

Miami luxury condos revive with buyer cash deposits

by Oshrat Carmiel
Bloomberg News

Gil Dezer had 850 unsold condominiums on his hands five years ago and almost \$500 million in loans coming due as credit markets froze and buyers disappeared.

Today, he's back in the market with what he sees as a safer bet: a 132-unit luxury project for auto enthusiasts called the Porsche Design Tower. Condos at the 60-story building, featuring an elevator that transports cars directly into the homes, range from \$4.5 million to \$32.5 million for a 17,000-square-foot, four-floor penthouse.

While the oceanfront tower's foundation is still being poured, 113 of its 132 units have sold. All buyers placed deposits of 30 percent in cash—seed money Dezer relied on to gauge interest in the project.

"We wanted to reconfigure and go after a buyer that is not as financially sensitive," said Dezer, whose previous condos started at \$900,000.

After the property rout left the Miami market with more than 25,000 unsold condos in 2008, developers have returned—this time on different terms. With construction lending tight and memories fresh of speculators who walked away when mortgage financing dried up, builders are funding projects with cash commitments from buyers of as much as 60 percent of the purchase price. The strategy has jump-started luxury towers that are setting price records and luring investors such as Goldman Sachs Group Inc. chief executive officer Lloyd Blankfein and Leon Black, founder of Apollo Global Management LLC.

Developers are loading units with extras including wrap-around balconies with views of

the Atlantic Ocean, wine-storage rooms and cigar humidors.

"People started demanding large units, a lot more amenities, and price sort of went out the window," said William P.D. Pierce, a Coldwell Banker broker based in Miami Beach.

Last year, Pierce found the buyer for a penthouse at Ian Schrager's Residences at the Miami Beach Edition. The 16,000-square-foot triplex is under contract for \$34 million, making it the Miami area's highest-priced condo deal.

At least four units on the market are poised to surpass that benchmark. The most expensive—an unbuilt penthouse at the Mansions at Acqualina on Sunny Isles Beach—is listed at \$55 million, Pierce said.

At all price levels, about 21,430 condos are proposed or under construction in Miami-Dade County, from downtown Miami to the coastal A1A route spanning Sunny Isles Beach to South Beach, according to CraneSpotters.com, which tracks development in South Florida.

'REAL BUYERS'

Institutional lenders are providing about \$2.7 billion to finance projects in all of South Florida, compared with \$11 billion during the last construction boom from 2003 to 2010. That suggests that buyer deposits back up much of today's building, according to Peter Zalewski, founder of CraneSpotters, who arranges weekly bus and boat tours to about 50 project sites.

"It's a good way to measure real buyers," said Carlos Rosso, president of the condo division for the Related Group of Florida, which wrote down \$1 billion in losses in 2008.

Related has 15 Miami-area condo projects under construction, in pre-sales or going through land approvals. All are being funded with buyer deposits of at least 50 percent, he said.

"If we don't have those real buyers, we'd rather not build the building," Rosso said.

With traditional bank financ-

ing, the developer takes a huge gamble, said Gary Saul, co-head of the real estate division at law firm Greenberg Traurig LLP's Miami office.

"He's in the ground, he's borrowing money anywhere from two to five years to build these super-sized buildings," said Saul, who worked on offering plans for the Mansions at Acqualina and Faena House on Miami Beach. "And what we saw in the last cycle is that the buyers could not care that they had these contractual obligations to close."

A large cash commitment "lets you sleep at night" because a buyer is less likely to walk away, said Diego Ojeda, vice president of Rilea Group, which revived its Bond 1080 Brickell after shelving the downtown Miami project in 2007. "When the music stops, everything will be real and paid for."

Rilea broke ground on the British-themed project in January after 60 percent of the apartments had been sold to buyers who agreed to put down half of the purchase price. Plans call for a poolside lounge called the Parliament and a lobby with life-size images of famous Britons from Elton John to Twiggy by photographer Terry O'Neill.

CITY APPEAL

Miami, in a state that doesn't collect income tax, ranked above Dubai, Paris and Beijing on a list of "cities that matter" to global high-net-worth investors, according to the 2014 "Wealth Report" by London-based consulting firm Knight Frank LLC. At No. 8 worldwide, Miami was the only U.S. city on the list after New York, which ranked second.

With so many towers rising along the beaches, Zalewski last week began offering boat trips to prospective buyers in addition to his weekly bus tours of Miami-area project sites.

At the Porsche tower, the smallest apartment is about 4,500 square feet. Outdoor terraces spanning the length of the apartment are standard and all



J. ALBERT DIAZ

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but 16 units have a plunge pool. Additional "man cave" space with ocean views is available on the building's fourth floor, where a collector can display more vehicles.

"You can set up your cars like a museum—a hangout with cigars and pool tables, for when your wife throws you out of the house and says, 'Go play with your cars,'" said Dezer, who has a Lamborghini Murcielago and a Bugatti Veyron in his collection of 29 automobiles.

In September, once the tower reached more than \$500 million in pre-sales, Wells Fargo & Co. approved a \$214 million loan to help complete construction, Dezer said.

In nearby Aventura, Property Markets Group is collecting 60 percent deposits from buyers

interested in its 190-unit Echo Aventura. Every unit includes a terrace with an outdoor kitchen and maid's quarters that are accessible through a separate entrance, said Kevin Maloney, principal of the New York-based firm. Buyers of the 18 penthouses, with prices starting at \$2.6 million, will receive a Tesla electric car.

Alan Faena, an Argentine developer who transformed the derelict Puerto Madero section of Buenos Aires into a residential and entertainment district, is making over a Miami Beach stretch better known for budget hotels. Fifty percent cash deposits are required at his 47-unit Faena House, where Blankfein and Black are among the buyers, two people familiar with the deals said in December.