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New Trends in the Miami Beach Luxury Market

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Analysis On The Non-Waterfront Luxury Market In Miami Beach, FL

To listen to real estate developer Todd Michael Glaser describe the Miami market, building modern luxury homes has never been more lucrative, and in demand — as long as those homes aren't being built on the water.

In other words, Glaser has taken to developing the "dry" luxury market, veering from the currently fickle waterfront market in Miami Beach. According to Glaser, he has constructed nine inland new builds in the last year, and has been selling them between $3 million to $3.5 million, though he's continuing to test the market at higher prices in the $5 million to $6 million range.

With many years invested in the high-end development business, Glaser has spent his career building million dollar homes that sold in record time, while bringing new modern design to Miami Beach, previously dominated by Mediterranean design. Glaser has also built condominiums, renovated the estates of such notables as Carl Fisher and Cher, and sold or built homes for celebrities such as Michael Bay, Hulk Hogan, Billy Joel, and even Lil Wayne.

Of late, Glaser has been taking his cues from recent trends in the Miami luxury real estate market, devising an actionable plan amidst a growing, slightly more conservative luxury market. Buyers still want a new modern luxury property, but are unwilling to invest in ultra expensive waterfront property that may not retain its value, or may lose equity in the market.

Glaser started concentrating on dry luxury homes because there was very little competition. In the past, if a buyer wanted a brand new house of waterfront magnitude, "then they had to go to the water, because no one was building them

dry," he said.

A good example is Glaser's Sunset Island lot, purchased in early 2015, recently sold for the highest price of any non-waterfront home in Miami Beach history below 63rd Street at $1,132 per square foot or $5.775 million.

"That home would have been $12 million to $14 million on the water," Glaser said. "The guy who purchased the home wasn't that crazy about water, so he thinks he got the greatest deal in the world."

In point, Miami's high-end real estate is steadily recovering from some of the problems inherent in 2016 — one of the largest being overdevelopment in the highest tiers, and price concessions as a result. Such oversaturation has been particularly painful for houses at the $15 million mark and higher, as sellers cannot control the property value in the saturated Miami market.

An ultra-luxury property's value is still configured on price per square foot, lot size, location and amenities. But because each of these properties is unique, the selling price can be reached only by developing a new price determination matrix for every case. Sellers of higher end estates are finding they are not getting the desired price in the current market, because lately, when it comes to super expensive homes, the buyer decides the price. There is little choice if a sale is desired. However, that rule doesn't apply to slightly less expensive, non-waterfront property, which has grown more lucrative in the current market.

Glaser acknowledges the receptivity in the market for luxury at a better price- point, at all levels. "I'm a partner at 1000 Museum, and sales have been moving through … sales have been quite good," Glaser said. "Homes have been selling — people want brand new houses."

Indicative of this activity, according to ONE Sotheby's International Realty's year-end report, 2017 will be a buyers market thanks to an abundance of luxury options available. Anthony Graziano, senior managing director for Integra Realty Resources — Miami/Palm Beach, created the report, showing sellers are expected to reduce their prices, particularly in the $1 million to $5 million range.

According to the report, in 2016, Miami had 36 percent more homes available in the $1 million to $5 million range than in 2012, and the number of homes in that range

was up nearly 25 percent in 2015 over 2012, while prices were lower by 3.5 percent.

Further, Miami prices for non-waterfront properties rose in 2016 by 9 percent, and the majority of Miami-Dade 2017 home sales was expected to be in the under-$1 million market, forcing sellers for higher-priced homes to bring down their prices.

This is all good news for Glaser, who has a solution for buyers seeking a luxury home without committing to an oversaturated, variable, higher-end and waterfront market.

“There’s 5,400 to 5,800 homes in Miami Beach,” Glaser said. “Every block has at least two dry homes being built.”

Mark Meland, a lawyer and partner at Meland Budwick, P.A., who represents Glaser in Miami, echoed this observation.

> “More developers will look to get out of the ultra-luxury house market in favor of $3 million to $4 million non-waterfront properties, which don’t command the same eye-popping prices as beachfront estates,” Meland said.

“A good example is Todd Michael Glaser, who is building architectural mansions on dry lots,” Meland said. “His model is working really well. So, now a lot of people are copying that.”

So much so that Glaser is now making larger profits due to anticipating trending streams in the market, and the swing toward dry lots. He admitted he started early, but also saw inherent problems with older estates. This caused a slight revelation — seeing the potential for tearing down a pre-existing property, and replacing it with a high-end luxury home built on a higher elevation.

“Newer homes are being built much higher than old homes. Eventually flood insurance is going to be more expensive than windstorm. Miami Beach is raising all its streets. People aren’t going to spend $1,000 a month on flood insurance, they’re going to knock the house down and raise it. All these homes are going to be knocked down because of insurance. We just hit the market early.”

Glaser expects the trend of non-waterfront homes moving faster to continue, completely supporting his present business model. Working on an estimated 37 projects of 60 percent wet, and 40 percent dry at the moment, Glaser builds these $3 million to $3.5 million homes in less than six months.

All in all, Glaser is comfortable with the market environment, confident his analysis of current Miami real estate trends will continue to support both his conclusions, and future goals as a developer.

“We had a lot of clients who bought their house in 1999 for $250,000,” Glaser said. “Now they’re further along in their careers, making good money, and they decide to go out and buy a new waterfront home, and have sticker shock. They see what we’ve been doing, and come to us to build them a brand new home on their existing property.

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