

Ask Elliman

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

EDITORS' NOTE Dottie Herman has more than 30 years' experience in the real estate business, starting as a broker with Merrill Lynch's Long Island real estate division. In 1989, she bought Prudential Real Estate's Long Island division and expanded the company into the Hamptons. Four years later, Herman and her business partner, Howard Lorber, purchased one of the oldest and most esteemed real estate brokerages in Manhattan, Douglas



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Elliman, for nearly \$72 million. Herman has been named among the 50 Most Powerful Women in New York by Crain's New York Business, as well as one of The New York Observer's Power 100 and by Inman News as one of the Top 100 Most Influential Real Estate Leaders. She is also host of WNYM's popular Saturday morning radio show Eye On Real Estate. In addition to her successful business ventures, Herman is involved with the New York Restoration Project and is on the board of Gold Coast Bank, the Katz Women's Hospital of the North Shore-LIJ Health System, Southampton Hospital, the American Heart Association, and Every Woman Matters Walk: A Walk for Women and their Families.

COMPANY BRIEF Douglas Elliman (elliman.com), is New York's largest residential brokerage, with more than 75 offices in New York City, Long Island, the Hamptons, Westchester/Putnam, South Florida, Connecticut, and Los Angeles; more than 5,000 real estate agents; and a network of international affiliates. The firm has formed a global alliance with London-based Knight Frank Residential LLP in 55 countries in Europe and Asia, allowing Elliman to reach international buyers from all over the world. Douglas Elliman ranked in the top four of all real estate companies in the nation in each of the seven years from 2007 to 2014. In addition, the company controls a portfolio of real estate services, including Manhattan's largest residential property manager, Douglas Elliman Property Management, as well as DE Title and DE Capital Mortgage.

How strong is the residential market and is it sustainable?

In 2007, sales were slowing, although the dollars were still there because we had significant price appreciation. But most people were

focused on their bottom line, and if that number was good, they weren't paying attention to what was really going on.

I remember telling my managers in New York City at a meeting in 2007 that something was going to happen soon. They told me I was crazy because we were doing well, but if you track the data, and I do, you would have seen a slowdown in sales before prices fell.

The difference between now and what happened after the last recession is that you can't get the financing

you were able to get back then. People could borrow a lot more money than they could pay back. You didn't even need to have cash to be in the housing market. Now a buyer has to have real assets to borrow money, so if the market falls, they have equity to back it up. Before the recession, people were able to borrow significant equity from their properties, and since they didn't need cash to be in the market, they had no equity left when the market fell. That won't happen again. It's healthier today in that regard.

Also, if you look at the rate at which residential real estate is appreciating, it's not out of line with value. We're moving up, but we had a lot of years of very slow, steady growth. Although New York City was bruised in the last downturn, it wasn't defeated. New York City was the last major housing market to enter the recession and was the first to come out of it. I

give credit to a lot of strong New Yorkers who believed in New York and real estate. We had a different situation than the rest of the country. The majority of the New York market is comprised of co-ops, something few other cities have. Co-op boards were tougher than the banks on home buyers, making sure they could afford the unit they were purchasing.

The New York housing market is experiencing sustainable growth based on rising employment, strong international demand, and an improving economy. New Yorkers like to say we are the "International Capital of the World" and after London, we are the number-two city where people want to park their money and live. With all of the uncertainties in Europe and Asia, global investors see New York City and the U.S. as a safe haven to park their money.

We have to keep New York City competitive, safe, and clean if we want to maintain our global leadership position. I only see a bright future ahead for New York City.

Are buyers being priced out of the market?

One of the greatest challenges facing New York and other major U.S. cities is the creation of additional affordable housing. In the current market, the economics to create affordable housing are difficult. Unless a developer purchased the land several years ago, it is nearly impossible to build affordable housing. This is the primary reason why most new development in Manhattan has focused on the luxury market.

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The current New York City administration has made the creation and restoration of affordable housing one of its top priorities. The key to New York City's future growth and success is providing housing for all of its residents.

As the push continues to the outer boroughs, how important is it for Douglas Elliman to be in those markets?

We are seeing the Queens housing market improve and we deal with every price range. While \$40-million deals get the headlines, they are a tiny part of the housing market. Brooklyn has been one of the biggest success stories of the New York City housing market. It started as a location that was seen as more affordable than Manhattan and now some neighborhoods rival the prices in the city.

If you look at the demographics going forward, younger people do not want to drive two hours from the suburbs to get to work every day, which their parents might have done. They don't want to be in a neighborhood where the restaurants close at night. They want activity. They want a nightlife. There is a trend back to urban markets and it's not only with young people. Baby Boomers have had their great suburban homes and their kids are now on their own. The husband and wife may wish to move back to the city where they started out.

Across the country, the trend towards urban living is growing and Douglas Elliman is in the markets where our clients are and want to be.

How do you define what makes a truly strong broker?

Today's brokers need a broad array of skills. As always, they need product knowledge, business knowledge, and technical knowledge, since customers go to the Internet first. They also need financial skills and they need to know about credit.

Do you know when you meet a potential broker if that person has something special?

I usually can tell that someone has potential. Obviously you need the ability, but today, ability is not enough. You need commitment and passion, and the ability to adapt and grow. Twenty years ago, I don't think there was a college that

gave a degree in real estate, let alone a master's degree. It was a profession where, even if you worked hard and made a lot of money, it was typically a career people more-or-less fell into.

We started to see some glamour creeping into the industry even before the recession, with some agents appearing in ads. With the growing market for television real estate reality shows, I am e-mailed all the time from young men and women who want to join the industry. The type of people coming into the industry today are different than in prior years. They often have advanced degrees and deeper professional backgrounds. It is a profession for the passionate and provides an outlet for the entrepreneurial spirit.

What is the correct role for the company to play for those brokers?

Agents understand that our brand is most important, and they get clear direction from us. At the same time, I allow people to shine as individuals. To keep the best people, you have to allow them to grow on their own as long as it stays within the confines of the brand. We encourage individual growth because I want the best brokers.

Howard Lorber (the company Chairman) and I own Douglas Elliman, and we are deeply

involved in every aspect of day-to-day operations. But if you look at many real estate brands, they are run like franchises and different owners can create inconsistencies.

Does the reach of the Internet mean there will be less of a need for offices?

If someone was buying a car, he could go online and pick what he wanted in a few minutes. But the purchase would be about price because once a person knows what he wants, it's all the same. With real estate, nothing is the same. The street or property might be different than what someone is seeing online. I don't anticipate a time when people will be buying homes over the Internet, but some will. I could not recommend it because a buyer won't get a full understanding of the property and the neighborhood that surrounds it.

The presentation of a sale home on the Internet, however, has become critical. If it's not done well, potential buyers might not be inspired to view it in person. Most buyers and sellers do a lot of online homework before they interact with an agent directly. I even see a time when virtual agents will be more common.

How critical is the investment you have made in market research?

The most important thing we can offer our brokers and customers is market research. Local market knowledge is a critical service to provide buyers and sellers, ensuring they are satisfied with the transaction. Our in-depth market research of the markets we serve has become a cornerstone of our company.

Do you still get involved in the actual deals?

I do. I share insights for my Ask Elliman campaign and I personally handle many of the real estate concerns raised in the inquiries. Everyone has my e-mail address and my phone number because as a consumer, I know that if I have a problem with something, the most frustrating thing is not being able to reach an actual person. I don't want my agents or consumers to view Douglas Elliman as a big company without heart or soul. If you need to get us, we are there. You build a great business when people trust you and feel that it's not just about the sale. ●

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