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Local Developers Say Booming Market Will Be Sustained

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Despite concerns in the national media that the super-hot real estate market will burst in a "bubble" of falling prices, South Florida developers say there are many factors pointing to sustained real estate growth in the tri-county region.

Industry professionals cited stable interest

rates, increasing demand from overseas buyers, and a market where demand exceeds supply as evidence of an encouraging market, during a forum August 11 at Northern Trust Bank, 18909 NE 20th Ave. in Aventura.

Participating in the discussion were Rodrigo Nino of the Prodigy development, Malie Aguila of Swire Properties, Craig Studnicki of International Sales Group, Alicia Cervera of Related Cervera Realty Services,

Dan Kodosi of Royal Palm Communities and Michael Konig of SMK Horn Development.

The event was moderated by Richard Burns, chairman of the board for Manhattan Media, publisher of Avenue magazine, and organized by The Apple Organization, a public relations agency specializing in real estate.

"We're all getting peppered with (questions about) the real estate bubble," Studnicki

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Real Estate Market Will Sustain Experienced Developers, Panelists Say

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said. Still, the ISG executive said he does not believe the local market is vulnerable to plummeting prices, arguing the numbers suggest otherwise. "Florida is the third fastest-growing state in the U.S. with a net population growth of 1,000 a day, and the IRS expects it to surpass the state of New York in population," he said.

One panelist noted the sheer volume of projects currently underway in condo-happy South Florida could stretch available manpower, as a large number of skilled construction workers and craftspeople will be needed to complete the projects.

The major, established development firms will weather any potential slowing-down of current double-digit growth, Studnicki surmised. But builders without a track record — as well as those only now entering the industry in response to soaring growth — might be caught in market uncertainties. "The new crowd is in for a rude awakening," he said.

Although South Florida has long enjoyed rising values and high demand for its real estate, the past three years have sent prices skyrocketing. Most agreed the lackluster performance of the stock market has led investors to put their money into real estate development instead of Wall Street. "People are looking at real estate as a strong investment, whereas the stock market is stuck," said Kodosi of Royal Palm Communities. "There is nowhere for prices to go but up."

Studnicki added that strong demand from Latin America and other overseas markets is likely to continue. He noted South American buyers now make up more than half of his clientele, and brokers are also making inroads in Europe and other major foreign markets.

Cervera of Cervera Realty Services said immigrants have added to the vitality of the community and are fueling the real estate market. "In less than 10 years, Miami has grown in prestige, and immigrants bring an immense sense of energy and manpower," she said. "Miami is emerging with new talent all the time."

Other panelists cited Miami's popularity as host of the MTV music awards and as an international hub of Latin American entertainment and culture, reflecting its position as a prime destination for Hispanic buyers.

On emerging trends, the industry professionals said current real estate hot spots such as the cities of Hollywood and Delray Beach will continue to redevelop their downtown areas. They also expect so-called "urban villages" will remain fashionable with young professionals, empty nesters and others who seek to live near nightlife, retail and other urban amenities.

Another trend likely to accelerate is the redevelopment of older landlocked areas east of Interstate 95. Government planners have encouraged such in-fill to take advantage of existing infrastructure and to relieve overcrowding in the far west suburbs of South Florida.

"There's no other option," said Konig of SMK Horn Development. "Eventually these areas will be redeveloped."

Studnicki agreed, adding the lack of available waterfront locations will take developers in different directions. "You can't find a lot in Miami with unobstructed views of the water nowadays — they're astronomical," he noted.

On the subject of recent trends, Swire Properties' Aguila noted greater interest in the downtown area and in urban-style developments in general. "I started to see downtown come alive," he said. "Even in suburban areas we are seeing more mid-rise developments and mixed-use projects that combine retail with residential or commercial space," she added.

That trend, she noted, followed one from a decade ago, when developers returned to waterfront development after building out western suburbs.

Kodosi added the desire of local residents to live closer to their workplace. "Instead of wanting to drive 20 minutes to work, people want everything closer together," said Kodosi, and noted dense, compact small communities such as Aventura have benefited from this trend.

Panelists also stressed the need for contractors to keep the quality of construction high and for developers to learn to do more with less space, in order to make the most out of expensive land costs.

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