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Fiorella 'building' a new niche

Investing \$400 million in for-sale Sun Belt condos and homes

BY GILBERT NICHOLSON / STAFF

Jack Fiorella is carving a new niche that could rival his reputation as one of the nation's top apartment investors.

Since January, Fiorella has made plans to invest \$400 million in "for-sale" condominiums and residential houses from Texas to Florida. They include:

- A 10-story, \$90 million, 160-unit upscale project, Beach Drive Condominiums, he will build on St. Andrews Bay in Panama City;

- A \$50 million, 167-unit mid-rise under construction in Houston that he will buy;

- A six-story, 66-unit condominium project on Birmingham's Southside he will build in Lakeview, originally planned by developers Peter Rowe and Michael Sullivan;

- The Ledges, a 100-home community he is building with partner Mark Marlowe along a prominent ridge in Pelham near the Weatherly subdivision and the new Ballantrae Golf Club; and

- Highland Crescent, a 20-home project he is doing with Marlowe on the old John Carroll High School property on Highland Avenue, previously reported in the *BBJ*.

To be sure, Fiorella is not abandoning his bread-and-butter apartment investment business, Equity Resources LLC. He predicts the company will handle more than \$250 million in transactions, acquiring and selling Class A apartments by the end of 2004.

Fiorella saw so many tenants, lured by low interest rates, leaving his upscale apartment units to buy condominiums and houses that he figured he would get in on the action.

Play 'both sides of the street'

"A lot of the same demographics and principles apply (renting upscale apartments compared with buying condos)," Fiorella says. "In some cases, if you can't beat them, join them.

It was clear that maybe we needed to play both sides of the street."

The new venture, conducted through one of his four companies, Equity Resources Residential Inc., calls for the hiring of 20 to 25 construction oversight, marketing and sales employees in the next six months. The company will expand into 4,500 square feet of his 16,000-square-foot Liberty Park office building, which currently houses 23 employees in 8,000 square feet.

By year's end, he hopes to have an office open in Grayton Beach, just west of Panama City, his base in the Florida Panhandle.

In addition, Fiorella has formed a Tuscaloosa title company, Equity Title, to accommodate his transactions and those of other commercial and residential real estate brokers and executives. He will open branches in Birmingham and Grayton Beach.

"We've diversified fairly aggressively," Fiorella says. "We'll be competitive with anybody in the marketplace."

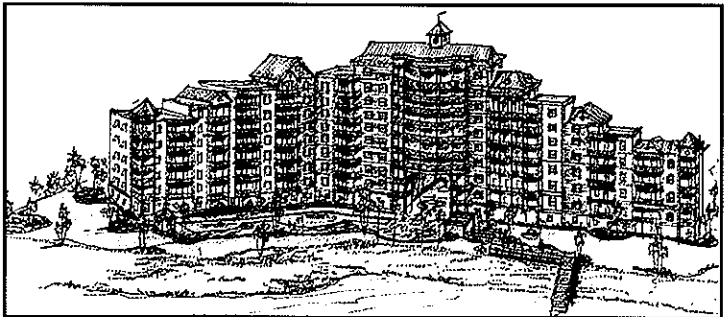
Mike Renier is vice president of commercial real estate at SouthTrust Bank, where Fiorella has been a customer for 20 years. He predicts Fiorella's venture into condos and houses will work.

"Jack will be a success in this endeavor because he has been a success at every undertaking and surrounds himself with top-quality professionals, both in employees and third-party consultants," Renier says.

Meanwhile, Fiorella says his entry into the condo- and home-building market isn't a knee-jerk reaction.

Competing against himself

"We made a very conscious decision, after seeing the shift in demand for the 'for sale' product



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The \$90 million Beach Drive Condominiums will be built on Panama City's St. Andrews Bay by Jack Fiorella through his company, Equity Resources Residential Inc.

is so great, contrary to concern over interest rates," Fiorella says. "The demand for product so far exceeds the supply in so many markets, we see the opportunity in 'for sale' condos and homes."

The concept is so attractive that Fiorella will be competing with himself in Naples, Fla. He'll try to convince his tenants in the posh 300-unit Reserve at Naples apartment complex to buy the 160-unit condos he will soon build next door on 52 acres.

"The Naples deal is kind of ironic. I'm soliciting my own residents to come next door and buy a condo," he says with a laugh.

Fiorella is known for his savvy in buying upscale apartment complexes before they are finished, leasing them to tenants, and then selling them at a premium. He has deliberately pursued a niche with few competitors, as public companies with deep pockets avoid such investments because of their need for short-term results.

"I can take a short-term shortfall in income in exchange for the long-term goals I've established," Fiorella says. "The only decision-maker in my company is me, as long as the banks continue to go along with my game plan."

An example is the 532-unit Towne Place at Hunter's Creek apartment complex in Orlando, which Fiorella bought for \$47 million almost three years ago and sold in June for \$55 million.

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