

April 20, 2017

Financing, traffic and sea-level rise challenge South Florida developers in today's market: *TRD* panel

"From our point of view, buy cash, be very well financed;" Shahab Karmely

April 20, 2017 04:40PM

By Katherine Kallergis



Louise Sunshine, Jerome Hollo, Jimmy Tate, Shahab Karmely and moderator Hiten Samtani

Developers are embracing a Trump presidency and its potential impact on new development in South Florida amid a slow market.

Louise Sunshine, Shahab Karmely, Jimmy Tate and Jerry Hollo discussed financing their projects in the current market, and challenges like traffic congestion and sea-level rise, during *The Real Deal's* Broward County Real Estate Showcase & Forum on Thursday.

Tightening costs are key to operating in a tougher lending environment, the developers said during the first panel, which covered the economics of new development amid a new administration and continuing global market fluctuation.

Hollo, whose firm Florida East Coast Realty is building the tallest residential tower south of Manhattan, [Panorama Tower](#), said sponsorship is a big issue. "They're going to make sure you have a track record of being able to finish a project," he said. FECR secured one of the biggest construction loans this cycle in 2015 for Panorama, which is slated to open later this year.

"From our point of view, buy cash, be very well financed," Karmely, who's developing [One River Point](#) on the Miami River, said. He said the presales model is one of the main points that drew him to South Florida.

Sunshine, wearing sunglasses, chimed in. "I'd like to think I really developed the art of the presale in New York City," later adding that she doesn't believe the "art of the presale" has completely developed in South Florida.

At the Four Seasons in Fort Lauderdale, presales stand at about 25 percent and at the Four Seasons in Surfside, which is just starting to record closings, the project is about 85 percent presold, according to Sunshine.

In a slow market, Sunshine said location is the most important. "I was taught that Trump buildings were worth \$1,000 per square foot more than the buildings next door and I had to justify the reasons why that was so," Sunshine, a strategic adviser for Fort Partners, said during the panel at the Design Center of the Americas in Dania Beach. "Brokers should always be looking to create value rather than to lessen value."

The president's campaign promises, which include tax reform, investing in infrastructure, and changes to Dodd-Frank, "should help spur growth," Tate said. Tate's projects include the proposed redevelopment of the [Bahia Mar](#) resort and marina.

But developer Jerry Hollo, whose firm is building Panorama Tower in Brickell, said the president's unpredictability is problematic. "Certainty is more important than uncertainty," he said.

Tate and others don't expect the market to crash like it did in 2007 and 2008, but ebb and flow. Distressed opportunities are fewer than in the last cycle, and his advice was to focus on commercial when residential slows down, and vice versa. "You will see there's always opportunities. We're not just a one-trick pony."

When getting projects approved, Tate said traffic is a big issue. So is sea-level rise. "I wasn't going to mention sea-level rise," he said, replying to a question from the audience. "Obviously, it's a concern. It's something we all need to pay attention to. As a developer, I believe we can develop our way out of it," by raising roads and properties.

Bahia Mar's sea walls are at 3.9 feet, and Tate plans to raise them by about 2.5 feet. But Fort Lauderdale's code doesn't allow for sea walls taller than 5 feet.

Generally, the panelists said they aren't seeing elements of shakiness, and few examples of projects that have imploded.

Karmely may have said it best, comparing development to surfing. "There are times you're out there and it's smooth and everyone is catching a ride, and they are times you're being held under.... Don't panic You're going to catch another wave."