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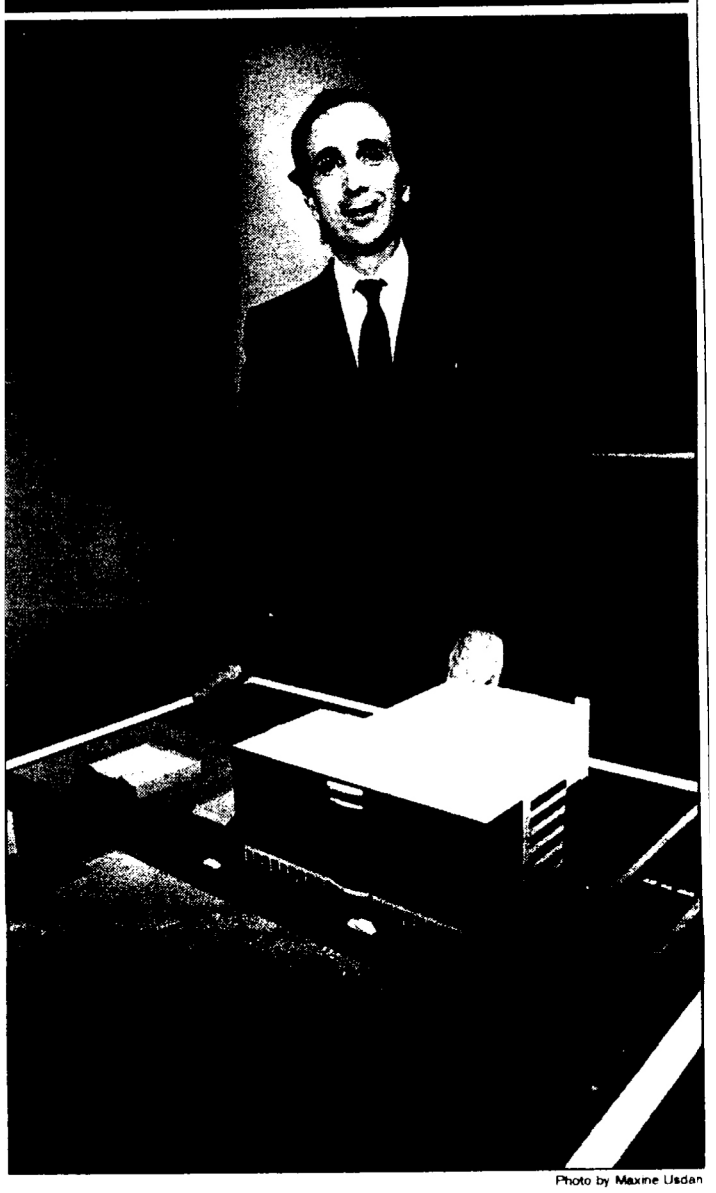

Photo by Maxine Usdan

### Albert Socol

Turning from office to residential development

The profile is on Page 4

# Socol swings from office to residential development...

*As a boy in Argentina, Albert Socol was taken by his builder and developer father to construction sites, where he'd watch bricklayers erecting walls.*

*That introduction set him on a course that led him later to become a developer in his adopted country, the US.*

*First, though, Mr. Socol studied architecture and planning and became an architect, even designing a school of architecture.*

*As a developer of commercial projects, he encountered both success and setbacks. A major tenant of one building failed financially. An ambitious plan for a high-rise office tower ran up against neighborhood resident opposition. But his Modulor Development Corp., of which he is president and chief executive, also was responsible for significant structures, including the landmark housing its offices at 2100 Ponce de Leon in the heart of the Coral Gables business district.*

*All was valuable experience, Mr. Socol says, but now with a soft office market he is turning to residential building, initially with a high-end project called New French Village.*

*Mr. Socol was interviewed by Miami Today international editor Michael Hayes.*

Photo by Maxine Usdan

**Albert Socol, left, reviews blueprints with Scott Willis, director of architecture for the Modulor Group.**

**Q: You set out here as an architect?**

A: When I started my career here in Florida almost 19 years ago I first worked for probably the most prestigious architectural firm in the US, then called Ferendino Grafton Spillis and Candela and now called Spillis Candela and Partners. I felt that was like my second school – I learned a lot and felt very comfortable with the principals.

I had admired especially Mr. Candela for a long time. In a lot of respects he's been my role model in architecture. I was able there to face the real world of big buildings. I helped design the School of Architecture in Gainesville, a project I'm proud of, because every architect in the world dreams of designing the school where other architects are being taught!

During my years in Ferendino Grafton I was basically a project architect, designing buildings. Although I learned a lot, some of the objectives I had for myself in life were not fully fulfilled. I really wanted to be in the whole process of development.

**Q: Why?**

A: My family back in Argentina was involved in development. I loved architecture. It was and is my passion — lately I have become more and more an architect, doing buildings for other people — but I thought I had an understanding of development and I wanted to take advantage of that.

Another architect — Mark Frankel, with whom I worked at Ferendino Grafton — and I created in 1976 Frankel Socol and Associates in Miami Beach. We did a lot of work in the northern part of the county and in south Broward. We did a lot of residential work and what's today called the California Club.

My first real experience in development was with a fellow Argentinian, Mr. Rubinstein, who came to Florida, bought a building in Miami Beach in the middle '70s and offered us the possibility of converting that into a one-bedroom apartment condo. It was an old hotel called The Islander.

I didn't even know what kind of fee to quote — there was minimal architectural work. It was a matter of putting and organizing a condo there, getting financing — which I had never done before — and trying to sell the project to people that would take an old building facing the beach.

**Q: What happened then?**

A: At that point, I met my ex-partner, Michael Katz, with whom I was together for close to 12 years, and through my architectural relationships I designed a house for a man named Milton Gaynor, one of the principals of the then Washington Savings and Loan Association, which became Nationwide Savings. I designed his home and he gave me a first stake-out based on really no financial — I didn't have anything to offer other than how young and aggressive I was and that I pretty much knew the overall set of circumstances.

He was impressed by the fact that I knew a bit more about construction than regular architects knew. My father was involved in construction and would take me on Saturdays and Sundays to the construction sites to count cement bags and see how a brick wall was put up and learn the different courses of a wall.

Sometimes he would tell me, "Now see if you can do it. Because if it's difficult to draft, then, boy, it's going to be difficult to build."

I think Milton Gaynor was impressed with the fact that whatever remodeling we would do in the building, I could have a certain control over that process. We still do — we now own two construction companies in South Florida. Michael and I started the building; we didn't have any money but we had a lot of hope, we were aggressive and we went out and made a lot of money for this person.

**Q: You said you didn't know how much to charge?**

A: We ending up owning one apartment, which sold for $22,000. We worked on the project for about a year — very scared, because we didn't know the whole process. After that, and due to this same person, we were successful in buying a piece of land that I can see from my office now, the site of the old Royal Bank of Canada building, today called the Commerce Bank building.

We bought it. It used to be a Mobil station. The piece in itself couldn't be built on, because the Coral Gables code required you to have 200 feet of frontage and 20,000 square feet. There was a medical building in between. So we went out and bought a building with a parking lot right next to the medical building. We bought that with $50,000 that we borrowed from a couple of dentists who were right next door. At first, it was a fantastic idea. My partner and I met a principal of the Royal Bank of Canada. This was in the old days when there was no square footage available in the Gables. We ended up getting $15 a square foot, when rents were $8 a square foot. We were able to get a commitment from the bank. They were going to pre-lease most of the building.

The problem ended up being with the City of Coral Gables. I designed a beautiful eight-story building where the gas station used to be and the bank is today, and then the parking garage as an independent structure next door. We were at first approved by the zoning board, got the variances — and then were turned down by a very difficult series of neighbors opposing a high-rise.

Back in those days, the Gables was totally against growth, totally against any other office buildings.

**Q: So what did you do?**

A: We had our $50,000. We didn't have any more money. We started learning about how you have to be to be a developer. The most important thing is compromise. You'll never get what you want if you go out there like blockbusters. You have to be almost a politician, in the very good sense — you have to understand what people want and try to compromise.

They didn't want a high-rise building. They were right. It didn't fit that site. We were naive to feel that just because we were going to get the approval of the board of architects and the zoning board, all the other authorities would be complacent and agree with us.

We started talking to the then mayor, Mr. Chapman, a person who gave us tremendous support and told us what the community wanted. We reached an agreement where we would provide the city with what they wanted and they would give us pretty much a compromise in square footage. And we built our first building, which was a total success.

We built it with a company we ended up owning. The Royal Bank of Canada provided us with the construction financing and took about two-thirds of the building. The other third we leased to what was then Pan American Bank and a couple of good companies. We were performing at $15 a square foot and ended up getting $21 a square foot for the ground floor.

We were pioneers in this area; we had no competition. We like the Gables. It has helped and supported me whenever I have needed it and in whatever form I can I support the community back. I think it has a brilliant future.

**Q: What came next?**

A: The next opportunity came through a friend of my ex-partner — an Englishman involved in the oil business who through his law firm had an opportunity to buy what was known in the Gables as "the hole in the ground."

Back in the '70s somebody went in and dug a huge hole on Ponce de Leon at about the 900 block, failed and left it there, infested with mosquitoes.

I had one of the most difficult tasks of my life; somebody came in with the design of a building that didn't work, with the foundations there, and told us, "Make it work. See how we can build a building there that will fit the environment."

It had been designed as a hotel. We felt like someone who scored a touchdown: we had the building 100 per cent leased at a tremendous value. Then we ended up losing it, deeding it to the lender.

**Q: What did that project comprise and how did you end up losing it?**

A: Our Gables City Tower building was 137,000 square feet. We had a difficult time with the city, trying to negotiate with them. Again I learned how important it is to try and get everybody's support.

We built the tower and got as anchor tenants Insurance Company of North America, which later merged with Cigna, and probably then the most prestigious tenant you could get in Miami, the Bank of America. We had Central Bank downstairs and leased the rest of the building to an insurance company, Universal Casualty. Its flamboyant way of life hit us and the building never recuperated from that.

We learned from that experience. The old real estate slogan is that the three most important things are location, location and location. I don't think anybody in this world has learned that more than I. The fact that building was on the outskirts of the city had a lot to do with the fact we were unable to re-lease it after our major tenant failed. Other people followed us and a wonderful project was built behind us called Douglas Entrance — which today is facing foreclosure.

Then our next-door neighbor, a group of English people, London and Leeds, built another wonderful project, which after two or three years is 30-40 per cent leased. Sometimes people follow and in our business it's probably the worst of all. When they see somebody being successful, they just follow that success. But there was only a certain amount of need in that area.

In analyzing the market, seeing where people would like to be in the Gables, the answer was evident: at the heart of the Gables — at Ponce and Alhambra. The market for these high-end buildings was for somebody able to walk to restaurants, enjoy the things that Coral Gables provides, which back in that area was impossible — there are no services, no restaurants, very few attractions where people can fill in their leisure time between meetings.

I think that's why those three projects have had such a hard time.

**Q: That failure did not deter you from other ventures?**

A: In the late '70s, early '80s, we built our Gables Corporate Plaza building, which I think was our most successful venture. We did attract *la creme de la creme*, Our list of tenants included IBM, Bank of Tokyo, Spanish Bank, Southeast Bank, Dow Jones, TransAmerica and so on. We were getting top rents, in some cases $35 a square foot, which was really pioneering for the area.

I took advantage of people wanting to see the environment, so we put in glass elevators facing Merrick Way. Your coming into the building was an event in itself. I guess due to that success a lot of people started thinking there was a wonderful market down here — let's go after it.

**Q: Your next project was nearby?**

A: Our next project was the Merrill Lynch building across the street, which houses Texaco, NCNB Bank and Federal Express — it's 100 per cent leased. It was also a very successful venture economically.

That was when the really big competition started in the Gables. An important thing happened in 1986 — the Reform Act. It was a threshold in our business. Just before that a lot of people were looking at real estate, especially office buildings, as an economic venture only, trying to get tax benefits out of it.

It's unbelievable what I have seen in this business done by accountants and lawyers on how much depreciation and losses can be sold for, how much return could be generated by these losses. We were probably the ones who pioneered the free rent down here. Our deal was $30 a square foot, one year free rent and then you're ready to go. We learned that when you give a year's free rent to IBM it's not a problem — their credit is as good as the government's. It might even be better.

But when you start dealing with others, you can start getting into problems. When you see people of financial background and intelligence letting their project go down the drain, giving it to the lender, letting it be sold on the courthouse steps, that tells you the crystal ball in this business doesn't exist. It also tells you maybe you're better off sticking with local players.

This is not New York. It's a very different community. We don't have the growth they have and this is one of the very few towns where being a local boy has an advantage.

**Q: You referred to a threshold?**

A: At this stage, my partner, myself and Modulor had done tremendously well. We owned a construction company. We were doing our own leasing and management and I always had my own architectural firm. We did work for ourselves and other people and we were basically commercial developers.

We were looking at a market that was deteriorating. After the Reform Act and the series of big buildings that started sprouting up in the Gables, the market just wasn't there.

Today, our vacancy rate in the Gables is close to 30 per cent. We've probably enough supply in this town for five to seven years.

If you play musical chairs — take a tenant from one building to another and consider that to be a stable market — you're wrong. The only stable market that there is is one where there's real demand and the concessions are within reason.

This business doesn't have a 40 or 50 per cent profit. So when you lease at face value, which is X, and you already discount 20 per cent, you have to be darned sure you're going to make it on the other end. Your projections have to work down to the penny.

**Q: You see a difficult future for real estate here?**

A: The old days — when Modulor used to do tremendously well — are gone.

*Miami Today* published an interview recently with Dick Neve of The Hogan Group, who synthesized so clearly how this business is going to be in the next decade. He said they would be successful because they understand the market and have as a lender and a partner somebody like Teachers that doesn't have to go and negotiate a loan with a bank at market values — paying a 1 point fee in advance and 3/4, 1/2 or 1/4 over prime — and doesn't have the pressure of making mortgage payments.

That's the outlook for the future — very big companies with very large amounts of financial backing that are able to borrow at very different rates.

I remember a conversation I had with a man I admire, Charlie Sears from Metropolitan Life — probably one of the most experienced real estate men I ever met in the US. He was trying to buy back the Gould building in downtown Miami. He couldn't buy, so he went ahead and cut a deal with what is today the Barnett Center on Brickell.

I asked him with all the buildings on Brickell why Met Life was putting this wonderful structure there. He said, "Developers die; insurance companies don't. So we look at life in a 30-year period. In that span, any projection is going to work. We can pay ourselves a coupon rate of 4, 5 per cent, who knows? Maybe we accrue it. There is no developer in this world who can compete with us. So we'll succeed."

He was right. He went ahead and offered Barnett Bank a deal of the world and everybody said it was impossible for him to do it. He put a fantastic product up, and although in half of the building he's getting less, the other half somebody is going to pay him retail. And he was able to provide a big enough building to provide the amenities that are necessary — cafeteria, banks, a wonderful ratio of parking and so forth — and a unique quality structure.

So this business is turning to where the entrepreneurial developer, the guy that comes in and starts as my ex-partner and I did, is going to be on the scene less and less. The business is already changing in a radical way.

I still feel, though, that the future could be wonderful.

**Q: You've experienced both triumph and despair yourself?**

A: A new partner of mine from The Netherlands asked me to tell him my story. I told him how many buildings I'd been successful with, and how many I lost with. He said, "I like that. Now you've learned. I don't want you to learn with me."

I was also impressed by the interview with Mr. Neve because he understands as well as anybody the wonderful potential this community has. Sometimes I feel so mad when I read the newspapers and see how people almost enjoy putting Miami down in almost anything we do. I think this is a wonderful community with an excellent future. A lot of ideas are here still to be developed.

**Q: You have some of your own?**

A: I've been planning for the next 10 or 15 years of my life. Due to being flexible and trying to understand the changing market, we've totally changed the structure of our company in the past three years.

We're starting a new project called the New French Village in which we've been, thank God, very successful. We've started a remodeling project also, which we bought for an almost foreclosure price in South Miami which we're refurbishing with a new facade and bringing new tenants in. We're about 60 per cent leased already there.

We're looking at other different new possibilities. Building in the Gables is totally crazy, unless you've got IBM as a partner and you have a lender out of town that looks at life through New York sunglasses. If you do that, somebody will finance a building in a market that's declining.

The office market is so way off that's it's unbelievable. It's like we're still intending to build trucks when the market doesn't want trucks, simply because we're all set up to build trucks.

Projects like the Teachers are going to be doing tremendously well, because they are on the outskirts of transportation centers, right next to Miami International Airport, and with a lender that can assure tenants that it's going to be there forever. Especially now with the new concurrency laws and having to provide so many services, the cost of construction is going to go up tremendously and for a very long time you're going to see very few buildings started in the heart of cities.

**Q: Do you have any thought of going back into residential?**

A: Yes. As a matter of fact, that's what we're going to be back into. There's a wonderful demand in Coral Gables, just because of all these big office buildings that are here — a lot of executives here don't want to fight traffic. Coral Gables is a wonderful residential community.

We have got together with a local real estate person and purchased a piece of land where our New French Village is going to be, 25 high-end residential units, after the spirit of George Merrick, the creator of Coral Gables, in the French style that people like. We've been very successful in marketing that and see ourselves doing a second phase or some other residential ventures. That's probably what a lot of developers are going to be doing.

## The Achiever

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Age: **47**
Born: **Buenos Aires, Argentina**
Higher education: **University of Buenos Aires (M.A., architecture and planning)**
Personal philosophy: **"Always try to negotiate and come up with some middle ground or understanding of the other parties. No answer should be a final answer; everything should be negotiated and discussed."**



# ...as he foresees institutions supplanting entrepreneurs