

November 30, 2011

Six Questions for Harvey Hernandez

By Jennifer LeClaire



MIAMI- With demand outpacing supply in Downtown Miami, residential developers are once again coming off the sidelines to build. Newgard Development Group announced last week the launch of the \$170 million, 374-unit BrickellHouse condo in the upscale downtown neighborhood of Brickell. Newgard expects to break ground in the second quarter of 2012. The Related Group also recently launched MyBrickell, a mid-priced condo set to break ground early 2012.

But what's going to be different as we enter what appears to be the beginnings of the next condo boom? GlobeSt.com caught up with Harvey Hernandez, chairman and managing director of Newgard Development Group, to talk about that and other issues surrounding

new condo developments in the urban core.

LeClaire: What surprises you most about downtown Miami's rapid condo comeback and the flurry of new development activity planned?

Hernandez: Because of its status as an international gateway city, Miami has beat all odds and bounced back quicker than anyone could have predicted. Although I expected that we would be back in business soon, a few years ago I would not have thought we would be developing new projects already today.

LeClaire: How much of this comeback is really being driven by international buyers?

Hernandez: International buyers are driving the condo market turnaround of Miami, especially those from Latin America. Buyers from countries such as Brazil, Venezuela, Mexico, and Argentina realize that they can buy properties in great locations and with top notch amenities at much lower prices than in their own countries. These buyers are able to pay cash and put down as much as 70%, which is a welcome change from the days of the real estate boom when people were overleveraging their properties resulting in the eventual bust. In addition, because of the high demand for urban living, these buyers are able to rent their units out to young professionals contributing to the creation of a vibrant community in areas like downtown.

LeClaire: How have the rules changed for buyers in terms of cash down? I've heard international buyers are willing to put down as much as 70%. Are developers actually relying on cash deposits to help finance projects?

Hernandez: BrickellHouse is self-financed because we feel confident that there is strong demand for the quality of project we are bringing to the Brickell/Downtown Miami market. Developers today have learned the hard way that an overleveraged market is not healthy and not good business in the long term. BrickellHouse buyers must commit to 70% pre-payment during

November 30, 2011

construction and there are many projects that are structuring their sales the same way. We have learned from the past and want to target serious buyers as opposed to the speculators we saw five to seven years ago.

LeClaire: How else are today's downtown Miami condo developers doing business differently than in the last boom cycle?

Hernandez: Developers today are more responsive to the market. We want to launch well thought out projects that incorporate components that we know buyers are looking for. BrickellHouse is an ideal location, the Brickell Avenue district, where the inventory is almost fully absorbed and rental demand continues to rise. We have not broken ground yet and we already have Meat Market, a popular, high-end restaurant, on board.

LeClaire: What do you see as the biggest challenges in this next cycle of downtown Miami condo development and how is Newgard going to overcome them?

Hernandez: The biggest challenge is educating buyers about the market turnaround that industry professionals see in our day-to-day business. To address this, we have a comprehensive marketing and outreach campaign for the project that involves one-on-one meetings with buyers, direct marketing to brokers and prospective buyers, and visits to our international target markets so we explain in detail the thriving community in downtown Miami that is leading the demand for urban living.

LeClaire: What are the dangers of this flurry of activity? What do you see that could go wrong and what are the chances that it will?

Hernandez: The activity that is taking place today is not the same that occurred during the real estate bust. Developers are taking more time to create quality projects that respond to market demands, target diverse markets, and ensure that buyers are in it for the long haul. Although we cannot predict exactly what we will happen in the next five to 10 years in the market, the new methods of developing will help hedge some of the risk inherently involved in real estate and will avoid the mistakes that occurred during the boom.