

Miami's building boom: New construction trends to watch

By JOE WARD

A growing and dynamic city like Miami needs a diversified and ample housing market to keep up with demand. The city's existing housing market is uneven: there's tremendous inventory in certain sectors, while in others — like modestly priced single-family homes — there's not nearly enough. The imbalance has not dampened new construction in South Florida, however, as aggressive and creative developers are working to give Miami residents the housing that is needed and wanted. Those developers are finding that, even in a competitive market, smart projects can become huge successes.

Consider that, in some luxury condo markets in Miami, there's as much as five years' supply. But — as Miami residents were reminded during Hurricane Irma — there are still two dozen construction cranes dotting the city skyline. Developers of those projects seek to differentiate themselves by offering unique products that speak to the new Miami resident — someone who wants an urban setting with walkability and convenience. Successful projects in some of Miami's most in-demand areas require nimble and creative developers, but there are plenty that are up to the challenge.

"You're starting to see more Miami-based development more than what you would have found on the beach in the past," says Taylor Collins, partner at Two Roads Development. "The buyers are starting to gravitate to Miami today. They're starting to see the quality of tower has really gone to the next level. You're starting to see some interesting things pop up in downtown Miami. There's a lot of new developers who like us are trying to bring a level of quality that normally wasn't found in the market like in years past."

MEETING A NEED

One of the areas Two Roads Development is betting on is Edgewater, and so far it looks to have been a good gamble. In 2017, the developers delivered the Biscayne Beach, a 391-unit tower with units ranging from \$400,000 to \$9 million that was 99 percent sold at the time of its completion. Sales were strong, but the company noticed something about its customers: they favored the larger units.

So while working on a second project in Edgewater, the Elysee, Collins said his team added more units in the 2,200-square-foot range and up. The Elysee will be a 57-story tower seven blocks away from the Biscayne Beach tower and will start going vertical in 45 days.

"You're always kind of tweaking your business as you go. As sales continue you start to see the market demand might be a little different," Collins says. "There is a lot of product in a certain sector of the condo market in Miami. If you're looking for a three-bedroom unit, that's where

we're starting to find that the guys who have a family and that they're looking for larger units, where they still have that lifestyle that you would get in a single-family residence."

The demand in Edgewater is indicative of a larger trend in the area: residents want amenity-rich housing in walking distance of restaurants, cultural institutions and schools.

"We're starting to see people want accessibility to that lifestyle," Collins says. "Edgewater has the shopping, the nightlife, the restaurants. Schools are starting to come into the area. A lot of these people like walking through the design district and going to a beautiful restaurant and get the beautiful lifestyle of Miami. And that's what Miami has taken to. For years, Miami was a place where as a tourist you enjoy the beach and the nightlife. Miami is now a place where people came to live and enjoy life and get what South Florida is really all about."

The walkability trend has also reached Coral Gables, where Gerald Place Residences is building a large-scale multi-use development in the downtown area. Called Giralda Place, the building will have 33 luxury condos and 100,000 square feet of commercial space, said Cristo Brown, head of development. The units will be fairly large, and they are attracting those seeking an accessible location.

"Mixed use projects in urban areas have a lot to give people," Brown says. "Residents are seeking urban environments that offer different experiences. Walkability is super important. I think people in general are moving away from cars, with the rise of Lyft and Uber. Coral Gables has done a great job with a public trolley, and people are really utilizing it."

How did Gerald Place Residences deliver such a home run of a project? It sought an area where it would be the lone player in the new condo market and delivered a product desired by a large contingent of the homebuying population. "People are nervous about the condo market, but that's if they're not comfortable with their product," Brown says.

And if a developer can't be the first to an area — which is a rarity in Miami — then the product better be top-notch, developers and real estate professionals say. When there's an abundance of inventory to sift through, buyers will take their time to get the best product at the best price.

"If there's a lot of choice out there, they're very picky," says Kathrin Rein, luxury ambassador for Keller Williams and one Coral Gable's top-producing agents. "They expect the best finishes and upgrades, and they won't go with anything mediocre in new construction. Prices have increased, so people wait longer to get a deal."

Collins agreed, saying customers now want more luxury. "We get a lot of questions like, 'What is your smart technology?,' 'What are your finishes in the second bathroom?' 'What kind of flooring can we get?' 'What does your amenity set look like?' We're not a developer that builds 10 buildings at a time. We want to make sure that quality and that product is something we want to put our name on."

NEW CONSTRUCTION CHALLENGES

Providing that level of luxury at reasonable prices is becoming increasingly hard. “We are dealing with builders who are not locked in,” Brown says. “You’re seeing definite price increases from subcontractors. There definitely is rising costs for construction, and I imagine for a lot of developers that’s slowed the process for breaking ground.”

With such competition among new condos, developers have to ensure that the finished project meets their goals and visions. “The biggest challenge is locking down pricing and getting [subcontractors] you’re comfortable with reliving the product you promised,” Collins says. “It’s really having the right team in place. Construction processes are our biggest thing.”

And then there’s the oversupply, which has caused some to say Miami’s condo market is “distressed.” According to Rein, there were 2,767 luxury condos — prices at \$3 million or more — for sale last year and just 681 sold. That translates to about four years of inventory remaining on the market.

Some might say that would make selling new construction a difficult prospect, but there are tricks to the trade.

TIPS FOR SELLING

There’s a lot of development going on, and real estate agents need to stay abreast of as many of them as possible, Rein says. It’s the best way to give honest advice to clients.

“You need to be familiar with all the products out there, even the bad ones,” she says. “Some time people see a brochure on the internet and don’t really know what’s going on, so you want to know the developer and how to advise your clients. You want to make sure the project is being built. You want to know if they’re taking out a construction loan. You need to know the finishes — the finishes are very important. You even need to know what kind of quartz it is.”

Getting to know the developers in question doesn’t hurt either, she says. “You need to take tours with the developers and tell them you’re successful in pre-construction sales because then the developers invite you to those projects before they even launch,” Rein says.

The task might seem daunting to some, but it can allow agents to use their imagination.

“You have to have a good imagination because you want to paint a picture for the customer on a blind canvass,” Rein says. “It’s your job to tell them about the area, what’s going on and the market around the product they are buying. Some people don’t like to buy without seeing the product. So you really have to be creative. Show them a similar project the developer already built. You have to listen to the client and find out what they really want.”