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Q & A with BrickellHouse developer Harvey Hernandez

The Newgard head talks about the start of Miami's next condo wave



At the beginning of the month, Newgard Development launched sales at BrickellHouse, a 374-unit condominium tower that is, along with Related's MyBrickell, part of a fledgling wave of new development in Miami. Newgard has developed several projects across Miami, including the Gallery Art condo in downtown Miami and the Villa Calabria and Gables View condo projects in Coral Gables. The Real Deal talked to Newgard President Harvey Hernandez about the new project, which will be located at 1300 Brickell Bay Drive, its financing and the ever-expanding influence of Latin American buyers.

What motivated the BrickellHouse project?

We've been very fortunate [in the city of Miami] to have moved all this [residential] inventory as quickly as we have, which almost created a new need for inventory to come online. We wanted to create a project that could be presented as forward thinking and [more] desirable than the buyers have now. Buyers are requiring a lot more sophistication, better buildings, and better amenities, and that's what we've created in BrickellHouse.

Last month, Related CEO Jorge Perez told us that Latin Americans essentially "saved" Miami's market. What do you think about that and how much of a role did Latin Americans play in your decision to launch now?

Latin Americans have come over here and found tremendous value, and they compared us to other economies, including their own, and could not believe it. We are selling so far below what other markets are selling, including in South America, that for them, [these prices] are a gift. They also have a love affair with our city. I think they have been responsible for all this shortage of inventory that we have seen.

How did you finance BrickellHouse?

We're basically self-financed for now. That doesn't mean we will change later. But our business plan doesn't require any financing. But remember, we are in a market that is changing on an almost weekly basis.

It seems Latin American buyers have also impacted the market by paying installments for residential units over the course of the building's construction. Is that happening at your project?

We're a lot more conservative than ever before. Basically, in order for a buyer to buy in our building, they will have to come in with 70 percent of the purchase price in different installments. What makes it interesting is that the buyer will basically pay as we progress in construction, so it's very safe [for us] -- and it allows the buyer to plan their cash flow.

Do you see that becoming more popular among developers in Miami?

It's a strategy that's more common in Latin America, and also in Europe and Canada. It's going to be more prevalent for sure. Until you are able to build like we were building [developers'] banks will start requesting a lot more cash from the buyers.

When do you hope to break ground?

Our biggest challenge right now is getting off the ground. We want to be building in the next six months.

BrickellHouse was one of the first projects to launch after the downturn. Is that a challenge or an advantage?

Given the conditions, the response we've seen up until now has been positive. As you know, Related also launched another project after ours [MyBrickell] and that's bringing a lot of credibility to the market as well. We don't want to be the only ones; we think it helps the situation when you have a couple of projects and a couple of developers in the market.