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Spec home developers shy away from the water in Miami Beach

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On Pine Tree Drive, a waterfront spec home with its own massive concrete waterslide hit the market in January at $34 million.

For $35.9 million, a sleek two-story home on North Bay Road, also on the water, has been listed for 553 days – before it was completed as a spec home last year.

Yet, as the demand for large, waterfront homes dies down, some developers are now turning to dry lots in Miami Beach at a much more attainable price for both investors and buyers.

Todd Glaser is arguably the biggest among the spec home developers, and he credits himself with kickstarting the waterfront spec home movement. But now, he says the market for $20 million to $40 million spec homes is “not as big as everyone thinks.”

Glaser is treading away from Miami Beach’s waterways to the drier parts of Sunset Islands, Nautilus Drive and North Bay Road, he told The Real Deal.

Earlier this year, for example, billionaire-backed Cadus Corp. announced it was building a collection of 11 homes throughout the coastal cities of Miami-Dade. Strang Architecture was tapped to design the spec homes, which Cadus paid nearly $30 million to acquire the lots a couple of years ago.

Big players also include Peter Fine, Barry Brodsky, Chicken Kitchen founder Christian de Berdouare, and others who have focused their spec residential development on the water.

“There were a lot of people watching what we’ve been doing,” Glaser told TRD.

He and his partners now aim to complete 50 nonwaterfront homes. Prices for lots so far have ranged from $700,000 to $2.4 million. Glaser's team includes his attorney, Mark Meland, and they have brought on Domo Design + Architecture to design the houses, which are anywhere from 3,800 square feet to 6,000 square feet. Meland, a partner at Meland Budwick, P.A., works on all of Glaser's spec homes, including contracts.

Glaser began buying lots, some with existing homes, about 10 months ago.

"If a toilet flushes in Miami Beach real estate, I hear it first," he told TRD.

As of May, six were completed and nine were under construction. Five sold for more than $3 million.

"Most of the stuff that I buy is not on the market. Brokers bring me before it is listed," Glaser said. "Usually they walk out with a signed contract."

Glaser bought the 10,800-square-foot lot at 2821 Lucerne Avenue, which is on Sunset Island I, in mid-2015 for $2.4 million. There, he's working on completing a nearly 4,400-square- foot house with six bedrooms, a pool and two-car garage by August. It's on the market for $6.95 million with EWM's David Solomon.

Over on North Bay Road, Solomon is also selling a similar Glaser-developed home, which was listed for $3.6 million in October and more recently reduced to just less than $3 million. Glaser paid $990,000 for the 6,750-square-foot lot at 4433 North Bay Road in 2014 and completed the house in November of last year.

Albert Justo, of ONE Sotheby's International Realty's Waterfront Team, said many of the developers building on dry lots initially looked to buy on the water. The "better deals in many cases got away from them," Justo said via email, and they had to consider less expensive alternatives.

So, who are the buyers?

Calibre International Realty's Julian Johnston said that more and more families are looking for new homes but are priced out of the waterfront. As South American and European buyers look to spend more time in the United States amid political and economic instability, they want the new construction they're used to in their home

countries, he said.

On the Venetian Islands, a new, 3,600-square-foot nonwaterfront home at 121 West San Marino Drive hit the market about three months ago for $3.8 million. A partnership between Thirwall Design and Toys for Boys developed the luxury home with a rooftop terrace, high- end finishes, a “floating” stairway and custom lighting for art.

The house sits on a 7,200-square-foot lot, and an LLC paid $1.37 million for the property last year.

Buyers who wouldn’t have considered new homes off the water in the past are changing their tune, brokers told TRD. “They are willing to give up the water but do expect to get a great house at a great value,” Justo said.

Next month, a completely rebuilt home overlooking the La Gorce Country Club will hit the market for $5.1 million, listing agent Dina Goldentayor of ONE Sotheby’s told TRD. The 5,300-square-foot nonwaterfront house, at 5334 La Gorce Drive, includes a pool and spa, golf course views, four upstairs bedrooms, a two-car garage and high-end kitchen appliances.

An LLC owns the lot, which sold for $2.3 million in February of last year.

“What makes it stand apart is that it has the attributes of a waterfront home, but it’s half the price,” she said. “On the bay, it would easily be a $10 to $12 million house.”

She said Miami Beach is now a buyers’ market, although “pockets of niche product” continue to resist market trends.

“As optimistic as I am about our marketplace, and international demand, there has been an oversupply,” she said.

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