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From the beach to downtown, Miami's wild preconstruction condo market heats up again

By ANDY WANG

The Miami preconstruction market is back.

Developer Gil Dezer isn't launching sales of his 132-unit Porsche Design condo tower in Sunny Isles Beach until June. He's spending \$3 million on a swanky sales center that won't be ready until then. He still doesn't have a Web site for his building. He's not planning to break ground on the 57-story development until the second or third quarter of 2013. And he says the building won't be ready until the second quarter of 2016.

But word has spread about the Porsche Design building, with a robotic parking system that allows owners to store multiple cars next to their apartments, and many would-be buyers have expressed interest.

"We're now taking private meetings with those who are interested in buying units," says Dezer, who's come up with a way to ensure he's meeting with serious customers.

Dezer is requiring that potential buyers deposit \$100,000 in escrow before they can schedule a meeting to discuss the luxurious condos, which are priced around \$1,000 per square foot and range from \$3.9 million to \$14.5 million.

That money is refundable, of course, but nobody's asked for a refund yet.

Dezer's had 27 interested parties put \$100,000 into escrow and is making appointments as far as 60 days out. So far, 15 meetings have resulted into 15 reservations for units, with the buyers — all Latin American, except for one US buyer and one Russian — each putting 10 percent down. This means deposits of around \$400,000 or more for product that won't be ready for more than four years.

And Dezer is also making buyers put another 10 percent down when they go into contract and another 10 percent beyond that when construction starts.

"That's one of the selling points," Dezer says of the building's timetable. "We're helping people plan for the future."

It's not just beach properties that are selling based on plans. Miami's downtown, which had the feeling of an overbuilt wasteland just a couple years ago, is seeing buyers swoop in to buy units at bargain prices. And one can make the case that downtown could use more inventory.

A Miami Downtown Development Authority study in 2009 revealed that only 62 percent of the more than

23,000 condos downtown were occupied. That number climbed to 74 percent in 2010 and 85 percent in 2011. The 2012 study hasn't been released yet, but Miami DDA executive director Alyce Robertson has "heard a rumor" that the occupancy rate will be upwards of 90 percent.

The Related Group, known for massive condo buildings all over Miami, started taking reservations for units at its MyBrickell condo building in September. Construction starts in March, but MyBrickell is close to 90 percent reserved and has increased prices due to high demand.

"We started selling units just under \$300 per square foot," says Carlos Rosso, president of Related's condominium division. "We've raised prices from about \$300 per square foot to \$350 per square foot. We're 192 units, 170 reserved. We've started converting to contracts, and 120 units have signed contracts."

Related is asking buyers to put up 80 percent of the purchase price throughout the construction of the project and the final 20 percent at the closing table.

With the success of MyBrickell, Related is now planning Millecento Residences downtown, with about twice as many condos as MyBrickell and slightly higher prices of around \$370 per square foot.

Nearby at BrickellHouse, a condo project that's breaking ground in the summer, there are reservations with 10 percent deposits for 50 percent of its 374 units in less than four months of sales.

This, sales director Alicia Cervera Lamadrid says, is happening despite limited marketing resources.

"Our Web site is still under construction," she says. "We don't have a sales office."

There was an on-site event with food trucks and a DJ last week, but it was on "basically a vacant lot," Cervera Lamadrid says. "And we still don't have a full-scale model of the building."

But none of this has slowed down sales.

"We started with a target price right around \$400 per square foot," says Cervera Lamadrid, and BrickellHouse is hitting the target.

"One thing I like about it is that it's very modern," says Vince Pileggi, a BrickellHouse buyer from Toronto who's purchasing an 800-square-foot one-bedroom condo with a terrace.

"I've always wanted to buy in Miami, and now there's no better time with the prices," says Pileggi. "With the location, and with the price it is right now, I think it's basically the bottom [of the market] or starting to come back. And because it's preconstruction, I have some time to save up some money."

BrickellHouse developer Harvey Hernandez, who's asking for 70 percent of each unit's purchase price during the project's construction, says he's considered raising prices, but: "We don't want to

stop the momentum,” he says. “It’s a very fine line between raising prices and jeopardizing your sales.”

This measured approach to sales is just one example developers and brokers offer as a way of explaining how the upswing in Miami’s new-construction market doesn’t resemble the overheated days of 2007 and 2008. Many downtown apartments were selling for well upwards of \$500 per square foot then, and projects all over Miami had many more condos to unload.

Dezer’s three Trump Towers buildings in Sunny Isles Beach alone have more than 800 units, about seven times what Porsche Design has. Related’s Icon Brickell has nearly 1,800 units, almost 10 times what MyBrickell has.

“The days of launching a project with 1,000 units and then another with 1,800 units, those days are long gone,” Rosso says.

Up in Hollywood, north of Miami, Related has started construction on Apogee Beach, which has 40 of its 48 condos under contract with 40 percent deposits.

“We started at \$400 per square foot and are now close to \$600 per square foot,” says Rosso, who adds that Related is now planning another condo development in nearby Hallandale.

Hollywood is also home to the preconstruction Positano Beach, which was announced this month and has reservations for about half of its 15 units, which average 3,600 square feet and start at \$1.4 million. Marketing brochures still haven’t been printed. Positano Beach is the sister project of Hollywood’s sold-out Villas at Positano.

Of course, buyers who want new product they can move into sooner also have options in every price range.

Cervera Lamadrid is selling the Ocean House complex, on Ocean Drive in South Beach’s coveted South of Fifth area. Ocean House, which has sold about one-third of its 18 beachfront units, features high-priced residences including a nearly 5,000-square-foot, Artefacto-furnished model unit listed for \$7.25 million.

Two buyers are already living in Ocean House while the development is being finished. The common amenity spaces will be ready in April.

And broker Diane Lieberman of SBI Realty has sold five out of 12 units in one month at Baylights on the north end of Miami Beach. The ready-for-occupancy new development offers condos priced around \$350 per square foot, with some apartments featuring outdoor spaces that are larger than the interiors.

“Inventory is drying up in Miami, which is something people can’t imagine,” Lieberman says. “It’s a pretty strong market.”