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Hurricane Irma Drags Out Some South Florida Real Estate Deals

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Lidia Dinkova

The sale of a Miami residential property was scheduled to close Sept. 8. The sale of a home in the exclusive Ocean Reef Club in Key Largo was to close Sept. 15. And the sale of Boynton Beach condominiums was to close Sept. 22.

All of the closings were delayed by Hurricane Irma and slow to return to relative normalcy.

After the storm battered South Florida, uprooted trees and cut power across vast areas, it also left some real estate deals pending for longer than planned.

Among the delays for sales in the works long before Irma became a threat, buyers wanted to survey properties again to check for storm damage. In some cases, sellers might be required to make repairs before the deals are sealed. But closed airports and power outages left inspectors unable to travel to the region to survey properties and see what they needed to check.

“Just this morning alone we had two properties we had to extend the due diligence on,” Robert Given, vice chairman of commercial real estate brokerage Cushman & Wakefield in Fort Lauderdale, said days after the hurricane passed. “The main reason is the buyer is bringing in out-of-town inspectors, environmental (and other) … but hotels have not been available, flights have not been available.”

Flood, hazard and wind insurers also stopped issuing new policies once the region was in Irma’s cone to avoid the risk of being on the hook for storm damage, real estate experts said.

“If you can’t get insurance, the lender is not going to lend, and the dominoes start falling, and you can’t close,” said Scott Marcus, shareholder in the real estate

department at Becker & Poliakoff in Fort Lauderdale.

These are just some of the roadblocks prolonging real estate deals.

“It can be challenging,” said Matthew Cheezem, JLL managing director in Miami. “Think about it. If I need to coordinate with an inspector, think of how many other inspections they have to go do especially if they have a deadline and a closing date. I might have to coordinate with them. I might have to coordinate with a bank. Those types of things can definitely be a challenge where the turnaround time we are all accustomed to is delayed right now. No question about that.”

Sealing the deal for the Ocean Reef Club home and the Boynton Beach condos was extended by about a week and a half and two weeks, respectively. While insuring the properties wasn’t an issue (both already were insured), getting them inspected after the storm was, said Mark Meland, the Meland Budwick, P.A. partner working on these transactions.

“We haven’t been able to do the reinspection because of the power issues. They’ve got to make sure things work still. They’ve got to make sure the refrigerator still works. The only way to check is to have power. The inspection is not only the roof,” he said, referring to the Ocean Reef Club home.

And the Miami closing was extended past the original Sept. 8 closing date.

“That closing has been delayed until the insurance coverage can be found, the lender can get their documents to us and the buyer can do a reinspection of that property,” said Marcus, of Becker & Poliakoff.

WORKING OVERTIME

The week after Hurricane Irma roared up the Florida peninsula, the Cushman & Wakefield staff worked overtime assessing its properties for damage and speaking with investors.

“We are working early in the morning until late in the evening communicating with investors about the status of both the properties and just the market down here,” Given said.

The company had about 10 near-term sales pending when Irma blew through, he said.

It's created more work for the JLL team as well, Cheezem said.

"No question," he said. "It causes stress on almost every situation. … Everyone wants to know, 'What are we dealing with? What are we coming back to?' and we, and I would say attorneys, are usually the people coordinating. There's all kinds of, 'Hey, we are OK. High five.' to, 'Hey, we have water damage. How do we deal with it?' Some of these are not even impending transactions but existing clients that are already in their space. It's caused more work for everyone, but we are in the service industry, and we have to respond."

In talks with investors, Cushman & Wakefield has been gauging interest in South Florida real estate post-Irma, Given said. That appetite still is there.

"Across the board, investor appetite for core assets is very high at the moment," he said. No buyers have pulled from any of the deals the firm is managing, he added.

Meland said the same is true for his clients, especially because buyers and investors know hurricanes are a known risk.

"The only time I have seen in these situations people walk away is if the property is severely damaged," he said, speaking broadly and not about deals pending when Hurricane Irma hit. "But that doesn't mean that person doesn't want to buy a building across the street that's not damaged."

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