

FLORIDA LUXURY PROPERTIES



PHOTO: BARRY GROSSMAN

PATIENCE PAYS OFF FOR MIAMI'S LUXURY BUYERS

Synonymous with opulence, Miami has long attracted a segment of the population with an appreciation for the finer things. It's a micro melting pot with full- and part-time residents from a myriad of cultures that mix and mingle as they enjoy world-class beaches, art-drenched streets and upscale shopping and dining options.

The thirst for Miami's own brand of magnificence remains strong, but realtors are noticing a change in the profile of the city's luxury buyer. There's an increasing amount of interest on the domestic front from parties whose primary residence is currently located in high-tax states such as New York, New Jersey, Connecticut and California, as tax changes and limited deductions for homeowners become a reality.

Danny Hertzberg of Coldwell Banker's The Jills, a team specializing in high-end, multimillion-dollar luxury properties, has noticed a significant increase in purchases throughout Miami from domestic buyers, meaning those who already reside in the United States. He notes that previously these types of buyers were active in this market but were typically purchasing second and third homes. However, trends are changing, and now he sees entire families relocating to make South Florida their primary home.

"They're buying significant properties," Hertzberg says. "We've seen a lot of transactions in the high teens to the low \$20 million range recently. Almost every single one has been a domestic buyer. We've had a little bit of movement from European and South and Central American buyers, but almost all of the big deals in our market have been from domestic buyers for tax reasons."

Kevin M. Leonard, vice president of luxury at The Keyes Company/Illustrated Properties, echoes this sentiment. He's especially optimistic about the \$1 million-and-above market, thanks to elevated interest from out-of-state buyers who find Florida's lack of state and local taxes alluring.

In the \$1 million-and-above category in the second quarter of 2018, South Florida experienced strong growth, with the top sale being \$41.3 million. Comparing the second quarter of 2018 with the second quarter of 2017, Leonard points to a 6.5 percent increase in the number of \$1 million-and-above single-family-home sales, as well as a dramatic increase of 45.1 percent for \$1 million-and-above sales in the condo/townhome market associated with new construction that has been completed.

"The benefit of relocating to South Florida from highly taxed states pays off immediately, and long term, the return on investment is exponential," Leonard says.

Hertzberg sees promise in a new crop of buyers he expects to storm the market sooner rather than later: Millennials. National trends show this demographic has largely been a population of renters, but he sees a huge pool of potential buyers who will

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improve the housing market at all different price points.

"If you look at the CEOs of tech companies and some of the new millionaires and billionaires, age is not always a big factor," Hertzberg says. "Nobody is turning their nose up at young buyers anymore, because they have significant purchasing power. Sooner rather than later, that group is going to start shifting and buying. That's something I'm very excited about."

In September 2018, the MIAMI Association of REALTORS and the Multiple Listing Service (MLS) reported total Miami-Dade County home sales in August rose 13.3 percent year over year for single-family homes. Condominium markets also increased 15.9 percent.

With those increases, not only has the profile of the luxury buyer changed, but their wants have changed as well. For those unflappable buyers waiting in the wings for a great deal, now may be the time to pounce.

"What they're looking for now is value," Hertzberg says. "The luxury buyers that are buying now have been patiently waiting for the past few years when prices increased pretty significantly."

In terms of amenities, Hertzberg sees a change in the preferences of his clients shopping for condos. Instead of buildings with many units, buyers are looking for towers with just one unit per floor — or "a home in the sky," as he describes it. Boutique wellness amenities are also trending, with the standard elliptical-and-weights fitness center just not cutting it anymore.

"They want a meditation room, yoga, Pilates, massages, all of it" he says. "I think luxury buildings are catering to those needs. You see more smoothies and acai bowls being offered."

Additionally, buyers are paying much closer attention to how these condominium towers are built, scrutinizing details like the use of natural materials and finishes. Smart technology is no longer considered an added feature, but rather an expected element of a luxury building. If it's not included in the model, buyers are likely to raise an eyebrow and question why it was cast aside.

George Jalil, broker-president at First Service Realty and chairman of the board at MIAMI Association of REALTORS, is noticing a shift in architectural prefer-

ences, particularly in the single-family-home sector, but also in condos.

"A lot of modern architecture is what's in style now here in Miami, and a lot of green buildings," Jalil says. "Since the technology is getting better and we're blessed that we have a lot of sunlight during the year, the solar panels are getting more effective. Aesthetically they're a lot nicer than they were 10 years ago, so we're starting to see buildings and homes being built in that square, monolithic-type style as opposed to all of these Georgian and Spanish-style homes."

With rising sea levels affecting coastal areas on a national scale, realtors are fielding questions from clients in the single-family-home market about the elevation of properties — particularly with new builds. However, assuaging these fears has become easier, according to Jalil, thanks to local government's climate change action plan. He cites Miami Beach as a leader in addressing issues of the rising sea levels, allocating a half-billion dollars to put in pumps, increase street height and update building code.

Despite these concerns, South Florida realtors are feeling invigorated about the direction of the area's real estate market, with individual takes on what's next.

Jalil, for example, continues to be impressed with South Florida's reputation on the international market, despite the recent uptick in domestic buyers. According to the National Association of Realtors, Miami is the No. 1 international destination for buyers of real estate, surpassing metropolitan areas like New York, Chicago and Los Angeles.

For Leonard, a strong economy appears to be boosting the spirits of potential buyers who are attracted to well-priced luxury real estate. In some markets in South Florida, the list-to-sale ratio is greater than a 20 percent discount.

"There is real excitement about the market in terms of where it can go. We are seeing our economy grow at a record pace," Leonard says. "The lion's share of affluent individuals are self-made and own corporations; therefore, when they have the ability to reinvest into their business via the tax changes, their net worth grows and makes them feel good. That is when they buy luxury real estate. They buy because they are happy. They don't buy to make themselves happy."