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Developments Face More Scrutiny After Catastrophic Miami Condo Collapse

The tragedy that claimed nearly 100 lives has prompted some luxury buyers to come with more questions about construction

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The full consequence of the tragic Surfside, Florida, condominium collapse won't be fully realized for years to come. For now, the deadly disaster at the Champlain Towers South stripped some luxury condominium buyers of the comfortable assumption that they're buying a safely constructed property.

After the 12-story oceanside residence crumbled to the ground on June 24, investigators immediately set out to find out why the structure gave way. While the death toll stands at 98, the remaining uncertainties as to how the incident occurred drive high-end condo buyers to ask how much they want to know about a building's construction history.

Alicia Cervera is managing partner of Cervera Real Estate, a luxury brokerage representing multiple large South Florida developments. A board member of the Miami Downtown Development Authority, Ms. Cervera said the tragedy brought development to a temporary halt in South Florida in the days immediately following the crisis.

"The preliminary information started coming out fairly quickly, and it became evident early on that (the collapse) was primarily due to neglect and poor building maintenance," Ms. Cervera said. "There were issues specific to the construction and design of the building when it was first built in the early 1980s."

Those design and construction issues are difficult to confirm with a building completed in 1981 as the major players in its construction are now dead. Architect William Friedman died in 2018 and structural engineer Sergio Breiterman in 1990. Main contractor Nattel Construction went out of business in 1999. All responsibility for building maintenance and inspection rested with the Champlain Towers South condo residents association when the collapse occurred.

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Ms. Cervera sees more buyers investing themselves in discovering the construction history and maintenance in a given building. She insists these are not just regional worries locked in around Surfside, but rather important issues for all structures beyond a certain age.

“The lesson learned from this horrible tragedy is that closer attention needs to be made to the maintenance of these buildings, and condo associations have to make sure they’re properly funded to meet the maintenance needs,” she said.

“I think that we will emerge stronger and safer as a result of this since there will be stricter guidelines and more caution around building inspections.”

Ms. Cervera said she believes condo associations and city officials are following up to make sure that buildings are meeting maintenance requirements to keep structures safe.

Across town, developer Ronnie Krongold built, owned and managed a diverse portfolio of properties including office buildings and multi-family homes. With partners Jeb Bush and Associates, Gary Goldbloom and Beztak (a Michigan-based real estate company), Mr. Krongold purchased and sold more than 600 condominium units in Midtown Miami for a total sellout of more than \$500 million over the course of his career. His company, Gold Krown, recently announced the arrival of the luxury, 16-unit 160 Marina Bay residences in Fort Lauderdale, Florida

Construction of 160 Marina Bay is underway in a similar seaside environment as Champlain Towers, and Mr. Krongold said it’s vital the people doing the work are doing it properly.

“People buying into buildings of maybe 10 stories or more are concerned now about construction quality—especially in Southeast Florida—because most of us know someone touched by the tragedy,” Mr. Krongold said. “Before the collapse, people just assumed any building was safe because Miami isn’t a third world country. They never thought they needed to ask about reports of trouble.”

Mr. Krongold said the vast majority of all residential condo buildings across the country are safe, especially the most modern buildings recently completed or in the construction process now. Such new condo offerings come with warranties and proof they were built to code. Still, in reselling situations involving long-standing buildings, Mr. Krongold expected buyers, real estate attorneys and inspectors now to seek the important facts.

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“If buying from a reseller, you don’t ask the same questions or follow the same procedures as when you move into a brand new building,” he explained. “You need to talk to the condo association. How is the building behaving? Has there been an inspection? Has the condo gone through multiple buyers? That’s a red flag.”

For older buildings in the largest cities, Mr. Krongold stressed the importance of buyers or residents acquiring a copy of a 40-year certification (or a given state’s equivalent). According to Florida statutes, the law requires that buildings seek recertification for electrical and structural safety every 40 years.

Champlain Towers South was due for its recertification when the building fell this summer. Reports differ as to how far along the condos were in the overall inspection process at the time of the disaster. Surfside building official James McGuinness and the Surfside Building Department did not respond to requests for comment by phone and email.

Similar requests for input from the Building Department of Miami/Dade County Building and Construction Resources did not receive a reply. However, Miami/Dade Mayor Daniella Levine Cava announced on June 26 that the department would conduct an audit of residential properties of five stories or higher that were reaching the 40-year recertification point and had yet to complete the inspection process.

There is a notice to property owners on the Surfside Building Department’s site, dated July 1 (one week after the tragedy), urging owners of structures more than 30 years old not to wait for the 40-year mark to seek inspection and certification.

The notice reads: “Our deep condolences go out to the victims and families of the indescribable tragedy which has occurred in our community. In light of this tragedy and in an abundance of caution, we are requesting owners of buildings over 30 years old and over 3 stories in height to begin assessing their buildings for recertification in advance of their 40-year deadline.”

In nearby Fort Lauderdale, Ricardo Wolf brokers South Florida residential and commercial real estate. Since 1970, he’s developed dozens of commercial and residential projects with more than \$1 billion in luxury residential homes and condos sold. He also said professionals in the current construction industry are not overly worried about possible future building failures as today’s standards are demanding on high rises and coastal developments.

Mr. Wolf said he believed the investigations will show what triggered the Surfside fall, and those realizations will drive future conversations and changes.

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While extensive foundation corrosion from sea water is widely suspected as a primary reason for the condos' fall, an official federal investigation team looking to confirm any overall causes wasn't announced until August 25. The investigators include Judith Mitrani-Reiser and Glenn Bell of the National Institute of Standards and Technology and engineering professors Ken Hover (Cornell University) and Jack Moehle (University of California, Berkeley).

"There is no doubt that the media's coverage had a real effect, and—after all of the images of death and destruction in Florida—some high-end property buyers must have concerns on how a given development was designed, planned, engineered and constructed." Mr. Wolf said. "Those concerns weren't there to such a degree pre-disaster. Now, I have had more than one conversation regarding a client's comfort level of moving into a high-rise building."

There's a different comfort level to consider when it's couples and families looking for a property, he added. They tend to have more safety-centric questions, as opposed to other buyers who might be more focused on cost and amenities.

"In the past, many buyers might've simply assumed a property was planned and built properly," Mr. Wolf said. "That assumption took a hit, and it took a premature hit since the obvious lack of severe issues over the course of thousands of high rises being constructed throughout the U.S. offers a far more compelling example of what to expect."

Mr. Wolf said he doubted high-rise residence developers will be getting out ahead of buyer worries by openly discussing construction practices in sales and marketing materials.

"At this juncture, any response would imply that there exists a real problem, so I think that people's worries are best dealt with on a one-on-one basis," Mr. Wolf added. "When discussing older buildings, those with owner-run condo associations will be pressured like never before to get ahead of potential issues now deemed unacceptable."

One possible way domestic property development and construction firms can confront issues is to seek out the best international talent with strong reputations, he said. Now, it's essential for developers to be proactive in educating their sales and marketing teams on key elements of the development's construction, he said.

"Some developers organize monthly construction update meetings, invite sales and marketing teams to participate in discussions with architects and engineers, send out monthly newsletters updating staff on all of the different elements in motion—all while encouraging their input and addressing their questions," Mr. Wolf added.

That's all part of a transparency process developers said is now essential to the development and sales process.

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Though it's unavoidable that South Florida is the focal point of building safety now in the wake of Surfside, other major coastal cities are taking note of buyer safety queries. Whether it's Manhattan and its potential exposure to Atlantic storms or San Francisco and Los Angeles earthquake worries, the minds behind high-rise real estate are navigating new buyer doubts.

Manhattan-based Benjamin Dixon of the real estate firm Douglas Elliman worked on more than \$50 billion of real estate transactions around the world as a private equity and real estate investment expert. Any uptick in construction worries largely have yet to migrate north to New York, he said.

"We represent two new builds—a redevelopment and a ground-up property—and we've even had families coming up north from Florida inquiring without raising safety concerns," Mr. Dixon says. "New York buyers seem to have the same general concerns they had before, and Surfside isn't affecting their shopping process."

Still, Mr. Dixon adds that if he was condominium board member of a building constructed in the 1980s, he would be speaking with the building's engineer, making certain all inspections and permits are up to date and asking about any deferred maintenance that needs to be handled. He said there are always reasons for buyers to be nervous about acquiring property, so methods of putting them more at ease are essential.

"It might be their first purchase and, if not their biggest purchase, it's certainly among their biggest assets," he says. "So, as far as construction, we handle those potential concerns with ample desktop review."

Mr. Dixon cited Superstorm Sandy as a potential sensitive point for Manhattan buyers. As the deadliest storm of the 2012 season, Sandy caused more than \$40 billion in destruction in New York state and damaged more than 100,000 residences. As a result, many multi-story residential buildings needed to perform repairs or improvements in the aftermath. If a would-be buyer mentions worries of how a building would withstand a similar occurrence, Mr. Dixon and the Douglas Elliman team lay out the facts on paper.

"We show them what part of the flood zone we're in, or if we're on the outer edges of the island," Dixon explains. "We can look back on that storm and review what happened with condominium board meeting minutes, financial statements, damage reports and improvement records. Did they add anti-flood measures, or did they maintain those already in place? Did they do the work properly, or did they put a Band-Aid on it?"

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Mr. Dixon said most Manhattan buyers still look through the lens of possible unexpected expenditures as opposed to worrying about a catastrophic event. To monitor those potential costs, buyers with Douglas Elliman are advised to pay attention to which designer, developer and construction company is behind a given complex as part of their due diligence.

“These are complicated builds, so most construction companies are going to have a lawsuit against them somewhere,” Mr. Dixon says. “But, is that company facing a string of lawsuits? Is a developer a firm that sets something up, then goes bankrupt before popping up somewhere else as a new company to avoid dealing with defects?”

Buyers rarely ask these questions, he said. His clients are often more aware of ambiance, amenities, neighborhood and budget. They might ask about how property taxes might increase following a full building assessment over any engineering or mechanical elements.

“Surfside was incredibly unfortunate, but also incredibly rare,” Mr. Dixon added. “If there’s anything Surfside should be is a warning to municipalities and building planning departments to look into what type of check-ins and recertification processes need to be in place. Since these issues aren’t on individual consumer’s minds—because they can’t do much to address the issues as individuals—it’s really a governmental process.”