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Celebrities try to make a name in real estate

Big-name affiliation does not guarantee success

Thursday, October 19, 2006

[By Glenn Roberts Jr.](#)
[Inman News](#)



Shaquille O'Neal

You've seen them in films, professional sporting events, gossip magazines and television shows.

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Celebrity branding is not just for apparel and perfume -- developers are using star power to sell condo projects and subdivisions.

Actor George Clooney, basketball greats Shaquille O'Neal and Michael Jordan, Donald Trump and ex-wife Ivana, and domestic diva Martha Stewart have lent their names and fame to help sell residential real estate projects.

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[confidence at low point'](#) (Oct. 18)

Dear Editor:

I had an interesting conversation with a first-time buyer recently. For this couple, it isn't a consumer confidence issue that is slowing in them down. It is the fact that they are so overwhelmed by the number of choices, both in houses and financing options, that it is difficult to make a decision. They are also confused by all of the news articles and unsolicited advice from family and friends. With the large inventory of homes, it is also not urgent for them to decide today. It makes it easier for me to help them when I realize that this is their problem. Together we have established a clear plan of action to simplify the process more for them. I'm sure this will help them become homeowners sooner.

Carol Coder
Coldwell Banker Doug
Arnold Real Estate Inc.
Davis, Calif.

In some cases celebrities receive money from developers who use their name and status for marketing purposes -- they may receive a free or discounted unit in exchange for plugging the project, for example -- while in other cases the celebrities are more financially involved in the projects and may have some design input, too.

A string of high-profile, celebrity-affiliated high-rise condo projects bit the dust in Las Vegas over the past couple of years, though overall market conditions and a glut of competing projects had a heavy hand in that outcome, experts say.

Celebrity affiliation is obviously not all it takes to make a project fly, and its actual value for buyers is debatable. Don't expect the trend to end soon, though.

"I expect we're going to see a flurry of all different types of marketing ideas to try to differentiate builders' projects from the vast oversupply of competitors that they may be facing in some of the most volatile markets," said Jack McCabe of McCabe Research & Consulting LLC in Deerfield Beach, Fla.

McCabe said that celebrity affiliations come in a variety of flavors. In some cases there is a flat-fee arrangement between the developer and celebrity; in other cases a celebrity may have a vested interest in future profits from the development, or an equity stake or ownership interest in the project.

"The jury's really out on how successful (developers) feel these celebrities were for the expense," he said. "Can you say there's really a great value placed on associating a celebrity with your development? I can't scientifically or tangibly document that it has had any value in creating a faster sales pace. But there's no doubt in these highly competitive times that we're now transitioning into ... you're going to see all kinds of gimmicks now to try to move different units."

And when many developers are competing for attention by signing on big-name talent, the result can be a diminished value for that celebrity status, he said.

Noting the failure of planned condo projects in Vegas that were associated in some way with George Clooney, Ivana Trump and Michael Jordan, McCabe said, "That has more to do with the changing of the marketplace than it does with the merits of the celebrity association." Billionaire Donald Trump, meanwhile,

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entered into a 50/50 venture to build [Trump International Hotel & Tower in Las Vegas](#), which has been labeled a success. The project features hundreds of condo-hotel units.

Trump is the most famous celebrity brand for real estate projects, McCabe said. "The vast majority of people think that Trump is (only) a developer," while in some cases the Trump name is used to brand a project through a licensing or equity-sharing agreement. "They're really buying his name." In South Florida, a handful of projects carry the Trump name and a few of the projects are "purely license agreements," McCabe said.

There are risks associated with celebrity branding, McCabe said -- for both the celebrity and for the developer. A failed project could make the celebrity and the developer look bad. A celebrity scandal could backfire on the developer who affiliated a project with that celebrity.

"If the celebrity ... has some negative publicity that could actually be devastating to the success of that project in the future. There is somewhat of a risk and gamble when you do these celebrity associations," he said. The flip side is that a notable household name and brand like Trump can add perceived value to a project "as long as the celebrity is in the limelight in a positive way," he said.

Actor George Clooney was a partner in a proposed \$3 billion Las Vegas project, dubbed Las Ramblas, that included 4,100 residential units, a hotel and a casino. The project failed, though the group doubled its money on the land purchase, according to a [Knight Ridder/Tribune Business News report](#). The project's developer, Jorge Perez of The Related Group in Miami, said of the failure, "We now understand some of the construction constraints there, we understand the importance of a brand name to a project in Las Vegas -- like MGM or Hard Rock."

And Clooney said in a statement that the "controlling partners wanted to sell the space ... and I guess I'll find someplace else to gamble."

Ivana Trump, "The Donald's" ex-wife, had lent her name for a 900-foot high-rise residential project in Las Vegas that would have been one of the tallest residential towers in the world. That project, pitched by Australian developers, was a failure. Ivana Trump's Web site is now touting another project, Ivana Great Barrier Reef in Arlie Beach, Australia. "This project will push the boundaries of luxury and opulence in a condominium development," according to the Web site description.

The [Las Vegas Sun newspaper reported](#) that about 70 proposed condo tower developments were announced for the Las Vegas Valley from mid-2004 through December 2005. But the national housing



George Clooney

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market and the Las Vegas market has slowed considerably in the past year, driving down demand. Rising construction costs and a lack of expertise, too, have slammed the brakes on some projects.

Even with the affiliation of basketball legend Michael Jordan, the Aqua Blue condo project proposal in Las Vegas did not make the cut. Another basketball star, Shaquille "Shaq" O'Neal, announced in recent months that he is forming The O'Neal Group, a company that will partner with a development firm to pursue a \$1 billion project in Miami. That project, as proposed, will include 1,100 residential units.

Rob Emerick, president of Planet IDX, a real estate technology company in Las Vegas, said celebrity attachment to a project can draw media interest, which can be a source of free advertising. "The effect on the cost of the units (of celebrity affiliation) is often negligible and typically involves giving a significant discount on a unit to the celebrity," he said.

Las Ramblas featured George Clooney as one of four ownership partners, he noted, while a separate failed project, Icon Las Vegas, featured unit purchaser Reggie Jackson as a "semi-spokesman," Emerick said. Panorama Towers and Palms Place, both under-construction condo projects with financing in place, have incentivized celebrity purchases "to allow the developer to advertise that celebrity as 'your future neighbor.'" In most cases, celebrities have little creative input in the projects, he said.

In April, Panorama Towers held a [celebrity groundbreaking event](#) for a third residential tower, attended by the likes of "Baywatch" star Pamela Anderson, Ryan Seacrest of "American Idol," actor Mickey Rourke and basketball star Dikembe Mutombo. Anderson's purchase of a condo unit at Panorama Towers made headlines in March, and media reports have also noted that actors Tobey Maguire and Leonardo DiCaprio have also purchased units at that project.

Private investors may be more willing to jump into a project if there are celebrity affiliations, Emerick said, while more conventional financial institutions may not be so star-struck. "The bean counters will strictly want to see pro-formas of how (the affiliation) will affect the bottom line. Obviously, the concept is to use a celebrity spokesperson to accelerate sales. Accelerated sales will lead to quicker and easier financing."

While some projects seek to align with individuals, there is also a trend in affiliating residential projects with established corporate brands, Emerick said. "The hip brands of the Hard Rock, The Palms, and Planet Hollywood have planned high-rise condo projects leveraging their corporate brand names. There has been discussion of towers leveraging the corporate brands of MTV and *Maxim Magazine*."

Image may not be everything -- but it is definitely worth something in Las Vegas, he said. "Las Vegas is a town built on image. Image is very significant in Las Vegas and celebrity endorsements can make one project stand out from the crowd of over 150 projects currently in some form of planning. Celebrity

endorsements are nothing more than a form of marketing with their own cost-benefit structure. In a down or hyper-competitive market, developers will look for new creative ways to market and this could lead to an increase of celebrity affiliations with projects," Emerick said.

"It is a great way to give a cold concrete building a personality quickly. I don't think consumers will tire of it simply because for the past 20 years when I get my groceries I see an ever-increasing amount of celebrity magazines. Americans love Hollywood."

Vegas is "a playground for Hollywood," said Bruce Hiatt, broker and co-founder of Luxury Realty Group in Las Vegas, adding that it's no wonder that developers look to celebrities to help sell their projects. Celebrities in some cases profit from affiliations with projects by buying a unit at a reduced rate and later selling the property for a higher price, Hiatt said.

Hiatt credited the Trump name, in part, for the success of the Trump condo-hotel project in Las Vegas. "His name is huge. He can basically create a 20 to 30 percent premium just for his name being involved with a project. He really is good at this." Location, of course, is also key, Hiatt added.

The cost of construction materials and labor has hurt or killed a number of proposed projects in Las Vegas, he said, "celebrity of no celebrity." Land costs have escalated into the billions for property along The Strip, he said, and financing for high-rise projects is getting tighter, too.

"The barrier to entry is very high. The real estate market has softened. I think it will come back. Vegas historically has been strong in good or bad times," he said.

With future projects, Hiatt said he expects celebrities to take a more active role in projects. Buyers, he said, want the celebrities to be more involved. "That's what they're looking for -- not just a name that comes and goes." Trump, he noted, personally made some alterations in the design of the rooms in the Las Vegas project. "He actually improved the standard -- most developers go the other way to cut costs. Developers in many cases miss the boat by not having a much more involved celebrity throughout the process."

Celebrity affiliations sell especially well to foreign buyers, Hiatt said. "Our business reaches the world. The bigger the name of the celebrity, the bigger the draw they have."

Single-family home builders, too, have looked to celebrity branding to help sell homes. [KB Home has partnered with Martha Stewart](#) to add her signature touches to some of the company's projects, such as "wainscoting, picture-frame molding, open shelving, (and) landscaping packages designed by Martha's personal gardener." The company has built Martha Stewart-branded homes in California, Georgia, North

Carolina and Texas.

* * *

Send tips or a Letter to the Editor to glenn@inman.com or call (510) 658-9252, ext. 137.

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