

He's Got His Sights On Bay Harbor Islands

Samantha Joseph, Daily Business Review

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Victor Ballestas, principal, Integra Investements LLC at a waterfront lot where he is planning to build a condominium project.
J. Albert Diaz

Victor Ballestas is back in Bay Harbor Islands to finish what he started a decade ago.

In the past two years, the Integra Solutions LLC principal acquired a large portfolio of multifamily properties he's wanted since 2004. He's now at work on one of the two islands that make up the small town between Aventura and Miami Beach. Ballestas is parceling out the 16 lots to develop a \$40 million high-end residential project.

"Things are starting to pick up," he said. "We're seeing the opposite of what we saw in 2004. In the last boom, zoning changes scared developers from investing in the island, while the surrounding areas got a

lot of attention. But as the market started getting better, a lot of developers started looking at Bay Harbor again."

Some companies like 3D Developers have shovels in the ground at multiple sites. The Aventura-based firm is creating Ivory Residences, Kai at Bay Harbor and Monarch, a 96-room hotel with retail, restaurant and office space.

"There was no development for a long time, but a lot has changed," said 3D Developers principal Alina Avakian. "A few years ago when we started to look at the land, we realized there was still opportunity there."

Her investment group is one of several revisiting Bay Harbor and pumping millions of dollars into 25 multifamily projects in various stages of development on the town's 150-acre eastern island. The western island is reserved for single-family homes.

For years, the town government wrestled with building codes, limiting heights to 75 feet. They also levied a moratorium on new multifamily projects as the town configured a comprehensive land use plan.

In 2005 Bay Harbor allowed property owners to transfer development rights, but the uncertainty of evolving zoning rules scared off some would-be developers. Later, the housing crash forced many remaining investors to shelve their plans.

"The problem is in 2006, 2007, the momentum was declining," said Marc Schmulian, president of S2 Development LLC. "But now for the most part, the zoning and administrative changes are all done, and it's a much more stable environment. The town, as well as the administration of the town, understand that development is important. And those of us who are here now understand how to navigate political waters. A lot of developers coming into Bay Harbor Islands are a lot more seasoned. What might have scared off inexperienced developers in the past is not much of an issue anymore."

Schmulian is building the 41-unit O Residences with partner Jacques Claudio Stivelman, a veteran developer who created Ocean Tree in Sunny Isles Beach and Uptown Marina Lofts in Aventura. The developers say they've had their eye on Bay Harbor since 2007 and have returned to create a luxe product while prices were still competitive.

"When you look to the east, there's Bal Harbour, and that's priced at over \$2,000 a square foot. You look to the south and you're next door to Indian Creek with homes for tens of millions of dollars. Brickell is to the south, and Sunny Isles is just north," Schmulian said. "We're offering people the opportunity to live in a luxury epicenter surrounded by multimillion-dollar developments for under a \$1 million. You're getting the lavish lifestyle at a definite value play."

S2 Development's project will have high-end amenities like steam rooms, a boat deck and Jacuzzis for prices starting at \$550 per square foot. Still in the permitting stages, they have 40 percent of the units under reservation at prices ranging from \$600,000 to \$1 million.

"Bay Harbor is a really interesting place," Schmulian said. "But it sort of got forgotten a little bit."

Big Returns

Developers like Ballestas didn't forgot it. He had Bay Harbor property under contract a decade ago for WCI Communities Inc., the high-rise developer and homebuilder behind luxury projects like One Bal Harbour. But that deal fell apart as the market tanked and WCI filed for bankruptcy protection.

Ballestas kept in touch with the property owner, a private investor from Washington, who was getting cold feet about venturing into real estate development. Talks reopened in 2010 when he was an executive at Integra, and the company eventually purchased a 134-apartment assemblage in a \$15 million deal with partner 13th Floor Investments LLC.

The developer plans to demolish 32 waterfront apartments to build Sereno, a \$40 million condo development with bay views, private elevators and price tags ranging from \$800,000 to \$2 million.

Construction is set to start at the end of this year for delivery by summer 2016, but Ballestas said buyers have snapped up 75 percent of the units.

"Bay Harbor is now very enticing," said Adriana Faerman, a broker associate at One Sotheby's International Realty II LLC, who's marketing Kai at Bay Harbor, a seven-story condo project with glass-enclosed balconies and 57 units scheduled for delivery next summer. "It's becoming a very chic area, and for those of us who've been working here more than 14 years, the change is very obvious."

One key change is the uptick in prices on both islands, where single-family home values have quadrupled. From 2012 to 2013, the average price per square foot increased 106 percent for waterfront property, and waterfront single-family home prices grew 251 percent, according to One Sotheby's 2014 trend magazine.

"In 2010, waterfront homes sold for \$800,000," Faerman said. "In 2013, similar deals were in the \$6 million range."

Brokers expect prices to continue to trend upward as the town attracts more restaurants, retail and other businesses.

"There's so much going on it's hard to keep up. It still has that island feel, but a lot of new boutique products are in the pipeline," said marketer Deniece Williams, president of DW Connect Inc. "It's an interesting dynamic."

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