something and he says 'How are you going to get out of those parking garages?' or something. We discuss those types of things all the time. There's a constant synergy but we don't crowd each other.

You've mentioned in other interviews the lessons you learned throughout the recent market crash, including not overleveraging and having transparency with buyers and lenders. Our colleagues and classmates will likely experience several market cycles--how were you able to manage

the challenges--both professionally and personally--that came with the most recent downturn?

I hope no one has a downturn like this one. This wasn't a downturn—this was a large recession. In my career, I've gone through twenty downturns. Up and down—that's how the market is, particularly in Florida. This particular recession was very rough, especially in South Florida. We were almost the epicenter of the whole thing. When you look at what actually happened, we had \$3 billion in sales and \$2 billion in debt. Suddenly, all sales disappear and now I only have debt. It doesn't take a genius to figure out you're in trouble. One thing that happened, as opposed to having only a few lenders, the projects were so large, original lenders sold portions of the loans to other banks. Each lender had an opinion on how to best proceed. So instead of 6 banks, I had 80 banks that I had to deal with and each had to agree or else, like dominoes, they'd all come down. So you do a few things. One is you become a good poker player, with great patience—which isn't my greatest characteristic. You get advice from experts in negotiating with banks; don't try to be your own attorney. Like everything else, pick the best of the best. Most important, you have to have a thick skin and determination. Truthfully, I didn't even know I had those things. I look back and think, 'how did you do this?' Every day for two years you wake up and it's just nasty. You not only have to still pump yourself up, to think you're going to win, but also pump up the staff around you—at a time when many thought Miami wasn't going to come back for at least ten years with all of the unsold inventory. So you put a team together, and understand this isn't going to be easy. At first, I thought, 'I'm logical, I'm honest and everyone's going to say 'great plan!'' That's not the way it works. Everyone has to have a say and you need to convince many people to trust you when things go poorly. The reputation we built over many years helped us. We had never defaulted or renegotiated a loan for 30 years; so many people listened because of that. We still had to convince people

we would get them out of this, at 100% or as close to 100% as anyone could get. The lesson is that leverage is a double-edged sword. It's what allows you to have a huge multiplier effect on your equity—we put 5% equity in and get 30% of sales. In the past, when people asked 'what's your IRR?' I always laughed and said, 'Like a million percent!' It felt like the Wolf of Wall Street without the drugs or the sex. We were making huge amounts of money. So getting off that high and coming back down was a difficult process that took time. It took a huge effort in negotiations and tremendous patience.

With your incredible success through so many cycles—including this most recent one—it leads to the next question about your philosophy. Is there a philosophy or operating statement that you think about that sums up your career thus far?

Before I get to that, let me bring up something that I think is very important that also happened during the recession. When it looked like we were going down—and it felt that way, I couldn't find a buyer for a unit I could sell at \$600 a square foot for \$300, even if it cost me \$450 to build. Meanwhile, I had to find something that was not all negative. I said, 'it just can't stay like that.' I split the company between myself, a senior negotiations group and another group focused on significant opportunities. While doing the negative negotiating, I'd put another hat on and started buying properties with my equity and the equity of those who trusted us. We bought a boatload of properties at incredibly discounted values and as the market started moving up, we sold the properties and made great amounts of money. I found a very different way to skin the cat and I found that exciting.

Now, back to your question about philosophy. It reminded me of a speech. When I finished my

undergraduate I was the valedictorian, but was too shy to speak in public so I left and provided some excuse. I never gave that speech. They [C.W. Post College] subsequently gave me an honorary doctorate and said, 'this time you have to give the speech' and so I talked about overcoming that shyness. So, perseverance is important among a series of other things. You have to be intelligent; you have to work hard, and so forth. But there are two things that I tell my kids that would lead to success; one is the combination of hard work and determination. Hard work on its own is not enough. There are many people who work many hours of the day and don't get anywhere. You have to have that determination and vision to get you where you want to go. The other thing I tell them is to have passion. People who know me will say I'm the most passionate, intense guy you will ever meet. That's because I don't think you can be good at anything you do without loving what you do or having passion for what you do. When people say, 'well you're really good at real estate,' it's because I breathe it. I really love what I do. It's like an athlete. I can't believe they're paying me to do what I love to do. That's the way I feel—I really love cities and buildings that are going to have a legacy to them. I love the whole process of negotiating, getting the best deal, finding a great piece of land, and constructing. And when it's done, it's the only business I know where you get to see "the baby." It's sitting there in the ground. It's what drives me every day. Of course, there are many other things that are important—honesty, attention to detail, discipline. But if I had to pick two things—determination and passion are the overriding philosophies. I have two older sons and a daughter. And my daughter doesn't like real estate and she's studying social work. I always tell her, 'do yourself a favor, if you don't like real estate, don't do it. Life is too short.' Anybody that I know that is really good in this business really just loves what he or she is doing.

That's a great segue to a question about the beginning of the Related Group. You started the Related Group in 1979 with very little in terms of financial backing. What drives your

entrepreneurial spirit and how do you instill that in your team?

It's interesting—I love competitive people. When I hire somebody, I'm very up front and tell them 'if you're not the hardest working guy in the world, if you don't have a thick skin, do yourself a favor, go work somewhere else because I'm going to beat the hell out of you,' because we really want excellence. We want people who will work hard and take chances. We want people who want great buildings and love what they do, but who also want to make a lot of money. So when I'm building a team, the first thing I talk about is excellence. If somebody tells me 'it's good,' I go nuts. 'What do you mean? Good is crap! What does that mean?' I don't like good. I like 'Amazing!' 'Incredible!' 'Excellent!' If we're not going to be the best at what we do, I don't want to play that game. I just don't want to be involved. And everyone in this company knows that's the expectation, and if they don't, they really shouldn't be here. I can be a tough boss, because I will let someone know clearly where I think they screwed up. But in addition to that, I am very good at structuring our team so everyone can win. Everybody on a development team participates in the profitability of a job. Here, young employees don't have the biggest salaries, but if they're good, they'll make more than anywhere else because they'll participate in project upside. If I make money, they make money. If I don't make money, they don't make money. That's very clear to everyone and people make more as they grow and become more mature. There's a huge expectation of all these people that they are working for the best company and they are required to be the best. That feeling infiltrates the system and creates pride.

This ties in with your comment about passion earlier. We're interested, on a personal note, if you weren't doing real estate—or had to be doing something else—what would you be doing?

That's a difficult question. I used to love to teach—I haven't done it in a while—but I love reading and books. I think I would have made

a good professor. I love young people. They tell me I'm still a professor. Whenever I'm going through plans, and there's a team around, I'm always trying to teach something. 'Do you understand why we changed that?' Not just 'go do it.' It's the understanding of the roots of decisions that is key. I build teams of generalists—and I want everyone to feel they are an owner. I want my people to know everything about the job—marketing, construction, and legal. It's difficult to do that, because you need to have these expectations of people and teach them. So I think I would have been a good professor. I'm also passionate about art. Art is what I truly love when I'm not developing.

That was going to be our next topic.

Yeah, having a great gallery and helping collect or working with a museum would be a very happy life. Being involved in the art world—which I do today—would also have been something I would have done.

You're an avid collector and benefactor of Latin American art, including several multimillion dollar donations to the newly named Pérez Art Museum Miami. Did your work on real estate and design influence this passion or was it the other way around?

I think it's both. I think I've always had an eye for design—I'm a very visual person. Even in college, when other guys were getting posters of bands or something, I liked going to museums and finding great posters of paintings and sculpture. I love other visual things, too—theater and movies. At the same time, I love literature and philosophy. So my bend was not on the science side, but more on arts and letters. I didn't really like business, but I liked economics. I would study Milton Friedman and Kenneth Galbraith and Paul Samuelson as opposed to the marketing books. To me, the

visual arts are just an expression of the thought process; an expression of our daily life. An interpretation of what's going on around us in the world in a beautiful way. And beauty doesn't have to be in a physical way, it can be beautiful because it makes you think. I believe—and all the studies we had commissioned when I served on the Council for the National Endowment for the Arts showed—that the influence of art on young children is huge. Those that have been exposed to art since early childhood tend to develop much better educationally and become more well-rounded as individuals. So the passion is not just for myself, but I believe that those who are surrounded by art and know about art become better people. They understand things better—it expands their minds. You know, I don't allow my interior designers to choose art. I get very involved in selecting great, museum-quality art for our projects. Just as it makes my life better and happier, that's what I want to do with the places I build. Because of that, I took my entire collection at the time and gave it to the museum. So other people in Miami would have—without having to go to New York or Chicago or Paris—a museum with a great art collection. Again, it's the passion. Just like the passion for real estate, I just love it and I want other people to share it. A lot of my philanthropy is art-oriented because it's a legacy, it makes people better, and it makes great cities.

It's great you mentioned your philanthropy. You've signed Warren Buffett and Bill Gates's Giving Pledge. Why do you believe it is so important for wealthy individuals--especially those in real estate--to give back?

I think we have a debt to society. You take a guy like me. I came to this country and this city with nothing. I'm one of the lucky people granted a good mind, good health, and a fantastic family. I think every day, 'my God, I am lucky'. All of the sudden you have all this money; more than I thought I would ever have. So I think it's an obligation when we have a society with such discrepancies between the haves and have-nots to give back and try to decrease the gap. I just got back from Australia and New Zealand. I kept asking, 'show me your low-income neighborhoods.' They showed me and I kept thinking, 'you've got to be kidding me.' There's little poverty. And if you get sick, you get taken care of. They also have great museums. The parks are unbelievable and their waterfront—wow! We don't have that—yet. There's a lot we need to do and the public sector can't do everything. Capitalism—you guys remember Adam Smith—that invisible hand that acts for the betterment of society. I believe that and if we don't contribute, systems become unsustainable. I do it because it's good for society, but also because I want my children to live in a better world and the more we contribute to it, the better we all will be.

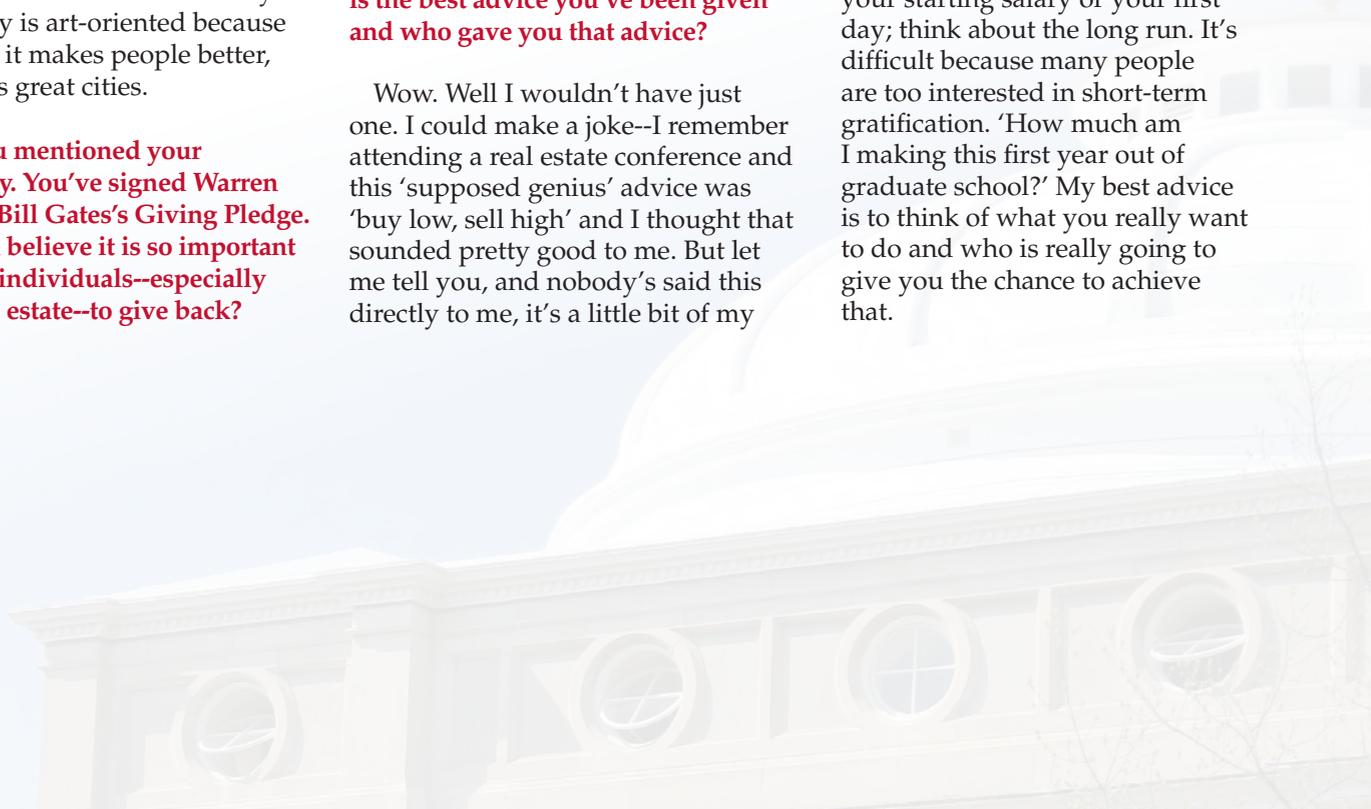
If you can think over your career, what is the best advice you've been given and who gave you that advice?

Wow. Well I wouldn't have just one. I could make a joke—I remember attending a real estate conference and this 'supposed genius' advice was 'buy low, sell high' and I thought that sounded pretty good to me. But let me tell you, and nobody's said this directly to me, it's a little bit of my

personal philosophy, but it's that nobody's gone broke from making a profit, but I also think pigs in the long run get slaughtered. The greatest advice is that timing is everything. It used to be location, location, location in real estate and I believe it should be timing, timing, timing. Many people hold onto things for too long because they want to maximize profits so much but then markets turn on them. So leave something on the table, make everybody happy and move on and do something else. Don't be a pig. It's the same with losses. Take your first loss and move on and make those decisions quickly.

One final question—do you have any advice for people graduating and entering the real estate world today?

I do. Remember, my thoughts on passion still hold. As you interview with potential employers, think long-term not short-term. Don't go to the firm that is going to give you the \$100,000 versus the \$90,000. Think of the firm that has the same philosophy as you and has a path of growth for you. Think of what you love to do and your potential, don't just think about your starting salary or your first day; think about the long run. It's difficult because many people are too interested in short-term gratification. 'How much am I making this first year out of graduate school?' My best advice is to think of what you really want to do and who is really going to give you the chance to achieve that.



Industry Leader Award Winners

Each year, the Baker Program in Real Estate, in conjunction with the Cornell Real Estate Review (CRER), awards the Industry Leader Award which recognizes transformational leadership in the real estate industry. Formerly known as the "Executive Profile" appearing in the Cornell Real Estate Review, this award is a top honor given to those with the influence and integrity to have created a lasting legacy within the industry. Past recipients include: Gearld D. Hines, Chairman and founder of the Hines Organization, one of the world's largest privately held real estate development, investment, and management firms; Robert Duncan, chairman, co-founder, and managing principal of Transwestern Investment Company, a privately held real estate firm specializing in agency leasing, property and facilities management, tenant advisory, capital markets, development, research and sustainability; Art Gensler, founder and CEO, Gensler, a global architecture firm; Andrew Florance, founder and CEO, CoStar, the commercial real estate information company; Samuel Zell, chairman and president, Equity Group Investments, a major Chicago-based private real estate investment firm; and William Sanders, chairman, Verde Realty, a leading developer, owner and operator of corporate facilities on the U.S.-Mexico border.

INDUSTRY LEADER AWARD WINNERS

2013

Gearld D. Hines
Hines Organization



2012

Larry A. Silverstein
Silverstein Properties



2011

Robert Duncan
Transwestern Investment Company



2010

Art Gensler
Gensler



2009

Andrew Florance
CoStar



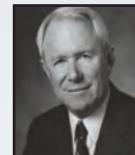
2008

Samuel Zell
Equity Group Investments



2007

William D. Sanders
Verde Group, LLC



Celebration of 2014 Industry Leader



Baker Program Classes of 2014 and 2015 at the reception celebrating Mr. Perez's selection as 2014 Industry Leader.



Evan Doran (Cornell Real Estate Review Editor, Baker Program, 2014), Darlene Perez, Jorge Perez, and Ryan Bandy (Cornell Real Estate Review Editor, Baker Program, 2014).



Mr. Perez is interviewed by Cornell Real Estate Review Editors Evan Doran (Baker Program, 2014) and Ryan Bandy (Baker Program, 2014).

Jorge and Darlene Perez with the Cornell Real Estate Review team, from left, Nicholas Martinez (Baker Program, 2015), Dan Gualtieri (Baker Program, 2015), Evan Doran (Baker Program, 2014), Ryan Bandy (Baker Program, 2014) and Clayton Roach (Baker Program, 2015)



Jorge Perez, 2014 Industry Leader



Above: Baker Program students receive words of wisdom from Jorge Perez

Left: Students receive signed copies of Mr. Perez's book *Powerhouse Principles* at the award reception