

GOTHAM

Late Spring 2015

How Miami Became New York South

BY SUZANNE MCGEE

How the Magic City became New York South for Manhattan billionaires and investors.



Luxe new developments are cropping up all over Miami and attracting prominent New Yorkers, among them Lloyd Blankfein and Leon Black.

New Yorkers have long had close ties to Miami—from investing in the 1920s land boom to the glory days of the 1950s and 1960s, when the city was a millionaire's playground and Joe DiMaggio and Frank Sinatra, along with the rest of the Rat Pack, partied at the iconic Fontainebleau. In the 1990s, a cohort of New York photographers, led by Bruce Weber, helped put the city on the map for the fashion set. The latest chapter in this tale of two cities sees Miami as magnet for a new Manhattan-amid-the palm-trees crowd, who come with less fanfare than Sinatra, but with a lot more money—New York billionaires and centamillionaires, like Goldman Sachs CEO Lloyd Blankfein or Leon Black, cofounder of private equity firm Apollo Global Management (estimated net worth \$5.1 billion), who are not only scooping up trophy properties in the Magic City, but also hanging around to enjoy the fun.

GOTHAM

“A word that has disappeared from our vocabulary here is ‘the season,’” explains star architect Bernardo Fort-Brescia of Arquitectonica (whose buildings have transformed Miami’s skyline, and the world’s perception of the city). “Because today, New Yorkers can come here and find the same kind of culture, food, and entertainment they left behind them.” When a New York billionaire boards his private jet for the two-and-a-half-hour flight to Miami (less time than it would take to get to the Hamptons in summer traffic, unless he’s choptering, of course), increasingly he’s heading to a place where he can find a lot that reminds him of Manhattan—even his favorite restaurant may now have a Miami branch.



The Tumberly Ocean Club has three club levels.

Richard LeFrak understands the urge on the part of his fellow billionaires to take another look at Miami. “Miami has grown up,” says LeFrak, a New York-based developer who is spending more of his time—and getting involved in more business ventures—in Miami these days. But it wasn’t always a natural fit. When LeFrak began working on the recapitalization of a troubled bank in 2009, he found himself as an investor in another financial institution—and the owner of a lot of unsold Miami condos. “The world was yelling that this was a 20-year supply; a glut on the market.” Thanks to an influx of Latin-American buyers, it turned out to be no such thing; the Miami real estate boom was born, along with LeFrak’s growing fascination for “New York South.”

He remains a die-hard New Yorker, and spends about six weeks a year in his second home. That’s more than double the amount of time LeFrak used to spend in Miami; he now owns four condos there, has an office in the city, and has been spotted everywhere, making the social scene, celebrating 1 Hotel & Homes (a coproduction with Barry Sternlicht, chairman of Starwood Capital Group), and dining at Bâoli. Why the new commitment to Miami? “A lot of my friends are thinking about the city; they say it’s different than it was or than they thought. More and more, they’re willing to plant a stake in the ground.”

GOTHAM



A living room design at Muse, an oceanfront residence.

In fact, both Miami and New York have changed, say the billionaires who travel between the two cities and have feet in both camps. The fact that these transformations have occurred almost simultaneously explains why Miami is beginning to exert such a magnetic attraction on a certain breed of New Yorker: ultra-affluent, ultra-mobile financiers, business titans, and creative minds who insist on living in a global city, but are considering the tax benefits of having an additional residence in Florida. New York has become a more challenging place to live: Taxes are becoming more burdensome, and wealthy residents are particularly worried that the city's new mayor, who came into office declaring, "It's time to ask the wealthy to do a little more," will propose policies that would shift the tax burden in their direction. And yes, there are those blizzards—Mother Nature hasn't done Gotham any favors in the last three years.

Miami, in contrast, glitters all the more brightly. There's the weather, which may become oppressively hot and humid from July through September, but is a delight in the autumn, winter, and spring. You're a pro sports fan and worried you'll miss the Yankees, the Mets, the Nets, the Rangers? Well, what's not to like about the Miami Heat? The Dolphins? The Marlins? If you're a culture vulture, the Adrienne Arsht Center (which opened its doors in 2006) is the place to go to hear the exciting (and world-acclaimed) New World Symphony. Art Basel Miami is one of a handful of art-fair destinations that no collector would dare miss, bringing the who's who of contemporary art from around the world to the city in December.

GOTHAM



Echo Aventura will have 190 floor-through units and finish construction in June.

Jorge Pérez, an avid collector and one of Miami's biggest developers and wealthiest citizens, has donated \$40 million (in cash and art) to the former Miami Art Museum and has helped enshrine the museum's collection in an iconic, newly designed building that opened less than 18 months ago. The renamed Pérez Art Museum will be one of the anchors of Miami's new Museum Park district downtown. "If I'm a guy who likes art, well, there will be stuff that just doesn't come to New York but that ends up here, especially works by great Latin American artists," Pérez says. "And we know that New Yorkers appreciate art, and we're acknowledging that by putting museum-quality art in our developments," including pieces by Frank Stella that he snapped up during Art Basel last December.

Just who is investing in Miami and what are their reasons? The list is a diverse one. Hedge fund manager Eddie Lampert, once a familiar sight in financial circles in New York, is spotted much less frequently; he has relocated his Greenwich, Connecticut-based fund, ESL Investments, to Miami, and is now often spotted there. Andrew Hall, the former commodities trader who made headlines when he pocketed \$100 million in compensation for his highly profitable transactions during the same year that his employer (Citigroup) nearly collapsed, now runs his own hedge fund, Astenbeck Capital Management, in Miami. Goldman's Blankfein, who was an early buyer at 15 Central Park West, could be expected to spot a bargain when he sees one and snapped up a Miami home for himself at the \$1 billion Faena Miami Beach, a luxury development designed by Norman Foster. There he—and other New Yorkers, including Apollo's Leon Black—will get to relish amenities like a private spa, valet and concierge services, and two pools with cabana service, in an ultra-luxury development right on the beach. It has only 47 units.

GOTHAM



An aerial view of the six-block-long Faena District.

Then there are the creative types. As well as Blankfein and Black, purchasers of the Faena condos include Larry Gagosian, gallerist to billionaire art collectors. (Perhaps Black can get some advice on where to hang the pastel version of Edvard Munch's *The Scream*, for which he just paid \$120 million.) The octogenarian Pritzker Prize-winning architect Richard Meier had never bought an apartment in a building that he designed until he decided to purchase a unit in the Surf Club Four Seasons, where some two-thirds of buyers are said to be New Yorkers. (The project's developer is Fort Capital.) Tommy Hilfiger and his wife, Dee Ocleppo, shunned the mania for condos and opted instead for a seven-bedroom, three-story house on Golden Beach; having all that space, Ocleppo has said, enabled them to take out of storage art that they hadn't been able to fit in their Manhattan penthouse or literally even get up into the apartment.

The Manhattan-in-Miami list is a long one, says Jeffrey Fields, a local broker with One Sotheby's International Realty who relocated from New York—and now finds himself devoting much of his time to New York clients. Some of the New Yorkers he works with are household names (who make him sign nondisclosure agreements); others are still climbing the ranks within investment banks and hedge funds and are looking for a pied à terre in Miami, which they may upgrade in the years to come. "Miami has become more attractive in its own right," Fields says. "New Yorkers want to hang out with their friends, and increasingly, those friends are now in Miami. So in the dead of winter, they'll come down for a weekend to visit, gripe about the weather, and it transitions into a discussion about real estate. Before you know it, a week later they are buying a condo for \$10 million on the beach, with a big smile on their face."

GOTHAM



The Paramount Miami Worldcenter is one of the largest mixed-use projects in the country. It will offer condos, shopping, a hotel and conference center, and a rooftop soccer field.

GOTHAM

Talk to Fields, or any one of the developers building condos and increasingly pitching them to New York buyers, and you'll understand just why someone might be smiling after committing to a \$10 million purchase—and putting 50 percent down on a still-unfinished condo project, more often than not. It all boils down to relative value: At a time when buying a condo in a top New York building will cost you \$5,000 per square foot and an ultraluxury apartment may set you back \$13,000 per square foot or more, those figures are, for the most part, still far, far out of reach in Miami. Yes, prices on Miami Beach or in the ultra-luxe buildings (like Faena, or the Four Seasons development) are more costly; the still-unknown purchaser of the duplex penthouse at Faena paid a record \$50 million-plus for his new pad, in exchange for which he'll get two kitchens, a media room, a wrap-around terrace that has more outside space than the condo has indoors, and a 70-foot-long infinity pool on the rooftop terrace. But even at the high end, says developer Edgardo Defortuna, an Argentine-born, Miami-based real estate developer and founder of Fortune International Group, "Luxury properties on South Beach are \$2,500 to \$3,000, half of what they would be in New York. I visited a project on 22nd Street in Chelsea where they were asking \$3,000 per square foot—and that's Chelsea. There's no beach there."

Power real estate broker Eloy Carmenate, also at One Sotheby's International Realty, has helped drive those prices northward in large part by selling condos to eager New Yorkers, who make up nearly three-quarters of his clientele. The average condo he sells fetches between \$5 million and \$8 million, but he also holds the record for the highest price per square foot—\$4,760 on a single Miami transaction. Carmenate says that, as the New York phenomenon has exploded in the last three years, the market has broadened geographically, even as it has deepened. "Buyers started off escaping and then went from owning smaller homes as 'testers' while they sampled what Miami had to offer to snapping up more valuable real estate," he explains. "At first it was centered around South Beach; now people are willing to look further, to be adventurous. They realize that Miami is an urban city with a beach that is always going to be accessible." That may mean that the latest crop of New York arrivals venture farther north to Bal Harbor or Surfside or leaves the beach altogether for downtown neighborhoods like Brickell that increasingly are a hive of activity. One of the more modest luxury developments—in size and price tag—is Louver House, with prices starting at \$1.9 million or only \$1,100 per square foot. "I call it tropical Tribeca," says Carmenate of the design, calculated to appeal to urban dwellers from Manhattan, albeit with the usual array of Miami amenities, including a pool and cabanas in the South of Fifth neighborhood of Miami Beach. The average price for Tribeca real estate, of course, starts at nearly double that.



An outdoor terrace at the Jade Signature, designed by Herzog & de Meuron.

GOTHAM

Increasingly, developers are paying attention to what New Yorkers want when designing buildings. Yes, the flashy features are still there—as in the Porsche Design Tower, whose residents will have plunge pools and summer kitchens on their terraces and car elevators enabling them to park in sky garages. But the typical New Yorker prizes white-glove service and amenities—access to a private spa, say, or a bar. “We have an aperitivo bar in the lobby, a kid’s playroom, a fur-storage facility, a movie theater, and two pools with cabanas,” says Heinrich von Hanau, CEO of Fisher Island Holdings, now completing Palazzo del Sol on Fisher Island. The island’s first new development since 2007, it’s fetching lofty prices: An undisclosed Russian buyer just paid triple the previous high price, or \$3,602 per square foot, for the penthouse, a \$35 million purchase. When it comes to layout, New Yorkers who are increasingly making Miami their second home prize closet space (who wants to go back and forth with suitcases?) and large dining areas for entertaining—and architects are obliging. “There is no point in replicating their New York space; they are here to escape that mode of life and find big, open spaces,” says Fort-Brescia.

In Miami, oceanfront views are a given, even if you’re seeing them from a 10-minute drive away from your Brickell condo. (“Younger, hipper buyers are fine living that distance away—and in our SLS Brickell development, we include a membership to SLS in South Beach,” notes Related’s Pérez.) In New York? Well, if you want ocean, you need to venture out to the Hamptons, where a waterfront lot will start at \$30 million. When most of your Hamptons social circle is zooming to and from Miami except between Memorial and Labor Days, why bother?



A living area at Brickell Heights, which will consist of two high-rise condos designed by Arquitectonica

GOTHAM

GOTHAM

Nitin Motwani has been preaching the benefits of Miami for years. The former trader for Goldman Sachs, who grew up in Fort Lauderdale, began investing in South Florida real estate in 2006, assembling parcels of land on the fringes of downtown Miami. The properties evolved into a large, multi-use project, including a new luxury condo development, Paramount Miami Worldcenter. Motwani spends most of his time now working on the Worldcenter project, but whenever he can, he tries to woo hedge fund managers on behalf of Miami's Downtown Development Authority. The DDA is on a mission to convince more New York and Connecticut hedgegies to follow in Eddie Lampert's footsteps. The only notable taker so far has come from Los Angeles, but Motwani figures that so many hedge fund managers are spending their time in the city—some even telecommuting and making Miami their de facto residence for tax reasons—that it's only a matter of time. "It can start small, with satellite offices, and grow to be big," he says.

A potent lure for Florida residency (of at least six months plus one day), of course, is taxes. Florida has no personal income or estate tax. "Not only is Florida a great place to live, it's also a great place to die," quips Miami Beach's mayor, Philip Levine. There's no state capital gains tax either. Florida's governor, Republican Rick Scott, a former venture capitalist, vehemently opposes the idea of taxing incomes of venture, private equity, or hedge fund managers; proposals to tax their profits as ordinary income rather than as capital gains (and thus collect billions more in revenue) keep resurfacing as a political issue in New York. A provision of the tax code that will require hedge fund managers to repatriate all fees and earnings held in offshore accounts by 2017 adds a new wrinkle. Who wants to pay state income taxes on all of those funds once they're back in the country?



The SLS Lux Brickell will have 57 stories and 12 penthouses.

GOTHAM

And then, there's the weather. "One of my friends from Darien came for four days last weekend and he's still here, a week later," says Edgardo Defortuna, the Miami-based real estate developer and founder of Fortune International Group. But for all the ways in which New York and Miami have become sister cities in the last few years, they are still distinctly different—and it's those differences that will keep the ultra-affluent jetting back and forth. "You can't give up New York—who are we kidding?" says Eloy Carmenate of One Sotheby's International Realty. "Each city offers something the other doesn't. And now you don't have to choose; you can have it all."