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Don Peebles: Seeking a fast climb up the ladder

Self-made developer scouts properties for first NYC project

By Sarah Portlock



R. Donahue Peebles met with potential investors last month.

R. Donahue Peebles has made a career of bringing New York influences to his properties in other parts of the country, most notably South Florida, where the majority of his office buildings, luxury hotels and high-end condos are located. But now, after two decades of exporting the New York vibe elsewhere, he's feeling out the market for his first New York City project.

On a sunny Monday last month, Peebles, who goes by Don, met with several potential

investors in New York from the real estate division of JPMorgan Chase, toured a potentially developable 160,000-square-foot, \$300 million property in Midtown South and discussed plans for creating a New York-based private equity fund with a consultant over lunch at Cipriani.

His goal, he said, is to acquire two development projects in the \$200 to \$300 million range this year and then open an office in New York. He said wants to bring a boutique hotel with five-star amenities to a trendy Manhattan location, but not somewhere already oversaturated with similar establishments.

The 48-year-old African American entrepreneur, who has written a book detailing his rise in the real estate industry ("The Pebbles Principles: Tales and Tactics from an Entrepreneur's Life of Winning Deals, Succeeding in Business and Creating a Fortune from Scratch") and has another scheduled to come out later this year, noted that he takes "very calculated" risks.

"I look at the risk, I assess it, and I make sure I understand it," he told *The Real Deal* during his sweep through New York. "I look for ways to mitigate it."

Pebbles, who hosted a fundraiser for Barack Obama late last month in Miami that brought out celebrities like Russell Simmons and NBA star Alonzo Mourning, also almost always offers his own capital on a project and then brings in other investors once the projects are more solid, he said.

"In general, I've tried to mitigate risks by being a little contrarian to the market," Pebbles said. "We want to sell when fewer people are selling, and buy when fewer people are buying."

Raised by a single mother in Washington, D.C., Pebbles dropped out of Rutgers University after a year and started in the business by appraising properties and arguing property tax appeals. He said he learned what he needed to know from reading and observing others. Things changed quickly when he signed his first million-dollar deal at age 27 in a then-blighted neighborhood in D.C.

Today his company, the Pebbles Corporation, has \$4 billion and 7 million square feet of projects in development nationwide. Operating several of his early projects — a Courtyard by Marriott in Washington, the Bath Club in Miami — provides steady income. And his net worth is "in excess of \$500 million," he said.

Pebbles said his vision in New York is to bring the amenities of Fifth Avenue hotels to a Downtown market. On this trip, he stayed at the recently renovated Essex House to get a feel for what's already being offered at similar establishments.

He told *The Real Deal* that his current focus is to secure sites most affected by the rocky economy. He said that he is now negotiating a deal on an existing property in Midtown South that, if successful, could open within 12 to 18 months.

While he is cognizant of the financial difficulties of today's market, Pebbles is confident that he can forge ahead.

"While it is certainly more challenging to secure debt financing in this market, equity financing is still plentiful," he said.

He also said that there may be opportunities given the slowdown and the credit crunch in the form of decreased land values and stabilizing construction costs — and, with fewer projects in the pipeline over the next few years, a decrease in competition.

Peebles is doing this while juggling two of his most ambitious projects yet: a \$2.8 billion 4.5 million-square-foot hotel and entertainment center in Las Vegas called Las Palmas, and a \$1.4 billion, 90-acre oceanfront property near San Francisco, where he hopes to create a platinum LEED-certified hotel, office and residential complex. He said that his geographically diverse portfolio should be viewed as an asset. "I want to bring a little bit of Miami, a bit of South Beach, to New York. And, I want to bring a little of New York to South Beach and Washington, D.C."

Meanwhile, he also has plans for a New York-based \$350 million private equity fund designed to support small- and mid-size developers in urban centers that tend to be diverse in both ethnicity and gender. He will provide the contacts with architects, contractors, and design and marketing consultants.

Carl McCall, a former New York State comptroller who has invested in Peebles' projects, is encouraging him to proceed.

"Real estate is a very attractive investment to pension funds and to institutional investors, and what they look for is people with a proven track record," McCall said. "He has a string of successful deals, so that makes him a very attractive client, a very attractive investment to institutional investors."

Peebles said he never imagined he could have come this far this quickly.

"When I started off in Washington, I felt Washington was going to be the place where I was going to be. Then, when I went to Miami and started doing business there, I said, 'Well, there's no reason to limit myself elsewhere.'"