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FLORIDIAN OF THE YEAR

MIAMI



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'The Most Exciting City in the World'

By Mike Vogel

So many projects to pick from, but let's start by singling out Miami Worldcenter. A decade ago, developer Art Falcone, looking for a legacy for his career, and 26-year-old Nitin Motwani assembled 47 parcels over nearly 30 acres in a blighted area just north of the core of downtown, an area whose prospects were hurt by the proximity of a large homeless shelter and congestion from 16,000 trucks and cars a day passing through from the port to the interstate.

"Our feeling was that Miami was going to be a true global city," Motwani says. The transformative project never made it out of the ground before the real estate bust and recession.

Fast forward to 2014. Miami's city commissioners unanimously approved the plans for a 15-million-sq.-ft. project with an 1,800-room hotel conference center, residential towers and more than 800,000

square feet of retail space anchored by Macy's and Bloomingdale's. The first phase alone will represent a \$2-billion investment. When the first condo tower, a 60-story, 470-unit building, was announced in November, its brokerage firm already was in Brazil pitching units to potential buyers in São Paulo and Rio de Janeiro.

Our Floridian of the Year, the city of Miami, captured the trends — and then some — that drove Florida in 2014. Tourism increased, with records set on all fronts. Real estate continued a strong recovery, with 11 straight quarters of price appreciation. Unemployment fell and construction employment increased. The county school district won national recognition for its improvement. The vibrant downtown-living scene rose to new heights, evidenced by chic nighttime crowds dining in Brickell, runners sweating along the bayfront, crowds in the aisles at the downtown Pub-

The city of Miami was at the forefront of every trend in 2014.

FLORIDIAN OF THE YEAR: MIAMI



Nitin Motwani (above) and partner Art Falcone assembled 47 parcels in a blighted area just north of the core of downtown a decade ago. "Our feeling was that Miami was going to be a true global city," Motwani says. At left is a rendering of the Mall at Miami Worldcenter.

lix supermarkets and workers installing the sign for the new Whole Foods. Evincing a contrasting trend, wealth disparity became more apparent. By one measure of income inequality, Miami has the third-highest disparity among U.S. cities after Atlanta and New Orleans. Bloomberg News reports that income inequality in Miami mirrors Mexico City's level. It also reports the city is the toughest for low-wage workers to rise.

Public and non-profit sector spending played a role in Miami's resurgence. The \$1-billion tunnel under Biscayne Bay, which connected the port to the interstate and removed the truck traffic from the Worldcenter environs, opened in August, with the ceremonial first caravan led by the local Harley-riding Catholic archbishop. A \$200-million deep dredge of the port channel continued to give the region a shot at post-Panama Canal expansion

business. On Biscayne Bay, the skeleton of the Patricia and Phillip Frost Museum of Science rose in 2014 to buttress the new Museum Park, anchored by the Perez Art Museum Miami that opened in 2013.

But nothing bespeaks Miami like the return of the recession-endangered state bird, the construction crane. A mile south of the Worldcenter site, across the Miami River in Brickell, Hong Kong-based Swire Properties shot forward with its own transformative project, the \$1-billion, 5 million-sq.-ft. Brickell City Centre.

Launched amid the instability of the recession, it's now a hive of construction activity as its 500,000 square feet of retail space, with lead anchor Saks Fifth Avenue, rises along with a hotel, two class A office buildings and two 43-story condo towers



Catholic Archbishop Thomas Wenski led a caravan at the ceremonial opening of the tunnel under Biscayne Bay in August.

totaling 780 units. Employment on the project will max out at 2,500 hired by 150 subcontractors, says Swire's Christopher Gandolfo, vice president of development.

As of June, thanks to Brickell City Centre, Miami accounted for 73% of the retail development under construction in Florida, according to real estate firm CBRE. Miami's downtown accounted for 88% of downtown office development in Florida.

Transformative project No. 3: Florida East Coast Industries' All Aboard Florida, the most significant passenger rail project in the nation, began site work downtown

for its 3-million-sq.-ft. commercial, retail and residential station complex, the southern terminus of its Miami-to-Orlando private rail route.

In 2014, MyBrickell became the first condo tower started and completed in Miami's downtown since the bust. Not surprisingly, it was developed by Miami's luxury condo uber-developer Jorge Perez and his Related Group, who in the last boom changed forever Miami's skyline with a bevy of projects. Perez now has another 13 condo

tower projects in some stage of development downtown and a total of 22 in south Florida, plus more globally.

Perez, though, is just one player. Early in the year, Miami-Dade County stood as the largest and fastest-growing housing construction market in the Southeast. More than 9,000 units are under construction or in the construction/reservation phase, with another 15,000 units planned, says Integra Realty Resources-Miami. In all of south Florida, developers want another 290 towers totaling 40,000 units, according to Cranespotter.com.

The driver is international money. In Miami, drinking the Kool-Aid of can't-miss development always came with a toast to the city as the capital of Latin America. Now, the toast is broader: Miami

as a global city. There's evidence beyond the number of international stars with a home here or the annual visitors to the Art Basel modern art show in Miami Beach or the throng of multi-national companies, international banks, consulates and trade offices. London real estate consultant Knight Frank's annual "Wealth Report"



Christopher Gandolfo



In 2000, only about 11% of the city of Miami's population lived downtown. Today, nearly 20% of the population lives downtown, in a city that already was the most densely populated in Florida.

in 2014 ranked Miami seventh among the most desired cities by the world's super rich, outranked in the hemisphere only by New York and ahead globally of Paris and Dubai.

Such notice is a delight to Louis Birdman, one of the developers of One Thousand Museum, a 62-story downtown tower with only 83 units, designed by famed architect Zaha Hadid. The cheapest unit starts at \$5.5 million; the most expensive is \$49 million. At more than \$1,700 per square foot, it's at the top of the market for downtown. Buyers represent 20 countries.

Everywhere has its cycles, "but there are cities that bounce back quicker and when they do, they move up a notch," Birdman says. Miami's economy enjoys a more diverse set of drivers than the rest of Florida, says University of Central Florida economist Sean Snaith.

Global money, most of it from Latin American, allowed Miami real estate to pull out of the crash faster than the rest of Florida, faster than almost any U.S. market. Integra Realty Resources-Miami reports 90% of the demand for condos comes from abroad. Miami is in the "envi-

ous" position of being a real estate export economy, says Integra's Anthony Graziano, senior managing director. It's a place where buyers park their money in real estate and where demand isn't tied to the fundamentals of local employment or wage growth. He reports that fewer than 11% of all downtown condo units have homestead exemptions.

Buyer Arturo Siso, a Key Biscayne resident who came to Miami from Venezuela and has invested in a range of real estate types here, says, "When you compare (Miami) to the other major cities, it's cheaper."

Indeed, on a per-square-foot basis, new downtown Miami condos remain a deal



Louis Birdman

not only compared to New York but also to Miami Beach and Sunny Isles Beach just across the bay. Siso intends to rent out a unit he has contracted for at 1010 Brickell, a 387-unit tower proposed for Brickell.

Rented units — a hefty share of the 22,000 built in the last cycle — have been a boon to downtown

living. Miami's daytime population numbers 222,000. Its residential population has doubled to 81,000 since 2000 and is projected to hit 92,500 by 2019, according to a Miami Downtown Development Authority study. In 2000, Greater downtown comprised 11% of the city's population; now it's nearly a fifth in a city that already was the most densely populated city in Florida.

Downtown is young — the largest cohort is 25 to 29 — thanks to millennials not ready to move to the suburbs to raise families. It's more prosperous than the city and county, with \$65,311 in median household income.

Affordability is an issue. New condo unit prices already are out of the question for the vast majority of locals. The city has the highest median home value among Florida's major cities but is poorest in median individual and household income; the metro's household income is far below New York, Los Angeles and the other major U.S. cities it aspires to be counted among.

Events to watch out for include changes abroad that could disrupt the flow of international money and the impact of rising rental costs and construction costs, says Domonic Purviance, senior financial policy analyst at the Federal Reserve Bank of Atlanta.

Adam Mopsick, CEO of Amicon Construction in Miami, says pay for workers at the low end of the skills spectrum al-



Miami's glut of 10,000 unsold condos — expected to last a decade — has been absorbed in less than two years. Today, more than 23,000 condo units are under construction or proposed.

ready is up \$2 to \$3 per hour while pay for skilled trades is up 30%. Subcontractors are so busy that it's become hard to get price quotes, he says.

At the peak of the last cycle, in 2007, construction employment in Miami reached 55,800. It fell to 30,900 in 2011 and, as of September, recovered to 38,500. "It still has a long way to go," Purviance says.

Fears of overbuilding walk in lockstep with a boom. Signs of froth include the regular headlines about enormous prices paid for sites and the sheer number of proposed projects. Graziano, in his study, wrote that if a bubble is defined as a disconnect between price and fundamental demand, "Greater Downtown Miami is always in a bubble because 90% of the demand is external, and hence is not tied to economic fundamentals."

Miami is in mid-cycle, he says. The reality of what will get built is different from what's proposed. It's been three years, for example, since Malaysia-based Genting bought the *Miami Herald* headquarters and nearby land for a resort it said it would build even if the state didn't allow it to open a full-fledged casino. So far, all that's come of it is the demolition of the *Herald* building. The last boom-bust cycle saw the proposal of Miapolis, billed as the tallest building in the world. It stayed a dream.

Integra Realty Resources-Miami counts 5,277 condo units actually under construction downtown, just a fifth of what was created in the last cycle, and another 3,763 taking reservations or signing contracts with buyers. No year through 2017 will see more than 2,528 units delivered to the market, compared to 10,111 in 2008, it projects. It's a



Miami now ranks seventh in the world as the most desired city by the world's super rich — ahead of Paris and Dubai.



Jorge Perez

sustainable pace, Graziano says.

Back at Miami Worldcenter, Motwani looks north to his site, now largely parking lots, from a 35th-floor conference room in the Miami Tower that was built in another Miami cycle, the savings and loan era of the 1980s. The homeless shelter moved. Downtown, as he and Falcone hoped, has spread north with the development of Edgewater, Wynwood and the Design District so that their project no longer is on the edge of downtown.

Museum Park, the American Airlines Arena, Arsht Center and the All Aboard Florida station, which is adjacent to the

Worldcenter site, serve as unparalleled amenities. The road and rail network positions his site for ease of access to Miami Beach, the port, airport and interstate. Critical mass has arrived for downtown Miami. He expects the joint venture of development companies Forbes and Taubman to break ground on Worldcenter's mall this year.

"We're sitting in the center of the most exciting city in the world right now," Motwani says. "A city within a city, within a very dynamic city. We were designing it for the Miami of the future. We truly believed Miami as a community would pull it off and it did." ■