

Sales of ultra-luxury condos are soaring. What does that mean for the rest of Miami?

By Rene Rodriguez



Architectural rendering of the exterior view of a bedroom inside one of the condos at Una Residences in Brickell. *OKO GROUP*

The days of driving past Brickell through half-dark condo skyscrapers may be coming to an end.

A sudden explosion in the luxury condo residential market, which has quietly gone supernova, and a growing uptick in the condo sales to buyers priced out of single-family homes suggests a lot of those lights may be turning on.

A surge in pre-sales in December and January at various ultra-posh projects under development in Brickell, Edgewater and Miami Beach is another indicator of the new wave of wealthy out-of-towners opting to make South Florida their primary home for at least half of the year.

Most of these projects won't be completed for another three or four years. But experts say that the growing concentration of domestic Miami millionaires — which began with the 2016 tax reform bill and has accelerated since the COVID pandemic made remote working commonplace — will help grow Miami's financial sector, earning it the same global attention as Miami's hospitality, restaurant and arts sectors.

If the luxury influx continues, there would be a residual benefit for locals. Pricier homes translate into higher property taxes, which feed into municipal coffers to pay for police, fire rescue, infrastructure and

other public services.

But those taxes would still be lower than in other cities in the northeast. And the wealth surge could potentially raise property values even further in hot neighborhoods such as Coral Gables, Miami Beach and Coconut Grove as well, making home-buying even more of a challenge for current residents. Sales of existing condos in the \$250,000 range in Miami-Dade have already seen a considerable uptick in recent months — an indication that some people on the market for a single-family home have opted for condo living instead.

“The transformation that Miami has gone through over the last few years — and on steroids in the last year — is a long-term change from a place to visit to a place to stay,” said Jonathan Miller, president and CEO of Miller Samuel, a New York-based real estate consulting firm. “This is not a short-term change. But that doesn’t mean it’s going to replace New York in a sector like the financial services industry. It just becomes a more worthy competitor.

“Miami is becoming a much bigger beachhead for the financial industry than it had been thought of in the past,” Miller said. Tech probably isn’t that far behind...[It’s] good for the city’s economy, because it diversifies the industries. You’re moving away from being a one-trick pony of tourism.”

A FLURRY OF SALES

The high-end real estate market is one indicator that Miami’s transition has already begun. According to Ron Shuffield, president and CEO of Berkshire Hathaway HomeServices EWM Realty, the dollar volume of sales of existing condos priced more than \$5 million in Miami-Dade jumped 129% from November 2020 to January 2021 compared to the same period in 2019-2020, from 5 to 11 units.

What is driving the sudden surge in sales? Ugo Colombo, the developer who kickstarted the Brickell luxury condo market in the mid-1990s with two projects, the Bristol Tower and the Santa Maria, attributes the spike partly to COVID.

“The perception of Miami from the out-of-town U.S. visitor has always been a vacation place,” he said. “They would come here to spend a few days. But the pandemic in cities like New York got those same people to come stay here for months. Those longer stays made them realize Miami is a real city with a big presence in finance and arts and culture. They realized they want to live here instead of just visiting.”

Colombo’s most recent project, the Brickell Flatiron, completed more than \$100 million in sales to buyers from Chicago, New York and Los Angeles and is 98% sold out. The developer is planning to launch his new project, Onda, a boutique ultra-luxury condo in Bay Harbor Islands, in the coming months. The current inventory of existing condos priced at over \$1 million is 24 months — a 50% drop in inventory from January 2020 (a healthy inventory is between three and six months).

Meanwhile, the number of signed contracts in Miami-Dade for condos priced over \$1 million jumped

155% year-over-year in January, from 77 to 197, according to [Douglas Elliman Reports](#). The number of new listings at that price point dropped 33%, from 306 to 203, indicating a greater absorption rate, or higher buyer demand.

Nearly every high-end condo building currently under construction or completed saw a similar jump in sales in January, predominantly to domestic buyers from New York, Chicago, San Francisco and the Midwest:

- **[Una Residences](#), the 47-story, ultra-luxury tower being built by the Miami-based OKO group at 175 SE 25th Road, sold 21 units for a total of \$57 million. Remaining units are priced at an average of \$1,550 per square foot.**
- **[Missoni Baia](#), another OKO project at 777 NW 26th Terrace in Edgewater, sold 10 units for a total of \$18 million in units. Remaining units are priced at an average of \$1,000 per square foot.**
- The Related Group's [Residences Armani/Casa](#), located at 18975 Collins Ave. in Sunny Isles Beach, opened in March 2020 and sold 21 units since Dec. 1 for a total amount of \$61.9 million.

Other luxury properties with a spike in contracts and sales over the last two months include South Beach's [Monad Terrace](#) (\$40 million, including two penthouses), 87 Park in Miami Beach (nearly sold out), the [Aston Martin Residences](#) in downtown (70% sold out of a total of 398 units) and [Mr. C Residences in Coconut Grove](#) (\$50 million).

BACK IN THE GAME

Demand is so strong that the Related Group is launching its first new condo project in Miami-Dade since 2016. (In Broward, the company launched a boutique condo project, Solemar Pompano Beach, in September 2020). The Baccarat Residences Brickell, to be located at 444 Brickell Avenue, will be a 75-story condo tower with more than 300 units and at least 40 riverfront villas.

Condos are expected to sell in the \$800-per-square-foot range. Groundbreaking is projected for early 2022, with a completion date of 2025. Future plans for the site include two additional mixed-use towers, to potentially include hotel and office components, though that will depend on pre-sale interest in the first tower.

The building will feature chandeliers made by its namesake French maker of fine crystal, aged French oak floors, interiors melding 18th-century Paris with 21st-century Miami, a permanent art collection with rotating exhibitions, a curated collection of furnishings and access to the 1 Hotel Beach Club in South Beach. The Miami-based Arquitectonica is the architectural firm.

Jorge Pérez, chairman and CEO of The Related Group, said it's not enough to lure hedge fund managers and financial investors to buy a place in Miami. They need to bring their companies along with them, like the [private equity firm Blackstone](#) and [Carl Icahn](#) have already done.

"We've done a lot of dog and pony shows for the major companies in NYC who want to open an office here," Pérez said. "It still takes a lot of selling, and it's important for us to go out and get those companies to come here, because they're not going to relocate here on their own. We have to make it happen."

Miami has already come a long way, Pérez said. But the city has work yet to do.

"What are they used to in New York City?" Pérez said. "Great education. And the law schools and medical campuses at Florida International University and University of Miami are thriving. We didn't have those 10 years ago. What about culture? The Pérez Art Museum, the Frost and the Arsht are not Lincoln Center yet. But we're trying.

"We need to work harder to build the cultural and educational and transportation infrastructure to compete. Yes we do have, probably second to NYC, the best restaurants in the country, and some of the best venues for having fun, the beach and the sun," Pérez said. "But the fun and the sun isn't enough."

In the past, the majority of condos were bought for investment purposes by foreign buyers and then sat empty most of the time. This new wave of buyers — especially the high-net-worth folks — will be more of an ongoing presence, say experts. To qualify for Florida's favorable taxes, they must live here at least six months out of the year.

"For different reasons, each building is attracting 100 percent end users," said Vanessa Grout, who handles sales for the OKO Group. "The buyers are investigating the construction and asking a lot of questions. If you're buying for investment purposes, you're looking at market projection numbers. If you're the end user, you're interested in the feel of what it's like to be in there."

THE FUN-AND-SUN TRAP

Some experts think Miami-Dade won't be able to overcome its "fun and sun" rep fast enough to keep luring serious business here — at least not with this current wave of buyers. [A new study by the Milken Institute](#) ranked Miami dead last in affordability in its survey of 200 U.S. cities.

"I've seen more California license plates in Miami today than I've seen in the last 25 years," said Miami condo analyst Peter Zalewski. "Out-of-towners are loving it right now. But I don't think they fit in. We're going to have some serious buyer's remorse with these expensive units and what was intended to be a long-term stay might become a short-term stay.

"There's a term called ["halfback" that is common in North Carolina](#)," Zalewski said. "It refers to people

from the Northeast who move to Florida, then find out over the course of a year or two that they hate it so much they move halfway back to their previous home state and buy a huge mansion in North Carolina.”

Others are more bullish on Miami’s immediate future. Ryan Shear, managing partner at Property Markets Group, which is preparing to launch [pre-sales at the Waldorf Astoria Hotel and Residences](#) in downtown Miami in March, said the last year proves that predicting the long-term result of the new influx of out-of-towners is a foolhardy exercise.

“No other city can turn on a dime like Miami,” Shear said. “It has a knack for catching people by surprise. Six months ago, when we opened Society Las Olas in Fort Lauderdale, Miami was on the front page of newspapers as the epicenter of COVID. It was draconian down here. I had a lot of partners saying Miami was in big trouble. The hedge funds stopped lending.

“Now those same hedge funds are all over us,” he said. “I think next year you will see a slew of projects announced. There’s a bunch of land acquisitions taking place, and usually that means a new project in the pipeline. It’s a perfect storm.”

Billionaire [Carl Icahn](#), the private equity giant [Blackstone](#) and PayPal co-founder [Peter Thiel](#) are among the big players and companies who have either relocated here or opened a Miami office. Microsoft is [currently exploring options](#) to expand their footprint in South Florida with a large office space.

GOOD NEWS FOR CONDO SHOPPERS

One side effect of the boom in luxury sales: The oversupply of condos in Miami-Dade, especially in the Brickell area, is finally sparking more robust sales. According to the Miami Association of Realtors, the existing stock of condos posted its 11th-best year in 2020, with a total of 13,905 condos sold.

That’s nowhere near the all-time best sales year of 2013, when 17,120 condos were sold. Then, the majority went to foreign cash buyers who were capitalizing on the fire-sale prices that followed the 2008 recession. Now, Latin American buyers are mostly staying away from Miami due to the strength of the American dollar, which makes buying here prohibitive for anyone other than the wealthy, and travel concerns over COVID.

Still, county-wide, the total number of existing condos on sale dipped 12% in 2020, from 14,662 listings in 2019 to 12,898 in 2020. Condo median sale prices increased 10.2% year over year, from \$245,000 to \$270,000.

Craig Studnicky, principal at the Miami-based real estate brokerage International Sales Group, said 97% of the 5,700 condos built since 2012 in the Brickell area have been sold.

“There’s no new supply coming to Brickell for at least four years,” he said. “That’s the longest Brickell has

ever gone without new condo supply. When you consider [how hot the single family home market is right now](#), you're going to see buyers take a big bite out of the Brickell resale stock.

"People who are relocating here need immediate shelter before they find their permanent home," Studnicky said. "I wouldn't be surprised if half of those were gone this time next year and a lot of the developer product would be gone. And it's a great deal because in most cases, condos are selling for no more than the developer was offering at pre-construction."

The luxury condo craze has led at least one home builder to get back into the spec luxury home building sector after a few years of dormancy.

"New Yorkers used to think of Miami as their small little brother," said Brad Meltzer, CEO of the Miami-based Plaza Construction, which has relaunched its specialty luxury homebuilding arm due to growing demand. "But that has changed. Some of the oldest cities in the world were built in the 16th century. Our oldest cities — New York, Philadelphia, San Francisco — are 200 years old. Miami is an infant that started to boom in the 1950s. We've seen the skyline change dramatically. We are living through the maturation of a city."

But the flood of high-net-worth individuals could also have negative repercussions in a city where the needle on housing affordability is deep into the red zone.

"It depends on who's coming and what kind of companies they are bringing," said Danielle Hale, chief economist for realtor.com. "It could be a positive thing [if these companies create jobs](#) that would enable the creation of a middle class in Miami. But if it's the type of relocation that is just high-end individuals who are moving there and not creating job opportunities beyond their own, it's reasonable to expect the income disparity would persist."



The Missoni Baia tower in Edgewater sold \$17 million in condos in the month of January 2021 alone. OKO GROUP

CURRENT CYCLE

Brickell New Construction Condo Summary for condos built since 2012



Source: Developer Onsite Sales Offices, Developer Sales Reports and Broker Contacts