

## End of an Era? \$236M Loan for Miami Condo

The latest high-rise condominium to break ground in Miami's Brickell district has reached a significant milestone: Developer Ugo Colombo has closed on a \$236 million loan for the Brickell Flatiron.

Colombo's CMC Group secured the financing from Arkansas' Bank of the Ozarks and RFR Realty LLC in Manhattan, a source close to the deal said. The loan will fuel vertical construction of the 64-story tower at 1001 S. Miami Ave. in the Brickell Financial District.

It's not easy for a condo developer to land financing in today's market. Securing a construction loan for luxury Miami units has become increasingly difficult, developers and mortgage brokers have noted. Traditional banks have all but exited the market, and alternative lenders strictly favor top-tier builders with a proven track record. And lenders insist half of the units be pre-sold before lending a dime.

The Flatiron hit that threshold in about 18 months by March 2016 when the monumental tower broke ground.

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### FLATIRON

The groundbreaking coincided with slower high-end condo sales, a turning point in Miami's housing market.

At the time, Colombo acknowledged that securing financing had been a challenge, but he commended banks for making it difficult.

"It shouldn't be easy to get financing," he said.

The loan closing is indicative of where the market has gone, said Jay Sakalo, a partner with Bilzin Sumberg who represented the developer in negotiations.

While lenders are being "judicious and cautious" with their money, they're still looking to back premium projects led by successful developers, the Flatiron being a prime example, the Miami lawyer said.

"If you look at some of the loans that have closed ... I think they have certain common characteristics," Sakalo said. "No. 1 is they're all urban."

Two other large loans have closed in the last few months: Paramount Miami Worldcenter

nabbed a \$285 million loan in March, and the Zaha Hadid-designed One Thousand Museum secured a \$225 million loan in December.

That's \$743 million in construction loans for luxury condos in just four months. Sakalo said lenders are still attracted to the downtown core.

"There are still a number of deals in the pipeline," he said. "The pace at which deals are closing for new-construction loans is slower than it was a few months back or a year back. But there are still deals in the pipeline."

About 60 percent of the Flatiron's 549 units are under contract, and total sales volume has surpassed \$300 million, according to a news release.

That means about 55 units have gone under contract since the groundbreaking 13 months ago, a pace of four to five sales per month. At that rate, it would take 3½ to 4½ years to sell out.

#### COMPETITION

The Flatiron's residences are a small portion of the 2,487 units under construction in the Brickell submarket, accord-



The \$236 million loan will fuel vertical construction of the 64-story Brickell Flatiron at 1001 S. Miami Ave.

ing to the Miami Downtown Development Authority's residential market study released in February.

The projects will compete with about 3,700 units being built in surrounding markets like downtown Miami, the Arts District and Edgewater.

Pre-construction sales are also competing against existing luxury sales, which have taken a hit over the past year. High-

end condo sales plummeted in 2016, down 22 percent from 2015. The sluggish activity resulted in a taller stack of homes waiting to be sold, which pushed inventory up 19 percent in a year, according to a report by Esslinger Wooten Maxwell Inc.

Miami-Dade County's million-dollar-plus condo inventory is now higher than its pre-recession peak. About 2,550

units were listed for sale at the end of January compared with the previous record of 1,850 units at the end of 2006.

In Miami's urban core, another 14,000 condo units have been proposed.

Many properties that are entering the reservation stage now likely will not break ground this year. And many development proposals generated in recent months — like the bayfront Aston Martin Residences in downtown Miami — will probably be developed in a later cycle due to capital constraints, the DDA's report found.

Towering 736 feet above Miami, the Flatiron will be one of the country's tallest all-residential buildings once it's delivered in 2019. Units range from one to five bedrooms and up to 6,246 square feet. The top floor will feature a "sky spa, sky pool and sky gym" with panoramic views of Biscayne Bay and downtown Miami.

Prices range from \$500,000 to \$2.5 million and up to \$15.5 million for penthouse units.

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