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Building up Brickell

The latest wave of development in Downtown's financial district — and the challenges ahead

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A rendering of Florida East Coast Realty's The Towers, designed by Foster + Partners

Back in the 1870s, Brickell was hardly more than a trading post run by the Brickell family. Today, it's one of Miami-Dade County's most intensely developed neighborhoods, boasting some of the tallest buildings in Florida.

More than 10,000 apartments and condos were built, under construction, or proposed in the 1.2-square-mile Brickell neighborhood in 2016 alone, according to the latest figures from the Miami Downtown Development Authority.

In addition to new residences, plenty of new hotels, offices and retail projects have been built or are now underway. While concerns about additional traffic persist, builders and city officials are hoping that more people will take advantage of Metrorail, a light-rail system that provides free alternative transportation from South Brickell to the Omni neighborhood.

A tall order

The structures that are being built, or are proposed, are of sizable stature. The 789-foot-tall Four Seasons, constructed in 2006 at 1435 Brickell Avenue, is now the tallest building in Florida, though it will soon be usurped by Tibor Hollo's 830-foot building Panorama, which will in turn be overtaken by another of Hollo's Florida East Coast Realty buildings, a pair of 1,049-foot-tall towers called — what else? — The Towers.

Meanwhile, developer Simon Karam recently submitted plans to build a 960-foot-tall building in the area. And Swire Properties, the Hong Kong-based developer of Brickell City Centre, still intends to build a 1,049-foot tall mixed-use tower near its 4.9-million-square-foot complex.

An evolving brand

In the last 15 years, Brickell has experienced a dramatic population boom. Back in 2000, according to a DDA demographic report, 12,904 people lived in Brickell. As of last year, there were nearly 35,000 residents — many of them relatively well-heeled and well-educated. Brickell's median annual household income of \$102,130, according to the DDA, dwarfs the median household income of \$33,064 for other city residents. The vast majority of Brickell's adult denizens, 74 percent, have college degrees.



Brickell's large number of educated high-income earners can be attributed to its role as Miami's financial district, home to dozens of banks, law firms and eight foreign consulates. But in more recent days it's gained a trendier reputation.

"The Brickell brand continues to evolve. We have evolved into a much more sophisticated, luxurious, and now hip, environment," said Suzanne Amaducci, a land-use attorney with the Brickell-based firm Bilzin Sumberg.

Just a decade ago this financial hub would shut down after dark, but with the addition of new restaurants and nightlife, that is changing. There are now three Publix stores to choose from in a neighborhood that is also teeming with bars and restaurants, clubs and stores.

Carlos Rosso, president of The Related Group's condominium development division, said the additional towers and retail being built will enhance Brickell's reputation as an urban paradise for young working professionals. And that, in turn, will spark more development.

Retail appeal

Rosso credits Swire's Brickell City Centre for initiating the building activity in the neighborhood that followed the Great Recession. Spanning 9.1 acres, Brickell City Centre includes two 42-story condo towers totaling 790 units, the 40-story 352-room EAST hotel, two Class-A office buildings and 505,000 square feet of retail.

Rosso is particularly appreciative of the development's retail. In fact, he admitted to wanting to surround Swire's development with Related Group projects. "When we met Steve Owens [president of Swire Properties' U.S. operations], we said, 'Thank you for building all these shops,'" Rosso said.

Brickell City Centre isn't Swire's first project in Miami. Swire built 3,075 residential units and hotel rooms and around 350,000 square feet of retail on Brickell Key starting in the 1970s. And in 2008, soon after Miami's previous building bubble burst, Swire began assembling territory at 701 South Miami Avenue to construct a complex adjacent to a Metromover station that included 2,600 underground parking spaces and a 107,000-square-foot Saks Fifth Avenue.

Now retail in Brickell, while becoming more abundant, is getting pricier to rent. In the past year, retail rents in Brickell have increased from a range of \$40 to \$150 per square foot to \$50 to \$200 per square foot, depending on the location, said Zach Winkler, senior associate and commercial broker with CBRE's retail service.

Office outlook

Offices are also growing more popular in Brickell — so popular, in fact, that many companies are migrating from the Central Business District into Brickell. Of particular interest to area newcomers is the 250,000 square feet of new Class-A office space offered at Brickell City Centre's recently opened office buildings, said Diana Parker, senior vice president of CBRE South Florida. The Akerman law firm, global management consulting firm McKinsey & Company and the Miami office of the commercial brokerage firm CBRE are examples, Parker said.

As a result of what Parker described as a "palatable paradigm shift" away from the Central Business District, office vacancies in Brickell have dropped from 19 percent in 2015 to 10.8 percent in 2016, she said. Rental rates for office space are also on the rise. From 2015 to 2016, average Class-A office space prices went from an average \$46.06 to \$51.62 per square foot, while Class-B rates rose from \$35.06 to \$38.35 per square foot on average.



Brickell is becoming a self-contained realm of both employment and enjoyment.

Residential scene

Arden Karson, managing director of CBRE South Florida, said that although residential rental rates have dropped somewhat in Brickell, condo prices remain strong. Karson said condos resell on average for \$515 a square foot; new construction, for an average of \$600 a square foot.

Karson believes that in the long term, Brickell's value will only increase as the neighborhood becomes more of

a self-contained realm where employment and entertainment are just blocks away from home. "It's truly a work-live-play-shop-and-eat area," Karson said. "There's no reason to leave."

But Peter Zalewski, a real estate analyst and founder of Cranespotters.com, points out that a large volume of investors, many of whom live outside the country, are buying Brickell condos in order to rent them out.

The median rental rate in Brickell is \$2.32 a square foot per month, Zalewski said. However, the median per square foot rate for a place in the rest of Miami's downtown area is \$2.05. Zalewski argued that many people are realizing they can get a better deal renting elsewhere downtown, and then simply hop on the Metromover when they need to get to Brickell.

"The other markets benefit that Brickell has a certain arrogance about it," Zalewski said. "That arrogance and pricing will prompt people to look at other markets and get much better value."

Developers are already starting to bend, according to Zalewski, who said that the median monthly rental rate demanded by condo owners is \$2,690 a month, yet the median monthly rate that new condo units are leasing for is \$2,300.

Zalewski is also skeptical about the future of Brickell's condo sales market. Due to the high inventory of units, there's now a 29-month supply on the market, Zalewski said, adding that a healthy market has just six months' supply of residences. He also said there is a large gap between asking and purchase prices for condo units, which he believes will grow as transit systems, like All Aboard Florida's Brightline [see page 76] or Tri-Rail's proposed Coastal Link, connect the Brickell-Downtown area to other parts of South Florida.

Swire Properties, unsurprisingly, has a different take. Maile Aguila, senior vice president and director of sales for the company, said that 90 percent of the units at Swire's condo tower Reach, which was completed just last year, are sold and occupied. She said Rise, which started marketing units at the end of 2016, is already 55 percent sold.

Aguila said the buyers are a mix of investors and seasonal residents from Latin America, the Caribbean and the Northeast United States who believe in the long-term value of Brickell.

New Kids on the Block

A select list of projects in the works in Brickell

1. 700-799 Brickell Avenue

Maile Aguila, senior vice president of Swire Properties, said her company is still on track to build the second phase of Brickell City Centre, which will be a 1,049-foot-tall tower that includes high-end condominium units, ground-level retail and 570,000 square feet of Class-A office space, though a recent report from CBRE notes that a "final decision as to the commencement of construction is yet to be decided." The CBRE report also

noted that the tower isn't likely to be "delivered to market" until at least 2020.

2. 888 Brickell Avenue

In December 2016, the City of Miami's Urban Design Review Board approved the Arquitectonica design of this building, which will be 472 feet tall and include 305,000 square feet of office space, 264 parking spaces and 3,510 square feet of retail. The site is currently owned by Alphatur Nv Corporation, a company controlled by the Venezuelan Mezerhane family.

3. 1010 Brickell Avenue

The developers of this 548-foot-tall, 387-unit condo project aim to start "delivering units" by early summer, said 13th Floor Investments COO Rey Melendi. Developers 13th Floor and Key International included amenities such as a fitness center with a running track and rock-climbing walls, a Turkish bath with steam rooms and lots of pools. By the time it topped off in September, Melendi claimed that the residences, which sold on average for \$725,000 each, are "effectively sold out."



The Northern Trust building at 600 Brickell.

4. 1101 Brickell Avenue

When Tibor Hollo's Florida East Coast Realty completes Panorama in October, the tower will stretch 830 feet, making it the tallest building in Florida. The Moshe Cosicher design includes 821 luxury rental units, 208 hotel rooms, a 2,000-space parking garage, several pools, fitness centers, social rooms, an interactive water feature and 50,000 square feet of high-end retail space.

5. 1201 Brickell Bay Drive

Plans were released in November to build two 1,049-foot-tall towers, designed by London-based Foster + Partners, on top of a 2.5-acre waterfront parking lot. The 1.8-million-square-foot project, currently called The Towers by Foster + Partners, is being developed by Florida East Coast Realty, Corigin Real Estate Group and McCourt Global Properties. It will include 600 residential units, 56,800 square feet of public open space along the water and a pedestrian plaza with art galleries, stores and restaurants.



6. 1451 Brickell Avenue

Described as a boutique condominium, Property Markets Group’s Echo Brickell will rise 635 feet in the air when it’s completed sometime this year. Consisting of 180 luxury residences between 784 and 5,195 square feet in size, the 635-foot tall Echo will boast in-home food and beverage services, dry-cleaning pickup, complimentary pet-walking services, “no-tip” valet parking, security and housekeeping. The Carlos Ott design also has an infinity pool and a bathing deck with four hot tubs overlooking the Brickell skyline. Tragically, this project was also the scene of a crane accident this past October that killed one bystander and injured five construction workers.

7. 115 SW 8th Street

8. 110 SW 7th Street

9. 726 SW 1st Court

Tony Cho of Metro1 Properties and hotelier Robert Finvarb bought these three properties for \$18.4 million in January and plan to build a 24-story, mixed-use project that will include a “neighborhood-style hotel” with retail and “possible commercial and residential components,” according to a Metro1 press release.

10. 955 SW 2nd Avenue

A subsidiary of The Related Group is partnering with the county to build Gallery at West Brickell, an apartment building that will include 299 market-rate units, 40 affordable housing units and 18 Miami-Dade County Public Housing units. The project will include a gallery and public space for gatherings. Negotiations are also underway to build a public secondary school at the site.

11. 13701 South Miami Avenue

Brickell City Centre’s massive retail center, built by Swire in partnership with Simon Properties and Whitman

Family Development (of Bal Harbour Shops fame) is still in the process of opening. “We have 65 stores open out of about 120,” Debora Overholt, Swire’s vice president of retail, told *The Real Deal* in early February. Overholt said that 90 percent of the retail spaces are already leased, some by retailers from abroad who are opening their first U.S. location in Brickell. “Brickell is an underserved market, and the surrounding area has such high income,” she said.

12. 10 SW 8th Street

In early February, developer Simon Karam submitted plans to the City of Miami for a 960-foot tall building, designed by Nichols Brosch Wurst Wolfe & Associates, with 392 condo units, 66,618 square feet of retail and 464 parking spaces, as well as spots for bicycles.

13. 801 South Miami Avenue

SLS Lux Hotel & Residences, a joint project between The Related Group, Allen Morris, and sbe, will be a 595-foot tower consisting of 450 residences, 84 hotel rooms, a Katsuya by sbe restaurant, and a cocktail lounge created by the interior design firm Yabu Pushelberg.

14. 850 South Miami Avenue

Brickell Heights, also by Related, consists of two towers (529 and 549 feet) as part of a 690-unit project, with interiors by David Rockwell and exteriors by Arquitectonica.

15. 1001 South Miami Avenue

The latest creation by Ugo Colombo, Brickell Flatiron broke ground in March 2016, had its foundation poured in January and is scheduled to be completed in mid-2019. Vanessa Grout, president of Colombo’s CMC Real Estate, said 60 percent of Flatiron’s 549 residences, which range in price from \$465,000 to \$15.5 million for a penthouse, have already been sold. When complete, Brickell Flatiron will include a rooftop spa, a pool, a gym, 24-hour concierge, a theater, a wine cellar and a cigar room. Avi Dishi and Haim Yehezkel, two New York-based real estate investors who own The Shoppes at the Waterways in Aventura, among other South Florida properties, entered into a contract to buy Flatiron’s 24,800 square feet of ground-floor retail for \$22.5 million back in August.

16. 1300 South Miami Avenue

The 599-foot-tall SLS Hotel & Residences, also known as SLS Brickell, opened its doors in November. Co-developed by sbe and The Related Group and designed by Arquitectonica and Philippe Starck, SLS Brickell includes 460 condo units, 124 hotel rooms, Jose Andres’ Bazaar Mar restaurant, Michael Schwartz’s Fi’ila restaurant and a mural by Brooklyn artist Markus Linnenbrink.