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JPMorgan bets on top-selling Miami condo project as other lenders pull back

South Beach development comes as the frenzied growth in the city's property prices has slowed



A \$430mn construction loan secured by a luxury Miami condominium development is Florida's largest this year, winning the backing of JPMorgan at a time when credit has grown scarce for property developers.

The four-year loan, which closed on Wednesday, will fund construction of the Shore Club Private Collection, a combination of high-end condominiums designed by architect Robert AM Stern and a boutique hotel on a three-acre oceanfront plot in South Beach.

Witkoff, the New York developer leading the project with partner Monroe Capital, said it had already sold about two-thirds of the Shore Club's 49 residential units at an average price of more than \$20mn apiece, or more than \$5,000-per-square foot. If sustained through closings, both figures would set Miami records, although other projects are also vying for that honour.

"A lot of our buyers are moving here permanently, and a large amount are New Yorkers," said Alex Witkoff, co-chief executive of the family-owned firm.

Among other factors, he attributed the project's success to the participation of Stern, the designer of some of New York's most successful luxury buildings of recent years, including the "super tall" 220 Central Park South and its predecessor, 15 Central Park West. "We have enormous credibility with the buying community," he said.

Witkoff is charging ahead at a time when the torrid growth in Miami property prices has slowed. Prices are still inching up, although the volume of sales has fallen and brokers say it is now taking longer to close deals.



At the same time, lenders have grown more cautious about extending construction loans, due to rising interest rates and a regional banking crisis. In fast-growing Florida, in particular, a surge in construction costs over the past 18 months has added to the uncertainty for underwriters.

“That was the impetus for banks to be more cautious with construction lending,” said Calixto Garcia-Velez, chief executive of Banesco USA, a Miami-based lender. In addition to the quality of the project and the developer’s record, Garcia-Velez said Banesco was increasingly focused on borrowers’ liquidity and their ability to cover financial shortfalls.

Under Florida law, developers can use money collected from down payments, after the first 10 per cent, to fund construction.

“Lenders are being very, very selective about who they’re doing business with,” said Suzanne Amaducci, an attorney at Bilzin Sumberg, who did not participate in the Shore Club financing but is negotiating three other south Florida construction loans. “At a minimum,” she said, “you have to have a very strong sponsor with a very strong project.”

The Shore Club loan outstrips a \$340mn construction loan agreed in May for the Ritz-Carlton Residences in Palm Beach Gardens. That was supplied by Madison Realty Capital, an alternative lender that touted it at the time as the state’s largest since the US Federal Reserve began raising interest rates last year.

Known for its expansive pool, the Art Deco Shore Club traces its roots to the 1930s, when it served as the beachfront cabana for the nearby Cromwell Hotel. It was part of the buzzy South Beach renaissance when hotelier Ian Schrager took over its management in 2002. HFZ Capital, an aggressive New York developer, bought the Shore Club in 2013 and had plans to redevelop it but was forced to put it up for sale in 2020 after going bankrupt.

Witkoff and Monroe acquired the three-acre property with designs of attracting the most affluent buyers to a neighbourhood that has been better known as a spring break mecca. Just a block away, another New York developer, Michael Shvo, is attempting a similar feat with his renovation of the historic Raleigh Hotel.

The Shore Club’s latest iteration will feature a 20-story oceanfront tower as well as a refurbished eight-story Cromwell House, a single-family private mansion and a botanical garden. The 75-room hotel is being developed in partnership with Auberge Resorts, which will also service the residences.