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## Recession Pain, Even in Palm Beach

By DAVID SEGAL

PALM BEACH, Fla.

LONG before the number was redolent of bailouts and bank failure, David Neff decided that Trillion was the perfect name for his clothing store here on Worth Avenue, this town's boulevard of luxe retail.

The idea was to brace customers for the you've-got-to-be-joking price tags — \$6,800 for a sport jacket, \$800 for a button-down shirt — and to convey unparalleled opulence.

"We wanted people to know that this is a lot," Mr. Neff says, gesturing to the clothing, "and we didn't want anyone to open next door with a store that sounded like it might be more."

Until last year, this idea actually seemed reasonable.

Then the meltdown vaporized the portfolios of multimillionaires here and, soon after, a beloved Wall Street wizard and Palm Beach homeowner named Bernie Madoff was unmasked as a fraud.

For years, Mr. Madoff's elusive genius act beguiled his Jewish neighbors, as well as friends of those neighbors, and so on, and so on, until vast chunks of local money were hoovered into his Ponzi scheme. Life savings, dreams, and countless inheritances, gone.

"A guy stood right there and cried," says Mr. Neff, pointing at a table covered with \$800 cashmere cable knit sweaters. "And he told me he'd lost it all, his wife lost it all, his daughter lost it all. He said to me, 'I had everything with Bernie.'"

A lot of regular customers haven't been seen in Trillion since Hurricane Madoff struck in December — including, of course, the hurricane himself.

The last time he was here, he fell for a \$2,000 pair of worsted spun cashmere pants, which Trillion didn't have in his size, and had to be ordered from Italy.

After the slacks arrived, but before Mr. Madoff could come by for a fitting, he was arrested.

"I remember I heard about the arrest and I went directly to the store to charge those pants on his credit card," recalls Mr. Neff, a fit, gray-haired man in perpetual motion. "But the card had already been canceled."

So, what happened to the pants?

“They’re in the racks, over there,” Mr. Neff says, nodding toward the trouser section.

Wait a minute.

You have Bernie Madoff’s unclaimed \$2,000 pants, on a rack, in this store?

“Uh-hmm,” he says, with a slightly abashed grin. “Would you like to see them?”

NOBODY keeps a statistic called “fortunes lost per square mile,” but let’s crunch some numbers.

Palm Beach has just 10,200 residents on a land mass that is not quite three times the size of Central Park. It’s so packed with wealth that the joke here is that calling someone a “millionaire” is an insult.

Given the density of the superrich, given the roughly 20 percent decline in the value of real estate since the housing bust, and given the concussive impact of Mr. Madoff, Palm Beach might well have this dubious distinction: the net worth of the average resident here has recently plunged, in absolute terms, by more than the average net worth of residents in any other town or city in the country.

Of course, when your \$50 million is cut to a third, you’ve lost a lot of money but you’re still rich by any sane standard. And real estate agents say they don’t know of any foreclosures here, which means the place is relatively unscathed, compared with Florida’s new tumbleweed suburbs.

But you don’t often find catastrophic loss in the midst of spectacular plenty. It’s a bizarre combination, and we’ve come to see how Palm Beach is handling it. The answer is not very well, though the trauma here is, for the most part, invisible to the naked eye. Public displays of affliction are not Palm Beach’s style.

To learn what ails the place, you need to talk to retailers and the rare chatty local. Palm Beach, they will tell you, is reeling and much of it is seething, too. Jews and gentiles here have long lived and socialized in different spheres, with some of the latter quietly irked to find more of the former moving in every year. The Madoff scheme targeted the Jewish populace, as everyone knows, and among Jews there is a galling sense that the gentiles are privately thrilled by the fiasco.

As paranoid as this might sound, it has a ring of truth to Laurence Leamer, a Palm Beach resident and author of “Madness Under the Royal Palms,” a history of the island.

“In fact, there are a lot of gentiles here who thought the Jews got what was coming to them,” he says. “The gentiles think this is their place. As far as they’re concerned, the Jews have Boca Raton and Miami. What are they doing in Palm Beach?”

LINKED to the world by three bridges, Palm Beach is an island that feels like one large gated community. It’s shaped like a toothpick, roughly 13 miles long and about four blocks wide. Do not confuse it, thank you, with nearby places with similar names.

“I get kind of irritated when I’m in La Guardia and I hear people say they’re heading to Palm Beach when they’re really headed to West Palm Beach or some part of Palm Beach County,” says Jeff Cloninger, a real estate agent who has offered a tour in his Mercedes S-class sedan. “Well, no, that’s not Palm Beach.”

Mr. Cloninger, 49, has the velvety, sonorous voice of a disc jockey, and his face is a shade of medium rare that you typically don't find outside of steakhouses. He's wearing khakis, a striped Brooks Brothers shirt and Gucci loafers without socks.

"That's Rush Limbaugh's house," he says, pointing to a gate with an intercom and enough shrubbery, flowers and trees to completely obscure whatever is behind them.

Mr. Cloninger knows the provenance of nearly every house on the island, and during this two-hour drive he points out the homes of Rod Stewart, Jimmy Buffett and Ivana Trump; the estate of Estée Lauder; the former home of the secretary of the McDonald's founder Ray Kroc ("I think he paid her in stock"); the hotel favored by the Duke and Duchess of Windsor; the Kennedy compound; as well as all of the country clubs, including the Palm Beach Country Club, epicenter of the Madoff scam, and such Protestant redoubts as the Everglades Club and the Bath & Tennis Club.

Between sites, Mr. Cloninger emphasizes one point over and over: Palm Beach real estate is holding up remarkably well, under the circumstances.

"Are there extremely good buys in Palm Beach right now? You better believe it," he says. "Are there steals? No. If you want to buy something at 50 cents on the dollar, there are probably any number of American cities where you can do that. Palm Beach isn't one of them."

In fact, the ravages of the last year aren't immediately obvious when driving around the perfectly kept residential streets here, maintained with Swiss efficiency. But that's in part because Palm Beach regulates the size of for-sale signs, which can't be larger than 24 square inches, smaller than a CD case, and must be in black and white. And once you've learned to spot these mini-placards, you see them all over. More than 260 single-family homes are on the market — starting at \$700,000, and on up to \$72.5 million — which is more inventory than anyone in the business can remember.

More noticeable are the empty storefronts, which have started popping up even on Worth Avenue, the home of a Saks Fifth Avenue, a Chanel and an Hermès, to name just a few. Shop owners in the nearby Royal Poinciana Way business district are aghast, not just by the tenants who've left but the new tenants moving in.

"There's now a psychic getting ready to open up," groaned Les Evans, a property owner, when he spoke at a public workshop on the area's troubles in March, as reported in The Palm Beach Daily News. "What are we going to get next? A tattoo parlor?"

Restaurants that were always fully booked are running specials, like a \$25 three-course lunch at Cafe L'Europe. Others are just printing new menus with lower prices, as at Amici Ristorante. Caterers are finding that charity galas, long the core of the Palm Beach social scene, are either canceled or sparsely attended.

"We're getting fewer requests for lobster and caviar," says Charlie Crawford of the White Apron Catering Company, "and a lot more for mashed potatoes and macaroni and cheese."

Every other person here seems to know someone who once had millions and, because of Mr. Madoff, is now bagging groceries at Publix or working as a maid. But a vast majority of people are still multimillionaires. So why aren't they spending? Stuart Doppelt, a jewelry store owner, says you'd need a shrink to get to the bottom of it.

He has encountered a few vulture buyers demanding deep discounts on the assumption that he has acquired fire-sale diamonds from Madoff victims trying to raise quick cash. (He hasn't.) But everyone else is so reluctant to break out the AmEx that on some days, Mr. Doppelt has found himself on the sidewalk, wooing shoppers, Atlantic City-style, into the store.

"Customers that can still come in and afford to buy fine pieces of jewelry have this feeling of guilt," he says, sitting next to a couple of vaults at the rear of his store, H. T. Stuart & Company. "They say, 'I still want to buy jewelry, but I feel funny, and I have friends and these people know others who got hurt, pretty badly, and they don't want to flaunt it.' I have to try to convince them to go on living."

Down the street, at Trillion, Mr. Neff says his customers will go for rarities, like a \$1,200, super 180 wool sweater knitted on something called a 39-gauge machine. Everything else is a tough sell.

"They won't deny themselves the top top," Mr. Neff says. "I used to say, 'I know you have eight blue blazers but look at this blue blazer. It's an upgrade.' And any upgrade, they'd buy. This year, they don't want to seem foolish. Eight blue blazers is enough."

At a men's store called Crease Liberty, a longtime customer recently told Jennifer Inga, a saleswoman, that he wouldn't be buying anything for a while, because his net worth had dropped to \$12 million from \$30 million.

"He said, 'Now is not the time.' It's mind-boggling to me," Ms. Inga said. "How can someone with \$12 million feel like they can't afford a new pair of pants?"

As she was talking, another businessman, Bruce Beal of Boston, came out of a dressing room, barefoot, in a pair of trousers he was trying on. He'd overheard the question and he had a very detailed answer.

He imagined a hypothetical couple, in their 60s, who started last year with \$15 million — one-third with Madoff, one-third in the stock market and one-third in bonds. The Madoff millions are gone; the stock market money is down 40 percent. Maybe they've got \$350,000 a year in income from bonds and dividends.

They've also got expenses. "Taxes and maintenance on their New York co-op and their Palm Beach house are \$150,000 a year. They belong to two country clubs, at \$50,000." Plus taxes, living expenses, medical, cars, charitable commitments. And perhaps they have children and grandchildren who depend on them.

"It doesn't take a huge stretch of the imagination to see how these people feel poor," Mr. Beal says. "One feels poor the day you spend a dollar more than your income."

Soon after, a man who Ms. Inga says is a member of the Palm Beach Country Club — where the initiation fee is reportedly \$300,000 — entered the store. He looked over the merchandise on sale, then turned to the full-price stuff and asked for a 50 percent discount.

WHEN you try to take the temperature of Palm Beach, you quickly learn that it won't so much as look at the thermometer, let alone open up and say "ah." Even servants sign confidentiality agreements. Request an interview with the mayor, Jack McDonald, and you get a call from his assistant saying, "The mayor doesn't do interviews with reporters from out of town."

The cold shoulder seems part of the local DNA. There aren't any hospitals, cemeteries or funeral homes here, as though illness and death could be willed out of mind, no mean feat for a place filled with 80-year-olds.

Aside from death and money, the topic that preoccupies everyone here the most, and is spoken of the least, is the gentile-Jewish divide. As recounted in "Madness Under the Royal Palms," Palm Beach was founded in the late 19th century by Henry Flagler, a Standard Oil executive, and for years it was dominated by white Anglo-Saxon Protestants.

In the middle of the last century, A. M. Sonnabend, a Jewish entrepreneur, started buying commercial property, including what became the Palm Beach Country Club, and nouveau-riche Jews suddenly had a hotel, beach club and a golf course of their own. Gradually, enough moved here to be described by the Christian elites as "the other half," many of them clustered in large condominium buildings south of a place called Sloans Curve, known informally by just about everyone as the Gaza Strip. (That the real Gaza Strip is inhabited by Palestinians is apparently beside the point.)

The score between these two tribes has traditionally been kept on the society pages of The Palm Beach Daily News, known as the Shiny Sheet for its smudge-free paper, which covers parties and galas. The more you're covered, the better your tribe is doing.

So that article about the Duchess of Marlborough's 50th birthday party at the Everglades, for which the ladies reached "into the vault," as The News put it, for their finest jewelry — that goes in the win column for the gentiles. An article about the three-day, Brooklyn-themed 80th birthday party for Larry Herbert, the father of the Pantone color system, with a quotation from his wife, "The president said to go out and spend money, so I did" — chalk one up for the Jews.

But the Madoff fiasco has changed the game here. It's hard to find local victims of his fraud to talk on the record, but one retiree agreed to speak on the condition that he not be named. He says he and his wife lost a modest sum, compared with others.

"When this whole thing broke it was like they dropped a veil over this town," he said. "Now, Madoff is all we talk about. Today, I was hitting golf balls with a friend of mine. He turns around, out of nowhere, he says, 'My accountant told me the I.R.S. said you can take a 95 percent loss against ordinary income going back five years.' I says: 'Where the hell did that come from? I'm in the middle of hitting 9-irons!'"

He estimates that 80 percent of the Jewish community here was affected in one way or another, either directly or through charitable endeavors that are now struggling. Hit worst were the people who took out a

second mortgage on their home to give Mr. Madoff additional funds. If the guy delivered a steady 10 percent or 12 percent, why not?

“We’re going to dinner tonight with a few couples,” this man continues, slightly amused by how obsessed everyone has become by this topic. “We’ll raise a glass and make a vow — no Madoff talk. It’ll last five minutes.”

IT’S not just the scale of damage caused by Mr. Madoff that inspires endless conversation. It’s the sense of being snookered by a man who embodied what so many here aspire to be: rich and revered as the savviest of the savvy. At Trillion, whenever Mr. Neff read in the newspaper about some Wall Street scam, he’d tear out the story and wait for Mr. Madoff, the financial whiz with the outer-borough accent, to turn up and explain what had happened.

“He was my go-to guy,” Mr. Neff says. “There was some fellow a couple years ago, I can’t remember his name, but I saved the story and I asked Bernie about it. ‘Where did this guy think he was going to go?’ He said, ‘Some people.’ He always claimed nobody would get away with anything these days because the S.E.C. would catch them.”

As it happens, Mr. Madoff seemed to know a lot about clothing, too. As evidence of his good taste, Mr. Neff says, take a look at those worsted cashmere pants that would have been Mr. Madoff’s last clothing purchase, if his credit card had worked. After a bit of rummaging through the racks, Mr. Neff pulls them off a hanger and splays them on a table top.

“Here they are,” he says.

Before us sits a pair of plain-looking charcoal gray pants in a fabric that feels like the skin of an exotic pet.

“It doesn’t pill; it doesn’t wrinkle,” Mr. Neff says, bunching a pant leg in his hand. “You might not get that razor-sharp crease that you’ll get on other wools, but it just doesn’t wrinkle.”

We gape at Bernie Madoff’s unclaimed \$2,000 trousers and we think: Could there be a better symbol of all that has gone wrong, so suddenly, in the last six months? One day the Money Men were brilliant; the next day, they were thieves. One day, cash flowed; the next day, credit vanished. One day, it seemed extravagant to buy a garment for the same price as a low-end used car; the next day, it seemed insane.

The Era of Gorging and the Age of the Bust — they’re both in those pants, stranded in a store named for the kind of money we’ll need to clean up this mess.

*Barclay Walsh contributed reporting.*