

SOUTH FLORIDA BUSINESS JOURNAL

COVER STORY

Stiles passing the torch

A new generation expands
the developers legacy

BY BRIAN BANDELL
PAGES 14-16



JOCK FISTICK

Stiles Corp. has big plans under new leaders

Ken Stiles grew up visiting construction sites where his father built massive office parks, then as a teenager worked summers with the landscaping team keeping Stiles Corp.'s properties well-manicured. Now, Terry Stiles is passing the CEO title to his son, making him the boss of some veteran employees who have been with the company since he was in diapers.

"Ken has one of the toughest jobs here," said Terry Stiles, 68, the co-CEO and chairman of the Fort Lauderdale-based company. "They knew him when he was playing with G.I. Joes in an elevator."

Ken Stiles, 35, joined the development firm 11 years ago and became co-CEO in summer 2015, at the same time Stiles Corp. promoted Scott MacLaren to president and shifted longtime President Doug Eagon to vice chair. Ken Stiles will take over the full CEO job in mid-2017.

Both men represent the younger generation of leadership at the firm, which has developed over 43 million square feet. This family-owned business has 34 employees who have been there for more than 20 years, so they remember their new

bosses when they were still wet behind the ears. It's now the young executives' job to take the company – which built much of Las Olas Boulevard, the first office park in Cypress Creek and the Sawgrass International Park of Commerce – into the future.

Like numerous other businesses, many South Florida developers have groomed their children to take over their companies, including The Related Group and Terra Group, both based in Miami, and Turnberry Associates in Aventura.

"There are a lot of people I grew up looking up to, and I stepped into the executive role, so it was complicated," Ken Stiles said. "How do you tread water and earn respect? It took a few years. A lot of it was many years of listening, not speaking out."

Stiles Corp. has about 345 employees after growing by 40 in 2015, and it plans to hire more as it pursues a handful of major projects in South Florida and several other southern cities. But before Terry Stiles started building towers, he was happy just to put up a front door.

Fighting for their lives

Terry Stiles' father, Howard Stiles, worked in Cincinnati as a printer before World War II, and moved to South Florida after he was stationed with the military in Boca Raton. He became a handyman at a boatyard in Fort Lauderdale, then started doing custom homes and stucco work with his own company in 1951. Terry Stiles joined his father in 1968, and both of them did construction labor at homes and small warehouses.

His father died of a heart attack while on vacation in Singapore in 1971 at age 56. Terry Stiles had a few employees and, without his mentor, had to establish his company in what was then a relatively rural Broward County.

"We were fighting for our lives," Terry Stiles said. "I just had a baby girl. I was making \$123 a week. Our first job was a \$480 door for Ruden Barnett's office. We would lay block and stucco and do anything we could to get jobs."

Call it fate or call it luck: A big break came in 1972. Real estate investor Maurice Finkle saw Stiles' sign on a medical office construction project on Federal Highway, liked what

he saw, and called him. Finkle had him build a 35,000-square-foot warehouse, which was Stiles Corp.'s largest project at the time.

In the company's early years, Finkle provided the equity for many of the projects, including a warehouse for Sherwin-Williams and a 25,000-square-foot speculative industrial building in Boca Raton that was soon leased to IBM.

As the company took on larger and larger industrial projects in the 1970s, Terry Stiles decided to handle development services such as construction, architecture and property management in-house, instead of contracting them out. That laid the foundation for Stiles Corp.'s growth into a comprehensive development firm, as it now offers general contracting, architecture, commercial brokerage, property management and financial services to third parties.

Terry Stiles said he did this because he wanted full control over the properties, including the appearance, and it offered the company more opportunities for growth through contracting. Now, the majority of Stiles Corp.'s real estate services revenue comes from third-party work.

On the cow pasture

It's hard to imagine now that Fort Lauderdale's Cypress Creek area, one of the region's largest office centers, was once mostly cow pastures and trees. When Terry Stiles started the project in 1979, Interstate 95 hadn't been built there, but he saw the demand for office space in the growing county.

With an investment from Finkle, Stiles Corp. purchased a farm on 62nd Street and built three 50,000-square-foot buildings to begin what would eventually become a corporate park. Before attracting office tenants, Stiles said he seeded the area with industrial buildings and warehouses.

For the second phase in Cypress Creek, Stiles Corp. partnered with Toronto-based Olympia & York, one of North America's largest private developers at the time. They built 2.5 million square feet together.

In the 1980s, office parks were a new thing in Broward, as there wasn't much office space in downtown Fort Lauderdale, so they became a big social scene for workers. For example, Stiles Corp. ran activities such as races there to raise money



JOCK FISTICK

Stiles Corp. co-CEO Ken Stiles, President Scott MacLaren, and Chairman and co-CEO Terry Stiles.

"We were fighting for our lives. I just had a baby girl. I was making \$123 a week. Our first job was a \$480 door for Ruden Barnett's office. We would lay block and stucco and do anything we could to get jobs."



TERRY STILES, CEO, STILES CORP

for charities.

Stiles Corp. then started the Northpoint Corporate Center in West Palm Beach and Sawgrass International Corporate Park, again transform-

ing remote vacant land into major employment centers. Stiles said his involvement with groups such as NAIOP and the Greater Fort Lauderdale Alliance helped him meet new clients and foster

SOME OF STILES CORP.'S MAJOR PROJECTS

▶ Amaray Las Olas:

254-unit apartment tower in Fort Lauderdale

▶ Bank of America Plaza at Las Olas City Center:

408,079-square-foot office tower in Fort Lauderdale

▶ AutoNation Building:

204,000-square-foot office in Fort Lauderdale

▶ One Plantation:

321 Apartments and 60,000 square feet of retail

▶ West Lake Commons:

100,000-square-foot Publix-anchored shopping center in Hollywood

▶ Biscayne 18:

57,000-square-foot Publix anchored retail in Miami

relationships that resulted in deals.

The company's entrance into downtown Fort Lauderdale started after he attended the ground-breaking of the South Florida Sun Sentinel's printing plant in Deerfield Beach and a Tribune Co. executive told him the company wanted an office building downtown. That led to the development of New River Center as the company's launch pad into the area.

The company's role in developing downtown Fort Lauderdale is unquestionable. Stiles Corp. has built most of the Class A office space on Las Olas Boulevard, including buildings for billionaire H. Wayne Huizenga and AutoNation.

"Wayne Huizenga and his companies started growing, and we were fortunate to have them as a tenant," Stiles said. "If not for Wayne Huizenga, we wouldn't have a downtown."

Stiles Corp. built its first apartment project – Sunrise Harbor in Fort Lauderdale – in 1999 and it has continued building multifamily as both a general contractor and a co-investor.

The scariest time for Stiles Corp. in the development of downtown Fort Lauderdale was after the Sept. 11 terrorist attacks. The company had just delivered the Bank of America building on spec.

"We sat here for a year without a tenant because everyone was figuring out what to do with their lives," Stiles said. "Our banks lowered the rates and let us stabilize it. Now it's traded several times at impressive numbers."

Nabbing key clients

Along the way, Stiles Corp. developed long-lasting relationships with retailers that it built stores for, sometimes co-owning the property and at other times serving as general contractor and architect. The company has built more than 30 Publix stores and numerous City Furniture and El Dorado Furniture showrooms. Stiles said it's the largest automobile dealership developer in the Southeast, with repeat business with AutoNation, Rick Case Automotive, Gunther Motor Co., and Craig Zinn Automotive Group.

Having relationships with retailers allowed the

BY THE NUMBERS

WHERE STILES CORP. RANKS ON BUSINESS JOURNAL LISTS

No. 5:

Commercial Property Management, with 13.44 million square feet managed

No. 7:

General Contractors, with \$194 million in gross billings

No. 8:

Commercial Real Estate Brokers, with \$474 million in sales/leases

No. 29:

Private Companies, with \$219 million in revenue

company to continue building during slow times for the rest of the market, he said.

It's the company's relationship with Publix that brought it to Charlotte, North Carolina. Stiles Corp. quietly tied up sites in the city so other retailers wouldn't know the Florida supermarket chain was moving in.

"For Scott's ability to lead, it was amazing what he did when he went to Charlotte to form that group," Stiles said.

A new generation of leaders

MacLaren joined Stiles as a financial analyst in 1999 after graduating from the University of Florida. He started in the office and industrial division and then took over supermarket-anchored retail projects. The first projects he led were the Park 'N Go facility at Port Everglades and a Publix center in North Tampa.

"I was very fortunate the company allowed me to wear numerous hats and grow my experience," MacLaren said.

Terry Stiles said MacLaren gained the respect of more senior employees and was widely applauded when he was named president.

Ken Stiles came along later, officially joining Stiles in 2005, but he's been around his father's business all his life. As a kid, he cleaned Huizenga's desk and windows before he moved into the new office. He ran in many of the charity races at the corporate park in Fort Lauderdale. At 15, he got his hands dirty during two summers with the company's landscaping division.

After finishing college, Ken Stiles spent eight months traveling the oceans with a competitive sport fishing team, and visited Australia, New Zealand and Fiji. While he loved sport fishing tournaments, he said his fishing team leader made it clear that his best opportunity in the long run was with his dad's company.

"I wanted to take that opportunity while I was young," Ken Stiles said of his travels.

He couldn't have picked a more difficult time to join the company. In 2005, the real estate market had reached its peak and would soon plummet. Stiles Corp. didn't lose any major projects, but the developer had to cut staff as demand declined. He had to let go of people he'd been friends with for years.

"To go through budgeting at 27 or 28 years old and just coming into the executive group after being here for three years and having to make tough decisions, it was a reality check for me," Ken Stiles said. "I was fortunate, at an early age, to experience it because I never want to experience it again."

Now the company hopes to avoid layoffs when



Above left, Stiles Corp. co-CEO Ken Stiles. Above right, Chairman and co-CEO Terry Stiles.

certain real estate sectors slow because it has so many divisions and property types, so it can transfer talented employees between them if their skills aren't needed immediately, Terry Stiles said. To retain management talent and reward performance, the company shares profits on big deals, such as a successful building sale, he added.

As Ken Stiles assumed a leadership position, he learned from his father to listen, provide his perspective and not dictate things. At Stiles Corp., multiple boards and committees examine major transactions before the top brass signs off.

"It's not Scott's or my sole decision on everything," Ken Stiles said. "It's a group decision and, ultimately, we have to make the right call."

What's next for Stiles Corp.

Stiles Corp. could soon sign off on some major new developments.

Terry Stiles said he's eager to build a 300,000-square-foot office tower on Las Olas because there's strong demand from tenants. He's deciding between two locations. The company already controls the drive-thru teller lanes at the Bank of America building, and it could go there, but Stiles said an even better location would be a site on the Broward College campus. Stiles Corp. is one of three bidders in a request for proposals process with the college and, if chosen, he'd like to build the office building and residential there. Stiles said he already has office tenants lined up.

In Palm Beach Gardens, Stiles Corp. plans to build a 120,000-square-foot office complex behind the Gardens Plaza shopping center on PGA Boulevard.

"We truly believe the office product will be in vogue with our lenders and our equity people," Terry Stiles said. "In the apartment world, with exception of high-end quality sites, we are starting to be overbuilt. Lenders are pulling back on the amount they will lend you, and equity guys want higher returns, so those deals are getting harder to do."

Stiles Corp. has also partnered with Tribune Media Co. to seek approval for a 42-story tower with 390 apartments and some retail along the New River at 200 E. Las Olas Blvd.

The company plans to revive its plans for the mixed-use Westerra on 32 acres in Sunrise, which was put on hold during the recession. The first phase would include retail, multifamily and 200,000 square feet of office, as new office space is hard to come by in that area.

In Fort Lauderdale, Stiles Corp. has an agreement with an assisted living facility operator to develop a project for them behind Galleria Plaza on Sunrise Boulevard. The company is also looking at a 400,000-square-foot retail deal at an undisclosed location in Miami-Dade County, and a Publix topped with apartments along

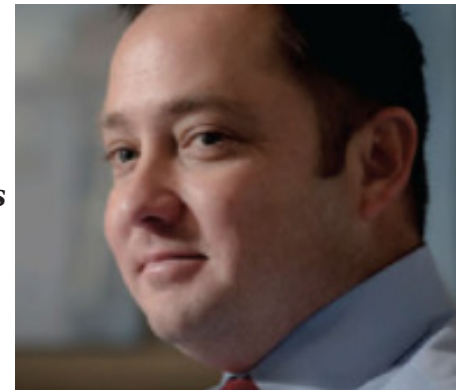


JOCK FISTICK

Scott Maclaren looks at the Fort Lauderdale skyline from the Stiles Corp. offices on Las Olas Boulevard

"To go through budgeting at 27 or 28 years old and just coming into the executive group after being here for three years and having to make tough decisions, it was a reality check for me," Ken Stiles said. "I was fortunate, at an early age, to experience it because I never want to experience it again."

KEN STILES, co-CEO, STILES CORP



LeJeune Road in Coral Gables, Terry Stiles said.

Outside of South Florida, Stiles Corp. is constructing an apartment building in Raleigh, North Carolina, and an office building in Charlotte. Plus, it was recently awarded a public bid to develop apartments in Nashville. Those are the three key markets for the company outside its home base.

Ken Stiles said the company raised \$25 million in equity from high-net worth individuals from its first real estate fund, and purchased seven office and retail properties. Now it's preparing to launch a second fund with a target of \$100 million, and this time it's also seeking institutional capital.

"We buy products that are undervalued and need renovations," he said. "We look how we can create value through our expertise."

A new beginning

Terry Stiles said he's confident in the new leadership at his company because they managed it well when he was forced to take time off to battle cancer.

He was diagnosed with early-stage esophageal cancer in May 2015 – about the same time the leadership transition was announced. That changeover had been in the works for years, regardless, he said.

Stiles said he went to Boston for six months to receive treatment at Massachusetts General Hospital. After surgery, chemotherapy and radiation treatment, he's in a monitoring process now. He's lost 80 pounds.

"With the leadership we had during that time, I know the company is in good hands," he said. "And I feel better [now] than I ever have."