

## 5 insights from University of Miami Real Estate Impact Conference

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Many of the biggest names in Miami spoke and listened intently in the audience at the University of Miami's Real Estate Impact Conference and plenty of major projects were discussed.

The event on Wednesday afternoon at the JW Marriott Marquis is UM's annual showcase of industry headliners, brought together by its School of Business and its School of Architecture. The presentations were so impactful that heavyweights such as Fontainebleau Resorts co-owner Jeffrey Soffer and Fortune International CEO Edgardo Defortuna came to hear what the panelists had to say.

Here are five insights from the conference.

### **Miami's real estate market is second only to New York and on par with Los Angeles.**

That's according to billionaire Richard LeFrak, chairman and CEO of LeFrak Organization, which has offices in New York and Miami. In a conversation with UM President Donna Shalala, the part-time Miami resident said the limited supply of land in South Florida and the fact that everyone wants to be here has made this an ideal place to invest. He's funding the \$350 million renovation of the 1 Hotel & Homes on Miami Beach, the development of residential and retail on Biscayne Landing in North Miami and he owns a site in the Design District.

"You have great cultural and great culinary, a great beach, a financial sector, and the second busiest airport in the country," LeFrak said. "You are a global city and your market here is the world." However, LeFrak cautioned that there are always ups and downs in the real estate market, especially when a market relies so heavily on foreign capital as Miami does.

"You don't jump in with both feet when everybody is giddy," LeFrak said.

He believes that low interest rates will help keep the real estate market strong, because real estate provides a more attractive return than a bank account right now. Many of the Latin American investors are willing to rent their Miami condos out of minimal returns, LeFrak said.

For the next step in Miami's evolution, it needs strong schools downtown so it can retain the new residents as they have families, LeFrak said.

### **Schrager's bullish on South Florida hotels**

Ian Schrager, the developer of the iconic Delano hotel on South Beach, has more signature properties in store for South Florida. He worked with Marriott to build its first Edition hotel in Miami Beach and he's staking out locations for one of these lifestyle hotels in Broward County. Schrager recently launched his own brand, the Public Hotel, in several major U.S. cities. Miami is next on his list as Schrager said he's seeking locations here.

"I like the Biscayne Boulevard corridor and I like downtown Miami," Schrager said. "They could have a sophisticated hotel at a good rate and attract people with food and beverage. We have been talking about a couple locations in Miami, one near the ocean."

The Public Hotel is a lifestyle brand with sophisticated service and amenities but it's much less expensive than its competitors because it only offers the services that are most important, Schrager said. For instance, it doesn't need as many doormen and bellmen.

As for the new Edition brand, its Miami Beach hotel has doubled its budgeted profitability during the first two months of operations, Schrager said. It generates 40 to 45 percent of its revenue from food and beverages but the highest margins are still the room rates, he said.

"I knew there was a group of people here who would pay world class, big city prices if you gave them a world class product," Schrager said.

### **There can never be enough malls**

Two of Miami's biggest retail competitors, developers of Brickell City Centre and Miami World Center, sat on the panel together and said there was room for both of them because Miami is so badly under supplied for retail.

David Forbes, a partner in the Forbes Co. that's a co-developer of Miami Worldcenter's mall, said this is the hottest market in the country for retail thanks to the population increase, corporate relocations and tourism.

"There is enough room for all these projects not just to open but to be successful," Forbes said. Yet, he couldn't resist taking one swipe at Brickell City Centre. Forbes said Miami Worldcenter would have better access to the highway because it's right off the exit ramp

As long as each project differentiates itself, then there's room for all of them, said Matthew Lazenby, president and CEO of Whitman Family Development, the owner of the Bal Harbour Shops and a partner in the mall at Brickell City Centre. The Brickell project will be anchored by Saks Fifth Avenue while Miami Worldcenter will have Macy's and Bloomingdale's.

"The heart of Brickell will thrive with a mix of tenants that appeals both to that local customer base that must now get in the car and leave the market as well as to the tourists," Lazenby said.

### **Wynwood has potential, but price increases may be too fast**

Michael Comras, president and CEO of Comras Co., said the Wynwood neighborhood has been a tremendous success with its art galleries and restaurants, but some deals there might be hard to justify. This is an area that's just getting some retail and it's quickly attracting outside investors. "Given some recent land prices of \$300 per square foot for dirt and \$600 per square foot for buildings, you need a good rent there," Comras said. "I'm not sure the rents-to-sales will come out of that location yet."

Forbes said he's not sure how Wynwood can stay local and fun when buildings are purchased for such lofty premiums.

"It's a head scratcher to me," Forbes said. "I don't see it."

### **Linear green space is the next hot trend**

Encouraged by the success of how New York City transformed an abandoned elevated railroad track into the High Line and spurred development around that park space, several groups in Miami have plans for linear parks.

Meg Daly leads Friends of the Underline, which has been urging Miami-Dade County to help build public pedestrian and bike trails underneath the Metro Rail. It would stretch 9.7 miles from Dadeland to Brickell and include landscaping, parks, lights and seating.

The UM School of Architecture is assisting with the plans for the Underline.

"It will increase property values and be a new way to get around the city," Daly said. "We can use the leftover land owned by the public and give it back to the community in a meaningful way." Daly hopes to start construction in 2016.

Brickell City Centre is well under construction and part of the project is a 755-foot-long linear park under the Metro Mover tracks. Steve Owens, president of Swire Properties, said the developer signed a 99-year lease with county transit and funded the improvements to turn that neglected land into green space.

"We thought it was part of engaging the urban area and activating it," Owens said. "You don't always receive an economic benefit but the community in which you are building receives a benefit." Florida East Coast Industries has proposed a linear park along a six-line abandoned rail line that it owns. The Ludlam Corridor stretches from Dadeland to Miami International Airport, starting at the mall and cutting through industrial and residential areas. FECI President and CEO Vincent Signorello said he's like to build a public park and walkway, in addition to more than 1,200 residential units plus commercial space.

The largest commercial component would be at Dadeland, he said. There would be nodes of activity with parks throughout the trail to draw people in. "As we commence with development we will create green space and set in place a mechanism that is funded forever to take care of it," Signorello said. Miami-Dade County has scheduled two hearing on the Ludlam Corridor plan.