

The new look of luxe: Out-of-town buyers reshape real-estate design in Miami

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Out-of-town buyers aren't just snapping up Miami's prime real estate — they're also changing the way luxury developers build.

As more out-of-towners decide they want to put down roots in South Florida rather than simply buy investment properties for the rental market, they're asking for bigger, better, more expensive designs. Units equipped with quarters for a nanny or maid. Guest suites for visiting relatives and friends.

High-tech security with biometric identification.

Those requests come from both Latin Americans, who have driven Miami's latest real-estate boom, and wealthy Americans, who are

appearing locally in greater numbers. Some developers, hoping to lure a growing pool of Chinese buyers, are even turning to "feng shui" consultants who specialize in the eastern art of balanced design.

"Foreign investment has completely changed our entire landscape from an architectural standpoint," said Daniel de la Vega, president of One Sotheby's International Realty. "People are bringing their families here to spend time, and that changes their needs."

One Sotheby's now advises all developer clients building units greater than 3,500 square feet to include live-in quarters for a maid or nanny, de la Vega said.

At Paramount Miami Worldcenter, a luxury condo tower planned for downtown Miami's Park West district, about 80 apartments out of a total 513 have a bedroom and bathroom — called a "lockout suite" — branching off from the main entrance near the unit's private elevator. The studios, between 250 and 280 square feet, are envisioned as space for a maid or nanny, although they could also be used for teenage children who squawk for privacy or an elderly parent who needs quiet, said Peggy Fucci of OneWorld Properties, sales lead for the project.

Units with a lockout suite start at about \$1.5 million, or \$650 per square foot.

In past projects, Fucci said, "we had people buying small units in addition to their main purchase because they wanted a place for the maid." Now they expect that space to be available as part of their units.



The 33rd floor of the Ritz-Carlton in Sunny Isles Beach, scheduled to open in 2018, will include eight guest suites so that relatives and friends of unit owners can visit without sharing an apartment. | FORTUNE INTERNATIONAL GROUP

“Developers are building to their buyers,” said Tom Murphy, co-president of Coastal Construction, which is building more than a dozen luxury projects in South Florida.

Murphy said he knows of one developer who is negotiating with a local planning and zoning department to install charcoal-fired Argentine grills in shared outdoor spaces. “People want to feel like they’re at home, especially if they’re spending time with their families,” Murphy said.

Families like to entertain and, in Miami, that naturally means enjoying the outdoors. Large outdoor terraces and elaborate rooftops are becoming the norm for high-end developments.

In single-family homes, the need for rooftop-space is partially driven by high land prices and small backyards. At Oasis Park Square, a 150 single-family home development in Doral marketed to Venezuelans, some backyards are large enough for a 392-square-foot pool. But the flat rooftops — tricked out with a jacuzzi and the option of a summer kitchen, as well as a bathroom — are where many homeowners will entertain. That wouldn’t be possible in Miami’s traditional Mediterranean style of building, which usually uses low-pitched tile roofs. The rooftops on these modernist homes are between 1,300 and 1,900 feet of open space. That’s more than a third of the size of many houses, which range from 3,300 to 4,000 square feet.

“The buyers find it very attractive,” said project architect Francillis Domond, who grew up in Venezuela. “Venezuelans have large extended families, and it’s very common to get together for family events at least every month.”

Oasis Park developer Masoud Shojaee of Shoma Group said all but nine of the homes, which run from \$1.15 million to more than \$2 million, have already sold, with the majority going to Venezuelan buyers.

“There is so much product on today’s market that you have to give the buyers exactly what they want,” Shojaee said.

In the high-end condo market, developers are turning standard balconies into outdoor living rooms.

At Louver House, a low-density Related Group project with 12 apartments in South Beach, terraces for 2,400-square-foot units are about 700 square feet. That’s enough space for a dining table, sitting area and lounge, architect Rene Gonzalez said.

“The sliding glass doors open up completely so that the terraces can be fully connected with the interior space,” Gonzalez said. “It allows you to have dinner out there, to sit out there for hours rather than just step outside to check on the weather or smoke a cigarette.” The average price is between \$1,200 and \$1,300 per square foot. Construction is scheduled to wrap up in the summer of 2016.

David Martin, president of the developer Terra, agreed that families need more outdoor space. At the under-construction Grove at Grand Bay in Coconut Grove, 4,500-square-foot apartment have about 1,000 feet of terrace space. “Part of Miami’s cultural evolution is that out-of-towners feel the city is safe and entertaining enough to raise a family or stay for extended periods,” Martin said. The project set a Coconut Grove-record with an average sales price of \$1,100 per square foot.

Storage is also an issue for families intent on spending more time in Miami. Interior designer Claudio Faria said that Latin American, European and New York buyers are asking for closets that feel like “boutiques.” Faria owns Ornare, based in the Design District, which has built closets for Terra sales centers. Popular customizations include pullout shelves covered in natural leather for shoes, drawers with built-in suede compartments for jewelry and closet doors made from a light plastic mesh instead of wood that allow air to circulate when owners are out of town.

“They want the closet to feel like a sanctuary,” Faria said.

Family Ties

Families also need places for children to play.

“Kids’ rooms in condos used to be an afterthought,” said developer Carlos Melo, co-owner of the Melo Group. For an Edgewater project called Aria on the Bay that will open in fall 2017, Melo plans to include a 2,360-square-foot play room for children, equipped with toys, board games, rock-climbing, ping pong, televisions — and cameras linked up to the security room to soothe nervous parents. One of the project’s four swimming pools will be a shallow “kiddie” pool.

Melo said he thinks that some younger couples accustomed to life in Miami’s downtown and other major cities may not want to give up their urban lifestyles for the suburbs. Instead, he argues, they’ll look for high-rises with enough space for kids. “We are expecting a new generation of young families who want to live in the city,” Melo said.

Some developers have also realized that longer stays mean visits from parents, relatives and friends. Having your mother-in-law in the next bedroom isn’t always ideal.

“People like having their friends or family in the same building, but not necessarily in their own unit,” said developer Edgardo Defortuna, who is building the 52-story Ritz-Carlton Residences in Sunny Isles Beach for the first quarter of 2018. The 212-unit project, where two-bedrooms start at \$2 million, will include eight 600-square-foot guest suites.

The condo association will own the suites, and only unit owners who live in the building can reserve them.

Security is another concern for out-of-towners spending more time in Miami, particularly those who come from countries where robberies and kidnappings are common. “You don’t want to be living in a prison cell, but you do want to be safe,” said Shahab Karmely of KAR Properties. KAR is developing two ultra-luxury towers on the north bank of the Miami River near the the Miami Avenue Bridge called One River Point. Units start at \$850 per square foot.

Karmely said that the building’s elevators will only take residents to their specific floor after scanning their faces with biometric identification software or reading a key card. The building will have a dedicated 24-hour security room and vaults for art and valuables. Building staff members will also carry key cards equipped with radio technology that show their locations to security workers at all times.

Down from the Northeast

Domestic buyers are also making more of an impression on Miami’s market — meaning some developers are focusing on public transit, smaller units and semi-urban projects common in other big American cities.

Statistics on where exactly those buyers are coming from aren’t precise, said Ron Shuffield, president of EWM Realty International. But he said that through the first six months of 2015, the number of luxury buyers in Miami-Dade listing a New York address is up roughly 20 percent over the same period in 2014.

That’s important because the number of foreign buyers has been slowing as currency crises rock economies in Latin America and Europe. Cash sales — which often indicate international buyers — were down 12 percent in Miami-Dade in June 2015 compared with June 2014, according to the Miami Association of Realtors.

Townhomes in Coral Gables are one sub-market that have appealed specifically to New York and northeast buyers, said Shojaee of Shoma Group. His firm built a 10-unit townhome project called Anastasia near downtown Coral Gables and has another 10-unit project called Santander scheduled to open by year’s end. The two-story walk-up homes at Santander are made from coral rock and start at \$1.35 million for 3,000 square feet. Most buyers have been domestic.

“It’s attractive to New Yorkers because it’s semi-urban and still close to Miracle Mile,” said architect Domond. “They don’t look like brownstones, but they have that feel.”

Many projects — including Paramount Miami Worldcenter, Brickell City Centre and Brickell Flatiron — are also touting nearby public transit as a way to entice New Yorkers and other buyers from global cities who don't feel the need to drive. "We are seeing across the country that people are more interested in living where they work," said Jeffrey Gouveia, president of Suffolk Construction's southeast division, a major local builder that is in charge of construction for All Aboard Florida's Miami rail station. "There are many folks who prefer not to drive, even though that hasn't been how we traditionally do things in Miami."

People accustomed to New York-style living are also having an impact on the rental market.

Developer Property Market Groups is building a 464-unit luxury rental at 300 Biscayne Blvd. called Vice. That project will include studios at 530 square feet for about \$1,650 per month and one-bedrooms at 600 square feet for about \$1,800 per month, as well as larger units. That's not exactly a New York cubbyhole (some units in the Big Apple are smaller than 250 square feet), but it's a change for Miami's more palatial luxury market.

Part of the target market are young professionals who don't mind squeezing into smaller spaces as long as they're near the downtown. "If somebody's okay living in that space in New York, why would they not want to live in that space in Miami?" said Ryan Shear, a principal in PMG's Miami office.

New Balance

Chinese buyers also are growing in numbers, although they accounted for only 2 percent of international deals in South Florida in 2014, according to a report by the National Association of Realtors. But that's double the number from 2012. Local brokers have visited Beijing to pitch buyers, including Ugo Colombo's CMC Group.

And Paramount Miami Worldcenter has even hired Claudine De Bolle, a Miami-based feng shui consultant, to help make sure the condo's common spaces have the right feel for Chinese buyers. "It's important for Chinese buyers to know the project was designed with feng shui because it is associated with good luck and prosperity in their culture," De Bolle said.

De Bolle said she recommended that developers replace a lobby chandelier that was too angular in its design with one that used smoother features. "The chandelier was very beautiful, but it was very pointed coming down from the ceiling and it felt like a threat," she said. Other recommendations included placing a fireplace in the lobby to balance the other feng shui elements of wood, earth, metal and water, and using matte tiles instead of a shinier material to slow the energy of a ninth-floor conservatory meant for reading and relaxation.

Chinese buyers have accounted for about 15 percent of sales so far, according to developers.

Part of the reason South Florida has been so attractive to out-of-towners looking to buy a vacation home or relocate is because it is well priced compared with other global cities. Urban apartments in London (\$2,948 per square foot), New York (\$2,024 per square foot) and Moscow (\$1,243 per square foot) are all much pricier on average than Miami Beach (\$760 per square foot), Miami (\$475 per square foot) and Fort Lauderdale (\$400 per square foot), according to research compiled by EWM in 2014.

And for developers there is a clear advantage to building and marketing buildings for end-users rather than investors. "Investor-dominated buildings face risks from fluctuations in foreign currencies," said Jack McCabe, a housing market analyst based in Deerfield Beach. But focusing on the high end of the real-estate market means home prices and rental rates in Miami — already some of the nation's highest compared with median income — won't see any relief, he added.

"There's very little that you would consider to be affordable that's under construction," McCabe said. "The developers have been targeting the sweet spot of the buyer pool, which is primarily affluent cash buyers."

And if currency crises persist and some foreign buyers can't close, some projects may go under or have to reduce prices. "The upper end is almost like a separate market," McCabe said. "The prices are so high

above the rest of South Florida that we're likely to see a correction just in the luxury end of the market if there's not enough demand."

MIAMI STILL A BARGAIN COMPARED WITH GLOBAL CITIES

Urban apartments in South Florida sell at much lower square-foot prices than other major cities around the world.

City	Square-foot price
Monte Carlo	\$4,663
London	\$2,948
Hong Kong	\$2,331
New York	\$2,024
Paris	\$1,428
Singapore	\$1,417
Moscow	\$1,243
Geneva	\$1,049
Tokyo	\$1,002
Sydney	\$949
Beijing	\$797
Stockholm	\$790
Toronto	\$770
Miami Beach	\$760
Rome	\$621
Miami	\$475
Frankfurt	\$470
Sao Paulo	\$405
Fort Lauderdale	\$400

Source: EWM Realty International

SOUTH FLORIDA POPULAR WITH LATIN AMERICANS

Latin Americans accounted for 68 percent of all foreign buyers in Miami-Dade and Broward counties in 2014. Here are the foreign countries that made the most local deals.

Country of origin	Percentage of international deals
Venezuela	16 percent
Argentina	12 percent
Brazil	11 percent
Colombia	8 percent
Canada	7 percent

Source: Miami Association of Realtors