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EXCLUSIVE

## New Developer Finds Returns in Luxury Market

By [Kelsi Maree Borland](#) | Los Angeles

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Berberian: "The demand is a very high for simple and hassle-free boutique apartment living."

LOS ANGELES—**Empire Property Group**, a relatively new developer in the L.A. scene, is making its mark in the luxury **multifamily** market. The company's co-founder and managing partner **Craig Berberian** is a New York City-native turned Angeleno who noticed an opportunity to develop urban-style boutique luxury properties in L.A.'s highest-end neighborhoods when he moved here after the recession. In that time, the company has developed three Empire-branded luxury apartment complexes in Bel-Air, West Hollywood and Malibu. To understand his strategy, demand in the luxury market and his New York-inspired design aesthetic, we sat down with Berberian for an exclusive interview. Here is what he told us:

**GlobeSt.com: What is your development strategy and profile?**

**Craig Berberian:** We pursue a targeted range of real estate development projects that have the potential to produce attractive risk-adjusted returns. Our objective is to provide strong returns and continued growth of capital values through strategically selected multifamily and mixed-use developments. To ensure maximum

profitability and overall project success, we utilize expansive sourcing capabilities, extensive due diligence and underwriting skills, meticulous financial and operational management followed by timely property dispositions and or capital events. Given our entrepreneurial culture, strong relationships, access to capital and expertise, we are positioned to thrive in this robust investment environment. In terms of strategy, we focus on stable urban markets with significant barriers to new construction and favorable long-term fundamentals. We develop innovative and modern, urban designed projects. All Empire-branded buildings strive to offer a luxurious and unparalleled living experience.

**GlobeSt.com: You operate in the luxury market. What is demand like in this the luxury space, and what is driving this demand?**

**Berberian:** The stringent regulatory standards and lengthy entitlement periods in Southern California have created high barriers to new construction. This has constrained the supply of new multi-residential products, which has not been able to keep pace with the growing number of renters and turnkey condo owners. These factors alone will continue to support favorable long-term returns for many years. The demand is a very high for simple and hassle-free boutique apartment living. Other major metropolitan cities, like New York, have a very sophisticated pool of renters and condo owners and, up until recently, Los Angeles did not seem to have that. Before Angeleno's had no choice but to build or remodel a single-family home to achieve the contemporary living style they wanted. Now they have options and many prefer the ease of living in an urban setting with quality amenities and finishes. Developers have recognized this and have been increasingly building these types of properties to cater to the new renter demographic. The demand for luxury living is also driven by individuals that are not native Los Angeles residents but rather people that have moved to L.A. from other urban cores, especially from the East Coast who are accustomed to pay well in excess of half their annual income towards rental payments and see Los Angeles as a "good deal" comparatively speaking. The flexibility of renting is far less risky than owning and maintaining a single-family home.

**GlobeSt.com: What are some of the major design trends and amenities in these luxury buildings?**

**Berberian:** One of the most important factors in luxury buildings is appropriate planning during the architectural design phase of a project. Attention to intelligent floor plan layout, high ceilings and sense of spacious living helps ensure that proper luxury could be achieved in a building. We strive to build LEED-certified, green buildings with quality building materials that incorporate security features, technology and functional building amenities such as rooftop recreational space, fitness centers, pet services, custom tenant services, business lounges and other tenant serving features.

**GlobeSt.com: What is your average development budget and what types of returns are you getting on these investments?**

**Berberian:** Our projects are in excess of \$20 million and we seek to have a cash on cost of at least 200-basis points above the current market, project IRR over 25% and over a 2-times equity multiple.

**GlobeSt.com: Tell me about some of the projects you have in the pipeline and beyond.**

**Berberian:** The last project we completed and leased up was **Empire at Kings** in West Hollywood. We are currently wrapping up construction on a 23-unit apartment building called **Empire at Bellagio** in Bel-Air. We assembled three 4-unit apartment buildings in separate off-market transactions in the summer of 2012. We started construction in the summer of 2013 and have new tenants scheduled to move in later this month. One-bedroom units start at \$3,700, two-bedroom units start at \$4,400 a month and a top-floor three-bedroom unit is also available. This building is anticipated to be a very unique and welcomed addition to the Bel-Air enclave, which is generally reserved exclusively for high-end single-family residences.

At the end of this year we are planning on breaking-ground on **Empire at Burton Way**, a 23-unit multi-residential building with a condominium map located on Burton Way, a coveted street in the heart of Beverly Hills. The site currently consists of two dated apartment buildings with a total of 9 units. Once complete, the **Empire at Burton Way** will undoubtedly be a well-received apartment building that will offer services, amenities and finishes unlike

many others.

In the Summer, we assembled three contiguous buildings in prime West Hollywood located on three lots consisting of 22,500 SF combined. We are currently finalizing the design and layout and anticipate on submitting plans into the city to build a 34-unit multi-residential building. We are always seeking compelling ground up development opportunities especially those that are located in prime areas in Los Angeles, Beverly Hills and West Hollywood.

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**Kelsi Maree Borland** is a freelance writer and editor living in Los Angeles. Her work has appeared in publications such as *Travel + Leisure*, *Angeleno* and *Riviera Orange County*.

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