

Passionate About the Business

An Interview with Dottie Herman,
President and Chief Executive Officer, Prudential Douglas Elliman Real Estate

EDITORS' NOTE Dottie Herman began her 20-year real estate career as a salesperson on Long Island, subsequently buying Prudential Long Island Realty in 1989. Herman and her partner, Howard Lorber, bought Douglas Elliman in 2003.

COMPANY BRIEF Prudential Douglas Elliman Real Estate (www.prudentialelliman.com) is New York's largest residential brokerage, with over 60 offices, more than 3,800 real estate agents, and a network of national and international affiliates. Prudential Douglas Elliman ranked in the top four of all real estate companies in the nation in 2007 and 2008, and was recently ranked number one in the nationwide network of Prudential Real Estate Affiliates. The company also controls a portfolio of real estate services, including Manhattan's largest residential property manager, Douglas Elliman Property Management, as well as PDE Title and DE Capital Mortgage.



Dottie Herman

Were you surprised at the severity of the economic crisis and the speed at which it came about, and as you look now to your business, are you starting to see a recovery?

Yes, I was surprised because in the New York area, business just stopped overnight – it was a mini 9/11. For any company my size, when business just stops, that's tough, but you have to go on and work through it.

People in at least the New York City metro area still believe in real estate. We started to see that in early spring and each month progressively, it's gotten better. Business came back initially through the first-time buyer, and that's probably because of incentives and low interest rates for people who had never bought.

Over the summer, we saw the activity increase at all levels of the market. However, it's all about price today. The market has dropped about 20 to 25 percent, even though the New York area has stabilized to some extent. We actually had more sales this time this year than this time last year, just at a different price level. It's about price and terms, because the other problem, which was not a real estate problem but which still affected real estate,

was the financing. The banks were very good with first-time home buyers because they were guaranteed by the government, but they made the requirements over the top for high-end real estate, so that was a challenge and still is. We've seen an increase in all-cash sales at the higher end. If the market stays the way it is, then this may end up being the new deal. These prices could never have risen to the extent that they did if people could not finance them. So it's back to more of a normal mar-

ket where, you have to have a job, you have to put the down payment down, you have somebody looking at your loans and making sure they are getting paid down before you are offered a mortgage, and you have to be looking at a price range that makes sense. It's about managing expectations. But real estate will always be important to people in that it says who they are.

As part of your portfolio of businesses, you have a mortgage company. How has this part of the business evolved to meet today's credit challenges?

We did change that model. We were mortgage brokers – the middle man. Since the banks were pulling back from giving money to the mortgage brokers, we decided we needed to be a bank to be more competitive. So we just successfully completed a joint venture with Wells Fargo and we now have our own mortgage company, DE Capital Mortgage.

How critical was it to communicate with employees to have them understand the changing landscape, and has it changed the type of talent that is going to come into the business?

In times like this, you really have to lead, because people need to see somebody who is strong and has a plan. People were nervous, but I told them, in times that are not good, a broker that really knows what they're doing backed by a company that is really on top of it will do even better, because anybody can sell anything when everything is going up by 20 percent, but people have to have a lot more skill in down times. So I push the brokers tremendously and, for the most part, we've been lucky in building a pretty supportive company. Everyone really rallied together to help. We looked at some of the fat that

we might otherwise not have looked at, and when we come out of this crisis, the companies left standing will be a lot stronger and better off.

With the impact technology has had on the real estate market, do you still need a lot of brick-and-mortar today, or can it be much more virtual?

We have to deliver the service to the consumer the way they want it – not the way we want it delivered. With real estate, I don't think you're going to need the same amount of brick-and-mortar because people don't actually come into the offices as much anymore. But people still want to have the option. Also, there is something to say about the synergy that builds and the energy that is generated when people get together in a sales team. There are some people that can work out of their homes, but most people lose something there. So you're still going to need bricks-and-mortar, but not to the same extent.

Is it challenging to maintain a positive outlook and to present a brave face to your employees during these challenging times?

If you put on that face 100 percent of the time, anybody who works with you might think you're out of your mind. People want transparency today. We have some serious challenges as a business and as an industry – the world has some serious challenges. But I'm confident that we will work them out, at least in New York City, but it will take some pain, hard work, and readjusting. What's most important is that you point out a direction, and that your people feel they want to follow it.

In the early days, could you have ever imagined this company would have grown to become the powerful brand that it has?

I don't know that I could have ever fully imagined what we have built, or that I would end up where I have. But I was never satisfied with the status quo, and always realized that when there are obstacles, you have to find a way around them. I was passionate about the business and the company that I ran when it was smaller, and as it got larger, I was just as passionate. So for me, it's about hard work, passion, a willingness to succeed, and putting together a great team. ●