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Miami Condo Colossus Is Monument to Excess

By [TERRY PRISTIN](#)

MIAMI — Icon Brickell, a new condominium complex in downtown Miami, was intended to be Jorge Perez's answer to the [Time Warner](#) Center, the massive mixed-use building developed in [Manhattan](#) by his longtime business associate, Stephen M. Ross.

Mr. Perez, the chairman of the Related Group (an affiliate of Mr. Ross's New York-based Related Companies) and the undisputed condo king of [South Florida](#), has peppered the waterfront with residential units in recent years, but he has never built anything on the scale of the \$1.25 billion Icon Brickell.

At the point where the Miami River meets the Biscayne Bay, it has 1,646 condos, a 28,000-square-foot fitness area and a two-acre pool deck with a 12-foot-high limestone fireplace. The 22-foot-tall sculptured columns, 100 of them, marking the entryway were inspired by the monumental moai statues on Easter Island and cost \$15 million.

But instead of representing a triumph for Mr. Perez, 59, Icon Brickell has become a symbol of the excesses of the building boom in downtown Miami. Since 2003, 83 towers with nearly 23,000 condo units have been added to the downtown skyline, from fancy Brickell Avenue through the more modest Biscayne Corridor, causing an oversupply of epic proportions in this city of 400,000 people.

As of Dec. 31, almost 45 percent of the new condos remained unsold, according to Peter Zalewski, the owner of Condo Vultures Realty, who represents investors seeking to buy condos in bulk and rent them out until the market recovers.

Related has had disappointing sales at two other twin-tower condo developments near its new project: [the Plaza](#), with 1,000 units, and 500 Brickell, with 633 units.

But they pale next to the performance of Icon Brickell, where condos were listed at \$400,000 to \$800,000. "It could very much be that his masterpiece will also be his downfall," said Jack McCabe, the chief executive of McCabe Research and Consulting in Deerfield, Fla.

Only 30 of the 500 Icon Brickell units that were ready for closing in December have actually closed, Mr. Perez said. Many buyers are trying to get out of their contracts, including 144 represented by Robert H. Cooper, a lawyer in Miami who has a growing practice in such litigation.

The downturn in the market represents a sharp reversal for Mr. Perez, who sold every unit at another new condo building in Miami Beach a few months ago. "The world has changed so rapidly," he said over lunch at the Viceroy, the lavish 148-room boutique hotel that opened last week in the shortest of Icon Brickell's three

towers, with 50 stories as opposed to 57.

With property values rapidly declining, equity has eroded, and senior lenders are calling the shots. Mr. Perez, who was born in Argentina of Cuban parents, accuses his lenders of hindering sales by not allowing him to sell units at a discount.

“The biggest problem we face today are the lenders,” he said. “It’s surprising to me that the construction lenders — let me put it in the nicest way possible — have not been more cooperative to let us do what we need to do: give the buyers a 10 percent discount. It’s the stupidest thing I’ve ever seen in my life. It’s like they are digging their own grave.”

More than in most cities, Miami’s condo boom was fueled not just by easy access to cheap financing but also by speculation, some of it apparently fraudulent. Some brokers estimate that as many as 80 percent of those who made nonrefundable deposits were investors in multiple units who hoped to flip them. Mr. Perez said he had tried to exercise caution by insisting on personally approving sales of more than two condos to a single buyer. “In retrospect, I should have been a lot firmer,” he said.

At the height of the market, developers saw an opportunity to squeeze more profit out of their sites by adding stories or putting up more than one tower on a site. But they stopped installing flooring or window treatments. “The developers call them designer-ready units,” Mr. Zalewski said. “I call it raw space.”

Ordinarily, Icon Brickell would have been built in phases, Mr. Perez said. But demand seemed rock solid. “We only built when our projects were 90 percent sold,” with deposits of 20 percent, he said. “We had people camping out to buy one of our units.”

Michael Y. Cannon, the executive director of Integra Realty Resources, an appraisal and consulting company in Miami, said the city should have imposed height limitations, like those in Miami Beach, to keep developers from bulking up. “Bigger is not better,” he said. “That’s where the excess overhang occurred. The government didn’t have to let it happen.”

Compounding the problems in the market are new financing guidelines imposed by [Fannie Mae](#), which buys mortgages from banks. Under the new rules, the agency will guarantee mortgages only if no more than 15 percent of the unit owners in a project are delinquent on their homeowner association dues; if 70 percent of the units have been presold to residents rather than investors; and if no single investor owns more than 10 percent of the units.

Robert Kaplan, a principal of Olympian Capital Group, a Miami mortgage brokerage, said the tighter rules would prompt lenders to become more realistic about pricing units to appeal to bulk investors because individual buyers would be virtually shut out of the market. Lenders “are finally seeing that tomorrow won’t be better than today,” Mr. Kaplan said.

In addition to bulk purchases, brokers say they expect more auctions and seller-provided financing. Owners of multitower complexes like Icon Brickell may try to isolate renters in one building to avoid an unhappy mix of buyers and renters.

“We’re looking at all the possibilities,” Mr. Perez said, although he frowned at the mention of auctions. Last

year, in one of the rare bulk sales in Miami, Mr. Perez raised eyebrows by being both seller and buyer; he and a partner bought 120 units at Related's 54-story tower at 50 Biscayne Boulevard at the discounted price of \$30.3 million. "Today, I could have bought them for 20 percent less," Mr. Perez said.

In December, Mr. Zalewski brokered the sale of 60 condo units at another Biscayne Boulevard tower for \$200 a square foot, about half the preconstruction price. Bulk buyers are seeking low prices because they expect maintenance costs to rise, and they do not know how deep the rental market is or how long they will have to hold their units, said Rebecca Gheiler, who has an investment fund backed by Israelis and Latin Americans.

Although the condo glut is clearly bad for building values, some brokers and civic leaders contend that it is likely to benefit Miami in the long run. Alyce Robertson, the executive director of the Miami Downtown Development Authority, a quasi-independent city agency, said \$13 billion in private money has been invested to transform a once-decrepit area. "The way the city has to grow is up," she said. "The infrastructure in place is going to be what we needed for our future." Since 2000, the residential population downtown has grown to an estimated 31,000 from 20,000, she said.

While acknowledging that "greed was one of the reasons for the collapse" of the condo market, Mr. Perez said he was motivated by more than profit. "As developers, we were driven by legacy," he said. "People ask me, would I do it again? The answer is yes. We are creating a city."

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