

Miami Building Boom Spreads Into Downtown's Tent City

By Nadja Brandt

A building boom that transformed Miami into a destination for the global elite left the city core, better known for its empty lots filled at night with tents for the homeless. Now the area awaits a \$2 billion face lift.

Worldcenter, a 27-acre (11-hectare) development that languished for almost a decade, won city approval last month and is slated to break ground next year near Miami's business district. The project will include almost 1,000 luxury condominiums and apartments, a Marriott Marquis hotel with convention space, and stores such as Macy's and Bloomingdale's.



The \$2 billion first phase of Worldcenter will include an 1,800-room Marriott Marquis hotel, shops and outdoor public spaces, as well as about 1,000 for-sale condominiums and rental apartments.

Developers CIM Group, Falcone Group and Centurion Partners are seeking to breathe life into a neighborhood often referred to as the "hole in the doughnut," an area of blight and weedy lots surrounded by luxury properties that are attracting South American, European and Asian buyers. Its revival reflects both the strong investor demand in Miami and a national trend toward a mix of real estate in an urban center catering to people who want to live, work and play in close proximity.

"It is the definition of slum and blight right at the doorsteps to some of the best areas in Miami," said Marc Sarnoff, a City of Miami commissioner. "It's a blank canvas. If you look at the transportation they are planning for this area, the new convention space plus the Worldcenter, these will be huge catalysts."

Perez Museum

Bordered by the Miami River to the south and Biscayne Bay to the east, the area just north of old downtown saw little of the development that benefited Miami Beach and the financial center known as Brickell. With the \$220 million Perez Art Museum Miami adjacent to the site and free public transport links to Brickell already running, Worldcenter builders are betting a neighborhood formerly known for the Camillus House homeless shelter can be transformed into a destination for local and foreign investors.

Miami ranked above Dubai, Paris and Beijing on a list of "cities that matter" to global high-net-worth investors, according to the 2014 "Wealth Report" by London-based consulting firm Knight Frank LLC. At No. 8, Miami was the only U.S. city on the list after New York, which ranked second.

“Miami is really turning into a true luxury market,” said Jay Phillip Parker, head of Douglas Elliman’s Miami brokerage. “The product that is coming to market is really catering toward a demographic that is high net worth, and now that’s starting to show all over downtown, too. This is the most activity I’ve ever seen there.”

Brickell Centre

The Worldcenter developers are expanding on downtown growth already seen in Brickell, to the south, where Hong Kong-based Swire Properties Inc. is building the \$1.05 billion Brickell City Centre. The mixed-use development includes residential, luxury shopping, hotels and offices.

Brickell, the center of residential development when the real estate market crashed in 2008, has 3,146 condo units, according to a study by Integra Realty Resources for the Miami Downtown Development Authority. That compared with 352 units in the central business district, excluding those planned at the Worldcenter. There are 23,000 units in some stage of planning or development in the greater downtown area.

“There are an awful lot of projects,” said Matthew Whitman Lazenby, president and chief executive officer of Whitman Family Development, the retail equity investor with Swire at Brickell City Centre. “Some that may not come out of the ground. My view is that as long as every project has a point of view and filling its own niche it stands a good chance.”

Century’s Experience

Lazenby’s family has been in retail development in Miami Beach and Bal Harbour, north of the city, since 1912.

At One Thousand Museum, a condo tower planned just to the north of the Worldcenter site, units are selling at an average of \$1,200 a square foot, a record for downtown, according to William P.D. Pierce, a Coldwell Banker broker based in Miami Beach. Demand for high-end residences in Miami’s downtown are in part led by investors priced out of even higher-cost markets, such as New York, he said. The area is also cheaper than ritzier area such as South Beach.

“We have sold projects at \$3,000 to \$4,000 a foot, the highest-quality residential product at the beach on Collins Avenue, and I cannot tell you how many people tell me it’s still a bargain if you compare it to \$8,000 to \$9,000 a foot in markets like New York,” he said. “Now a lot of people are focusing on downtown. There is a lot of confidence in the long-term success of that area.”

‘Bit Concerning’

While condos are in demand, the “dramatic increase in retail is a bit concerning,” Parker said. Worldcenter will have to distinguish itself from other shopping enclaves in neighboring Brickell and the already existing Bal Harbour, Design Center and Village of Merrick Park, he said.

The idea for the 10-block Worldcenter project morphed from an original building-by-building plan into a master-planned concept in 2006 that took two years to gain approvals and then was stalled by the 2008 market crash and recession, according to Nitin Motwani, managing principal of Miami Worldcenter Associates, the project’s master developer.

Worldcenter Associates is a venture of Boca Raton, Florida-based Falcone and Centurion of Newport Beach, California. In 2011, the partners teamed up with Los Angeles-based CIM Group and worked on a new concept and permits under new zoning and building codes that control such aspects as density, Motwani said.

“We’ve taken a lot of time to bring in the right developers that specialize in these types of areas,” Motwani said. “The timing is also most important. We think that we are in a unique position with the transformation that has been going on in Miami.”

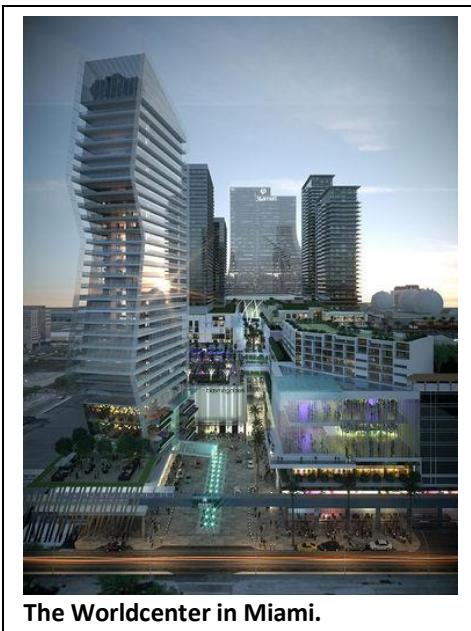
Carless Youth

The success of a downtown business district that features residences, shops and offices could also be helped by demand from a younger local crowd that is looking to ditch their car in favor of walking or bicycling to and from work and during their personal time, according to Alyce Robertson, Executive Director of Miami’s Downtown Development Authority.

The two-square mile Development Authority area is home to 47,505 people with a median household income of \$90,347 as of 2014, according to a Miami DDA report. Greater downtown’s population is projected to increase to 92,519 by 2016, according to the Miami DDA’s recently published 2014 Demographics Report. The median age for greater downtown Miami is 34.7 years old.

To cater to this cohort, the Worldcenter developers are planning to widen sidewalks; evaluating ways to incorporate Metromover, a free above-ground rail that offers Wi-Fi to passengers; and creating new links to public transit to reduce traffic, according to Motwani.

“People have been putting their toe in the water and are seeing you can live in the downtown core,” Robertson said. “It’s typically a younger demographic, between 20 and 40. Some of them are dropping cars in a car-centric Miami. That is a very big deal.”



The Worldcenter in Miami.



Parking lots and low-rise buildings surround the Terremark building in downtown Miami.

Bloomberg



Miami's free Metromover rail line will link the Worldcenter project with the financial district.



The AmericanAirlines Arena and the Metromover rail, top, adjacent to the future Worldcenter site.



High-rise condos on the border of the new Worldcenter site.



Miami's city core is dominated by empty parking lots. The neighborhood awaits a \$2 billion face lift.