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October 31, 2011

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## New Wave of Condo Towers Coming to Miami

By Alison Cavatore

Miami developers will soon launch a new wave of condominium towers in [downtown Miami](#). Their intended target? International pre-construction buyers who can pay cash.

Downtown Miami is once again a hot spot for developers who are rushing to buy up land and erect new [condo towers](#). In the coming years alone, at least six new condo projects are slated to break ground in Miami and developers are promising to announce several additional projects soon. Developers say the time is right because they feel they learned their lesson and they are adopting financial models with far less risk than the 20% deposit pre-sales that were popular during the last building boom.

Harvey Hernandez, whose Newgard Development Group recently announced plans for a new condo tower called [Brickell House](#) at 1300 Brickell Bay Drive, said, "It's time to think of where we're going to be rather than where we were. It could not be a better moment for us to launch a project."

Over the past two year, cash buyers have bought thousands of units at discounted prices and downtown Miami is seeing a growth in population along with reduced construction costs. Resales in [South Florida](#) are up 65% this year, and according to *The Miami Herald*, only about 2,000 of the 23,000 downtown condos built during the boom remain unsold.

So where is all this demand coming from? Almost exclusively, it is coming from outside Miami. Buyers based in Canada, Latin America, the northeast United States and Europe have reportedly spent more than \$3.8 billion on South Florida real estate this year. According to the Miami Association of Realtors, international buyers account for approximately 90% of new condo sales and builders believe that this surging international demand is strong enough to support new condo towers.

Builders are also hedging risk by requiring buyers to pay as much as 80% of the full price of a condo before construction is complete. Broken down, this typically means that buys pay 20% at pre-construction, 20% at ground-breaking and another 30-40% as the tower is topped off and approved for occupancy.

Craig Studnicky, principal of RelatedISG, a new development and sales partnership with Jorge Perez's Related Group, said, "The beauty of this business model is it separates the men from the boys. There are no speculators. The contracts are not assignable. These are people that are planning to live there or invest and use them as rentals."

This proposed financing model is popular in Latin America, but it has never been tested on a large-scale basis in the United States. It remains to be seen whether developers' line of thinking will prove profitable. Some believe that developers are still testing the market and if the cash-buyers do not materialize as they expect, the project will never be built.

While international buyers are believed to help reduce current inventory, it's hard to know if the supply of homes on paper really matches the true inventory. Bulk buyers and investors purchased many of the recently sold condos at discount prices. As the market rebounds, those investors may put their properties back up for sale.

Despite some uncertainty, international interest in Miami real estate remains strong. Condo prices in [Sao Paolo](#), for example, are up more than 30% in the past year, making relatively low-priced Miami quite attractive to those looking for a second home.

Source: [The Miami Herald](#)