

Price of condo conversions on the rise

By Paola Iuspa-Abbott – South Florida Business Journal
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As prices of new construction and single-family resales keep rising, condominium conversions are one of the few avenues left for young professionals to become first-time homebuyers.

Last year was an unprecedented one for condo conversions, said Michael Stein, managing director of the Aztec Group in Coconut Grove. He brokered and helped with the financing of some deals for Grec and Sunvest.

"About 30 conversions took place in the three counties," he said.

But only a small number of those projects turned out to be affordable for middle-income families.

Some developers have bought rental apartments in waterfront communities for more than \$200,000 a unit, real estate experts said.

For example, Miami Beach-based Karlton Properties in 2002 bought the 399-unit The Waverly at South Beach for \$97 million, or about \$245,000 a unit. The converted condos sold from \$250,000 to \$550,000.

Grec Conversions of Miami Beach, which in the past three years converted about 960 units, buys properties at about \$90,000 a unit, said Miguel Poyastro, its managing partner. In the last 90 days, the firm has acquired three gated communities and is nearing completion on a deal for a fourth, dropping \$64 million in acquisitions.

The median sales price of single-family homes in Miami was \$232,800 in October, up from \$182,900 a year ago, Florida Association of Realtors' numbers showed. In Fort Lauderdale, the median sales price was \$233,500, up from \$207,100; and in the West Palm Beach and Boca Raton area, it reached \$246,600, up from \$212,700 a year earlier.

With the current interest rates, the rule of thumb is a home mortgage is about two and a half times the borrower's salary, said Ann Kashmer, the director of the South Florida Fannie Mae Partnership.

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