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In South Florida, the Surest Way to Sell a Condo Is to Price It Above \$1M

The number of seven-figure deals is starting to outpace the rest of the market, and developers are noticing

BY MIKE SEEMUTH MAY 1, 2024 9:00 AM



CAMILO MIGUEL JR. IN EARLY 2023.

PHOTO: MAST CAPITAL

The luxury condo market in South Florida may prove resilient this year as developers add to the supply of the area's priciest condos. What defines luxury condos and distinguishes them from lesser condos is debatable. But everyone agrees luxury doesn't come cheap. And, this year, the number of seven- and eight-figure condo sales in South Florida may increase more than the number of six-figure sales.

Sales of condos for \$1 million or more increased 9.7 percent in Miami-Dade, Broward and Palm Beach counties in the first quarter, compared to the same period last year, while the total number of

condo sales fell 12.3 percent, according to monthly reports on transaction volume by brokerage [Douglas Elliman](#).

The brokerage firm reports that sales for \$1 million or more accounted for 11 percent of the 5,872 condo sales in South Florida during the first quarter, compared with 9.3 percent of the 6,695 condo sales in the first quarter of 2023.

In the first three months of the year, Miami-Dade County accounted for about two-thirds of all condo sales priced at \$1 million or more in tri-county South Florida, while Palm Beach County accounted for about a fourth, and Broward County less than a 10th, according to Douglas Elliman.

Regardless of price, however, few condos in South Florida are selling fast these days. The number of days that condo sellers spend on the market, from listing units for sale to putting them under contract, has doubled since last year, said Peter Zalewski, who runs [Condo Vultures Realty](#), a Miami-based brokerage. The number of days on the market before South Florida condo sellers find buyers is now 140, up from an average of 67 days last year, according to data compiled by Condo Vultures.

One reason condos in South Florida are selling so slowly is the spread between list prices and comparable sale prices. List prices normally exceed comparable sale prices by about 20 percent. But, in some submarkets, “we’re seeing 40, 50, 60 and 70 percent spreads, so the sellers are way too high,” Zalewski said. Compared to sellers of

cheaper condos, he said, sellers of condos priced at \$1 million or more demand bigger spreads and spend more days on the market trying to find buyers.

Some South Florida real estate pros put the “luxury” label on any condo priced at \$1 million or more. Others say luxury condos are in a higher price range. “It may be pushing a little bit more toward the \$1.5 million, \$2 million range at this point,” said Nick Falcone, whose family owns [Falcone Group](#), a Boca Raton-based real estate development company. “With prices going the way they’re going, you’re not talking about a very big unit for \$1 million — under 1,000 square feet, conceivably.”

Unit size is one of the primary ways to define luxury in the South Florida condo market, said Eric Fordin, senior vice president of Miami-based developer [Related Group](#). “The demand is for even larger units than we’re planning,” Fordin said, citing Related’s development of a 25-story waterfront condominium in Bal Harbour called Rivage. Related markets Rivage as an “ultra luxury” residence with three- to six-bedroom condos no smaller than 3,300 square feet and prices starting at \$10 million. Despite the eight-figure price, some preconstruction buyers are committing to two or more units to combine them.

“Rivage originally was planned for 61 units. Then demand changed, and it got reduced to 56,” Fordin said. “And, right now, it’s trending closer to 50 units as people continue to combine.”

Related is developing another ultra-luxury boutique condo on exclusive Fisher Island, a private isle just south of Miami Beach, with prices that start at \$15 million. The project's original 57-unit design has changed and may end up at a little more than 40 units. "The smallest unit there is 3,800 square feet, and people have started to combine for 7,000- and 8,000- and 10,000-square-foot units," Fordin said. "It's people coming from the Northeast and the Midwest. They're used to large homes and want the benefits of the Florida lifestyle, and don't want to give up that space."

Affluent business owners and executives new to South Florida are prime prospects for luxury condos. Since the COVID-19 pandemic, accelerated migration to the Sunshine State has brought not just a slew of new residents but also new businesses and their employees.

"There are a lot of organizations that already have made commitments to move here and move their team here, yet they still have not moved here. They are doing it over time," said Camilo Miguel Jr., founder and CEO of [Mast Capital](#), a Coconut Grove-based development company. "And I think that will continue to bolster the migration story across Florida."

Miguel said Mast Capital has amassed contracts to sell more than half of the 470 units at two luxury condo projects now under construction in Miami.

Mast has raised about \$600 million from lenders — including billionaire Carlos Slim's Banco Incurso — to finance construction of

Cipriani Residences Miami. The 80-story, 397-unit condominium is rising in the bustling Brickell area just south of Downtown Miami. Cipriani's unit prices start at \$1.7 million. The other project, the Perigon Miami Beach, is a 17-story, 73-unit condo development on an oceanfront site in Miami Beach, where co-developers Mast Capital and Starwood Capital Group held a groundbreaking ceremony April 2. The Perigon's amenities will include a residents-only restaurant and private speakeasy led by Michelin-starred chef Shaun Hergatt. Unit prices range upward from \$4.5 million.

High interest rates have restrained sales in the South Florida condo market, but they have less impact on people in the luxury segment of the market who can buy without borrowing. "Most of our buyers are cash buyers, so interest rates have not really been a subject of discussion," Miguel said.

Some luxury condominiums developments in South Florida are designed to let the owners market their units as short-term rentals. Miami-based [Newgard Development Group](#), for example, is working on several condo projects that will allow owners to rent their units to short-term users through a platform the company has created or through others, such as Airbnb and Vrbo.

"In essence, the buildings will operate as a hotel. They are designed and built as a hotel," said Harvey Hernandez, the founder and CEO of Newgard. "We just allow our buyers to own the units and share those units, using our hotel management program, whenever they want."

After launching a preconstruction sales program earlier this year, Newgard has reservations for nearly 20 percent of the units at Natiivo Fort Lauderdale, designed as a 40-story condominium with 384 fully furnished units, and licensed for short-term rentals. Two other Natiivo-branded condos are under construction in Miami and Austin, Texas, and Hernandez expects to break ground for the Downtown Fort Lauderdale location by early 2025.

Newer condo buildings in South Florida are drawing more interest from prospective buyers since the deadly collapse of a middle-aged oceanfront condo building in Surfside, a Miami suburb. Built in 1981, the Champlain Towers South collapsed in 2021, killing 98 people. Now, homeowner associations in older condo buildings [are facing tougher regulations](#), and many are raising maintenance fees and considering special assessments to fortify the buildings.

“When you’re buying older product, you may have one assessment now. But, as time progresses, the potential for future assessments is unknown and ongoing,” said John Farina, president of Jersey City, N.J.-based U.S. Development. “Buyers feel comfortable and reassured that the new products, due to state laws, are protecting buyers by requiring the appropriate reserves and insurance.”

In recent years, U.S. Development has built two boutique condos on oceanfront sites in Delray Beach, about nine miles north of Boca Raton. Farina’s company last year completed and sold out 1625 Ocean, a 14-unit condominium, at prices from \$6 million to \$9

million. On a nearby site in 2022, the company completed Ocean Delray, a 19-unit condo that sold out at prices from \$5.9 million to \$8.1 million.

U.S. Development is currently conducting a preconstruction sales program for Salato Residences in Pompano Beach, designed as a 10-story, 40-unit oceanfront condominium. Farina said his company plans to break ground later this year on Salato, deliver in 2026, and so far has found buyers for 27 percent of units. “We have interest from the Canadian market and the Northeast,” Farina said, “but also from west Broward people looking to downsize and move closer to the beach as their children move out of their homes.”

Other developers with luxury condo projects in the preconstruction phase are attracting a similar mix of prospective domestic and foreign buyers. “Early this year, it was a very local market. Then we really got a wave from Boston, Chicago, D.C., Connecticut, New York and New Jersey,” said David Martin, co-founder and CEO of Coconut Grove-based [Terra](#) Group, which has about 600 planned condos in various stages of development. “Now we have an interesting European mix. We’re seeing a strong Canadian migration as well.”



DAVID MARTIN IN MIAMI IN OCTOBER 2023.

PHOTO: DIEGO TEXERA/FOR COMMERCIAL OBSERVER

Finding land in exclusive enclaves is one of the challenges that luxury condo developers face in South Florida. But opportunities to redevelop older condo buildings in prime locations have increased since the collapse of the 40-year-old Champlain Tower South in Surfside three years ago, as more condo owners in aging buildings consider selling their units rather than pay more in maintenance fees and special assessments.

Among other examples is Mast Capital's Perigon project in Miami Beach at 5333 Collins Avenue, the oceanfront site of the old La Costa condo building. Mast bought out the owners at La Costa after the city declared the building unsafe in 2021 in the wake of the Surfside tragedy.

“They’re very difficult, they’re very challenging, and they’re very time-consuming,” Miguel said of bulk condo purchases. “But that’s where you can potentially unlock new development projects in the luxury condo space in Miami Beach.”

Condo Vultures' Zalewski said bulk condo purchases by developers may surge later this year when government-sponsored enterprise Fannie Mae, the nation's leading buyer of mortgage loans, is expected to reveal its so-called "blacklist" of condo buildings across the United States. Fannie Mae won't buy mortgage loans collateralized by units in these buildings, or the buildings themselves, because they are structurally unsound, financially impaired, or occupied by too many residents renting owners' units. The *Miami Herald* reported that the Fannie Mae blacklist includes 250 condo buildings in South Florida.

According to a statement by a spokesperson for the agency, "Fannie Mae does not maintain a condo exclusionary list." However, the mortgage-buying agency does publish a free, web-based tool called Condo Project Manager that lists "project eligibility statuses" for lenders that sell mortgage loans to Fannie Mae, and "these include approval statuses as well as information and statuses for projects that currently do not meet our requirements."

Either way, the information's going to be impactful.

"The biggest flaw in condominiums in Florida is the fact that the information from each association is private, protected, and not shared with the market," said Zalewski. "Once that list comes out," he said, "get ready for the selloff."