



Architectural rendering of 57 Ocean (second building from the right) at 5775 Collins Avenue in Miami Beach. The 18-story luxury tower will offer 81 units ranging in price from \$1.5 million to \$31 million. DBOX

## There's a surplus of luxury condos in Miami, but three more developers are building anyway

By Rene Rodriguez

Sea level rise? No worries. Sluggish sales in the luxury market? Not a problem. Strict requirements for construction loans and traditional bank financing? There are other ways to buy a condo.

High-end real estate development has slowed to a crawl in Miami-Dade, with most builders taking a breath while the market absorbs a bounty of condos priced at \$1 million and up. Only two new major luxury condos broke ground in 2018: Estates at Acqualina in Sunny Isles Beach, with 245 residences ranging from \$4.2 million to \$35 million, and One Park Grove, the third and final tower of the ritzy Coconut Grove development, priced from \$2.7 million to \$6.3 million.

But three ambitious developers from outside the U.S. are betting on Miami's enduring appeal with plans for ambitious condos priced in the mega-millions. The trio are proof that out-of-town investors continue to see a big future — and an even bigger payday — in Miami-Dade's luxury market, despite sluggish sales and climate change concerns.



Architectural rendering of 57 Ocean at 5775 Collins Avenue in Miami Beach. The 18-story luxury tower will offer 81 units ranging in price from \$1.5 million to \$31 million.

“The rest of the world sees the U.S. as the safest place to move their capital,” said Ron Shuffield, president and CEO of EWM Realty International, a brokerage firm. “The international developer is thinking about where they want to have their assets two or three years down the road. They feel there’s no better use of their capital right now than to build high-quality properties in markets where it will continue to appreciate, even though it’s not the best time to have a \$5 million condo for sale.”

The monthly number of Miami-Dade condos listed on the Southeast Florida Regional Multiple Listing Service (MLS) during 2018 priced \$1 million and up reflects the highest levels in history, according to EWM Realty International. On Sept. 30, 2018, there were 2,874 active sale listings — an 11 percent increase over the same period last year.

The glut is even more evident for condos priced at \$5 million and up. According to EWM, the MLS listed 348 units in that price range as of Aug. 31, 2018. That’s a total of 58 months of inventory — well above a “healthy” inventory of 12 to 18 months.

But despite the surplus, three new luxury projects in Miami-Dade are moving forward, each launched by foreign-based developers who are financing the projects from their own resources:

- 57 Ocean, an 18-story, 81-unit luxury tower at 5775 Collins Avenue in Miami Beach, is the third condo project in Miami-Dade from the Brazilian firm Multiplan Real Estate Asset Management;
- [Okan Tower Miami](#), a mammoth 70-story condo/hotel/retail building at 555 North Miami Avenue in the downtown area, will reach a height of 890 feet. It is the first project in the U.S. for the Turkish firm Okan Development Group;
- [Monaco Yacht Club](#), at 6800 Indian Creek in Miami Beach, will offer 39 fully-finished waterfront units on 11 floors. The developer is Optimum Development USA, the Miami branch of the Luxembourg-based Optimum Asset Management.

The three projects join other luxury developments that have already broken ground or entered the pre-sale phase. Those include the [Aston Martin Residences](#) in downtown Miami, from Argentine supermarket magnate German Coto; the [Missoni Baia](#) tower in Edgewater and the [Una Residences in Brickell](#), both from OKO Group; and the Eighty

Seven Park tower in Miami Beach, a joint venture between the prolific South Florida developer Terra and the Italy-based Bizzi & Partners.

The developers behind the three new projects believe their product is unique enough to stand out from the pack — and they have the resources and staying power to weather the ebb and flow of the market.

Jose Isaac Peres, a Brazilian billionaire who [amassed his fortune](#) building shopping malls, is the founder of Multiplan, the firm behind the 57 Ocean tower on Miami Beach. The project, which will occupy the former location of the [demolished Marlborough House](#), will emphasize wellness and healthy living in its design and amenities. Prices range from \$1.5 million to \$31 million. Pre-sales will begin this month.

Peres believes the building will impact the “Millionaire’s Row” stretch of Collins Avenue like one of his previous projects, the Il Villaggio condominium, impacted Ocean Drive in the late 1990s.



Jose Isaac Peres, the CEO of Multiplan Real Estate Management, on Wednesday, October 17, 2018. The Brazil-based firm is developing a new luxury condo tower on Miami Beach.

“This project will present real value investment opportunities not only for us, but also our initial buyers, as these irreplaceable assets tend to appreciate over time,” Peres said. “By self-financing, we have the flexibility to push our construction schedules forward and boost consumer confidence and differentiate ourselves from mainstream developers who struggle to reach sales milestones and meet financing requirements.”

Marcelo Kingston, managing partner at Multiplan, said 57 Ocean’s beachfront location balances out any concerns about real estate market fluctuations.

“The trickiest point is timing,” Kingston said. “When is the right time to start a new project? But a project with a location like this one is special, because there will always be demand for it. This project transcends economic challenges and political tumult, because there’s nothing on the market that can compare with this location. That gives us

the ability to pull the trigger and move forward, knowing there will be demand from all parts of the world.”

### **International interest**

Experts say that global demand for Miami shows no signs of fading. In [the 2019 edition of the annual Emerging Trends in Real Estate](#) survey conducted by the Urban Land Institute and PricewaterhouseCoopers (PwC), Miami ranked 12th on a list of the top 20 U.S. markets to watch for overall real estate prospects. Miami also ranked fifth on a list of the 16 strongest markets in the South Atlantic and Florida region ranked by investor demand, capital availability and redevelopment opportunities. (Fort Lauderdale came in sixth).

“If you’re trying to attract condo buyers from around the globe, it makes sense to broaden your net as far as you can,” said Mitch Roschelle, partner and business development leader at PwC. “When you have a multicultural environment, you’re opening yourself up to buyers from around the world. Because Miami is so culturally diverse, condo developers there have the broadest possible audience.”

That growing cultural diversity is one of the factors that led Bekir Okan, founder of the Turkish company Okan Development Group, to build his first U.S. project in Miami. Okan first visited the city with his family in the 1990s, when they sailed on a Royal Caribbean Cruise that departed from the Port of Miami.

Two of his children later went to schools here — the University of Miami and Florida International University — which kept him returning to South Florida.

“He’s been coming to Miami for 20 years and he loves the place,” said Kasim Badak, CEO of Okan Development Group. “He had been doing construction in Turkey, Africa and the Middle East. And one day he said ‘Why don’t we do a project in Miami?’”



Interior of the 3,000 square foot Okan Tower sales gallery in Istanbul. The developer is marketing its downtown Miami condo/hotel tower directly to buyers in Turkey.

Badak said the company opened a 3,000 square-foot sales gallery with a full-model residence in Istanbul in May and has collected 65 reservations thus far. The \$300 million tower will sport the shape of a tulip, Turkey's national flower, and be made up of 316 Hilton hotel rooms, 149 residences, 236 turnkey units and four penthouses.

Groundbreaking is scheduled for early 2019. The general contractor will be Suffolk Construction, which also built the guitar-shaped Seminole Hard Rock Hotel & Casino in Hollywood. The other two new projects have not yet hired a contractor.

The Okan Tower is entirely self-financed for now. But even the most high-end luxury projects eventually turn to traditional bank lending once they cross certain thresholds of pre-sales or have a proven track record.

Ricardo Tabet, CEO of Optimum Development USA, said that while the firm's Monaco Yacht Club project in Indian Creek is currently self-financed, he expects a loan to close next month. Some of the firm's other projects include The Optimum office building in Coconut Grove and the Celino Hotel on Ocean Drive, both due for completion in 2019.

The scale of the 39-unit Monaco Yacht Club was intentionally kept small — Tabet said the project could have easily accommodated 90 units — because the developer wants to attract an elite breed of sophisticated buyer who will appreciate (and pay for) touches such as custom-made wood doors. Prices will range from \$1.1 million to over \$4 million, and pre-sales are expected to launch by the end of the year.



Architectural rendering of the top floors of the planned Monaco Yacht Club luxury residential tower in Indian Creek.

But Tabet, like almost every other developer in Miami-Dade, says one thing that won't impede pre-sales is the growing concern over climate change. Despite the worry among South Florida residents about nature-based hazards including red tide and flooding, the real estate market thus far seems impervious to cooling from global warming.

"There's no such thing as Miami sea-level rise," Tabet said. "There's global sea-level rise. It's an issue we are facing around the world. Everyone knows the planet has an issue."

But I believe people are still looking for the unique lifestyle that Miami is offering. Hurricanes have forced us to learn to live with nature. We take precautions and we have insurance. The construction requirements are stronger and the infrastructure of the city has gotten better. “

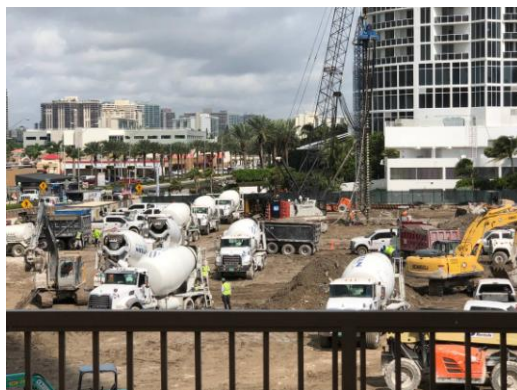
## **A bullish market**

The early interest in projects that are already underway confirm Tabet’s claim. Since breaking ground in 2017, the Aston Martin Residences has sold more than 40 percent of its 391 units, ranging in price from \$700,000 to \$50 million, to buyers from Latin America, Europe and the U.S. The building is scheduled for completion in 2021.

The 57-story Missoni Baia tower in Edgewater, which launched sales in 2016 and broke ground in 2017, has begun vertical construction and is scheduled to be completed by 2020. Prices on the remaining units range from \$550,000 to more than \$3.5 million.

“These developers see an opportunity and have their own capital structure, enabling them to be in the position to build right now,” said Vlad Doronin, the Russian-born CEO and chairman of OKO Group. “They see the advantage of building at a time when nobody else is, particularly at a moment when there is less competition and very little new inventory. We take a long-term view on the markets we enter and we are bullish on Miami. The city is growing, and the domestic tax structure is increasing demand in Miami from the rest of the US.”

Lenders are bullish too — at least about some projects. Earlier this month, the Trump Group (no relation to the president), the developers who built Williams Island, scored a \$558 million loan from Bank OZK (formerly Bank of the Ozarks) for their Acqualina project, which is valued at \$1.5 billion.



Construction work continues at The Estates at Acqualina in Sunny Isles Beach on October 17, 2018. The developers landed a \$550 million bank loan earlier this month.

“There’s a little bit of a misconception that there is an endless supply of new construction,” said Alexandra Lehson, a partner at the law firm Bilzin Sumberg, which negotiated the Acqualina loan. “The market has stabilized. We are out of the boom and

bust cycle days and the pendulum isn't swinging too far in either direction. Bank lenders need to have a sponsor with a solid track record, a project with a fantastic location and a great amenity package. They are increasingly focused on the quality of the loan they are financing.”

Terra president David Martin said 54 of the 66 units at the Eighty Seven Park tower in Miami Beach have been sold at prices ranging from \$2 million to \$18 million — another indicator of the strength of Miami's luxury market. The building is topping off this month and is due for completion summer of 2019.

And although foreign buyers are critical to luxury developers, Martin argues that the number of out-of-town U.S. buyers investing in high-priced homes in Miami keeps growing and bodes well for the market.

“There's not one demographic at Eighty Seven Park: It's more of a psychographic, people who are adventurous and want to live on the ocean,” he said. “As Miami has matured from a cultural and experiential standpoint, we've been able to attract more American buyers from Boston, Chicago, New York and Washington D.C. They either want to relocate here or use Miami as a second or fourth or fifth home.”



Architectural rendering of the garden area at Eighty Seven Park, a luxury beachfront condo at 8701 Collins Ave. that will emphasize green spaces and nature. The building is due for completion in summer 2019 and more than 80 percent of its 66 units have been sold.



Architectural rendering of the pool area of 57 Ocean at 5775 Collins Avenue in Miami Beach. The 18-story luxury tower will offer 81 units ranging in price from \$1.5 million to \$31 million. DBOX



Architectural rendering of the top of the proposed 70-story Okan Tower in downtown Miami, which will reach a height of 890 feet. OKAN GROUP



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