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As South Florida beachfront condos age, developers seek owners willing to sell out

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For some South Florida condo dwellers, that tap on the shoulder could lead to the deal of a lifetime.

The tri-county's white hot real estate market is [prompting developers to take stock](#) of the region's older beach front high-rises as potential buyout candidates for redevelopment. While not new, the trend has taken on greater importance as vacant land disappears and more out-of-state residents move to South Florida in search of luxury digs.

Owners who would not have given a thought to selling previously are now taking the idea of moving seriously when confronted with lofty buyout offers, industry analysts and attorneys say.

- In Pompano Beach, The Related Group recently bought out the owners of all 49 low-rise units at the Beach Villa at 900 North Ocean Drive. The complex was built in 1978. The company recently won city approval to rezone the property so it can build a 21-story luxury tower in the Beach Villa's place.
- In Miami Beach, owners of the Castle Beach Club, a circa-1966 17-story high-rise on Collins Avenue, received so many unsolicited offers from

various unidentified suitors that they hired Colliers, the real estate services firm, to sort through them.

- In Sunny Isles Beach, Related Group and Dezer Development are [celebrating a 99% sellout of their sleek new 55-floor Armani/Casa luxury tower](#). The project, which broke ground in 2016, came after the developers took over a site that was home to the decades-old Seashore Club, a low rise complex of 170 units, which they bought out.

Although the latter deal was roughly five years ago, it's emblematic of how new upscale condo projects are increasingly displacing long-standing residential sites whose early years are distant memories.



Rendering of The Related Group's proposed 21-story luxury tower on the beach at 900 N. Ocean Blvd., Pompano Beach. The developer bought out all 49 condo unit owners at the Beach Villa, which covers a little more than 3 acres of beachfront property adjacent to State Road A1A. (Arquitectonica via City of Pompano Beach/Courtesy)

“It does seem to be a growing trend,” said Gerard Yetming, executive managing director of Colliers, the real estate services company. “Really there are very few opportunities to build a new high-rise somewhere as desirable as on the beach.”

How it works

Yetming said the obvious attraction for owners selling their older units is the premium prices developers are willing to pay for them.

“They begin to realize this is something we should explore in an organized fashion,” Yetming said. “It is only with the right collective goals and an adviser where you can get something done.”

He said there a lot of buyout initiatives you don’t hear about. Many fail, he said, amid bidding wars or internal disagreements over whether a sale should occur in the first place. It always takes a consensus among the unit owners to move forward, he said.

“These are more the exceptions than the rule,” he said of the successful buyouts.

“This is not for every building,” Yetming added. “There are a lot of buildings that were well built and well located and well run that are probably not good candidates. There needs to be a very specific set of circumstances for these deals to work.”

Once an older building is acquired, the time from sale to the construction of a new project runs from 18 to 24 months, said Eric Fordin, managing director of Related’s condo division.

“After the buyout happens it takes anywhere from 6 to 9 months to obtain site plan approval,” he said. “Then, the sales and marketing process varies per market but generally takes 6 to 9 months as well. From the time we release construction documents to obtaining a permit generally takes 12 months as well.”

The Champlain Towers factor

Some sales drivers include the rising cost of maintenance for the buildings.

For years, members of many condo associations have deferred repair projects because of their expense. A potential consequence of deferred maintenance came into sharp relief after the terrifying collapse of the Champlain Towers in Surfside, which took 98 lives.

The disaster caused [a major ripple effect of concern among residences](#) of other older buildings along the Gold Coast.

“The Champlain Towers incident really, really is pushing this trend,” said Joseph Hernandez, partner and chair of the real estate practice group at the Weiss Serota Helfman Cole & Bierman law firm in Coral Gables.

“The trend’s been going for some time,” he said. “I’ve been doing these transactions for 10 years. The trend really started because we’re getting into the period where condos developed in the ‘70s or ‘80s are becoming functionally obsolete.”

[“Now people are much more in tune to the issue,”](#) Hernandez said.

“They’re focused on trying to band together and sell their property in a way they weren’t before.”

He added that he's seen "probably a two- to threefold interest in these transactions in the past year since Champlain Towers."

"Normally I work on a couple of these transactions" each year, he said. "I'm working on seven or eight major transactions right now."

Prime prices for prime properties

Still, it's bottom-line economics that decides whether a deal will materialize, asserted Yetming of Colliers.

"The only time this makes sense is when the value of the underlying land is significantly more than what the collective units are currently selling for," Yetming said. "Why else would somebody want to sell their property unless they can make a significant profit?"

Jamie Sturgis, founder and CEO of Native Realty Co. in Fort Lauderdale, said "all-time records" are being paid for multi-family buildings as new residents arrive in South Florida from out-of-town and out-of-country.

"I would say the vast majority of the sites being targeted are on the beach, in light of what happened in Surfside," he said.

Many owners are snowbirds who see this as "an opportune time ... to cash out at the top of the market and avoid having to pay these special assessments" for heavy repair projects in older buildings.

Nick Perez, a vice president at The Related Group, said the Beach Villa owners in Pompano sold after realizing they could double or even triple their money against their original purchase prices.

"Ultimately it was the price they were getting for their units," Perez said. "I would say they were getting well above their market price for their units. No one has to sell. Luckily, I was the only one trying to acquire all of the units and I didn't have a bidding war."

He said he met with 26 or 27 of the 49 owners.



Aerial photo shows the Castle Beach condominium on Collins Avenue in Miami Beach. Built in 1966, the 17-floor building has become the target of unidentified suitors who want to buy it, according to Colliers, a real estate services firm which has been retained to vet several unsolicited offers. (Colliers and ACH Digital Photography/Courtesy)

“There was a little bit of hand holding,” Perez said. “They didn’t want to leave the beach.”

Some wondered where they would live next. Related is allowing the sellers to stay through the end of winter season.

“The ultimate deciding factor was if they were to sell to another end user versus the offer I was proposing, they would have gotten a substantially less amount of money,” he said.

Perez did not provide any sales figures.

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But sales data unearthed by Zillow, the national online real estate research and investment firm, found some owners received up to \$800,000 for their 302-square-foot, one-bath, one-bedroom units with market values just below \$200,000.

It’s not hard to understand the attraction for Related. The 3.07-acre complex of one- and two-story buildings is located right on the beach between the Atlantic Ocean and State Road A1A. The property offers significant green space and a community pool in the back.

In its place: Related is planning a 21-story, mixed-use luxury condominium tower with 119 condo units and approximately 2,200 square feet of commercial space, according to a filing with the City of Pompano Beach.

A short distance to the north, Related is building another luxury high-rise called the Solemar, which the company says is 99% sold.

The swift sellout, the company says, is an example of the white hot demand for beachfront property.

“There are really no true vacant lots that are ripe for development located right on the sand,” Perez said. Forty-year-old low-rises are the next best thing.