# Where did Shvo go?

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No one personified the excesses of mid-2000s New York City quite like Michael Shvo. The slick-haired Israeli émigré burst onto the real estate scene in 1998, an audacious 20-something who quickly climbed the ranks of Manhattan's biggest sales firms before starting his own, self-titled new development marketing company. Famous for his bad-boy antics, celebrity-studded parties and inspired collaborations with the likes of Philippe Starck, Giorgio Armani and Jade Jagger, Shvo became synonymous with the over-the-top condo amenities — and prices — of the era.

Much like the New York City condo market, Shvo's rise has been followed by an equally spectacular fall. The credit crisis has turned once sought-after new condos into the black sheep of the real estate industry, and the few buyers who are still looking at new construction seem to care only about getting a good deal. Celebrity connections and glamorous "lifestyle" amenities are now, as it were, out of vogue.

"Today, people are almost afraid of luxury," said Adrienne Albert, CEO of longstanding new development firm the Marketing Directors.

In this altered marketplace, it remains to be seen what will become of the bevy of new development marketing firms — of which Shvo is the most prominent — that sprung up to take advantage of the dizzying condo boom. So far, it doesn't look good.

Last month, six-year-old company the Developers Group announced it was merging with another young sales and rental firm, the Real Estate Group New York. Shvo, whose projects were once among the most sought-after and expensive in the city, is now linked to spectacular financial disasters like 20 Pine and the city's first occupied condominium to go into foreclosure, Rector Square.

Facing lawsuits from creditors and disgruntled clients and dogged by persistent rumors that his once-hot company is on the verge of bankruptcy, the once press-hungry marketer is now rarely in the public eye. He literally disappeared from Rector Square in December and hasn't been heard from since, sources said.

Like it or not, firms that specialize in new development marketing are being forced to retool their business models in a drastically different real estate landscape.

For Shvo, who so successfully captured the aesthetic of a bygone era, survival will likely mean revamping his entire brand. Staying out of the limelight — for now — may be a means to that end, noted Lockhart Steele, publisher of the real estate blog Curbed.com.

"He probably realized he needed to recalibrate his image for this new generation of real estate," Steele said. "Being the bombastic bad boy was one thing at the height of the market, but now it's not going to play as well."

Luckily, branding is what Shvo does best.

"He's a genius self-promoter," said former Shvo employee Kelly Kreth. "Genius."

If any new development marketer can rise from the ashes, sources said, it's Shvo. But the obstacles he faces are formidable.

**A fallen empire**

Today, Shvo's once-proud empire is in shreds. Almost a year ago, he was fired from Nizuc, a condo-hotel project in the Mexican Riviera, and replaced by the developer's in-house sales team, said Scott Fishkind, the director of sales at the project.

Shvo's company "didn't meet their contractual obligations in terms of sales," Fishkind said. "They weren't producing."

Shvo was also replaced by Corcoran at Chelsea condo 650 Sixth Avenue and by Halstead Property at Jade, the condo building on West 19th Street designed by Jade Jagger.

In January, Prudential Douglas Elliman took over for Shvo at Gramercy, the 23rd Street condominium designed by Philippe Starck, after Shvo sold 190 of the building's 206 units.

Developers have complained that while Shvo is a gifted marketer, his projects often lacked follow-through.

"The developers were not happy with what he was doing," said one industry insider who asked to remain anonymous. "He would sell himself, and then he'd never be around to get any work done."

In part, the source said, that's because his hard-driving schedule and intense personality made it nearly impossible for him to keep employees long enough to put his ideas into action.

"He has good ideas, but it's tough for people to work with him," the source said. "His office is nothing but a revolving door."

Kreth, who said she had a very positive, if brief, experience working for Shvo, explained: "He did keep crazy hours, and he expected everyone to keep pace. I would [bet] that if you had to do that for a long period of time you would burn out."

Shvo, 36, now represents only a few projects in New York.

One of them, the Moinian Group's W Downtown, is rumored to be underwater amid slow sales and a delayed opening. Another one of Shvo's projects, the Armani Casa-designed residences 20 Pine: the Collection, has had similar difficulties. In February, Lev Leviev's Africa Israel USA took control of the 409-unit building from Leviev's long-time partner Shaya Boymelgreen after more than 50 homeowners banded together to protest construction delays at the site.

Some 289 units have now been sold, Africa Israel said, many of them with well-publicized, deep discounts. Indeed, after three and a half years of sales, the building has finally met the "70 percent sold" threshold that many lenders now require before writing a mortgage.

In December, before Rector Square's financial difficulties were made public, Shvo "mysteriously disappeared" from the Battery Park City condo conversion, closing his sales office at the building with a sign that said it would reopen after the holidays, according to Marc Held, a partner at law firm Lazarowitz & Manganillo who represents a number of condo owners at Rector Square.

"He put up signs saying he'd be back after Christmas," Held said. "He was never seen again, nor was anyone from his company ever seen again. He just disappeared."

The project's completed units are being rented out by the building's court-appointed managing agent, the Related Companies, Held said.

Held said buyers at the building are planning to sue Shvo, claiming he misrepresented the building — including its completion date and quality — in his sales presentation.

"The unit owners believe he misled them," Held said. "They were promised a false bag of goods."

Shvo is facing a similar lawsuit from a disgruntled buyer at 20 Pine, represented by attorney Adam Leitman Bailey, who said Shvo exaggerated the number of units sold in the building.

Shvo's company also appears to be under severe financial strain.

In April, Philadelphia financial company Leaf Funding sued Shvo Inc., claiming it had defaulted on a $77,513 loan taken out in 2007 to lease office equipment.

The suit claimed that Shvo has failed to pay monthly payments of $1,866 since November of 2008.

James Grant, the vice president of Leaf Funding, told *The Real Deal* that Shvo contacted his company in 2009 with an offer to settle the debt, claiming his company was in the process of ceasing operations.

"He said he was out of business," Grant said, adding that the case is expected to settle soon.

Shvo did not return phone calls for comment, but when e-mailed about rumors that the company is going out of business, he wrote: "Of course not."

"[The company] has achieved tremendous success throughout the years and in many ways revolutionized the real estate industry, in New York, and elsewhere," Shvo wrote. "We maintain offices in New York, Dubai and are in the process of opening a London office. We continue to be involved in many projects worldwide."

Shvo's international portfolio "is continuing to grow with projects spanning from South America, [the] Caribbean, Middle East, Europe and Asia," he wrote, but didn't name any projects specifically.

**Creating the condo**

Understanding Shvo's rise and fall requires going back to the beginning, before the New York real estate market was the big business it is today.

Condos weren't approved as a legal form of ownership here until 1963. Before that, "New York was primarily a rental town," said the Marketing Directors' Albert, who started selling real estate in New York in 1979.

The dominant form of homeownership was co-ops, and those only represented about 10 percent of the housing stock, recalled Clark Halstead, the chairman and founder of Halstead Property.

"The few co-ops that there were [didn't amount to] enough to be a serious alternative to a big house in Greenwich," Halstead said.

He recalled appraising a home at 820 Fifth Avenue, one of the city's most prestigious apartment buildings, in the early 1970s for something in the neighborhood of $200,000.

Thanks to low prices and weak demand, "marketing and brokerage was kind of a side activity for the managing agents of these co-op buildings," Halstead said. "Brokers couldn't make a comparable living to bankers and stock brokers. We had no one of that educational background working in brokerage, and no one could attract the capital to do the things that we do now."

That all changed with the co-op conversion boom of the 1980s. Suddenly, hundreds of thousands of apartments were for sale, prices were higher, and "we started to see professional people getting into real estate," Halstead said.

Still, convincing New Yorkers to buy condos, rather than co-ops, was an uphill battle.

While marketing one of the city's first condos, 309 East 49th Street, Albert created a cartoon character named "Condo Joe" to help explain the benefits of condos to reluctant New Yorkers.

"Condos were thought of as being inexpensive alternatives," Albert said. "People thought it was some cheap building that was put up."

An even more onerous challenge was convincing buyers to purchase condos that hadn't yet been built.

"We were asking them to put a down payment on a building that did not exist," said executive vice president of the Marketing Directors, Monica Klingenberg, who has been with the company since 1980. "That was a very dramatic change in how real estate was sold. What we had to do was really create the dream for people."

To do that, the Marketing Directors created the first model apartments, complete with views in the windows, so buyers could feel what it would be like to walk into their new homes. They built intricate building models with light-up windows and later used video projections and computer renderings to create virtual tours of apartments.

The move to presales was — and is — very attractive to developers. "Carrying a building, waiting for sales to close after construction is complete is the most expensive moment for a developer," said Albert. "If we could mitigate that expense even partially, we could save the developer a lot of money."

Tempted by the idea of presales, developers became willing to pay for increasingly elaborate marketing schemes.

**Shvoing them how it's done**

Fast forward to the early 2000s. Elaborate marketing techniques and luxurious amenities had fallen out of favor after the market crashed in the late '80s, but as real estate began to heat up again, they came back with a vengeance.

With more money coursing through the real estate market than ever before, marketing and amenities became more elaborate than anything the city had ever seen, according to Andrew Gerringer, managing director of Elliman's development marketing group.

"The dollars today are much bigger than they were then," Gerringer recalled, noting that in the 1980s, condos might have sold for $300 to $400 per square foot — a far cry from the $2,000 per square foot that was common during the boom. "That's a lot more dollars you can use for marketing."

Real estate companies began growing their new development divisions and a bevy of boutique firms sprang up to specialize in new condo marketing, including the Developers Group, Core Group Marketing and, most notoriously, Shvo.

As legend has it, Shvo arrived in New York from Israel in 1996 with a suitcase and $3,000 in his pocket, and managed a fleet of taxis before taking a job at Elliman.

From there commences an oft-told tale of Shvo's meteoric rise to the top of the real estate food chain. Thanks in part to an alliance with reigning super-broker Dolly Lenz, he became Elliman's top-grossing broker, with over $300 million in sales, while still in his late 20s. In 2004, after a falling-out with Lenz and being ordered by REBNY to take an ethics course, the hard-driving, Diet Coke-swilling broker formed his own company. His calling card was elaborate marketing schemes, celebrity-studded parties and lavish spectacles.

A Shvo-conceived 2007 launch party for Starck-designed condo Gramercy featured performances by burlesque dancers and DJs the MisShapes. The opening of 20 Pine, which boasts a pool, private yoga studio and golf simulator, featured a performance by Grammy winner John Legend.

Shvo instituted the city's first 24-hour sales office at the building, which he described as "100 percent sexy." He also commissioned Oscar-nominated movie director Alejandro González Iñárritu, of "Babel" and "21 Grams" fame, to produce a six-minute promotional film for Nizuc.

"Shvo was doing all these elaborate, star-studded events," said one broker who asked to remain anonymous. "That was his niche when he came in — more of a cutting-edge, celebrity style to marketing condos. It created a lot of attention and a lot of hype, which the developers liked."

Even his detractors admit Shvo is a gifted salesman.

"I've seen his marketing materials," said Bailey, the attorney representing buyers at 20 Pine. "It's magic."

During her short tenure as a Shvo employee, Kreth was "astonished at what great branding they had," she said. "He was a really creative guy."

Even more path-breaking, Shvo himself was constantly in the spotlight, with his innumerable condo purchases in buildings like 15 Broad and the Time Warner Center, where he paid $6.5 million for an apartment in 2005. But there were complaints from other brokers of unethical behavior, and a constant flow of employees being hired and fired. A typical PR stunt was "Shvo Academy," where eight summer interns were tasked with conceptualizing the first residential property for the moon.

"He very much put himself out there as this fully formed personality," Steele said. "He was aware of the persona he was crafting for himself."

Other brokers loved to hate Shvo, about whom Corcoran CEO Pamela Liebman once said she'd "never seen one man inspire such across-the-board loathing."

But his outsized personality certainly helped generate business for the young firm.

It worked at Nizuc, which hired Shvo as its exclusive sales agent in 2007 despite the company's lack of experience in marketing hotels, and with a number of other projects outside of New York, for that matter.

"Shvo was getting a lot of press and a lot of PR," said Nizuc's Fishkind. "For a lot of the financial partners, it's important for them to see that there is a viable sales and marketing organization."

While Shvo's relentless self-branding helped jump-start his business, it also may have rubbed people the wrong way, said Kreth.

"In marketing and PR, we're told never to promote ourselves," she said. "He publicized himself just as strenuously as any new development, maybe more. That was innovative."

**Cracks begin to show**

Self-promotion or not, the demise of Lehman Brothers and the accompanying stock market crash signaled the end of the real estate boom in Manhattan, irrevocably changing the face of new development marketing.

A survey by Corcoran found the number of closed sales in new developments dropped an eye-popping 67 percent in the first quarter of 2009 from the prior-year quarter.

Amid a struggling economy and rising unemployment, over-the-top parties and über-luxurious amenities that helped Shvo make his name are no longer in style.

**"These big, glitzy, glamorous presentations, it's much more of an expense and a burden to try to do that now," said Jorden Tepper, an executive vice president at Century 21 NY Metro.**

**What's more, it's now unclear whether those types of events were ever effective at selling units.**

**"As much glitz and glamour as there was, I never really saw it translate into actual transactions," Tepper said. "It was so easy to think that these great events were responsible for selling out these units."**

Currently, elaborate sales offices are being closed down or scaled back, while advertisements now tout low prices rather than fancy amenities.

In other words, "in today's market, the message is about value more than it is about who lives there," said Klingenberg.

**A silent recalibration?**

In order to survive, new development marketing companies have begun to alter their business models.

Highlyann Krasnow, a principal at the Developers Group, said one reason her company merged with the Real Estate Group New York last month was because of a desire to focus more on rentals and resales. Core is also doing more rentals, while Corcoran Sunshine has started consulting with lenders on distressed properties nationwide.

Thus far, it's unclear whether Shvo is willing (or able) to morph along with them.

The company opened an office in Dubai and says it's focusing more on international properties, but Fishkind said one of the reasons Shvo was fired from Nizuc is because the firm had difficulty delivering buyers from different regions.

"They were very focused on New York," he said.

And while Shvo has stayed very much out of the public eye recently, he hasn't entirely abandoned his old, mid-2000s ways.

In May, he and Matthew Moinian, heir to his father's real estate empire, were spotted spraying upwards of $90,000 worth of Dom Perignon on guests at Bagatelle's Saturday brunch in the Meatpacking District, Curbed reported.

But it's possible that Shvo's partial disappearing act — virtual radio silence sprinkled with Shvo-like showmanship — could be a calculated attempt to lay the groundwork for a comeback.

"He always knew what he was doing," said Steele, who guessed that Shvo's avoidance of the spotlight is purposeful. "He was creating a certain image and aura that was maybe part of his plan. He's smart enough to recalibrate again."