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Miami Developers: All This Socialist Talk Is Really Bugging Us

Deirdra Funcheon, Bisnow South Florida

Some of Miami's most influential real estate professionals say there is a macroeconomic force at play that worries them far more than a coming recession: socialism.



Bisnow/Deirdra Funcheon

A panel about major projects in Miami featured Cherry Bekaert partner Carol Surowiec, Plaza Equity co-founder Anthony Burns, Mast Capital CEO Camilo Miguel and Crescent Heights CEO Russell Galbut

Asked what keeps him up at night, Plaza Equity co-founder Anthony Burns told the audience at Bisnow's South Florida State of the Market event Wednesday it is the "growing socialist rhetoric that is occurring on the national stage.

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"The economy that we're seeing is not a God-given right," Burns said. "It's based on capitalist fundamentals. We haven't seen socialist rhetoric in a long time in this country, and that concerns me."

Crescent Heights developer Russell Galbut, who is also the chair of Norwegian Cruise Lines, echoed Burns.

"I really do view myself as a capitalist. Everyone in this room should be proud of being a capitalist," he said, eliciting applause from the commercial real estate industry crowd of roughly 300. "We have rebuilt South Florida."

Burns had just finished discussing the Magic City Innovation District, the ambitious mixed-use campus that is taking shape on 18 acres in Miami's Little Haiti neighborhood that has been receiving criticism from locals. Rapid gentrification there has already pushed out longtime residents and small businesses, including immigrants and people of color.

Burns noted that he is from Wyoming and one of his partners, Guy Laliberte, a co-founder of Cirque du Soleil, is from Montreal. They were surprised at the anger they ran into in pushing for high-density zoning. Even hiring some locals as consultants backfired, he said. It's "seen as trying to buy influence."

"One of the things we've really had to deal with over the past two and a half years as we've gone through the entitlement process on our developments is that there is a substantial part of the population that doesn't think about this the way we do. They're scared. They're a disenfranchised immigrant population in Little Haiti that doesn't necessarily see that all this development will accrete to them," Burns said. The neighborhood had just "one low-income high-rise building developed in 50 years. This is an area that the power hasn't been upgraded in decades, the infrastructure has been ignored... here's an entire neighborhood where the average education level is not even high school. And it's an immigrant population."

He said his team was trying to redevelop the area and create value for the current residents, not push them out.

"How can we create an entitlement, and a development, a narrative that allows us to make money, to invest, to bring in outside capital, yet still garner the support of the community to actually get something done?" he asked. "It's been eye-opening for me at a personal and professional level to try and navigate that."

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KAR Properties principal Shahab Karmely, Key International co-President Inigo Ardid and Weiss Serota Helfman Cole & Bierman member Joseph Hernandez speak at a Bisnow event Sept. 25, 2019

On another panel, KAR Properties principal Shahab Karmely said that in New York, where resident backlash drove away Amazon and the city has instituted new rent regulations, politics are a bigger threat to the industry than anything else.

"'Insane' is too kind a word," Karmely said. "The whole center of our economy was wiped out. It's going to end up hurting the very people it's supposed to help. It's very hard to [stop] that kind of sentiment, that kind of populism, once it gets going."

On a lack of affordable housing, he said, "affordable is a relative term," adding that legislation and regulation are greater threats than developers.

"Markets are harmed by legislation," Karmely said. "If the market is allowed to function properly and the market is there, [housing] will come."

He suggested anyone who thinks otherwise look at Cabrini Green, a failed public housing project in Chicago.

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“Obviously, developers are going to build for profit,” Key International co-President Inigo Ardid said. “The numbers don’t work and that’s why we aren’t building [cheaper housing]. It’s not going to get better because of the scarcity of land.”



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Centennial Bank Regional President David Druey, FM Capital co-founder Aaron Kurlansky, Pender Capital Vice President of Originations Kristin Rick and Ryan principal Imran Thobani

Other than that, panelists at the event were mostly optimistic. Becker attorney Phil Rosen opened the first panel by marveling at the length of the current real estate cycle.

“A year ago, the consensus among my developer clients was that if you weren’t out of ground or close to it, you were giving serious consideration to putting your pencils down,” he said.

Developers who continued churning out product have been rewarded by a strong market, Rosen added. Galbut said tariffs and unions were driving up construction costs somewhat, but he lauded the federal opportunity zone program and highlighted new passenger terminals and offices at Miami's port, a driver of the local economy.

Cherry Bekaert tax attorney Carol Surowiec said she gets calls every day about opportunity zones. Mast Capital CEO Camilo Miguel, who is developing 700 apartments on Miami River and owns the Conrad

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Hotel, said "there is so much capital competing for those deals" that it was driving up the prices of land in the zones.

"There's a lot of money sloshing around," Ardid said. "It's much harder to find a deal than to capitalize a deal. It's very easy to raise capital, and you've got it from a lot of sources."



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Codina Partners founder and Chairman Armando Codina and JLL's Manny De Zarraga

FM Capital co-founder Aaron Kurlansky did warn that "everyone and their mother puts together money and buys multifamily now. It's a frothy market."

Kristin Rick, a vice president at Pender Capital, said bidding wars are increasingly common in the market, with some buyers probably paying too much.

"If we can turn a gas station into a multifamily [deal], we will," she joked.

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A discussion panel about mixed-use and transit-oriented development featured Rivergate KW Residential VP John Zalkin, Allen Morris Co. CEO W. Allen Morris, Miami Worldcenter Associates Managing Principal Nitin Motwani, Adler Group VP of Development Adam Mait, K Group Holdings CEO Joseph Kavana and Greenberg Traurig shareholder Ryan Bailine

Nitin Motwani, one of the developers behind the \$3B Miami Worldcenter project, said that rents “got too good for developers for awhile” and they raised rents “because we could” but that the pendulum has swung back.

None of the panelists seemed worried about a recession. Miguel said that because projects are not overleveraged, any downturn would result in a “soft landing.” Galbut said any such event would be over quickly.

“Real estate doesn’t die, it sleeps,” Karmely said. “The value proposition in Miami is second to none. We are very bullish on Miami.”

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