



Manhattan's Condo Kings are Migrating South

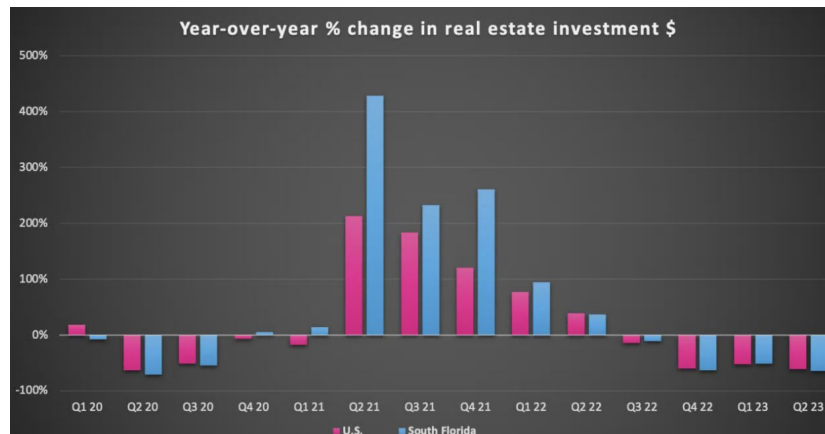
South Florida is attracting record real estate investment, with record pricing to follow



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August 10, 2023

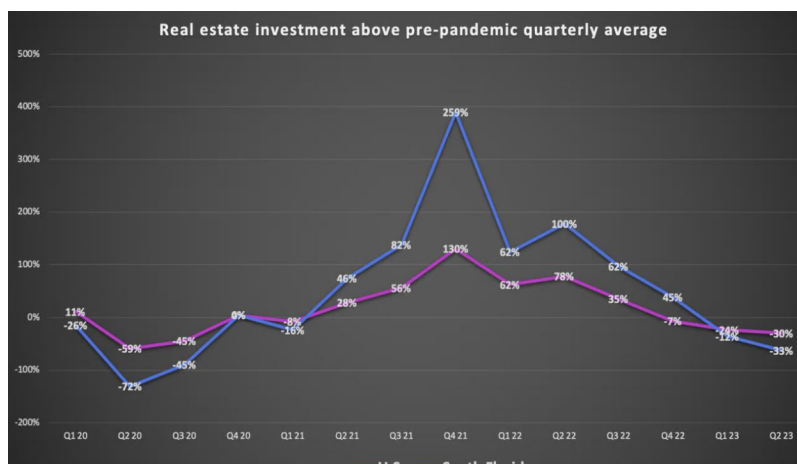
To understand the transformation of South Florida over the past three years, it's worth looking through the lens of commercial real estate investment.

In 2021 and 2022, real estate firms poured \$34.2 billion and \$29.2 billion, respectively, into the three counties that make up the southeastern edge of the state. Those annual tallies are higher than any year of the previous decade, and they're likely record-setting, according to data by MSCI Real Assets.



At the peak of this heightened investment – fourth quarter 2021 -- the dollar amount poured into South Florida commercial real estate was 259% greater than the average for a fourth quarter period between 2015 and 2019. The U.S. was seeing heightened investment too—but at a rate that was 130% greater than its fourth quarter average.

And when real estate developers everywhere pulled back last year, amid rising interest rates, tighter lending, and fears of a recession, South Florida was still surpassing its pre-pandemic investment norms by 45%, according to MSCI.



Developers with global portfolios have been settling into the region, building luxury condos, rental towers and-- in a move that would be counterintuitive in U.S. metros with empty work spaces— office buildings. Many of these incoming investors have a unique pedigree: they helped drive a New York City construction boom of ultra-luxury condos over the past decade. Those builders of soaring Manhattan and Brooklyn towers, priced at evermore soaring figures, are now sensing similar opportunities – and client bases – in the Sunshine State.

“There are more players in our market now than ever before, which says a lot about South Florida,” said Alan Hooper, co-principal and co-founder of Fort Lauderdale development firm Urban Street Development, which is working with Hines to re-imagine an arts and cultural district in that city. “There’s a lot of developers and investors that are coming from outside the market, where before it was just locals working by ourselves.”

So I spoke with a few of the big-name firms from elsewhere, who are planting a flag, expanding their reach, and testing the limits of the South Florida market.

Savanna

Project: [Olara](#), West Palm Beach

Andrew Kurd, co-chief investment officer

Savanna, an investment firm with a portfolio of office buildings in Manhattan, Queens and Brooklyn, is now staking its foothold in West Palm Beach, where financial service companies like Goldman Sachs and BlackRock have opened up offices --and more white-shoe firms are on the way.

It began acquiring parcels near the downtown waterfront in 2021, and now controls about 7 acres, Kurd said in an interview.

It’s first order of business: luxury condos. By year end, the firm will begin construction on its debut-Florida project, a 275-unit tower called Olara



The Details:

- Condo prices start at \$2 million. That's the upper tier of the market in West Palm, but for Manhattanites who might be browsing, that's just the median price of new development where they come from.
- About 90% of the units are priced between \$2 million and \$6 million, Kurd said.
- Amenities include a marina with 8 slips, and as many as three boats, available for rent by unit owners, he said.
- Buyers have signed commitments on 10% of the units -- about \$100 million worth -- since sales started in January, Kurd said.
- 170 luxury rentals will be built in a separate tower, sharing the same base as Olara.
- The New York-to-Florida pipeline is clear from the sales efforts. This month, Savanna's brokers will hold a marketing event in the Hamptons, the Long Island resort towns that draw Wall Street executives for the summer.
- "These major finance companies are making commitments to West Palm," Kurd said. "If you look at the amount of office space being built now, it translates into 5,000 to 7,000 new jobs. That's a pretty strong metric."

What's Next:

- Savanna is designing plans for a 300,000 square foot market-rate rental tower on a parcel it owns just south of Olara. The site allows for 550,000 square feet of development.
- Another Savanna-owned site, behind the condo building, allows for up to 1 million square feet of commercial development. The firm hasn't made the final call on what to build there.
- Savanna is actively seeking to acquire other development sites in the West Palm area.
- We're focused on expanding" Kurd said. "Long term, there's definitely a lot of room to run."