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A conversation with Nadim Ashi

Fort Capital founder talks Surf Club project, condo development cycle

By Eric Kalis

An opportunistic real estate investor who repositioned multiple distressed condo buildings during the recession, Nadim Ashi is embarking on his boldest South Florida venture with the Surf Club Hotel and Residences development in Surfside.

The founder and CEO of Miami-based Fort Capital Management, Ashi recruited prominent architects Kobi Karp and Richard Meier to design the project, which incorporates an historic building designed by Russell Pancoast.

Plans for the 9-acre oceanfront property include two residential towers, a private club, two restaurants, four swimming pools and more than 40 beach cabanas. Last month, Fort Capital announced a deal with Four Seasons to brand and manage the 80-room hotel.

The developer aims to complete the project in early 2016.

A 20-year veteran of the financial services and technology industries in 14 countries, Ashi spoke to *The Real Deal* about Fort Capital's South Florida investments and how his previous careers helped shape his approach to real estate. The interview has been edited for length and clarity.

TRD: How did the Surf Club investment come together?
Ashi: We laid our eyes on the club for the first time around 2010. We were actively buying properties in Miami that were owned by developers and banks. We were very bullish on Miami after the crisis. Miami was uniquely situated, especially Miami Beach, to attract foreigners and northeasterners to its real estate market. The crisis gave me the opportunity to buy some prime trophy properties and reposition them by hiring the right designers.

We were looking at properties on the ocean to reposition or redevelop. That's when we saw the Surf Club. I loved the sheer size of the property and its history. My first reaction was a defensive one. I wished I could get my hands, on it because someone else could come and demolish the club. So I hired Kobi Karp and studied the zoning before we even approached club members.

When we knew kind of what to do with the property from a zoning point of view, we approached the club through the board. It was a difficult transaction, like holding sand in your hand. People tried to buy it in the past but couldn't get a group together. We were willing to listen to what the members' needs were and realized they were very attached to the club. Money was not the only motive. We gained the board's trust after that. They wanted to have a competition and invited several developers. We got support from more than 90 percent of the members.

That whole process took about a year.

TRD: And how did you come up with the redevelopment strategy?
Ashi: We were investing heavily with Kobi Karp and going to the historic preservation board in Miami-Dade to test the idea to preserve the club and bring it back to the late 1920s. They have incredible pictures that show the glory of the old days. Several layers of renovations did an injustice to the place. By [proposing to] bring the club back to its original phase, we gained a lot of the preservation board's support. Then we hired Richard Meier, as we felt the property deserved the best modern architect. That delayed us by maybe six months, but it was a great decision to get the vote of the historic preservation board. Between the acquisition process and dealing with the city and historic preservation board, it took about two years.

TRD: Was it difficult to get the Four Seasons on board with the project?
Ashi: I think the minute Four Seasons [representatives] laid eyes on it, they loved the project. But it did not fit their mold. They wanted a lot more rooms. We designed a tower that could only accommodate 70 to 80 rooms. Then it became known to us that Four Seasons had two sites in South Florida, including one in Palm Beach that had exclusivity for a number of years to control the beach, unless the Four Seasons allows [a second beachfront location]. The other one was in downtown Miami, which also has a geographical restriction. We had to convince the two partners at Four Seasons to allow us to do [the Surf Club project]. I had to meet with the two partners so they would not view me as competition. That took another six-to-nine months of negotiations. We were ready to move forward nine months ago.

We do believe in the Four Seasons relationship and will try to see with our current partners if we are able to expand on the relationship. We are also buyers around the club in the Surfside area.

We purchased the property north of us, the Surf Club Apartments, so we would be able to develop next to the Four Seasons or add on to it.

TRD: The Town of Surfside has stringent building height restrictions. Was that a concern?
We were actually not concerned. The Capri building we repositioned in South Beach was only 60 units and below 14 stories. We felt the demand was for a boutique building rather than a high-rise. Some people like the idea of living closer to the ocean and not being part of a 200-unit complex. When I first moved here, I lived in some of the larger towers and do know first-hand the advantages of a large complex and sharing a lot of amenities. [But] the idea of having a 120-foot, 12-story height restriction was attractive to me. We did not feel like we had to go and ask for anything more. With my business model, that site is large enough. Even with the restriction, we did not maximize what we could build. Today's market demand is for high-end, exclusive product. We designed each building to not have more than 75 units and the hotel has 80 units, even though we were allowed to build 400 residences.

If you look at the motivation for the units we have sold [thus far], I would rank having a historical site first, then adding Richard Meier to it and then bringing in the Four Seasons. Paying an average price per foot of $2,000-plus was unheard of in Surfside. Everyone said we couldn't get that in Surfside. We can do it by building right.

TRD: Where do you see this current development cycle going?
Ashi: I can only speak to the product we're developing. I do believe that if you're on the water and on the beach or bay, there is a scarcity of supply. So it has a lot of legs. American buyers are there and have accepted the 50-percent deposit structure. It's healthy on both sides, as it protects the buyer, who knows there are not a lot of flippers willing to commit 50 percent deposits. For the developer, it allows us to better finance our projects with more protection. At Surf Club, 80 percent of our buyers are American, and 80 percent of that is from New York. These are buyers in their 50s who want to spend more time in Florida. That level of client I feel very bullish about.

What could get me concerned is if another 10,000, 15,000 or 20,000 condos come on the market in Miami over the next two-to-three years. If that happens, it won't be on the beach. As long as people are still willing to pay 50 percent deposits, it's a healthy market. Once we start seeing developers accept only 20 percent, it becomes a different market.

TRD: How did your background in financial services and technology help you in real estate?
Ashi: Before I got into technology, I graduated as a civil engineer and did my masters in structural engineering. The early- and mid-1980s was the beginning of the IT revolution. I'm an opportunistic guy, so I jumped on the bandwagon. My company went public and we sold out. In 2000, I came here. With the crash in 2008, I was kind of prepared, because I was invested with people who had negative real estate buys in 2005, 2006. That gave me a heads-up. When the market collapsed, I looked at it as a buying opportunity. That's one thing that helped me from my financial services [experience] with hedge fund guys who did extremely well when the market collapsed. Since I wasn't invested in real estate when things collapsed, I was able to snap [properties] up at a fraction of their cost.

My passion has always been real estate. I always loved investing in real estate. Anything on the water, on the beach, you can't go wrong.