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Sun Sentinel

Stalled Hollywood condo not a good sign for Broward market, analysts say

SEPTEMBER 29, 2016, 5:16 PM

Construction on the H3 Hollywood condominium has stopped, at least temporarily — and that may be an indication that the market for new condos in **Broward County** is softening, analysts say.

In a letter to buyers, the developer, Hollywood Station Investments, noted that "general market conditions have deteriorated" and the company is trying to get construction financing.

Hollywood Station says it thinks it can get a loan to finish the 15-story downtown project because more than 60 percent of the 247 units have been presold. When construction started last year at 2165 Van Buren St., developer Diego Besga said the \$270,000 to \$450,000 price range would make H3 attractive to primary residents and investors.

A person answering the phone at the H3 sales office this week said nobody was available to comment. However, the firm told city officials last week that it expects to resume construction within 45 days, Hollywood spokeswoman Raelin Storey said.

Peter Zalewski, principal of the Condo Vultures consulting firm, said he isn't aware of another Broward project that has halted building or shelved plans because of a dip in the market. Still, it doesn't bode well, he said.

"This may be the first sign that [southern Broward] is catching the flu that Miami-Dade has," he said.

An oversupply of units ushered in the housing bust a decade ago. The recovery began in 2012 as foreign investors bought units at bargain prices, reducing the glut and leading to another wave of construction.

The vast majority of the 47,643 new condo units in the tricounty region are in Miami, according to a Condo Vultures database of projects east of Interstate 95.

Analysts and industry observers say an oversupply has developed there, with builders offering incentives to buyers and large commissions to real estate agents in an effort to sell units.

The Hollywood and Hallandale Beach market is the most active in Broward, with 1,071 condos under construction and 4,685 announced since 2011, Condo Vultures data show.

In addition, Hollywood and Hallandale Beach have about 1,500 existing condos on the market for resale — effectively creating a glut of units in those two cities, Zalewski said.

He said he is more optimistic about Fort Lauderdale, which has roughly a third fewer resales and half the supply of new condos as Hollywood and Hallandale Beach.

Ken Thomas, a South Florida economist and banking analyst, said lenders are under increasing pressure from regulators not to overextend themselves as they did during the last decade's housing debacle.

Lenders will make every attempt to work with developers, but they'll insist on more equity in the projects and other terms to reduce risk, Thomas said.

"A loan that seemed good six months ago or last year may not make sense now," he said. "[H3] is only one, but I think we'll be seeing more of these."

Dan Kodsí, one of the developers of the Paramount condo on Fort Lauderdale beach, said the stalled construction at H3 is not necessarily an ominous sign for the entire Broward market.

Urban projects tend to be a tougher sell because they don't have ocean views, Kodsi said. While Broward's condo market isn't as robust as it was a year or two ago, sales are still steady, he said.

The 95-unit Paramount, with prices ranging from \$1.5 million to \$9 million, is 85 percent presold, Kodsi said. The 18-story tower is under construction and is scheduled to open next year.

Most of the Paramount buyers aren't investors and intend to live in the units, a good indication of true demand, Kodsi said.

"It's nice to see a normal market in comparison to some of the more volatile markets," he said.

Patrick Campbell, a vice president of The Related Group in Miami, said he hasn't noticed any dropoff in sales at the developer's projects in southern Broward.

Related recently broke ground on Hyde Beach House, a condominium hotel in Hollywood. It's next to Hyde Resort & Residences, another Related development expected to open later this year.

Related also is building the 171-unit Auberge Beach Residences & Spa Fort Lauderdale on the former site of Ireland's Inn at 2200 N. Ocean Blvd. Prices range from \$1.4 million to \$9.9 million.

It was an especially good summer at Auberge, with 14 sales contracts worth more than \$40 million, Campbell said. The developer has announced that it has received \$132 million in financing, and construction on the first of two condo towers is under way.

One advantage that Auberge has over other new Fort Lauderdale condos is that it's built directly on the sand, rather than across the street, analysts say.

"Fort Lauderdale has always been a slower market compared to Miami, but it's not disappointing us," Campbell said.

However, Harvey Hernandez, developer of the Gale Residences Fort Lauderdale Beach, said demand for new condos in Fort Lauderdale is beginning to wane.

He said he has sold three-quarters of Gale's 129 units, priced from \$500,000 to \$1.5 million. The project broke ground in August at 401 Bayshore Drive and is expected to be ready in about 17 months.

Most developers that have started construction should have no problem completing the projects, but condos still on the drawing board may have to be postponed or canceled, he said.

"They may have some issues," Hernandez said. "There's no question that the market [in Fort Lauderdale] is slower than it was before."

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