

February 2015

Miami Grows Up

February 2015

Dan Safarik, CTBUH China Office Director and Journal Editor

[See Other CTBUH Tours & Visits](#)

Miami will host one of several Regional Tours in conjunction with the CTBUH 2015 New York Conference. Daniel Safarik, CTBUH China Office Director and Journal Editor, visited Miami to engage with firms participating in the tour, welcome new members, and gain a better understanding of North America's fourth-largest tall building market, which is also commonly called "the northernmost city in Latin America." This report captures the essence of the city that awaits the CTBUH delegation later this fall.

MIAMI – The popular image of Miami consists of sun-soaked beaches, swaying palms, retirees, and – of course – the Day-Glo colors and drug-fueled excesses of *Miami Vice*. In the backdrop, tall condominium towers defined the skyline in the popular imagination. Today, the city contains urban complexities and cultural amenities that defy the old stereotypes. There are more towers than ever – but the new developments reflect the dynamism of a 21st Century city that seems to be growing into its relatively young skin.



Miami Skyline

A conversation with virtually any developer or architect will inevitably contain the phrase "Miami is a grown-up city now" and will be accompanied with an impressive list of cultural and infrastructural improvements that have taken place over the past few decades. These include the immensely popular Art Basel fine-arts show, the emergence of the bohemian Wynwood and Design District neighborhoods, the new Perez Art Museum Miami, the New World Symphony, a vehicular tunnel under the Port of Miami that will accommodate the largest container ships, and shockingly – in a state that refused federal funding for high-speed rail – a privately developed high-speed rail project.

An increasingly diverse set of international investors who see Miami real estate as a safe haven for cash are now inclined to spend more time in the city, due not only to the climate, but the wide range of cultural amenities. The real estate market has responded with a new bout of creativity, bringing in a higher level of sophistication in design and a greater diversity of uses than had previously been seen in the city.

These are the dynamics of a city on the rise.



Porsche Design Tower under construction; Dezer Development (Developer)



Porsche Design Tower: Interior model of one of the residential units

Sky Parking

For simple pleasures, little can match an open-window drive along the Miami oceanfront. But for more complex tastes, once the drive ends, there are several innovative buildings in which to safely stow one's wheels.

In Sunny Isles Beach, a separate municipality north of Miami that supports an impressive cluster of tall buildings due to a fortuitous zoning law change in the late 1990s, the [Porsche Design Tower](#) has nearly finished construction. In addition to a custom wine cellar, stunning panoramic views, and interiors by the Porsche Design Group, this 195-meter, 57-story condominium development offers two parking spaces for each of its 132 apartments. But the way in which the building achieves that ratio is actually its most distinguished design move. Inside the core, a fully automated car lift brings residents, inside their cars, directly to private, glass-enclosed garages that allow them to walk directly into their units. Though extravagant by some measures, the facility adds an element of privacy and security for which tenants are willing to pay, says Gil Dezer, head of [Dezer Development](#), which built the Porsche Design Tower.



Porsche Design Tower: Model of the interior car lift

And pay they do – a typical unit goes for around \$6 million, Dezer says. The investment, while sizable, pencils out. It costs approximately \$75,000 per space to build a conventional parking garage in Miami, Dezer says. At the scale of the Porsche Design Tower, that works out to about \$23 million. The overall cost of adding the parking lift was between \$10-15 million, for total cost of around \$38 million. Because of the special elevator lift, Dezer can charge \$10,764 per square meter just for the parking space, creating a \$75 million asset in what is normally a sunk cost.

"For a city with parking problems, it is a solution – no ramps," Dezer says. "It's scalable." Dezer is fully committed to this idea – the design was vetted through multiple third-party safety and fire inspection services, and a test tower was built inside an old grain silo in Romeoville, Illinois, just outside Chicago, as a proof of concept. A patent has been granted.

Another rampless project has been built 26 kilometers south in the burgeoning Brickell neighborhood, with a somewhat different set of motivations. The 46-story, 160-meter [BrickellHouse](#) was completed in 2014, on one of the last available lots in the area. This constraint drove its developer, [Newgard Group](#), into some clever parking design in order to preserve the intended aesthetics.

"We wanted to reinvent how buildings are being developed and built in this area," says Harvey Hernandez, Chairman and Managing Director, Newgard Group. "We had a very nice property in a great location, but surrounded by other buildings. For us to maximize views, we had to be very creative with the positioning of the building within the site. It's diagonal to the lot, in ways that allow more than 50 percent of the units to have great views of the water. And to let the building come down to the ground, we needed to do something about the parking."

The solution was to construct what Hernandez says is the first automated parking garage of this size in US history. The 500-space garage employs four parallel lifts that hoist cars up into slots lining the shaft. Tenants can call the lift from their apartments and have their cars ready to drive by the time they get downstairs, though many seem to enjoy watching the operations from a small waiting room with a large window.



BrickellHouse; Newgard Group (Developer/Owner)

As at Porsche Design Tower, the investment in automated parking carried a premium at BrickellHouse, but it also resulted in parking taking up 25 square meters per space, instead of a typical 40 square meters, and allowed a premium to be charged for the greater number of water-facing units.

Hernandez has carried Newgard's novel view on autos in what is still a very car-centric city to other developments, including the 37-story, 352-unit [Centro Lofts Miami](#), which will feature the city's first dedicated Car2Go car-sharing hub, and no dedicated parking garage of its own. The project is 91 percent sold, Hernandez says.

"We wanted to incentivize people not to use their cars," Hernandez says. "We think the demographic that is ultimately going to live in Centro is not as attached to cars as we are."



Overall view of Brickell City Centre under construction, one of the massive developments taking place in the central business district

Transit-Oriented Mega-Developments

While there will be no shortage of parking at either the [Miami Worldcenter](#) or the [Brickell City Centre](#), two massive developments being undertaken just north and just south of the Central Business District, respectively, the public-transport and pedestrian orientation of both projects is notable.

At Miami Worldcenter, a site covering 12 hectares, stretching across dozens of blocks now full of sagging low-rise commercial buildings and parking lots, more than 93,000 square meters of retail, a 216-meter luxury condo building (with a 2.8-hectare amenity deck), and an 1,800 room, 54-story convention hotel will rise. Connecting these will be a combination indoor-conditioned and outdoor-breezeway with 20-meter-wide skylights that will give a feeling of brightness, comfort, and continuity in Miami's alternately bright, humid, and stormy climate. The twisting helix form of the [Marriott Worldcenter Hotel](#) defies the typical "convention hall box" design of such large-scale hotels.

In addition to drawing convention business and high-end residential tenants, the Worldcenter is envisioned as a regional shopping center, something downtown has historically lacked, says Nitin Modwani, Principal and Managing Director, Miami Worldcenter. Its anchor stores will be Bloomingdale's and Macy's. Further, the proximity to public transportation is a major selling point of the project. This includes several stops on the automated Metromover system, one stop on the Metrorail rapid transit, which links to the airport, and adjacency to the upcoming All Aboard Florida project, a high-speed rail system which is propelling its own 4-hectare, mixed-use high-rise development across the street. Add to this a potential future north-south light rail project along the shoreline and an east-west rail line to Miami Beach called Baylink, and the scale of the project – near American Airlines Arena, Arsht Center for the Performing Arts, and two major museums – starts to seem less audacious.



Rendering of the Brickell City Centre Complex



On-going construction of EAST, Miami within the Brickell City Centre Complex

"That means that millions of people can get around this beautiful area without a car," Modwani says. "All these things are making Miami a really great urban city." Of course, the development plan that does not consider parking in Miami would still be considered suicidal. There will be several thousand spaces at Worldcenter, but the entrances and exits are grade-separated so as to afford easy highway access and avoid interfering with the pedestrian experience, Modwani says. Worldcenter broke ground in the second quarter of 2015. Its retail mall will open in fall 2017, residential units will begin opening in fall 2016, and the convention hotel will open in 2018.

On the other side of downtown, another substantial project is taking up three full blocks just south of the Miami River. Brickell City Centre is currently under construction and will begin opening later in 2015. The project, centered over a Metromover station, includes two towers by [Arquitectonica](#) – the 159-meter [Rise](#) and the 153-meter [Reach](#), both residential – as well as a substantial retail mall connected across three blocks on its second floor by a "green ribbon," with heavy vegetation coursing around a tubular-steel diagrid.

That the “green ribbon” aspect of the project should include a skybridge network is not surprising. The developer is Swire Properties, based in Hong Kong. For its first US project, “the vision of Swire was to do something to differentiate themselves on the market,” says Christophe Bilaine, preconstruction director of the project for [Bouygues](#). “It is really the first mixed-use development that is happening in town. This is one of the reasons we got on board with Swire, with whom we had done many projects in the past, in Asia.”

Officials of both projects seem to feel there is room enough for both; Brickell has higher-end retail anchors, a smaller footprint, and serviced apartments, while Worldcenter is positioning itself as a regional and convention center. After sorely lacking any such developments for decades, downtown Miami is about to find out.

You Want to Build Where?

Most of the current wave of high-rise developers in Miami have an origin story with certain characteristics. When they first came to a given neighborhood, some kind of undesirable element was all that could be seen, and someone accompanying them thought they were “crazy.”

For The Melo Group, that neighborhood was Edgewater, about a mile north of downtown Miami, home to a fading, scruffy set of mid-century motels that is being replaced, block by block, with shining white condo towers.

“We arrived here in 2001, a month before 9/11,” says Carlos Ferreira de Melo, Director, The Melo Group. “It was abandoned. There were drugs, people sleeping in the street. People asked us ‘why come here?’ Because it is close to I-95, the causeway to the beach, to the airport. These people were wrong. We saw what was coming.”

The group now owns 2,000 rental units across 14 buildings, including the under-construction [Aria on the Bay](#), which is 60 percent pre-sold, and [Bay House](#), which is fully rented. The Melos gained notoriety by developing 23 Biscayne, one of the first condominium towers after the 2008 recession, replicating a model they had used successfully in their native Argentina. A 50 percent deposit was required at the closing, with the remaining 50 percent due at the beginning of construction, circumventing the sclerotic post-crash loan market. In turn, many other developers followed suit, which helps to explain why so many Miami buyers are wealthy foreign nationals.



Rendering of the [Bay House](#); Melo Group (Developer)

Alta Developers, a partnership between a local Miamian and a Chilean transplant, started in 2012, and has developed towers in Brickell and Edgewater, such as [One Paraiso](#) and [1400 Biscayne](#). Founder Henry Pino's experience in the Brickell area goes back to at least 1999, when he brought a group of investors down to the area that was "normally a ghost town" after 5:00 p.m. Fortunately, the oldest bar in Miami, the Tobacco Road, which dates from 1912, happened to be drawing a crowd that evening, saving the deal.

"We had chickens in the street and wooden shacks down here back then," Pino says. "It's incredible how it has changed." One casualty: Tobacco Road itself, across the street from Brickell City Centre, has been bulldozed to make way for a future development.

Another transnational partnership, McKafka Group, is comprised of an Austrian who had previously mainly worked in Prague, Czech Republic, and an Argentinian who met in the Harvard University Real Estate MBA program. McKafka is developing [The Crimson](#), an 18-story condo project in Edgewater. As recently as 2010, when the team bought the site, "When I brought my investors, they were saying, 'are you sure?'" says Fernando Levy-Hara, principal. "It was the place of the drug dealers and prostitutes. We bought the land on an online auction and there was no counterbid – it had a 240-foot [73-meter] frontage on the Intracoastal Waterway. People didn't have the perspective." The land value has since quintupled, and the Crimson's 90 units sell for between \$545,000 and \$1.5 million.



[Opera Tower](#); Florida East Coast Realty (Developer)



[Panorama Tower](#); Florida East Coast Realty (Developer)

Downtown, Going Up?

The precariousness of riding boom and bust cycles typically shakes off those with a loose grip on the saddle and rewards those who lay back and play it cool. Florida East Coast Realty fits in the latter category. Started by Hungarian immigrant Tibor Hollo in the early 1950s, FEC has ridden nine cycles, says Jerome Hollo, Tibor's son and executive vice president of the company. The elder Hollo is widely credited with defining the Miami skyline and presiding over the resurgence of its moribund downtown. Its recent roster includes the [Opera Tower](#), the under-construction [Panorama Tower](#), and the planned [One Bayfront](#).

The intertwined success of downtown Miami and FEC can be attributed to the company's participation in the Downtown Development Authority, which made a concerted effort to build the Metromover and improve the streetscape, in addition to attracting new development.

"We've made a real effort, so that, as traffic engineers look to refurbish roads that have already been designed, the pedestrian at least gets as much recognition as the car," Hollo says.

Another political move that helped improve the experience of tall buildings at eye level was FEC's negotiation with the Federal Emergency Management Authority (FEMA) to change the flood maps around one of its projects. Prior to this, most developments had to be raised more than one full story above street level in order to be deemed flood-resistant. The blank walls this created, combined with auto ramps that cut curbs, then climbed into the building, created an unpleasant sidewalk condition.



One Bayfront; Florida East Coast Realty (Developer)

"We did some specialized seawall work on one of our projects on the bay at Brickell," Hollo says. "If [a new development] conforms to certain specifications of that seawall and puts a breakwater behind it, it'll lower you down so you can have habitable area 5 feet [1.5 meters] above the sidewalk. You'll see a lot of developments where you have to go up 14 to 20 steps to get to the 'ground floor,' where for us it's two or three."

Still, there are limits to what even the most connected developers can do when it comes to regulatory constraints. Concerning the opposite end of its towers, FEC has also spent a lot of time talking to the Federal Aviation Administration (FAA) and the Miami-Dade Aviation Department (MDAD). As is the case with many cities around the world with burgeoning skylines and increasingly busy airports, Miami has seen its share of building heights chopped down by aviation authorities fearful of crowding airspace with towers. The east-west approaches of Miami International Airport are just a few miles west of its picket-like wall of waterfront towers.

The height approved for One Bayfront, which is to eventually replace the 19-story office tower FEC currently occupies, was 320 meters. Further along Brickell Avenue, Panorama had been approved for 259 meters.

"We had already started work, and we had a presumed 'no-hazard' letter from FAA," Hollo says. "They came back to us and said they had a problem with the height. And we came back with 830 feet [253 meters], because that was all we really needed."

The mat pour for Panorama – at 11,468 cubic meters, one of the largest single pours ever done in the area – began in mid-March 2015. Others were not so lucky – some developers who were approved for 1,000 feet (305 meters) one year were knocked down to 200 feet (61 meters) the next.

Further, a code change under the "Miami 21" plan, has limited heights in some areas. "That has screwed up a lot of developments and designs," Pino says. "It was predominantly done while the recession was ongoing, when no one thought we'd be going tall again anytime soon. So now we are living with the consequences of the implementation."

The recession has been a boon for other downtown developers. When a planned 34-story office tower called the Logyck was abandoned during the crash, an enterprising developer from Brazil was able to acquire the development rights, and, working with the same structural plan, convert the project into a 153 unit apartment building, the equally spelling-indifferent *Krystal Tower*. The ground floor will support a retail use, most likely a restaurant. The project is expected to benefit from its adjacency to both Miami Worldcenter and All Aboard Florida, says Rod Reiter, sales director.



SLS Brickell under construction; The Related Group of Florida (Developer)

The Numbers Don't Lie...Much

Miami's salubrious weather and deep roots in Latin culture are obvious draws for international investors. But there are hard numbers that make investing in the city's tall buildings an intelligent proposition, at least post-2008. Two entities with somewhat different motivations relentlessly chronicle and crunch the numbers.

One of the more powerful brokers in Miami real estate, International Sales Group (ISG), has a research division called ISG World, which publishes a quarterly "Miami Report" on the state of the Miami development market, particularly in high-rise condominiums, which still dominate the scene. As the market collapsed in 2008, there was mass confusion about just how much unsold inventory really existed in the market. Estimates ran as high as 62,000 empty condos.

"We assigned people at great time and expense to map the condo market from where the boom started to where we were at that moment," says Philip Siegelman, Principal, ISG. "We found out that the truth was much better than the myth – reality and perception were quite different."

A total of 62,000 condos had indeed been announced, but only 17,500 of them were actually built and vacant, and by 2009, 10,000 had closed sales, ISG discovered. This data fed the company's brokerage business, which set about gaining representation rights for as much of this now seemingly digestible inventory as possible.

Related Group of Florida, led by George Perez, is one of the most significant developers of high-rise real estate in the area, and when the "nuclear winter" of the recession began to melt away in 2011 and Related was ready to invest in new construction, he saw the value in what ISG was doing. Thus, a partnership formed, in that ISG formed part of the marketing and sales arm of Related, now called Related ISG, while ISG World remained a separate business.

As the emerging cultural amenities rising in Miami also drive the diversification of clientele, what was at first a market exclusively available to those who could put down a 50 percent deposit on closing gradually is becoming more inclusive due to better financing options. Some of those financing options arose because of developers taking a strategic long view, even when cowboy antics ruled the day.



Icon Bay; The Related Group of Florida (Developer);
Arquitectonica (Architect)

Spiegelman cites the example of Property Markets Group, which had developed MEI, an oceanfront tower in Miami Beach. The building was just finishing when the recession hit – it was 30 percent sold, and would now have to consider dropping prices to finish sales.

"In the face of that, Kevin Maloney, the owner of PMG, walked through the project, and was unhappy with the finishes in the common areas," Spiegelman says. "He had things ripped out, saying, 'it's my name, my reputation – it's going to look the way it was intended, regardless of whether I have to put out more money.' I had never seen that before in my career."

Suddenly ISG was selling the same units it had previously moved for \$10,800 per square meter to \$6,500 per square meter, with a costlier investment now made in finishes throughout the building. The move paid off – PMG emerged, reputation intact, and is now the developer of the top five luxury buildings in the market, Spiegelman says.



MEI Miami Beach Ocean Front; Property Markets Group (Developer)

It isn't just clever developers and new cultural amenities drawing people to area. Of the 10 major cities high-net-worth people would consider investing in, Miami is ranked number seven worldwide, according to ISG World. It's easy to see why.

There is no estate tax in Florida, and a tax loophole called "homesteading" means a buyer can declare a property his legal residence, regardless of how much time he spends there, and it cannot be seized as part of a legal settlement. A lack of unionized construction means it's cheaper to put up a building there than in many other places in the country, particularly New York. Downtown Miami has the second-largest concentration of international banks in the country. And the quality infrastructure and the rule of law represented by the US government help to draw international money that would be difficult to protect in nations such as Colombia and Venezuela, according to ISG.

Add in the US EB-5 visa, which provides a green card to foreign nationals who invest more than \$1 million, and the knowledge that 1.6 percent of all homes sold in Miami-Dade County in the first six months of 2014 were to Chinese nationals, begins to make sense. In addition to the Swire project at [Brickell City Centre](#), China's American Da Tang Group has purchased the site of a failed development formerly known as [Capital at Brickell](#), for what many considered an eye-popping \$74.5 million. Peter Zalewski, whose firm, CraneSpotters, tracks condo developments in the city, disagrees.

"Two years ago, the original Mexican investors were trying to sell that land for \$85 million," Zalewski says. "So selling for less than \$75 million suggests to me that they know the site is sort of done for that cycle. The only people who will take it are the Chinese, who are looking for more long-term value."

And what of the "lockboxes in the sky" phenomenon that has caused such controversy in London and New York, becoming an emblem of accumulated wealth at the expense of vibrant cities? Miami's condo vacancy rates are the third-lowest in the US, hovering close to 1 percent, yet the city is also the "most-rented" in the country, at 51 percent, ISG says. These seem irreconcilable facts until one understands that many "absentee owners" from overseas who do buy in Miami end up renting to locals, who now enliven the streets and patronize businesses. This has a regenerative effect – as more businesses and nightlife attracts young professionals, more developers build. This has also meant that the size of units has become smaller, which dovetails with the more urbanized hue Miami development has acquired in the latest cycle.

Many Miami developers will point to this trend and say they are in the business of "community building." Zalewski takes a more cynical view.

"The industry doesn't like it, but I call this a 'trading pit.'" Zalewski says. "In Chicago, it's commodities, in New York, it's stocks. In Miami, it's condos. These people are not living in these units. Your concern is, 'can I trade out of my position before the sea rises?' That's it. 'How can I get into the first 35 percent of buyers, before there is any kind of price hike? Can I get a friends and family deal? Is this a good developer? What can I rent it at?' That's all they care about. These are foreign nationals parking their cash, renting to domestics. People rent from their foreign landlords. This is re-colonization."

Although the same 10 to 15 developer names resurface constantly in discussions of high-rise Miami, another number suggests that the recession has not thrown off all the riders who see speculative gold in these hills – or more accurately, swamps and old parking lots.

“Our estimates are, of the 42,000 of the units we are tracking, about 40 percent are being built by people who have never built here before,” Zalewski says.



Former Capital at Brickell site

Imports and Exports

The increasingly international and sophisticated clientele of Miami high-rises has also hastened the arrival of internationally renowned architects to the city. Bjarke Ingels Group (BIG), Zaha Hadid Architects, [Office for Metropolitan Architecture \(OMA\)](#), Herzog and de Meuron, and Norman Foster all have tower projects in a city that was formerly dominated by a handful of local firms.

One of those firms is [Arquitectonica](#), which has grown outwards from Miami to become an international entity itself. The firm has designed no fewer than 24 of the tall buildings in Miami constructed, under construction, or proposed since 1982, when [Arquitectonica](#) completed [The Palace](#), then the second-tallest building in the city at 42 stories and 122 meters. It is now at work on [One Brickell City Centre](#), which will hit 80 floors and 317 meters, anchoring its namesake mixed-use development. The design aesthetic of tall in Miami has changed much in that time.

"The tower is in the middle of the site, surrounded by surface parking and landscaping, a pool deck," says Tom Westberg, Arquitectonica's director of marketing. "Basically they are not as urban as real mixed-use projects that activate street life, that go from the edge of one block to the next, that serve people on the street. Brickell City Centre is all about doing that. They were done in a different era in a different type of city, and if they were done today, they would be done differently."

Westberg hails the new era as one of the most exciting in the history of the city's built environment, saying the influx of new architectural blood has "raised the design vocabulary for everyone else." He sees more "patient money" in Arquitectonica's clientele in this cycle, in which investors holding land aren't necessarily rushing to build, which isn't great for architects looking to book work immediately, but perhaps a healthy sign for the overall market.



The Palace; Arquitectonica (Architect)

Much has changed. Miami is growing up, to be sure. But there is a telling streak in Miami high-rise design, embodying the dynamism, color, and energy of its birthplace that finds its way into designs realized as far away as [New York](#) or [Shanghai](#). A style that Arquitectonica principal Bernardo Fort-Brescia characterizes as "histrionic" makes the [W Times Square](#) and the [Riviera TwinStar Square](#) both of their energetic home cities, and somehow not.

"Miami became this brand from a design and architecture and tall building standpoint," Westberg says. "Outsiders associate Miami with those things, so many clients of ours say, 'I like what you guys did in Miami, let's do it here,' including those in China."

Despite all of this change, one of Miami's biggest and most enduring cultural symbols – manufactured in Hollywood in the 1980s – still defines the city's style and appeal.

"The impact of *Miami Vice* cannot be underestimated," Westberg says. "The producers envisioned Miami Beach as young and hip. They would go and paint and fix up the buildings to make it look more glamorous than it really was. But it's one of the most direct examples I have ever seen of life imitating art. That led to other things, that whole notion, the collective subconscious, of people that have been coming here. There were architects who saw that on TV and wanted to come work down here."

If it has been unable to completely shake off its association with the legendary TV program, Mature Miami has at least learned to exploit it in the name of a new kind of urbanity. A hoarding for a new tall-building development along Biscayne Boulevard reads, "You Belong to the City" – the title of the saxophone-laden theme song of *Miami Vice*.