

Why downtown Miami's on the up

By David Kaufman

The neighbourhood has recovered due to foreign investment and has grown into a true cultural destination

Of all the cities and all the neighbourhoods affected by America's recent recession, few were hit harder than downtown Miami. An urban counterpoint to seafront South Beach, this 60-block swathe of city-centre property welcomed 22,500 new condominium units between 2003 and 2010. That's almost double the number built during the preceding four decades combined, according to Condo Vultures, a real estate consultancy based in Bal Harbour.

The newcomers were spread over 80 new buildings across "greater downtown Miami", which includes Brickell Avenue, the Biscayne Boulevard Corridor and downtown itself. Much like in Dubai or Las Vegas, most downtown apartments were purchased off-plan, and years from completion, during the development boom of the past decade. As prices rose in tandem with unfinished inventory, the resulting property bubble saw more than one-third of the new apartments stand empty and unsold during the depths of America's financial crisis in June 2009.

Now, just over two years later, the downtown Miami market is once again on the move. Propelled by significant shifts in promotion strategies, price points and buyer types, a mere 11 per cent of newly completed condos remain unsold. It helps that tight credit lending has brought additional construction to a virtual standstill, allowing the market to absorb existing inventory. Equally key is downtown's nascent maturity: over the past decade the area's population has almost doubled to 70,000, according to the Miami Development Authority.

Serving the recent arrivals are important new civic landmarks, such as the American Airlines Arena and Adrienne Arsht Center for the Performing Arts, along with adjoining vibrant cultural quarters such as the Design and Wynwood Arts districts. Numerous restaurants and five-star hotels offering upscale nightlife, such as the Four Seasons, JW Marriott and the Epic Miami, have also boosted downtown's status as a leisure destination in its own right.

"Downtown has evolved and finally grown up," says Alicia Cervera Lamadrid, managing partner of Cervera Real Estate, which has operated in the Miami area for four decades. "Spearheaded by the annual Art Basel Miami fair, Miami now rivals other world-class cities as a true cultural destination."



Downtown Miami, where new-build, full-service condos now cost around \$380 per sq ft – 30 to 50 per cent less than before the 2008 economic crash



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Lifestyle amenities may help attract downtown buyers but the neighbourhood's main lure is price. Today, new-build/full-service condos hover at roughly \$380 per sq ft – some 30 to 50 per cent less than before the 2008 economic crash, and less than half of South Beach's current prices. Overall, house prices in greater Miami are down 51 per cent from their December 2006 peak, according to the Standard & Poor's/Case-Shiller index. While the downtown figures reflect a 25 per cent rebound from 2009's market bottom, they should remain stable for the next few years, says Peter Zalewski, Condo Vulture principal.

Projects such as the 96-unit 23 Biscayne Bay, set to open next June, are deliberately pricing themselves at less than \$250 per sq ft to ensure "the deepest pool of buyers", says Zalewski. A 724-sq ft one-bedroom condo at 23 Biscayne Bay, for example, is priced at \$160,000 or \$220 per sq ft.

At the opposite extreme, much larger – and more deluxe – developments, such as Paramount Bay, are devising new strategies to secure far higher returns. Built on a 2.7-acre (1.1ha) plot fronting Biscayne Bay, the 46-floor, 346-unit tower has faced bankruptcy, foreclosure and even the death of two workers during its five years of construction. This June, Paramount Bay was fully acquired by iStar Financial, one of its main lenders, which has brought in musician Lenny Kravitz's New York-based design firm, Kravitz Design, to overhaul the project.

While the choice of Kravitz is certainly unexpected, the musician comes to Paramount Bay after completing hospitality and residential projects at Miami's Setai and Delano hotels. Anthony Burns, vice-president of iStar, concedes the choice of Kravitz was risky. "But you can't accomplish great things without taking risk," he says. "Kravitz's team nailed the concept and what we are looking to achieve."

Kravitz, who has been designing for more than a decade, says: "Downtown allows you to be in Miami, while still being able to walk to great restaurants and art galleries, which I appreciate as a New Yorker. Paramount Bay has a similar sort of urban quality; out front you're facing the water, but from the back the city sprawls for miles. It's a great juxtaposition."

Kravitz's input has already had an impact. Since hitting the market this spring, Paramount Bay apartments have sold for an average of \$482 per sq ft, says Condo Vultures, more than \$100 above the downtown average. Nonetheless, many Paramount Bay condos are far less costly, such as a 1,214 sq ft, one-bedroom unit for \$400,000 (about \$330 per sq ft). Similar prices can be found at other higher-end downtown developments, such as 900 Biscayne Bay, Marina Blue and 10 Museum Park.

About half of downtown buyers are foreigners, mostly Latin Americans. Cervera says Brazilians are among the strongest buyers, thanks to the real's 45 per cent gain against the dollar since 2008, along with Venezuelans, Mexicans, Canadians and Egyptians.

Mexico City-based Sara Montiel and her husband bought a three-bedroom apartment near Biscayne Blvd this summer through Cervera Real Estate for roughly \$900,000. "While we love the beach, we're primarily city people and like that everything is so close," says Montiel, an estate agent who plans to visit Miami every other month. "The prices actually felt 'real' and reasonable," Montiel adds, "so my husband said it was finally time to buy."