

Jorge Pérez: Expect residential development in Miami to slow, not stop

Panelists at a Bisnow event also discussed availability of capital for real estate developments



Billionaire developer Jorge Pérez said he expects a slowdown, not a shutdown, in Miami-area residential development as land prices and construction costs rise.

“I do not think there will be a bubble or a collapse in the market,” Pérez said at a real estate conference Tuesday morning.

But residential sales and construction are going to slow down, he said, largely because “construction and land prices have skyrocketed.”

The founder, chairman and CEO of Miami-based [Related Group](#) said, for his company, “sales are still there. We are selling our product well, and pricing it based on what the market will give us.”

Pérez also said Related has avoided building highly leveraged developments: “We are very conservative. If we don’t have a project that is 70 percent sold with 50 percent deposits, we will not start that project.”

Pérez was the keynote speaker at Bisnow’s real estate conference entitled “Miami’s State of the Market 2016,” held Tuesday at the Private Key Club in Miami’s Wynwood district.

Another speaker, David Martin, president and co-founder of Miami-based development firm [Terra Group](#), said long-term limitations on real estate development in the Miami area include a scarcity of developable sites as well as climate change and sea-level rise.

Although the impact of sea-level rise on the Miami area has been limited so far, “it’s impacting the perception of our city,” Martin said.

Other speakers addressed the availability of capital for real estate developments in the Miami area.

“Where we see some headwinds is in the capital markets,” said [Ezra Katz](#), CEO of Aztec Group Inc. in Miami, citing regulatory pressure on commercial banks to limit their exposure to real estate loan losses. “I think you’re going to see some serious setbacks in construction lending ... by regulated banks.”

Developer Nitin Motwani, a managing director of Boca Raton-based Encore Capital Management, said his company has raised capital internally in “three buckets,” including a private real estate investment trust, or REIT, and a private equity fund for discretionary, opportunistic property acquisitions.

In addition, Motwani, a managing principal of the partnership behind [Miami Worldcenter](#), a \$2 billion mixed-use development in downtown Miami, said his company also formed a fund to raise capital specifically for investments in Miami Worldcenter.