

Investors flock to short-term rental condo projects in Miami

Units are more affordably priced than other projects and offer flexible rental options

Katherine Kallergis | April 4, 2022



Rishi Kapoor, Eric Fordin, Suzanne Amaducci-Adams with The Crosby and Urbin

Developers of short-term rental-friendly condo projects in Miami are experiencing quick sellouts, as investors and end-users flock to more affordable units.

The projects offer units priced as low as the \$300,000s, close to what a starter home would cost, in a market that has become out of reach for so many prospective buyers and renters. That appeals to investors, who are snapping them up to generate rental income, experts say.

“With inflation, people like multifamily as an investment because the rents change every year,” said attorney Suzanne Amaducci-Adams, who leads the real estate practice at Bilzin Sumberg. “Not everyone is in the position to buy a million-dollar condo.”

Construction lenders are also eager to provide loans to developers with such strong presales, though developers are challenged by rising construction costs and supply chain issues.

“The only thing that could slow [the market] down is the real fear of rising construction costs,” said Craig Studnicky, CEO of Aventura-based ISG World. “There’s just no way to control the rising costs of commodities. Until those rising costs plateau, you’re going to see a lot of developers postpone the start of some of these projects for totally understandable reasons.”

In Greater Downtown Miami, more short-term rental condos are now in the pipeline than traditional units, according to a recent ISG World Miami Report, which shows nearly 3,000 traditional condos and over 4,400 short-term rental condos marketed for sale.

At least two more projects will be launched soon, bringing that total closer to 5,500 units, Studnicky added.

“There is a high level of competition among these buildings in a neighborhood that never had these before,” he said.

Planned projects with short-term rental options include Related Group, ROVR Development and BH Group’s District 225 tower. The developers are partnering with Airbnb on the 343-unit condo building at 225 North Miami Avenue in downtown Miami.

Demand has been high. It sold out within two months of launching sales in October, with a total sellout of about \$250 million, said Eric Fordin, a managing director at Miami-based Related. The developers expect to break ground in April and have their construction financing lined up.



Standard Residences

Units ranged in price from the \$300,000s up to the \$800,000s and in size from studios to two-bedrooms. Atlantic & Pacific will manage District 225, including listing and marketing units on Airbnb, as well as handling maintenance and cleaning of the units.

The units will be delivered fully furnished and finished, so buyers can rent them out easily. The buyer pool was about half domestic and half international, which is different from previous cycles that leaned more toward foreign buyers, but is in line with the overall market during the pandemic, Fordin said.

“These units are more affordable than the majority of other products that are out there” and “more streamlined,” he said. “[Buyers] can literally have their dishes installed” prior to closing.

Related, which has built more condos than any other developer in Miami, [quickly launched sales](#) of a second short-term rental condo project nearby called The Crosby, at 601 North Miami Avenue. The firm partnered with the Motwanis’ Merrimac Ventures to co-develop the 450-unit condo tower at Miami Worldcenter. They opened reservations

in January and are 100 percent reserved, Fordin confirmed. The developers are now converting to contracts.

Late last year, former Related executive Carlos Rosso partnered with Alex Vadia's Midtown Development to launch the [Standard Residences](#) in Midtown Miami. Since then, the 12-story, 228-unit condo project is about 60 percent reserved. Prices range from about \$400,000 to close to \$900,000.

The Standard Hotels-branded project has some rental restrictions, limiting rentals to a minimum of 30 days, which has appealed to buyers from New York who are looking for an apartment but don't want to be a short-term rental building with zero restrictions, Rosso said.

The latest round of [projects with rental flexibility](#) follows the launches and subsequent sellouts of developments that include YotelPad, Natiivo Miami and Smart Brickell, which were selling while the overall condo market was in the middle of a major slowdown, prior to the pandemic.

And more developments are in the works, sources say. Blue Road and Fortune International Group are expected to start sales of Nexo Residences, a condo in North Miami Beach with short-term rental capability, where prices will begin in the \$400,000s.



ISG World Miami Report

Super-sized amenities

Like Related's more expensive condo projects, its short-term rental-friendly developments are loaded with amenities, Fordin said. At District 225, the amenity

package includes indoor racquetball and basketball courts, a 28-foot-tall rock-climbing wall, a training center, yoga/spinning studios, an amenity deck with a pool and summer kitchens, and a co-working space.

“Super-sizing the amenities has been very appealing to the purchasers,” Fordin said.

The first new project to sell out [in record time](#) was Property Markets Group and E11even Partners’ E11even Hotel & Residences, with two 65-story towers. Brisk sales were spurred by the amenities, which appealed to the investor buyers who are also end-users, the developers have said.

The first tower, now under construction, began sales in early 2021 and was nearly sold out two months later. More than half of the buyers plan to enter their units into the project’s short-term rental program, which will operate like a hotel, according to a spokesperson. Prices also started in the \$300,000s. After launching sales of the first 375-unit tower, they [later launched sales](#) of the second tower, which will connect to the first.

The two-tower development will share Las Vegas-style amenities that include a 20,000-square-foot multi-level E11even Beach Day Club, a casino-style sports lounge, a members-only rooftop, cabanas, plunge pools, and a 2,200-square-foot pool. The amenities, housed in the first tower, are planned to also include a gourmet food hall, wellness center, sports lounge, beach club and art installations. E11even Partners owns the E11even nightclub nearby, which is open 24 hours a day, seven days a week.

Even smaller developments are reporting high presales.

Rishi Kapoor, CEO of the development firm Location Ventures, began sales of a co-living flexible rental condo project in Miami Beach and Coconut Grove late last year. The Urbin-branded projects, each with fewer than 100 units, range in price from about \$400,000 up to \$2.4 million. Though most developers say they have an influx of U.S. buyers, all of the buyers at Urbin are from abroad, a spokesperson said.



District 225

The Miami Beach project is 75 percent presold and the Coconut Grove development is 40 percent presold.

“We find the reason for that is really our leaseback program with hassle-free management,” Kapoor said, adding that buyers like having the ability to use the units that will be professionally managed.

Buyers can expect to generate an annual return of 7 percent, according to a spokesperson. Similar to other price points, buyers are putting down deposits sight unseen, as prices continue to rise.

“We just see really strong tailwinds in the luxury sector, short-term rental and extended stay sectors,” Kapoor said