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Miami's Edgewater neighborhood

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GROWTH IN MIAMI'S MIDTOWN AND EDGEWATER HITTING ITS STRIDE

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PHOTOS BY JOCK FISTICK/SOUTH FLORIDA BUSINESS JOURNAL

Miami's bustling Edgewater and Midtown neighborhoods have come a long way – one a formerly blighted community, the other a dusty rail yard. The communities' revitalization over the past 15 years resulted in trendy neighborhoods with sleek condo towers, apartments and retail. Thousands more residents are poised to occupy many new projects, including luxury dwellings priced higher than \$1 million. This will provide more housing close to Miami's major employment centers as the influx of residents creates opportunities for new businesses there – if shops can afford retail rents that have doubled in the past eight years.

"There were a lot of homeless people when I first moved in," said Cheryl Stieffel, owner of Miami In Focus photography and an Edgewater resident for over five years. "I've definitely noticed a lot of younger people moving into the area and starting to have families. The perceived safety of the area has improved because people are out walking around more."

However, the explosive growth comes with some growing pains. There's an oversupply of existing condos on the market compared with the pace of sales, so developers have been reluctant to launch new projects until sales pick up. Even in the apartment market, it could take a while to absorb the new units.

From rail to retail

Before Edgewater took off, developers saw the rail yard north of downtown Miami and had a vision of what would later become Midtown Miami. This mix of multifamily, retail and restaurants is a fixture for many residents now, but that area was underutilized for decades.

Bernard Zyscovich, founder and CEO of Zyscovich Architects, said the development of Midtown has largely followed the master plan his firm designed starting in about 2004.

He first did a study for the city as local

officials sought to generate economic activity there. Zyscovich later updated it for the initial developers, Michael Samuel in Miami and Joe Cayre of New York-based Midtown Equities.

"The rail yard was a never-developed 56-acre hole in the doughnut that was impeding the progress of the Design District, Edgewater and Wynwood," Zyscovich said. "People were afraid to go to Wynwood and Overtown, and even the Design District was languishing. Edgewater was totally forgotten. If not for the fact that Midtown became a community first, it would still feel dangerous to be in that part of the city."

Now, with tenants such as Target, HomeGoods, Marshalls and dozens of restaurants and bars, the Shops at Midtown Miami serve many residents in Miami's urban core.

Midtown is attractive to residents because it's near many retailers, restaurants and other great neighborhoods, said Edgardo Defortuna, CEO of Fortune International Group, which has sold over 1,000 condo units in Midtown.

"Midtown was the first in the area to be active, and now it's the center of things," Defortuna said. "Traffic in Miami is more difficult, so small urban areas that are self-sufficient are blossoming."

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Melo Group helps Edgewater thrive

It seems obvious that land along Biscayne Bay with a view of Miami Beach and near downtown Miami would be valuable, but people sped through Edgewater for many years. It took the Melo Group's arrival from Argentina to recognize its potential and spur major development.

Carlos Melo and Martin Melo closed on their first property in Edgewater in 2001. They saw its promise because it was near downtown, the hospitals and the causeways to the beach, Martin Melo said.

"Some people who lived here a long time saw it as a good neighborhood that went down, but they didn't expect it would come up again," Carlos Melo said. "We were new here, so we didn't suffer through this process."

Carlos Melo grew to appreciate the view from Edgewater, as opposed to the ocean view of Miami Beach condos. Edgewater has a more tranquil atmosphere, and Biscayne Bay reflects the light from the city skyline at night, he added.

"Many people like water views but don't like going to the beach," Carlos Melo said.



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BERNARD ZYSKOVICH,
Founder and CEO of Zyscovich Architects

Melo Group has developed 14 buildings in Edgewater: four condos and the rest apartments.

The Related Group's four-tower Paraiso District in Edgewater is the Miami-

based developer's largest-ever project, with more than 4 million square feet. It has over 1,300 condo units.

Carlos Rosso, the president of the Related's condo division, said Paraiso is 60% to 70% occupied. It usually takes three years for a condo to stabilize, as people finish their interiors and move in, and investors decide whether to rent or sell their units, he added.

As residents move into Paraiso, it will solidify the neighborhood and increase demand for retail, restaurants and basic services, Rosso said.

According to Colliers International South Florida, retail rents in Edgewater/Midtown averaged \$48.35 a square foot in mid-2019, compared with \$21.06 a square foot in 2011. The occupancy rate increased to 90%, even as nearly 217,000 square feet of retail was delivered.

"Putting established retail establishments and restaurants under where condos are, instead of making people drive west to Wynwood, is a winning scenario," said Jonathan Carter, executive managing director of retail services in South Florida for Colliers. "When retailers come to town, they call out the area by name. Five years ago, they didn't even know the area."

The increasing wealth of residents is attractive to retailers, Carter said. That's evident in the price points of the newer condos. Elysee is poised to set a record for Edgewater with a \$12.8 million penthouse under contract.

Taylor Collins, managing partner of Two Roads Development, said sales started at \$1.5 million and now, with half the units in Elysee sold, the lowest price is \$1.8 million. After nearly selling out Biscayne Beach, Two Roads designed the 57-story Elysee – the tallest tower in Edgewater – with larger units due to demand, he said.

"There's a lot of bang for your buck in Edgewater versus Coral Gables or Miami Beach," Collins said. "It's a much better value than Brickell."

Defortuna said a building the quality of Missoni Baia, which he's brokering for about \$700 a square foot, would easily top \$1,000 a square foot if it were located in Miami Beach. The project, which is under construction, is 60% presold, he said.

The transformation of Edgewater is like the South of Fifth neighborhood 20 years ago, said Alicia Cervera Lamadrid, managing principal of Cervera Real Estate, which has brokered deals in both Elysee and Biscayne Beach.

The southern tip of Miami Beach once had abandoned properties and an unsafe environment, she said. Now, its condo towers are among the most expensive in the city.

Cervera said Edgewater's transformation has not hit its peak.

"It's still the tip of the iceberg," she said.

► CLOSER LOOK

EDGEWATER/MIDTOWN RENT PER SQUARE FOOT

Multifamily	Retail
2011 \$1.50	2011 \$21.06
2012 \$1.55	2012 \$29.44
2013 \$1.67	2013 \$31.17
2014 \$1.68	2014 \$41.13
2015 \$1.97	2015 \$40.91
2016 \$2.07	2016 \$43.89
2017 \$2.16	2017 \$50.26
2018 \$2.25	2018 \$44.74
Mid-2019 \$2.17	Mid-2019 \$48.35

SOURCE: Colliers International South Florida, Costar

► BY THE NUMBERS

14.6%

Growth in number of households in Edgewater from 2010 to 2018

3,244

Condos completed in Edgewater/Midtown since 2012

666

Condos under construction in Edgewater/Midtown

\$765

Average price per square foot of condos under construction in Edgewater

SOURCE: Miami Downtown Development Authority

Multifamily takes time to absorb

While the population in Edgewater and Midtown is growing, the delivery of units has outpaced that growth.

Based on recent sales volume compared with what is listed, there's a 27-month supply of condos priced below \$1 million in the Edgewater/Midtown/Wynwood market, according to research by Scott Shuffield of Berkshire Hathaway HomeServices EWM Realty. In the \$1 million-plus condo market, there's a 115-month supply. He said both numbers greatly exceed a balanced market, so there's negative pressure on prices.

Shuffield found 23% of condos listed for below \$1 million were asking less than what they last sold for.

"It's a buyer's market," he said. "They will make lower offers because there is a lot of inventory."

The good news is few projects are slated to break ground in Edgewater and Midtown, which should allow time for much of the new inventory to be absorbed, Shuffield said.

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Over the long term, condos in Edgewater with water views will increase in value because there are only so many places in Miami with tall towers along the water, Carlos Melo said.

In the rental market, 2,529 apartments have been delivered in Edgewater/Midtown since 2012, and 2,448 more are under construction, according to Colliers International. The occupancy rate declined to 78% from 96%, although rents have increased sharply.

Some of the recently delivered luxury apartments have high vacancies because there's so much new supply, said Mitash Kripalani, director of investment services for Colliers International. Rent growth will be limited until the supply is absorbed, he said.

"In the long term, the fundamentals are good for Edgewater," he said. "People want to be close to jobs and entertainment."

Infrastructure woes

While the redevelopment has reinvigorated these neighborhoods, the infrastructure has been slow to catch up.

The population surge in Edgewater has worsened downtown traffic. The street grid was not designed for so many residents, Miami in Focus' Stieffel said. Because most side streets hit dead ends,



"There's a lot of bang for your buck in Edgewater versus Coral Gables or Miami Beach. It's a much better value than Brickell."

TAYLOR COLLINS,
managing partner
of Two Roads
Development

Biscayne Boulevard is the only effective north-south corridor - and it's often jammed, she said.

Another challenge is the water and sewer infrastructure. Albert Slap, president of Plantation-based Coastal Risk Consulting, said most new buildings in Edgewater were constructed to mitigate flooding on their properties. How-

ever, his analysis found multiple streets near Biscayne Bay will be vulnerable to increased flooding from high tide and storm surge in the coming decades. Some of those streets regularly flood now, he added.

The city has committed part of a \$400 million bond to mitigating climate change. Slap said that may not be enough,

given Miami's widespread needs.

Cervera would like to see better enforcement of parking rules so the streets are clear for traffic.

"The roads were not built for all of that," she said. "The city needs to pay more attention. It needs more enforcement of the rules and doing more maintenance." ❧