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Miami condo developers tout rent growth to investors



Fernando Levy Hara and Harvey Hernandez

To attract buyers at [The Crimson condo building](#) in Miami's Edgewater neighborhood, developer Fernando Levy Hara is guaranteeing a minimum rental income of \$3 per square foot for units leased through his mckafka Development Group.

"Since sale prices started going up, some investors are afraid they will not be able to rent units or get a fair return on their investment," Hara told *The Real Deal*. But "we feel very comfortable we can achieve that number when the project is finished next year."

After analyzing the rental rates of comparable existing projects in the neighborhood, Hara determined future Crimson landlords can fetch as much as \$2,670 a month for one-bedroom units and \$4,000 a month for two-bedroom condos.

"The average price today is \$2.40 to \$2.60 a square foot," Hara said. "It will continue to go up." Harvey Hernandez, managing director of Newgard Development Group, told *TRD* the rise in rental rates is being driven by a limited supply of rentals and an influx of young professionals moving to Miami's urban core, which includes Brickell, downtown Miami, Edgewater and Midtown.

"Rental rates have been increasing for the past two years in a very dramatic way," said Hernandez, whose company is developing [BrickellHouse](#) and [Centro](#) in downtown Miami, predicts rents "will continue increasing for the next 18-to-24 months." Investors can expect a return rate of 3-to-4 percent on their rental income, he said.

Cervera Real Estate managing partner Alicia Cervera Lamadrid noted "there is a shortage of rental inventory. It will take more than delivering one or two buildings to catch up with the pent-up demand."

Young professionals moving to Miami are driving the demand, Cervera said.

“If you spend any time in the urban core, it has become a dynamic professional environment,” she said. “The streets are full of people.”

A recent study by Portland, Ore.-based think tank City Observatory found that Miami’s population of 25-to-34-year-olds with a college degree has jumped by nearly 25 percent in the last decade. In 2000, that demographic stood at 179,000 people. Today, it’s at more than 223,000.

In Miami’s downtown area, including Brickell, the study’s authors concluded there was a 118 percent increase in the young and educated demographic.

Boosted by young renters, the average monthly rent along the Biscayne Corridor – which includes Brickell, downtown Miami, Wynwood, Midtown and the Design District – rose from \$2,250 in January to \$2,675 in October, according to a 10-month rental market analysis conducted by Aventura-based International Sales Group.

In Miami-Dade’s coastal communities, high-net worth individuals are driving demand for luxury short-term rentals with an eye toward buying in the future. ISG’s analysis found that rents in the barrier islands, from Miami Beach to Hollywood Beach, climbed from \$3,851 in January to \$5,813 in October. ISG managing principal Philip Spiegelman told *TRD* renters today pay an average of \$2.78 per square foot in the Biscayne Corridor and an average of \$4.21 per square foot in the six barrier island cities identified in his company’s analysis.

“I’ve had direct experience with folks who have paid \$25,000-to-\$40,000 a month for short-term rentals,” Spiegelman said. “We have domestic clientele that is perfectly willing to pay those kinds of numbers from December to March.”

Hillary Hertzberg, a sales associate for The Jills at Coldwell Banker Residential Real Estate, said demand for short-term ultra-luxury condo rentals in Miami Beach is strong.

“We get potential buyers who want to rent first before they sign a purchase agreement,” she said. “Rentals are a stepping stone to buying.”

In Miami Beach’s South of Fifth neighborhood, condo renters are paying anywhere from \$20,000-to-\$80,000 a month for large units with unobstructed ocean views and wraparound balconies, Hertzberg said. A unit at the W South Beach at 2201 Collins Avenue is going for \$175,000 a month.

“We are not seeing any fluctuation,” Hertzberg said. “Now that the [winter] season is approaching, it is just going to get stronger.”