

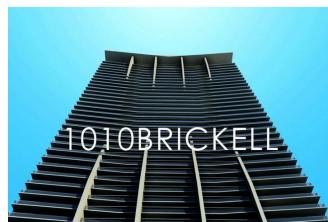
# Why Many Are Watching This Young Developer

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**Arnaud Karsenti**, 37, doesn't see himself as a pioneer, but a **trend-spotter** and **value investor** who has a sense when an area or kind of asset is ready to take off. He reminds himself it's often the **second mouse** that gets the cheese, as the first tends to get the trap.



We snapped Arnaud in his Brickell office this week. Since launching **13th Floor Investments** in 2008, he's managed **\$1.5B** in real estate assets, deploying **\$350M in equity** on behalf of institutional and private investors, delivering average net IRR above 25% and 2X multiples. He bought inexpensive land in **Homestead** in '08 that he resold and JV'd with national homebuilders, land in **Broward** in '11 that he's developing into entry-level homes, and land in **Brickell** in '12, on which he's building condos. Now he's also turned his attention to Sunny Isles, North Miami, Bay Harbour, Hollywood, Coconut Grove and two Metro stations.



This is Arnaud's highest-profile project. Along with buddy **Inigo Ardid** of Key International, he bought the site from a parking garage owner in **early 2012**, thinking they'd keep it as **land** and one day sell it to a developer. By the end of the year, beginning to see the **condo comeback** with pre-sell success of projects nearby like

**Newgard's** Brickell House and **Related's** My Brickell, they quickly changed plans. They created a vision of "insane amenities" in an urban setting, and today the project, due to deliver Q2 of next year, has fully pre-sold its **389 units** at an average price in the mid-to-high 500s per SF.



Also with Key, 13th Floor is doing recently completed **400 Sunny Isles** (above), where closings are almost complete on 230 units in two 20-story towers; **The Harbour** in North Miami Beach, where ground breaks in 30 days on two 32-story towers with **425 units**; and **Hyde Beach House** in Hollywood, in planning with Related as another partner. With the **Adler Group**, 13th Floor is in pre-development on the 294-unit **Motion at Dadeland** at the Metro station there, and has been awarded an RFP to do a mixed-use project at Douglas Station near Coral Cables. With

**Integra Investments**, it's doing **Sereno**, 38 condos in Bay Harbor Islands due this winter, and a multifamily project in **Key West** called Peary Court. Arnaud's also created a **division** that has become the **seventh-largest homebuilder** in South Florida; in one of their Broward County communities, they've recently sold out the first phase of 253 single-family homes and are about to release their next two phases of equal size.



Here's Arnaud with a rendering of The Harbor. Meanwhile, much of the firm's portfolio consists of well-located **cash-flowing** assets, many of which are available as future development sites, like (with **Mast Capital**) 2699 Bayshore Dr at Bayshore and 27th, and (with **Gadinsky Real Estate**) the former Riviera Plaza.



While we're showing you Arnaud's projects, here's his **daughter's** version of 1010 Brickell (which she calls "**1010 Brickells**"). Some other **fun facts** you may not know about Arnaud:

**Born:** Paris, parents from Morocco and Tunisia.

**Came to US:** At age 4. His dad had always dreamed of becoming an American, and went into the dry cleaning business.

**Grew up:** Key Biscayne and Pinecrest, went to Palmetto High.

**Language:** Spoke French at home, so bilingual.

**What he told his mom he wanted for 10th birthday:** A factory (to make miniature factories).

**High school jobs:** Tutored math; DJ'd for junior high and elementary school parties.

**College:** Duke class of 2000 in mechanical engineering, minor economics.

**College entrepreneur:** Started company called "Collegeboxes," doing moving and storage services for college market; continued for four years after college, grew to be largest national company of its kind, sold to a VC—it's now part of UHaul.

**Why he got into real estate:** College moving was seasonal, needed something else; real estate, he says, "is the 'soup de jour' in Miami, like show business in LA."

**How he started:** Bought properties with money he borrowed from his mom, focused on Little Havana, "only place I could afford that wasn't dangerous."

**First property purchased:** 2k SF house at SW 14th Avenue and 2nd Street for \$162k.

**Then:** Bought two houses next to it thinking combined parcel would sell for more than sum of parts; sure enough, made nice profit selling to developer nine months later, bought 10 properties in area eventually.

months later; bought 13 properties in area eventually.

**Business school:** Harvard 2004-2006.

**Why:** Wife wanted to study in Boston for medical residency.

**What he took away from B-school:** Made him think objective in real estate should be to create an enterprise and trajectory, not just a series of one-off opportunities.

**Will he attend 10th year reunion in June?** Absolutely. Went to fifth as well. Says everyone who goes to business school loves to do business, so his friends have become investors in his funds.

**Memorable moment after he returned to Miami real estate in 2007:**

Literally walked away from a loan closing table where bank was giving him \$4M to buy property.

**Why:** Market seemed like it might be at peak; too many things had to go right for investment to work.

**Philosophy that came from that:** Be a value investor, you're a fiduciary of money others have entrusted you with, don't assume all stars will align.

**What he did during recession:** Assembled \$100M to look for buying opportunities, bought a lot of fractured residential inventory and notes and bonds.

**Best professional experience:** Buyout of non-performing loan on Eden House in 2011. It introduced him to one of his best friends: Inigo Ardid (see above), who was competing; they joined forces and successfully built 98 units. Gave him confidence to jump into other projects.

**How company was named:** At bachelor party 12 years ago, going down elevator at Palms Hotel, his best man joked that not having a 13th floor was wasted space. That insight stuck with Arnaud.

**Therefore, what name means to him:** A company that finds value where others don't.

**Favorite songs:** *It Was a Good Day* (Ice Cube); *Mr. Brightside* (the Killers); *Crazy Love* (Van Morrison).

**Favorite movie:** *Love Actually* (2003).

**Favorite vacation spot:** Aspen, CO.

**Favorite book:** Dale Carnegie's *How to Win Friends and Influence People*.

**Favorite restaurant:** Mandolin in Design District, loves Mediterranean food.

**Go-to family joint:** Whisk.

**Favorite treat:** Coffee-flavored anything, like ice cream or a nice French "opera cake."

**Startling fact:** Speaks some Chinese (took two years in college).

**Kids:** 7, 5, 3 (boy, girl, boy).

**Interaction with kids:** Can't beat older son in chess, can't say no to daughter, plays trains with youngest.

**Wife:** Rebecca, an OB/GYN.

**How he met her:** Have known each other since fourth grade—"I had enough

time to do my due diligence, thankfully she waived hers"; went to Duke together.

**Synergy:** "I'm the accelerator and she's the steering wheel."

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