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Luxury condo markets sprout in downtowns

South Florida beaches were once the prime domain for luxury condo units listing for \$1 million or more. But bustling downtowns and neighboring communities have become strong players in the market.

The influx of high-priced units has attracted more wealthy residents near the urban cores of Miami, Fort Lauderdale, Boca Raton and West Palm Beach. And those spending \$1 million or more for a condo are likelier to live there – even if part time – as opposed to renting them out for investment purposes. That means a greater stream of deep-pocketed spenders frequenting local businesses.

But despite the boon to the local economy, some experts warn of an imminent slowdown in luxury condo sales – especially in Miami – due to an oversaturated market. The current inventory of units on the market could take years to sell off, even as new luxury buildings near completion.

With so many units on the market in Miami, those who bought at the beginning of the cycle would likely end up selling their condos at a loss, said Peter Zalewski, a principal with Miami-based Condo Vultures. Many developers are reluctant to start new projects now because they can't price units at the premium levels reached a few years ago, he added.

Despite that, the majority of the units in many of the latest luxury buildings delivered in downtown areas have sold.

New standard for downtown Miami

The One Thousand Museum condominium, designed by late architect Zaha Hadid, set a new standard for luxury condo sales in downtown Miami, especially on Biscayne Boulevard. (That part of downtown was far from a high-end market two decades ago.) Co-developer Louis Birdman said the average sale price at One Thousand Museum is over \$5 million. But some units have closed for over \$10 million – a price tag more common in Miami Beach.

Although the One Thousand Museum site was zoned for up to 500 units, the developers decided to set themselves apart from the competition with an 84-unit building featuring larger spaces with high-end finishes.

“Most of the units in the downtown market were small,” Birdman said. “We noticed some of the larger units, like over 3,000 square feet and three bedrooms, were selling at a premium to the market.”

Still, it’s what was done with the large spaces that would make One Thousand Museum stand out.

The developers hired Hadid for her first and only condo in South Florida, and her innovative design helped attract buyers from over 20 countries. Birdman said there’s also been an increase in domestic buyers, including people moving from the beaches to downtown.

World-class shopping and dining, including at Brickell City Centre, and art and cultural attractions have made downtown Miami an ideal market for luxury condo residents, said German Coto, CEO of G&G Business Developments, which is building Aston Martin Residences on the Miami River. That helped raise the status of the city’s growing economic and international financial center for wealthy condo buyers.

“Miami has continued to evolve as a complete city. It’s not just a resort town anymore,” said Alicia Cervera Lamadrid, managing principal of Cervera Real Estate. “In the past, people thought ‘beach, beach, beach.’ Now they are thinking of fine dining and museums and business.”

Too much at once

While luxury condos in downtown Miami are selling, sales aren’t fast enough to deplete the huge amount of inventory on the market, Zalewski said.

Comparing sales volume to the listings for units priced at \$1 million and up, he estimates it would take five years to burn through the current supply.

“The prices they are trading at, while it might seem high, it’s not reflecting the original asking price,” Zalewski said. “So if you want to sell, you must slash your prices.”

While the high level of inventory is concerning, there is still room for new luxury buildings in downtown Miami, said Jay Phillip Parker, CEO of Douglas Elliman’s Florida brokerage. That’s because some people want the newest top-tier buildings with condos designed for families, he said.

“If you are moving from a 5,000-square-foot home and want to live in downtown Miami, your options are limited,” Parker said.

New heights in Fort Lauderdale

Not one to be left behind, downtown Fort Lauderdale is also emerging as a luxury condo market.

For example, 100 Las Olas – planned as the tallest building in the city – will be one of the priciest condos downtown. Units are listed from the mid-\$800,000s up to \$5 million.

One of the key markets for the project is baby boomers looking to move from the suburbs, said Ed Jahn, senior VP of developer Kolter Urban.

“Baby boomers are looking for locations that have extreme walkability,” he said. “They want to be able to come home and park the car and walk to dinner, the theater or the museum. Other locations on the beach or the suburbs don’t offer as many things to do.”

Many wealthy people who move to downtown Fort Lauderdale are renters because the development trend there has primarily been apartments, Parker said. Once there are more luxury projects, those new residents will decide to stay and high-end condo sales will pick up.

Brand name in Boca Raton

While downtown Boca Raton has less density than Fort Lauderdale and Miami, it has a robust luxury condo sector.

Units at the Residences at Mandarin Oriental are priced well above the market, even for the affluent city. They range from \$2 million to \$20 million, said Frank Weed, VP of development and construction for Penn-Florida Cos.

By allowing more density downtown and factoring in the dining, retail and entertainment attractions at Mizner Park, Boca Raton has created an urban environment that residents don’t have to leave, Weed said. That, combined with the limited land available for residential development on the nearby beaches, has driven people downtown.

The Mandarin Oriental is part of Penn-Florida’s Via Mizner, which will include restaurants, high-end retail, a hotel, and a member’s-only club with golf and dining.

“We are building an urban resort right in the middle of Boca,” Weed said.

Palm Beach prices move west

Another area, the waterfront of West Palm Beach, has suddenly become golden for condo developers.

The Bristol Palm Beach smashed the city’s sales record when a unit there closed for \$42.6 million.

Located along the Intracoastal Waterway just south of downtown, the Bristol has closed 66 of its 69 units for about \$750 million in total sales volume, said Al Adelson, co-developer of the project.

“It has changed the whole market,” he said. “People from Palm Beach moved off the island to be here.”

Adelson said his project succeeded because of the location – with ocean views and neighboring bridge to Palm Beach – and luxurious finishes and amenities. By comparison, most condos in Palm Beach were built in the 1980s, so they don’t have the high ceilings, floor-to-ceiling windows and expansive balconies of modern luxury buildings.

Now, other developers are building condo units with water views in West Palm Beach priced at \$1 million and up. Parker, who represents the La Clara, said being near Palm Beach without the expensive living costs, provides a desirable lifestyle. The enhancements to the rebranded Rosemary Square also make living near downtown more attractive, he added.

“These centralized living locations present a different lifestyle than living at the beach,” Parker said. “People are more interested in being part of communities, [not] baking on the beach all year round.”