

The Iconic ICON Brickell

Did Jorge Perez go too far with his megaproject, ICON Brickell? A look at the impact of this project to the developer and South Florida's condominium market.

By Debra Wood

The \$1.3-billion, 1,650-unit ICON Brickell mixed-use/condominium complex in Miami appears to be living up to its name, yet likely not as developer Jorge Perez, founder of The Related Group of Miami, first envisioned when he called it his legacy project.

While the three striking condominium towers shimmer in Miami's sunlight, the development serves as a symbol of a building boom that went too far and contributed to a national recession.

"ICON Brickell is a masterpiece and Related's largest investment," says Jack McCabe, chief executive of McCabe Research and Consulting in Deerfield Beach, Fla. "He's done a terrific job, but the problem is the market. Miami is the epicenter of the condo boom-bust cycle. Everything started here and changed here, and it's worse than other places because of the unbelievable construction." Peter Zalewski, principal of Condo Vultures in Bal Harbour, Fla., estimates that 11,500 condominiums were built in a 60-block section of downtown Miami between 1961, when the first units came online, and 2002. He adds that from 2003 until 2010, 22,737 more came into the market, in increasingly larger buildings with smaller units to maximize perceived profitability of a site.

"We never had the concentration in our urban core that we have now," says Alyce Robertson, executive director of the Miami Downtown Development Authority. She says the population of downtown has increased from 20,000 people in 2000 to 31,000 in 2008.

McCabe thinks ICON Brickell could become Perez's downfall, he likens the situation to other companies, such as bankrupt WCI Communities in Bonita Springs, that put "all of their eggs in the condo basket when it was hot. But there are not enough people to fill them."

Related Group admits the company lost more than \$1 billion in 2008 and is nearly \$2 billion in debt to lenders as most of its recent luxury condos sit mostly empty. The company has built nearly 6,000 units since 2002.

Robertson says she hopes Perez weathers the current economic crisis. She likens the current situation to South Florida's history, marked by boom-bust cycles and developers, such as George Merrick in Coral Gables and Carl Fisher in Miami Beach, who changed the landscape yet suffered financially.

"He's a visionary," Robertson says about Perez. "He has brought a vision of an urban downtown, and on a historical perspective, changed how we look at ourselves."

ICON Brickell General contractor John Moriarty & Associates of Hollywood, Fla., broke ground on ICON Brickell in March 2006 and completed it in December. It sits on 10 acres at the intersection of the Miami River and Biscayne Bay.

Arquitectonica of Miami designed ICON Brickell. Bernardo Fort-Brescia, a principal with Arquitectonica, describes ICON Brickell as a city within a city, and says in a design document that the project "symbolizes the new Miami and its quest for urbanization of its core."

The 4.6-million-sq-ft complex includes two 57-story residential towers and a 50-story condominium tower that incorporates a 148-unit hotel. Fort-Brescia angles the buildings to each other, creating clear views and a play of light and shadow.

Together, ICON Brickell includes 1,650 residential units and 2,004 parking spaces in a parking podium that links the three buildings. Supporting the parking deck are 470 24-in.-diameter auger cast piles, at a depth of 40 ft each. Each post-tensioned concrete tower has a 12-ft-thick concrete mat, supported by a cumulative total of 919 30-in. auger-cast piles, 95 ft deep. The project consumed 254,395 cu yds of concrete and 36,659,176 lb of reinforcing steel.

The exterior features slab-to-slab, aluminum-framed fixed glass and sliding glass doors.

"It was a complicated job," says John Deutschmann, senior project manager for John Moriarty & Associates. "We had to get the scheduling right for the concrete trucks and other deliveries to make things happen when they needed to happen."

All deliveries and the 2,400 people, on average, who worked at the project daily during peak construction came in and exited through a 40-ft-wide gate. Crews worked seven days a week.

Tower starts were staggered, and John Moriarty & Associates broke the project into separate teams. The company completed the project on time and within budget, with all four structures constructed simultaneously.

ICON Brickell features a two-acre park terrace and pool deck with a freestanding fireplace and views of the bay, a 300-ft-long swimming pool, rooftop lounge, 28,000-sq-ft spa, multiple restaurants and upscale amenities in the units.

"You walk through ICON, and it's a fabulous community, second to none and world class," McCabe says.

Roberston describes the vistas overlooking Key Biscayne and Virginia Key as spectacular.

"It's a site to behold," Robertson says. "His problem is not because it's not a quality project, but when it came to market."

Closings begin ICON Brickell units began closing in December. Zalewski says 22 have sold in the north tower.

Some people who put deposits down are likely walking away. McCabe says that, overall, unit prices in the market have declined 40% to 50% in the last six to nine months, and many of the people who put down 20% deposits are forfeiting that money.

Zalewski says ICON Brickell's volume could deter some purchasers because even in a typical market with 10% turnover, there could be 180 units for sale at any given time and little to differentiate one from another except cost.



ICON Brickell includes two 57-story residential towers and a third condominium tower 50 stories high that also includes a hotel component. (Photo by Smith Aerial Visions/www.smithaerial.com)

"A lot of people were buying speculative and expected to flip at a profit, but now (prospective buyers actually) look at the units," says Zalewski, adding that many layouts seem impractical. "We're seeing the buildings that do well are those with traditional layouts."

Complicating the problem is the difficulty perspective owners have securing jumbo loans, which may require 30% to 40% down, McCabe says.

"A number of banks have blacklisted condominiums in Florida and especially Miami-Dade County," McCabe says.

Many of the properties already owned by investors have resurfaced as resales, adding to the community's inventory. The Multiple Listing Service in April indicated more than 11,000 condominiums available in Miami, with more on the way. McCabe projects that 6,500 will come online this year.

"Related has a number of projects that have just been completed or would be shortly, with a flood of units coming in the market," McCabe says.

Converting to rentals While thousands of units in downtown Miami remain unsold, that does not mean they are vacant, says Ricky Arriola, chairman of the Performing Arts Trust Board of Directors for the Adrienne Arsht Center.

"People have moved into the new condos and are living there for little money," Arriola says. "What you are seeing happen with the

nightlife on Brickell is impressive."

Many owners, hoping to mitigate their losses, are renting. New tenants, often in their 20s and 30s, work downtown and are paying about \$1,500 per month for a new two-bedroom condominium, Arriola says.

"The rental market will be positive for downtown," says Robertson.

Zalewski indicates Related has begun renting some units in ICON Brickell on a slow, controlled basis. Related did not respond to requests for more information.

"It's a shrewd approach," Zalewski says. "What has to happen is for an institutional buyer to buy a tower for its portfolio at a suitable price. The buyer would have to work with the developer and lender and then rent it out."