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“Anything and everything is negotiable”: Incentives for condo buyers mount in Miami

Offers include furniture, parking, HOA fees, leaseback programs and interest on deposits

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From left: Henry Torres, Jorge Perez, Alicia Cervera Lamadrid, Gil Dezer and Joseph Kavana (iStock)

In early March, Residences by Armani/Casa’s developers hosted a blowout opening party, featuring a Giorgio Armani fashion show, a performance by Pitbull, and a fireworks display over the beachfront pool deck of the [high-rise condo](#).

Agents offered tours of the Sunny Isles Beach tower’s units and amenity spaces. Some attendees wore ball gowns, and the drinks flowed. Miami was back.

But then, coronavirus hit, shutting down sales galleries, along with restaurants, hotels, non-essential retail, offices and large gatherings. Already saddled with supply, developers of new condo projects in South Florida were again forced to offer buyers incentives.

Over the past six months, offers include furniture packages, homeowners associations fees for a year or two, free parking, and even reimbursement for the cost of a flight to Miami to visit a project – if the prospects end up buying. Unlike earlier on in this cycle, the offers are made public and the developers are competing with resale units in their own buildings.

Before the pandemic, some submarkets had more than six years of luxury condo inventory, including Sunny Isles Beach, Edgewater and parts of Miami Beach, according to Multiple Listing Service data from Analytics Miami.



Pitbull performing at the Residences by Armani/Casa opening (Courtesy of Armani/Casa)

“It was going on before Covid, just because of the **oversupply**. What makes it sort of unique is that the developers are openly marketing it,” said Peter Zalewski, principal at Condo Vultures Realty. “What are the developers willing to offer when you go in and start a deal? If they really think you’re a live buyer, they’ll go over the top.”

The offers

Three months after the Related Group and Dezer Development hosted **their opening party** at Armani/Casa, the developers launched a lease-to-own program for prospective buyers. Rentals typically range from \$15,000 to \$25,000 a month, and up to 25 units are eligible for the program.

The incentive gives buyers “the flexibility to not have to make a concrete decision right now, and if they decide to buy, they receive full credit for the rental payments,” said Gil Dezer, president of Dezer Development, via email.

At another Related project, **Hyde Beach House** in Hollywood, the developer is offering buyers two years of homeowners association fees, according to an email obtained by *The Real Deal*. Related declined to comment.

Developers are “trying to catch a falling knife,” said Ana Bozovic, founder of Analytics Miami. Condo sales in Miami-Dade County fell 49 percent in the second quarter, to 2,233 closed deals, according to the MLS.

“Developers are offering incentives because they have to. They feel the drop in transaction volume and are reacting,” she said. “But as with most reactions, it is too little, too late.”

Dezer and other high-end residential developers in South Florida are hoping to capitalize on an influx of buyers and renters from densely populated, high-tax states such as New York – a trend that existed pre-Covid.



Ana Bozovic

But the majority of new buyers and renters are going for luxury single-family homes, priced at \$1 million and up and asking tens of thousands of dollars a month in rent. Bozovic said “condos are not so lucky.”

At condo project Merrick Manor, developer Henry Torres is offering one year of homeowners association fees, and in some cases, free parking or furniture packages from interior designer Steven G. Torres said he's offered buyers credits they can use at closing, as well as smaller "sweeteners," including gift cards or discount cards to retailers in the building.

The Coral Gables building near the Shops at Merrick Park has studios starting at \$399,000; two-bedrooms starting at nearly \$600,000; and four-bedrooms starting at \$2.2 million.

The project is also offering buyers packages of five to 10 units, with the developer covering the HOA fees and taxes for one year, plus a year of rent.

"We're basically doing whatever we need to make a sale," Torres said.

Metropica developer Joseph Kavana has three offers for prospective buyers at One Metropica Residences in Sunrise, a 28-story, 263-unit building that was [delivered in June](#). It's the first condo tower at the sprawling 65-acre, \$1.5 billion master-planned development.

The first 10 executed contracts by Sept. 30 can choose one of these offers: a closing credit equal to 2.5 percent, plus six months of HOA fees paid by the developer; a second parking spot, which the developer said is a \$35,000 value; or a closing credit of 2.5 percent, plus a storage unit valued at \$15,000.

The developer also has a leaseback program, separate from the above offers.

Bozovic said one- and two-year leasebacks can be appealing, "but who knows what the market will look like in two years. Will the buyer be able to rent the unit at an open-market rate that pays a similar return? I don't think anyone can answer that with confidence," she added.

Kavana declined to provide a figure for the inventory of remaining units, but said it is "quite low" and that he is working on selling out the building to then launch sales of the second tower.

"Once we're out of the special situation created by the pandemic, things will go back to normal," Kavana said.



Peter Zalewski

At [Natiivo Miami](#), a mixed-use residential, hotel, short-term rental, and office condo project, the developer is offering interest on deposits, honoring pre-Covid foreign exchange rates, and offering to cover the cost of travel if a prospective buyer makes a purchase. Natiivo will pay up to 5 percent interest on up to 50 percent of buyers' deposits, depending on the unit size. The developer is also offering to cover up to \$1,500 in travel costs if buyers make a purchase after visiting the sales center.

Keith Menin, leading Sixth Street Miami Partners, an entity of the Galbut family office, is developing the project. Natiivo will have 448 units for sale starting in the mid \$300,000s and 240 hotel units in downtown Miami. Cervera Real Estate is handling sales of the residential component. It's more than 50 percent sold, said Jesse Ottley, president of development sales for Cervera.

Honoring the pre-pandemic exchange rate helps foreign buyers, a major buyer pool in South Florida, to “get over that mental hurdle,” and demonstrates that the developer is willing to talk, said Alicia Cervera Lamadrid, managing partner and principal of Cervera.

The discount can amount to about 5 percent off the total purchase price. The exchange rate offer is applied only to the initial deposit. Ottley said it’s particularly appealing to buyers in Mexico and Colombia.

Ottley acknowledged that the impact of coronavirus “has been disastrous.”

“We’re trying to give buyers that sense of certainty,” he said. “We see that there’s still demand. As bad as things are perceived to be here, they’re much worse in their own markets.”

Zalewski said that buyers should consider the offers as starting points. “Until there’s a vaccine, it’s a buyer’s market and will continue to be one,” he added. “Anything and everything is negotiable.”

Broker commissions

Some developers are upping their offers to agents with commissions as high as 10 percent, hoping they’ll bring clients to their projects.

At [Aurora](#) in Sunny Isles Beach, developer Verzasca Group is offering brokers a 7 percent commission, sales director John Warsing confirmed. Most commissions are generally 5 percent to 6 percent. The 61-unit, 17-story building on the west side of Collins Avenue, is 65 percent sold, he said.

The developer started offering the higher commission a few months ago, and extended it with no definitive end date, Warsing said. Brokers have generated about 90 percent of business at Aurora, and traffic and interest in the project has picked up in July and August, he added.



Aurora in Sunny Isles Beach (Courtesy of Verzasca Group)

Though Verzasca is not offering any buyer incentives since the project won’t be completed until the third quarter of 2021, Warsing said price reductions are on the table.

“Everyone at this point is open to discounting,” he added.