



Construction workers work on the 102-unit Town Square apartments in Pompano Beach, which will be completed in November of 2023. SOURCE: SOUTH FLORIDA BUSINESS JOURNAL

By Erik Bojnansky - Reporter, South Florida Business Journal
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Sunshine, low taxes and a pro-business atmosphere continue to entice high-income households nationwide to move to South Florida.

Yet, even with developers building tens of thousands of new apartments annually, there's still not enough housing to meet the demand from new arrivals and locals trying to remain in the tri-county region. And with development costs on the rise, some builders are expanding outside of South Florida's traditional urban cores.

According to rental listing website RentCafe, developers have built 42,960 apartment units in South Florida between 2020 and 2022. An additional 20,906 apartments are projected to be finished by the end of the year - the fifth-highest volume in the U.S.

But to meet the demand from both job creators and workers, about 39,000 apartments a year will need to be developed, said Ken H. Johnson, a real estate economics professor at Florida Atlantic University.

"We are just not building enough," he said.

The apartment shortage, coupled with home prices that have risen steadily since 2012, have escalated South Florida's affordability crisis.

As of late August, the area's average monthly rent was nearly \$2,800, the ninth highest among 99 U.S. metro areas, according to the Waller, Weeks and Johnson Rental Index, a project co-created by FAU.

Key to the current apartment boom is the fact that landlords will be able to charge higher rents.

"There's [already] been a ton of new development in South Florida, especially in what we call the urban core/central business district markets of Miami, Fort Lauderdale and West Palm Beach," said Scott Wadler, managing director of capital markets for Berkadia's South Florida office. "[But now] different submarkets have evolved outside of the central business districts."

Higher land costs and scarcity of available land are pushing new apartment projects to current hot spots like Hialeah, North Miami, Hollywood, Pompano Beach and Boca Raton.

With development costs rising, it's critical for builders to acquire sites at reasonable prices, said Michael Vassilaros, chief investment officer for Miami-based developer Key International.

"Fundamentally, the market is still strong. The issue is that construction lenders are pulling back, interest rates are very high, insurance costs are rising," Vassilaros said. "The combination of all those things, despite rents holding, have made it more difficult for a new project to pencil."

Here's a county-by-county look at some of the areas attracting interest from developers:

Miami-Dade County

More than 2,000 apartments are anticipated to be completed in Hialeah by the end of 2023, an amount within South Florida that's second only to the estimated 9,400 apartments projected to be finished in Miami, according to RentCafe.

The city's pro-development stance and easy highway access makes Hialeah attractive to developers, Codina Partners CEO Ana-Marie Codina Barlick said.

"It's easy to get in and out of, to go north toward Broward and to most parts of Miami-Dade County," said Codina Barlick, who will partner with Dallas-based Centennial to build a mixed-use apartment complex on the site of a former Sears automotive center at 1625 W. 49th St.

Plus, she said, the land is affordable enough to build apartments that are attainable for city's "very strong workforce."

Though much of the new apartments in Hialeah are billed as affordable, Miami-based Related Group's latest project there, the 624-unit Manor Hialeah, advertises rents ranging from \$2,085 to \$3,895 a month.

Doral has more room to grow, as well, Codina Barlick said, particularly within Downtown Doral, the site of a former 250-acre warehouse park that Codina Partners rezoned to allow retail shops, schools and 5,000 residential units. So far, 1,124 units have been built. That includes the 228-unit Palma II apartment tower finished in June. A 418-unit luxury apartment building will break ground next year, she added.

Other promising markets in Miami-Dade County include Miami's Overtown and Allapattah neighborhoods.

"They're less pricey than Wynwood and Brickell and the central business district, so that's where developers can find land where they can build at a price point that makes a lot of sense," said Albert Milo Jr., president of Related Urban Development Group, the workforce housing division of Related Group.

South Miami-Dade is another up-and-coming area, due to its abundance of land at low prices, Milo said.

Nearly 450 new apartments are slated to be finished in Homestead by the end of the year, RentCafe reports.

In unincorporated Princeton, on what used to be farmland, Related Group is building more than 300 apartments, including some workforce and affordable units, Milo said.

"There's a lot of developable land, and you aren't necessarily only able to build high-rise product," he said. "You can build three or four or maybe eight stories, which is less expensive to build."

The Brightline train station just west of Aventura Mall and the phased 184-acre mixed-use SoLe Mia luxury community have sparked a development wave in Ojus, North Miami and North Miami Beach.

"That's a pocket that is filling up quickly because it's cheaper to build an apartment building or condo there than it is to build the same thing in Miami's central business district," Berkadia's Wadler said.

James Tate of Tate Capital said he likes the area because major thoroughfares such as Northeast 125th Street and Northeast 163rd Street lead directly to Interstate 95 to the west and the ocean to the east.

"And, in addition to that, you can now hop on the Brightline," said Tate, whose projects in northeast Miami-Dade include the 360-apartment Allure North Miami.

Broward County

About 5,500 apartment units were built in Fort Lauderdale between 2020 and 2022, according to RentCafe. More apartments are planned there, with some set for Flagler Village and Himmarshee Village, Wadler said. Just north of the Brightline station, Houston-Himes Hines is to build a 5.6-acre mixed-use project with 604 apartments.

However, Fort Lauderdale isn't among the top South Florida locations where new apartments are expected to be completed in 2023, RentCafe stated. Instead, other Broward cities such as Davie, Dania Beach and Oakland Park made RentCafe's list.

In Davie, Boca Raton-based El-Ad National Properties is slated to build The District, a 2.8-million-square-foot project with more than 1,200 apartments.

"We will bring something that has not been seen in that market: an urban core-quality project for the suburbs," El-Ad CEO Noam Ziv said.

Ziv, who is building the Alina Residences condominium in Boca Raton, said he's looking for potential residential development deals from Hollywood to Jupiter - but not in Fort Lauderdale.

"It's getting really, really busy," he said. "It's just too crazy now."

Coral Springs, in northwestern Broward, is where Key International plans to build a 377-unit apartment project on 4.2 acres at 9201 W. Sample Road.

"We really like the [Coral Springs] market because there is very little supply," Vassilaros said.

Across the street from Key's development site, Boca Raton-based Mill Creek Residential is building Modera Coral Springs, an apartment community with more than 700 units, at 3210 University Drive.

In May, Mill Creek submitted plans to build an eight-story, 395-unit apartment community in Hollywood, another city that has had increased interest from developers. Builders have already submitted plans for or broken ground on several projects, particularly near Young Circle. That area has an abundance of retail and offices. Inserting residential in that part of Hollywood will help create a walkable live, work, play atmosphere, Berkadia's Wadler said.

Another place that's gained traction with developers in recent years is Pompano Beach, where developers are acquiring oceanfront properties for luxury condominiums. Further inland, Cavache Properties is building Old Town Square, a phased apartment project that will have more than 500 apartments. And Related Group and Atlanta-based RocaPoint Partners are facing off for the right to redevelop 40 acres of city-owned land at Atlantic Boulevard and Dixie Highway. Related's bid has 1,368 apartments, while RocaPoint's plans call for 2,050 apartments.

Palm Beach County

Since 2020, more than 3,000 apartments have been built or are under construction in West Palm Beach, another city experiencing a boom in apartment construction. But that won't be enough to fulfill the demand created by the downtown area's evolution into the Wall Street of the South.

"West Palm Beach is going nuts," Wadler said.

Part of the area's surge in popularity stems from the Brightline train station, which opened in 2018, he added.

The other factor is billionaire developer Stephen Ross, founder of New York-based Related Cos., "doubling down on CityPlace," Wadler said.

The 78-acre development is filled with offices, shops and apartments that Ross codelveloped with the city in 2000 and has since been rebranded as The Square. It is in the center of a downtown West Palm Beach office empire Ross is assembling, which includes 360 Rosemary, a 20-story Class A office building across the street from the Brightline station, and three additional office towers. One of them, the 25-story One Flagler, is anticipated to be completed next year.

Those offices have attracted financial services-related companies from New York, the Midwest and Maryland to the area. And that, in turn, has helped fuel the demand for housing in or near the city's central business district, Wadler said.

Another spot showing promise for apartment development is Riviera Beach. That's where Related Group is partnering with Tezral Partners and BH Group to build 424 apartments and 8,000 square feet of retail at the city's marina at 190 E. 13th St.

Boynton Beach, Lake Worth, Delray Beach and Boca Raton are other Palm Beach County cities where hundreds of new apartments have sprouted since 2020.

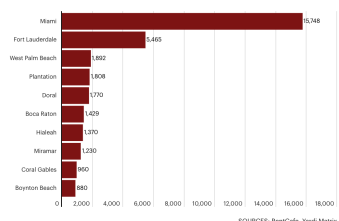
Boca Raton has great potential for new multifamily development, Wadler said. Office landlord CP Group plans to add 1,250 residential units to the Boca Raton Innovation Campus. The 123-acre site includes 1.7 million square feet of offices. Additionally, apartments will soon be built at Office Depot's 28.9-acre campus.

"They plan to demolish one of the buildings and develop apartments overlooking the golf course," said Wadler, referring to BH Group and Pebb Enterprises, which paid \$104 million for Office Depot's campus in April.

Besides a decent amount of land, Boca Raton has a downtown area with an abundance of offices, retail and, since December 2022, a Brightline station. In short, the city has the features desired by young, working professionals that are relocating from New York or Chicago.

"They want to live in urban, walkable cities where they don't have to always get into a car to go somewhere else," Wadler said.

APARTMENTS COMPLETED BETWEEN 2020 AND 2022



APARTMENTS SLATED FOR COMPLETION BY END OF 2023

