

New life in downtown Miami as condos fill up

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MIAMI — Out of the ashes of the downtown Miami condo collapse, a bright spot is emerging: a community of full-time residents slowly starting to turn the area into a 24/7 city.

A new study by the Miami Downtown Development Authority, in partnership with Goodkin Consulting/Focus Real Estate Advisors, has found that 74 percent of the 22,079 urban condominium units built since 2003 are occupied. They stretch from the Brickell district south of downtown Miami north to State Road 112.

This reflects a 20 percent increase over the 62 percent occupancy rate reported in a similar study completed in May 2009 and means the glut of new condos is being absorbed more quickly than expected. Sharp price cuts and a willingness to rent units, rather than sell them in a down market, have paved the way.

Before the real estate bust, young professionals such as Melinda Reilly wouldn't have been able to afford a two-bedroom condo at Met 1 in downtown Miami with its wrap-around balcony and view of Biscayne Bay. But last July she sold her suburban Hollywood house and moved downtown where she is renting.

‘‘It's cheaper than the mortgage on my house and I get more for my money, plus somebody to take care of everything,’’ said Reilly, 31, a group sales manager at Doral Golf Resort & Spa. ‘‘It's exciting downtown. It's really social. Whether it's a Tuesday or Saturday, you always find a lot of people out in all the restaurants.’’

A wave of new urban residents began arriving last year as developers and lenders got more aggressive about cutting prices to move units. At the same time, individual owners, who bought condos for investments, realized renters could at least generate some revenue to cover hefty mortgages.

For downtown leaders who have been pushing for years to revitalize the area, the condo bust has worked to their advantage.

‘‘In a weird sort of way, it has been good for revitalization,’’ said Neisen Kasdin, vice chairman of the Downtown Development Authority. ‘‘It accelerated the revitalization of downtown. Without the overbuilding and the great pool of rental units, downtown would not have been populated to the same extent.’’

The DDA study found that 68 percent of the 22,079 new condos in the area have been sold, a 6 percent jump from the May 2009 survey. The average sale price downtown was \$300,306, although prices were significantly lower than that in every area of the greater downtown area except Brickell Avenue.

‘‘It's all about affordability,’’ said Craig Werley, president and owner of Focus Real Estate Advisors.

‘‘The availability of discounted pricing and good rental values is what's creating this dynamic. It's a dramatic improvement over what might have been and what a lot of folks expected.’’

Now, downtown is no longer a ghost town after 5 p.m. or on weekends. It's not uncommon to see people walking

their dogs or jogging along Biscayne Boulevard, and young families with baby strollers on Brickell Avenue.

``It's like a little mini-Manhattan,' said Andreas del Corral, 28, who closed on his unit in Met 1 in May 2008. ``When I first moved in, you would only see a few people here and there. Now, the restaurants and bars are filling up. You see groups of five and 10 people walking up and down Brickell, going out for the night.'

The study shows there are still 7,010 unsold units in the new downtown area condominiums, compared with the 8,000 that existed seven months earlier. The biggest chunk of remaining units -- 51 percent -- are in the Brickell area, followed by 23 percent in the Central Business District.

If occupancy trends continue, the study predicts that downtown Miami's existing condo inventory would effectively be eliminated over the next 25 months.

But Werley and partner Lew Goodkin also caution that this is by no means a sign that the condo real estate crisis is nearing an end.

``For the developers and lenders we've got years ahead of us before we create a real true equilibrium,' said Goodkin of Goodkin Consulting.

Renters account for about 52 percent of the occupied condo units downtown.

As far as Landy Labadie is concerned, renters are better for business at his downtown restaurant and nightclub. The director of operations for Mia at Biscayne has been ``shocked' since opening in August with the amount of foot traffic. Mia's business is running about 20 percent over projections.

``Renters are the ones that have the disposable income to go out,' Labadie said. ``Owners are typically older and they're worried about paying the mortgage, maintenance and insurance.'

As the condo buildings fill up with new residents, it's having an increasingly positive effect on downtown Miami's commercial base. Residents want places to eat, drink and shop.

The number of retail businesses in downtown Miami grew by 42 in 2009, according to the DDA. That marked the third straight year the district has seen 40 or more net new openings. Since 2005, 152 new retailers have opened downtown. And the growth comes amid an economic downturn that has seen retail contract across the country.

A recent Integra Realty Resources survey of the 50 largest markets in the U.S. found that downtown Miami's retail vacancy rate of 5.06 percent is among the five lowest in the nation. That's a big drop from mid-2008, when the vacancy rate climbed as high as 12.5 percent, according to CoStar Group.

``I think people are looking to downtown in terms of leading the way for economic recovery,' said Leo Zabezhinsky, manager of business development and real estate for the DDA.

One of the newest retail arrivals downtown is New York Bagel Deli, which opened about three weeks ago. Already owner Evan Steinman has had to add more employees for the busy lunch hour and extend his closing time to 6 p.m.

``Business is a lot better than we thought, without even advertising or telling people that we're there,' Steinman said.

AT Ecco Pizzateca + Lounge, weekend crowds have grown over the last year to about 100 each night with a steady crowd of regulars, owner Brian Basti said.

``People are getting more accustomed to their surroundings and venturing out of their condos,' he said.

``It's still dead some nights, but right now it's really on the verge of turning the corner.'

Even downtown veterans such as retailer La Epoca see the impact of the new residents. La Epoca's sales are up more than 25 percent so far this year.

``I see new people coming in and introducing themselves every week,' owner Tony Alonso said. ``It's definitely moving in the right direction. I'm a merchant. . . . I want more.'