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A rendering of the Paramount Miami Worldcenter overlooking the waterfront. The \$2 billion mixed-use development had been in the planning stages for more than a decade and completion is set for 2019.

## Project Strikes It Hot in a Cool Market

Miami development secures loan after more than a year as banks tighten reins

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A sprawling, \$2 billion mixed-use real-estate development in what once was a gritty part of downtown Miami is lining up financing despite signs the city's real-estate market is softening.

In the latest step forward, the signature condominium and retail project on a 27-acre

development that has been planned for more than a decade has closed on a \$285 million construction loan. The tower, named Paramount Miami Worldcenter, is expected to cost a half-billion dollars. It is under construction and expected to be completed in 2019. The loan took more than a year to secure, as banks have virtually frozen financing for new condominium construction in the city. Only one other downtown Miami condo project is expected to be completed in 2019.

"Financing has gotten harder. This cycle has not been one of euphoria where

lenders are giving out easy money," said Nitin Motwani, managing principal of the joint venture dubbed **Miami Worldcenter Associates**.

In late February, Miami Worldcenter Associates also obtained \$74 million for infrastructure improvements from a bond sale by a special taxing district set up for the project. The improvements include sewers, sidewalks, landscaping, transit station improvements and other upgrades.

Meanwhile, the developer of a 444-unit rental residential tower on the site, a venture of **Falcone Group** and CIM Group, has obtained a \$90 mil-

lion construction loan from Fifth Third Bancorp and Banco Santander SA. Construction began on that 42-story tower last year and is slated to finish in mid-2018.

The site of the development, one of the largest private projects under way in the U.S. and about the same size as the Hudson Yards project on Manhattan's west side, used to be an area of warehouses and parking lots.

Miami Worldcenter, which also will include a hotel, public spaces and other uses, is rising when it is difficult for developers to obtain construction financing from banks and

other lenders because of stricter regulations and concerns about risk.

The downtown Miami market is expected to see the most new condos delivered this year since 2008, roughly 3,500 units in all, according to a report commissioned by the Miami Downtown Development Authority. That number is expected to decline below 2,000 by 2019.

"Construction financing is definitely deteriorating," said Aaron Kurlansky, a principal at FM Capital, a commercial real-estate investment firm. Mr. Kurlansky said that while at the peak, developers could

finance up to 75% of the cost to build a project, now that is down to about 50%.

The Worldcenter developers have solved this problem partly by putting up a lot of equity. The Paramount developers have used equity to finance that tower. They also turned to a federal visa program known as EB-5, which grants green cards to foreigners who invest at least \$500,000 in businesses or construction projects that create American jobs.

Project officials say that nearly 60% of its 562 condo units have been sold, raising about \$300 million.