

MORNING EDITION

Developer Don Peebles sees trouble in Miami condo market, and other thoughts on real estate

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Brian Bandell

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National developer **R. Donahue Peebles** discussed his views on the real estate market on Thursday at the National Association of Real Estate Editors conference in Miami, a city where he believes the condo boom could encounter problems.

The chairman and CEO of the **Peebles Corp.** said the 50 percent deposit requirement for new condos in Miami is a “horrible model” for buyers because you put your money at risk with a developer. People in Latin America are willing to do it because they have flight capital and that is what they are used to in their home countries, but Latin American buying of new condos in Miami has slowed because of problems in their economies, Peebles said.

Peebles said few people in the domestic market are willing to put 50 percent down on a condo, even if they can afford it. They’re used to putting down no more than 20 percent.

“This market is in for a leveling off and it will get quieter,” Peebles said. “The projects under construction will be finished and others will not get built.”

Part of the problem is that the local market in Miami can’t afford to buy many of these high-end condos, Peebles said. While the city is trying to attract high-tech companies, it still doesn’t have the workforce talent to lure these companies, he said.

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Rate risk

Higher interest rates are a risk for income-producing property. Many properties are trading at cap rates of 4 percent to 5 percent now, but that is based on a zero-rate environment from the Federal Reserve, Peebles said. He said if the Fed raises that would put upward pressure on cap rates, which

effectively lowers the value of income-producing property.

Affordable housing

Building affordable housing is too expensive, especially in New York, Peebles said. The city requires union labor, which costs 30 percent more.

Diversity

Cities should have more diversity in their contracting so their makeup is similar to the percentage of minorities and women in their communities, Peebles said.

“It is important to have the contracting opportunities be reflective of the demographic of your city so you avoid putting different groups into a permanent underclass,” Peebles said. “The income and wealth disparity that has taken place in this country today is not sustainable.”

