GOLD COAST REPORT
BY SUZY BUCKLEY

Building a Real-Estate Fortune

Fortune International finds and sells the Magic City's hottest real estate

Ana Cristina and Edgardo Defortuna have built a company that today boasts 17 offices, more than 850 real estate agents and a variety of major projects sold or in the works after reaching out to buyers in Argentina, Brazil, Colombia, Peru, Venezuela and Mexico.

Two decades after real-estate maestro Edgardo Defortuna delved into Miami's real-estate brokerage, management and marketing business, he began developing his own. As president of Fortune International—revered for lighting the flame under many of Brickell's most sizzling properties—he has orchestrated sellouts from Miami's business district and Key Biscayne to Coral Gables and Miami Beach. Today, he also ranks among the visionary pioneers paving the way in Aventura and Sunny Isles.

Fortune International has 17 offices and more than 850 real estate agents and has signed, sealed and delivered development projects such as Jade Residences at Brickell Bay, The Grandview, Le Meridien, Ocean Blue and Villas of Vizcaya. Several more, including Jade Beach, Jade Ocean, Bridgewater and Arttech, are underway.

The Argentine native, whose father manufactured electric power transformers in Córdoba, got his first taste of the business while getting his MBA at the University of Miami. His father had purchased some Miami properties as investments, which Defortuna helped him manage, buy and sell. He spotted a void in the lucrative market and capitalized on the

As president of Fortune International, Defortuna has orchestrated sellouts from Miami's business district and Key Biscayne to Coral Gables and Miami Beach.
Jade, on Brickell Avenue, is a 340-unit property whose units originally started at $340 per square foot; today, they are selling for about $770 per square foot.

"The reality is that Miami is wanted. When you ask me who my customer is, I say, 'The world.'"

niches. "Wealthy individuals who were living outside the country needed someone to take care of their investments and give them advice on when to buy, sell or rent out their places," DeFortuna says. While maintaining a strong client base in South Florida, he reached out to Latin America, establishing a firm presence among buyers from Argentina, Brazil, Colombia, Peru, Venezuela and Mexico.

He says buyers from everywhere are clamoring for a piece of the American Riviera and is confident supply won’t eclipse demand anytime soon. As a player in the market for more than 20 years, DeFortuna is no stranger to market dips, spikes and lags: His progressive philosophy and keen market watch have given him considerable (and proven) predictive prowess. "It's going to slow down at some point, but the reality is that Miami is wanted. When you ask me who my customer is, I say, 'The world.'"

OCEAN DRIVE: Talk about your first big real-estate sale, when you knew the business was your calling.

EDGARDO DEFORTUNA: I remember my first big deal was a penthouse at Brickell Place, which was just being finished in 1978. Selling it was like touching the sky with my hands! I sold it for about $278,000 and thought, this business is not as difficult as it sounds. Getting a customer to be happy about buying a penthouse like this in Miami was unheard of at this time, so I felt like I had just done the best deal of my life.

When did you establish Fortune International?

I founded my company in 1982. We started in the general-brokerage business after realizing that international buyers needed special attention and services. We specialized in Brickell Avenue and Key Biscayne because a number of foreigners—specifically Latin Americans—had property here. The typical U.S. broker didn’t understand their idiosyncrasies.

When did you start developing your own properties?

In the early to mid ’90s, we began on the brokerage end, representing developers’ projects on an exclusive basis. This opened the doors for us to start traveling to different countries to establish alliances. We taught the foreign buyer how easy it was to acquire finance and hold property in Miami. Working with all these major developers gave me the chance to understand the process, so we set up a company.

What were Fortune’s first development projects?

In Miami Beach, Fortune completed The Grandview [at Collins Avenue and 59th Street] four years ago, then our flagship property, Jade, here on Brickell, which has been completed and delivered. It’s a 340-unit property. We started sales in late 2001—right after September 11th. Everyone told us we were crazy, but the market continued to be very, very good. We broke ground in the middle of 2002 and..."
completed the building in October of 2004. The pre-construction prices, back in 2001, started at $340 a square foot. Now they are in the $770s. Many of the original buyers were very happy. Jade became the standard against which other buildings in the area were measured, both in quality and in the advanced technology we implemented in the building.

Which other sites have you acquired for development?
We have five and a-half acres on the beach in Sunny Isles, where we’re building Jade Beach and Jade Ocean. Those are two towers, 51 and 52 stories, made of 250 units each. Jade Beach is already under construction, close to being sold out, and Jade Ocean—at 171st and Collins Avenue—started pre-sales about two months ago. We have one-, two-, three- and four-bedroom units for sale from 1,000 to 3,500 square feet. The prices run from $800,000 to $11 million.

Is Sunny Isles South Florida’s next great investment opportunity?
It’s very convenient, and a segment of the market that loves the area. It’s close to Bal Harbour and Aventura and is really a community that is happening, with many luxury condominiums and condo-hotels. All the new buildings there are still under construction, so it’s going to continue to change for the next few years. But the natural beauty is one of the best in Miami. The width of the beach and all the facilities are great.

“Sunny Isles is really a community that is happening. The natural beauty is one of the best in Miami.”

Tell me about your condo-hotel projects.
We next finished and closed a condo-hotel project that we named M Resort Residences in Sunny Isles. We named it ‘M’ because of ‘Miami,’ ‘Magnificent,’ ‘Magic’ or ‘Majestic’—a lot of great words associated with that letter. We then coincidentally hired Le Meridien to operate it, and for marketing purposes it made sense to rename it Le Meridien Sunny Isles Beach. We continued to own the facility and sell the units as condo-hotels. All 210 were sold. And we also entered into a joint venture to develop Sonesta Resort and Residences Key Biscayne, which is a very high-end project on 10-and-a-half acres on the ocean in Key Biscayne. Then we have The Ritz-Carlton Club and Residences, South Beach, on Collins Avenue and 29th Street, in what was formerly the Seville Hotel. This is not technically a condo-hotel, but its residences offer fractional ownership programs that are operated with all the services and amenities of a five-star hotel.

How did The Ritz-Carlton project come about?
We formed a partnership with The Ritz-Carlton company and the existing owner of the Seville, the Lowenstein family—who also own The Ritz-Carlton, South Beach. The demand for this property has been incredible. People are already calling to be put on the list. We’re planning to begin sales between the end of December and the beginning of January.

What are the project’s price points?
They really aren’t defined yet, but we’re going to start selling the residences at about $1,300 to $1,500 a square foot, for 1,500- to 3,300-square-foot units. Some residences will be located in the Seville’s existing structure, and we’re building two new towers.
GOLD COAST REPORT

adjacent to that.
Describe your clientele’s national demographics.
About 40 percent of our sales have been through
Latin America: Mexico, Venezuela, Argentina and
Colombia are our strongest countries, in that order.
Nearly 20 percent are Europeans, and the rest are
locals or buyers from the Northeastern U.S.
How important is the marketing campaign in a
real-estate venture’s success?
Our main strength is understanding the buyer. You
have to be ahead of the curve in technology, innovation
and finishes. Especially in our niche of the mar-
et—high-end luxury—the buyer is always looking
for the newest and most luxurious things. The har-
est part today is identifying the sites—that’s the key
to success. You can do projects anywhere, but if you
want to sell them in the luxury market, the buyer
needs to identify with the site and be comfortable
that the overall environment is there.
Are you concerned about real-estate specula-
tors—investors who don’t intend to live in the
condos they purchase?
We’re very selective in trying to make sure that
the buyers will actually use their units. The sales director
are going to stabilize. Certainly the long-term rates
have not increased the same way as [Federal
Reserve Chairman Alan] Greenspan is increasing the
short-term rates. But there is time for a pause. If they
go up half a point more, or even a point more, it
won’t have any major impact on real estate.
How do you feel about the wild popularity of
interest-only loans?
If the rates go up, this can turn into a scary situation.
Most people in the category of mid-range properties
are payment-rich but cash-poor: They can afford
their payments but don’t really have much savings in
the bank. They’re stretching it to make the monthly
payments easier for them with an interest-only
loan or a variable rate that’s low in the beginning,
then kicks up in three or five years. These people are
running the risk of being able to maintain their
properties, because their incomes don’t always go
up in line with rising rates. I advise our buyers to find
more of a fixed type of rate, which is still very com-
petitive but not as much of a stretch as going into an
interest-only or one-year-variable situation. Certainly
you can pay it this year, but what happens when the
payments get too high? People speculate that they

“Our main strength is understanding the buyer. You
have to be ahead of the curve in technology, innovation
and finishes. Especially in our niche of the market—
high-end luxury—the buyer is always looking
for the newest and most luxurious things.”

at Jade Ocean has interviewed every single buyer
who put down a deposit. We wanted to ensure the
unit was for them and be sure they were prepared to
close. We told them that there was not going to be a
resale program like we’ve had in other buildings.
This policy makes the building more successful and
the banks more comfortable: They don’t want to
think that a lot of units are going to be going back
onto the market before the building is completed.
Even though investing and speculating is a good
business these days, you never know when the cycle
is going to slow down a little bit. You don’t want to
have contracts with people unwilling to close.
Isn’t it unlikely buyers would fail to close if they
put down a 20-percent deposit?
Of course, but still, some people are reluctant to
close at the end. Sometimes there are a lot of ifs
about it, and the buyers take a long time. And as a
developer, when you complete a $200 or $300 mil-
lion building, you owe 80 percent back to the bank.
The clock is ticking to pay back that loan, so you cer-
tainly don’t want to see people delaying their clos-
ing or struggling to get their 20 percent back. We
want solid buyers who will close once units are
delivered.
Will a hike in interest rates severely affect the
market?
It is possible, but I certainly don’t see it. Interest rates
can go ahead and sell the property and make money
on the new price increases, but they might not real-
ize that it goes hand in hand: If the interest rates go
up and you can’t afford your payments, there won’t
be as many buyers willing to pay that price, either.
What about appreciation in real-estate values
in South Florida?
From what we’ve seen so far, today’s market prices
turn into ‘very exciting prices’ in six months. If you
buy anything on the water, with bayfront or marina
facilities on the ocean, it’s solid. Like anything, real
estate will have its cycles. But there’s always going
to be a demand for it, and in the long run the price
will always go up.
What’s your advice in choosing a preconstruction
project?
Pick a project with the help of a broker who knows
what he or she is doing. Look at the reputation of
the developer and the quality of his work. Find loca-
tions that are not marginal—just because you can
buy it for $50 less a square foot right now doesn’t
mean it’s not going to depreciate in price later on if the
market slows down.
These days, thanks to the money they’ve made for
buyers and the way they’re changing the city,
many Miami real-estate developers have a rock-
star image. What do you think of that?
It’s great and all, but even more than the people
who tell me I’ve helped them make a lot of money
like the people who stop me and say, ‘I’m so happy
living at Jade.’ To see something in the planning
stages and then see the reality—and feel comfort-
able that you’ve delivered as much or more than you
promised in your brochures—is a great feeling. And
of course the fact of being a celebrity or not is all in
the marketing. Obviously, these relationships and
the parties and lifestyle that your buildings are
going to have are all part of the selling process. It
kind of forces you to be out in public and do things
that will make the customer happy. You want them
to enjoy the place they bought and feel good in
their position.
Looking back over your career, do you wish you
had done anything differently—either taking on
more projects or entering the development indus-
try sooner?
I have been wrong before and have chosen not to
take projects that have proven to be successful. But
they weren’t what we felt was our niche market at
the time. I always say, I’d rather be wrong not doing
something and count how much I didn’t make than
be wrong by doing something and have to count
how much I lost.