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Test ahead for downtown condo market

BY MATTHEW HAGGMAN

Miami's latest building boom is creating 22,000 condominium units in the city's urban center, more than double the number built in the past 40 years.

But the question everyone wants answered amid the real estate downturn is: How many have actually sold?

Seventy percent have found a buyer, according to a new study by condovultures.com, a real estate consultancy. But nearly a quarter of the condos -- including some of the largest projects -- built during the boom will be delivered over the next several months.

Since 2003, 17,299 condos have been finished and 12,169 have closed at an average price of \$405,966 per unit, adding up to total sales of nearly \$5 billion in the greater downtown Miami area, which includes the Brickell, central business district and Midtown neighborhoods.

Those sales are better than many observers expected for a downtown area often viewed as ground zero for real estate speculation and excess, and it highlights Miami's ongoing urban revitalization, fueled by people, builders and investors returning to the city center.

However, by year's end, another 3,999 units are set to hit the market, and another 1,439 after that.

"South Florida developers have to be excited by the fact that more than two out of three downtown condo units have closed successfully," said Peter Zalewski, principal at condovultures.com in Bal Harbour. "But some giant projects are coming, and they're going to hit like a hurricane -- the only question is what category storm?"

The massive projects include the three-tower, 1,800-unit ICON Brickell built between the bay and Brickell Avenue, which starts closings this month. The 342-unit EPIC rising alongside the Miami River also will start closings soon. Also coming are the 530-unit Mint at Riverfront, 459-unit Infinity at Brickell, and 346-unit Paramount Bay.

"We are bullish," said Miroslav Mladenovic, vice president of Cabi Development, which started closings Thursday on its 848-unit Everglades on the Bay project along Biscayne Boulevard. "Comparable projects to ours have fared well; we don't see why we can't fare the same."

A CONDO HOTBED

Zalewski's report, culled from a review of property records ending Sept. 30, covers the area between the Julia Tuttle and Rickenbacker causeways, and from I-95 to Biscayne Bay.

This swath of land has seen more development than any corner in Florida and is a closely watched sector in the broader housing market.

A month ago, the last of dozens of cranes erecting high-rise condos across downtown finally came down, signaling the end of the frenetic and historic boom. With few new residential projects planned, the next step is completing the structures and getting the units sold.

The new batch of condos is hitting the market as credit remains tight and existing home prices continue to fall due to a large inventory of unsold homes throughout South Florida.

Home sales, however, have picked up in recent months.

While many downtown builders pre-sold all of their units -- buyers were typically required to plunk down 20 percent deposits, though some builders asked for 30 percent -- the ongoing concern is how many buyers will ultimately come to the closing table and pay the remaining 70 to 80 percent.

A cottage industry of lawyers attempting to get buyers out of pre-construction contracts has emerged.

Despite ongoing buzz about vulture funds trolling the real estate market for bargains, the closings have largely occurred without such funds swooping in to buy up blocks of condos at a discount. The rare examples of such bulk deals have been developer-led. Related Group, for example, partnered with Philadelphia investor Lubert-Adler this year to spend \$36 million on 146 units at 50 Biscayne, the 528-unit Biscayne Boulevard condo that's now 100 percent closed, according to the [condovulture.com](#) report.

But that could change as the new round of closings for big condo projects begins at a time when developers face mounting pressures from lenders eager to see construction loans paid back. Indeed, the coming units could portend better deals for buyers and added pressure on downtown builders with outstanding loans and unsold units.

HIT AND MISS

So far the success of individual downtown buildings varies, according to the [condovulture.com](#) report.

For instance, the two-tower 528-unit One Miami at the mouth of the Miami River and 103-unit Loft I are 100 percent closed. The 348-unit Brickell on the River north tower is 98 percent closed. The 200-unit Ten Museum Park on Biscayne Boulevard and the 454-unit south tower at Quantum on the Bay next to Margaret Pace Park are 89 percent closed.

TURNING TO RENTALS

Yet, as of Sept. 30, the report found, the 635-unit Opera Tower, a few blocks north of the performing arts center, had closed only 35 percent of its units; the 498-unit Ivy along the Miami River had closed 32 percent; and the 91-unit Flagler First along Flagler Street just 28 percent.

Tibor Hollo, chairman of Florida East Coast Realty and builder of Opera Tower, said he has started renting units there.

"It's a tough market, but we are getting closings," said Inigo Ardid, vice president of Key International, who is building Ivy. He said closings at the condo tower have risen to 42 percent since Zalewski finished his report.

"It is a slow process. Instead of closing buildings in 40 or 45 days, it is taking six to eight months or

longer," Ardid said.

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