

## The new high-end condos breathing life into downtown Miami

Kevin Brass

Residential developments in a traditionally less glamorous area of the city are luring investors away from the oceanfront



Downtown Miami and the Miami river

Real estate broker Peggy Fucci has spent a lot of time in China trying to convince investors to buy condominiums in Miami Worldcenter, a new 27-acre development in the heart of the city. With sales to Latin Americans slowing, the Chinese are among the most active buyers in the \$2bn project, which is being built in a neighbourhood that is largely a mix of vacant lots, government offices and old restaurants.

“My pitch is that you’re not just buying in a building, you’re part of something changing Miami’s dynamic,” says Fucci. “It is giving Miami something that it didn’t have before.”

Construction of the Worldcenter — a “city within a city” featuring a 450,000 sq ft shopping plaza, two hotel towers, a convention centre and two residential towers — started in March. It is one of the largest mixed-use projects in development in the US. Its first phase includes the Paramount Worldcenter, a 700ft tower with 513 condos and average prices of more than \$1m.

The timing of the launch has not been ideal, the developers acknowledge. The decline in oil prices and the strong dollar are damping the enthusiasm of international buyers, who accounted for 80 per cent of the Paramount tower's early pre-construction sales of about 250 apartments, representing about half its total.

The project is also attempting to expand the residential market in a district that Miami's building boom has largely passed by. Between 2005 and 2008, more than 18,000 condos were built in the greater downtown area, primarily in the waterfront neighbourhood of Brickell, with only a smattering of projects in the city's central business district (CBD) where the Worldcenter is being developed.

"It's lagged [behind] the other markets," says Anthony Graziano, senior managing director for Miami at Integra Realty Resources, a consultancy. "The critical mass is just not there yet."

That could be about to change. More than 7,700 condos are either under construction or proposed for the area, which would double the size of the market, according to Integra figures.

The list includes One Thousand Museum, a 62-storey residential tower designed by the late Zaha Hadid, and Centro, a 352-unit, loft-style project, which are both under construction. The CBD is also the site of a terminus for a rail line in development to link Miami to Orlando, 235 miles to the north.

The CBD lacks the glamour, high-end shops and restaurants of the city's most popular areas, such as Miami Beach, although the residential projects are an easy walk to the American Airlines Arena, home to the Miami Heat basketball team. But the projects are also several blocks away from the waterfront, making downtown a difficult sale to buyers seeking a beach lifestyle.



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Associates

Paramount Worldcenter, where average prices for condos are more than \$1m

One thing that downtown can offer, though, is lower prices. The average price of a resale condo in the greater downtown area — which includes Brickell to the south of the CBD and Edgewater to the north — was \$457 per sq ft in 2015, more than 50 per cent lower than similar properties in Miami Beach. In Brickell, a 1,157 sq ft, two-bedroom condo with a terrace and views of the Miami river is available through One Sotheby's International Realty for \$469,900, which works out at \$406 per sq ft.

New York-based property investor Caroline Li Griffith and her husband, Mark, bought two apartments in Paramount Worldcenter, paying \$900,000 for a one-bedroom unit and \$1.1m for a two-bedroom. "It makes much more investment sense than investing in the Miami Beach area," says Li Griffith. "The prices in Miami Beach don't make sense any more."



In South Pointe on the southern tip of Miami Beach, where prices have rocketed in recent years, a 1,591 sq ft, two-bedroom condo with 10ft-high ceilings and water views is available through Coldwell Banker for \$3.29m, or \$2,071 per sq ft.

At the same time, a wave of high-end towers is flooding this part of Florida. There are 225 condo buildings, containing more than 32,000 units, proposed or with planning approval in South Florida, according to CraneSpotters, a consultancy that tracks the market.

The glut of projects and soaring prices have sparked concerns that Miami may be heading for another crash, similar to that in 2008, when values plummeted and several projects were taken over by financiers. In the fourth quarter of 2015, sales of Miami Beach condos dropped more than 20 per cent, compared with a year earlier, according to Miller Samuel, an appraisal firm.

In response some developers have been cutting deposit requirements and increasing incentives to brokers, says Graziano. Several projects have either cancelled or suspended sales in recent months, including Ion, a 36-storey tower in Edgewater, and the 32-storey Six Midtown project, according to local media reports.

However, Graziano says he doesn't believe the Miami property market is about to crash. Pre-construction buyers have been placing deposits of as high as 50 per cent of the value of condos, compared with the typical 20 per cent during the last building boom, he notes. And developers today are better capitalised. "I don't see a lot of the typical signals [of a bust]," he says. "I think this cycle will be very different."

## Buying guide

- In February, the amount of condos for sale in Miami had increased by more than 16 per cent on the previous year, according to the Miami Association of Realtors
- Downtown rental rates have increased 5 per cent annually since 2013
- More than half of sales in Miami are cash, more than double the national average
- Agents' fees are 5 to 6 per cent of the purchase price but are negotiable. Fees are usually paid by the seller

## What you can buy for . . .

**\$1m** A three-bedroom corner condo in the Brickell neighbourhood

**\$5m** A four-bedroom penthouse in South Beach

**\$20m** A seven-bedroom waterfront villa on Miami Beach

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