Deals are falling apart, stalling or resulting in messy legal fights in South Florida

Terra's David Martin and Mast Capital's Camilo Miguel Jr. (Photo-illustration by Priya Modi/The Real Deal)

By Katherine Kallergis

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Offers suddenly appeared under the doors of units at an oceanfront Miami Beach condo building one sweltering day in July, adding an unexpected twist to a drawn-out bulk buyout of the property.

Mast Capital CEO Camilo Miguel Jr. was already in contract to purchase a majority of units at Amethyst, a 120-unit building that was constructed almost 60 years ago. But after negotiating with sellers for more than two and a half years, and repeatedly extending the closing date for many, Miguel lost trust among sellers.

Enter David Martin, CEO of Terra, one of the largest development firms in Miami. A Terra affiliate sent **unsolicited offers** to unit owners days after *The Real Deal* reported on **the fallout**.

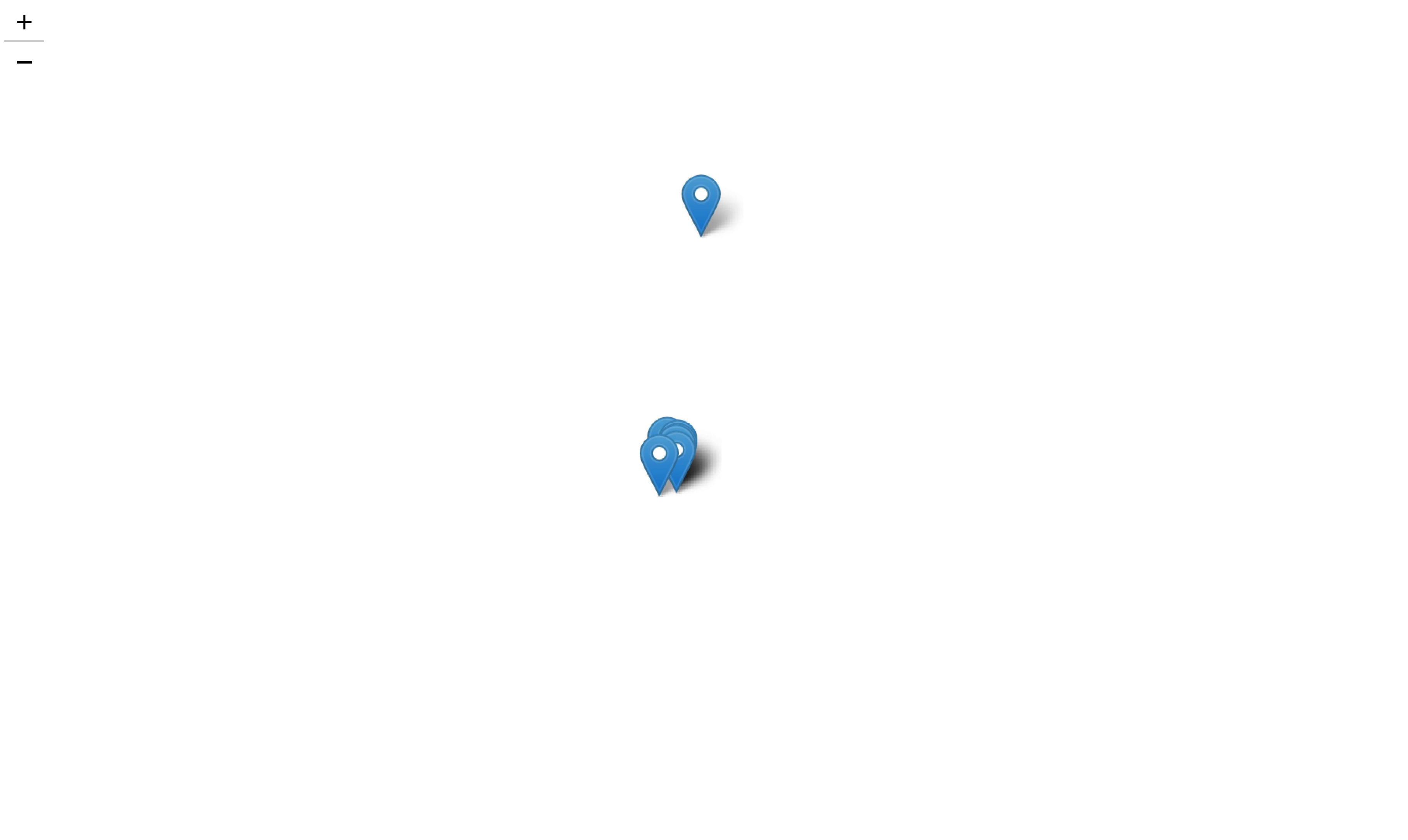
Developers are attempting more condo buyouts and terminations across South Florida, from Brickell and Miami Beach up to Fort Lauderdale and West Palm Beach. But lately deals are falling apart, put on hold, or resulting in messy legal fights. That's due to a combination of factors: high interest rates and construction costs, difficulty securing enough support from owners and pullback from lenders and equity partners.

“There’s no doubt that the real estate market, as red-hot as it is in South Florida, we’re not as red-hot as we were last February or March,” said attorney Jose Rodriguez, of Rennert Vogel Mandler & Rodriguez.

After successfully completing a buyout/termination, a developer will typically demolish and redevelop the site into a new luxury condo tower that will then sell out for hundreds of millions of dollars.

Miguel was successful next door to Amethyst at La Costa after going through a court-ordered sale to acquire the remaining ownership interest in the property. He partnered with billionaire Barry Sternlicht’s Starwood Capital Group to launch sales of a planned boutique condo building in its place, called Perigon Miami Beach, where asking prices for units go up to $37 million for the penthouse.

Condo Buyouts



Leaflet map created by Adam Farence | *Data by © OpenStreetMap, under ODbl.*

Sites that are most in demand are waterfront properties with favorable zoning. But completing a buyout requires all the pieces to fall in line at the right time. One broker compares it to successfully completing a Rubik's Cube: You may get one side, but good luck with the rest.

Reaching the finish line

Sellers at Amethyst and other condo buildings with deals in the works are increasingly frustrated by the delays. They say the deals are shrouded in shady tactics, with a lack of communication from the developers themselves. Some Amethyst sellers say they have never seen or spoken to Miguel directly since his firm began reaching out to owners in early 2021. Martin also hasn't been spotted at the property. And the offers and contracts will oftentimes just name an LLC.

Developers showing up in person can go a long way — but they typically don't want to.

"They don't have the time, [and] they don't want to engage with anybody," said Jeff Cohen, a Brown Harris Stevens broker who almost exclusively works on such deals. Developers want to know how many owners would sell. “Otherwise they won’t get out of bed.”

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>
> JEFF COHEN, BROWN HARRIS STEVENS

Still, “buyers need to be present and engaged throughout the process to really give the sellers the confidence that they’ve got all the information, they know who they are dealing with and it’s not just some made-up group out there,” said Ken Krasnow of Colliers. Colliers is working with a number of condo associations in the Miami area, including the massive Castle Beach Club. (Terra offered **$500 million for the Miami Beach property** this year.)

“This is a very hands-on process. It’s not just about the numbers,” Krasnow said.

About the time that Terra sent offers to owners at Amethyst, a pair of sellers in contract with Mast sued the developer. Days later, the condo association filed its own lawsuit over the deal — fueling uncertainty over what will happen next.

Florida law allows 5 percent of a building’s ownership to challenge terminations, which is why developers may look to secure just over 95 percent of a building’s units.

“Until people really get into it, they think it’s so easy and that you then go retire to the French Riviera,” Cohen said. “It’s not so easy. You have to get everyone to agree.”

Corporate raiders

Using real estate brokers, developers often employ scare tactics to persuade owners to sell. Even before the **Surfside collapse**, developers would use a building’s age and the cost of maintaining and repairing it to drive sellers to sign with them.

That ramped up after the June 2021 collapse of Champlain Towers South, which killed 98 people, and the passage of new condo safety legislation. State law now requires buildings to have a structural integrity reserve study completed. Associations must fully fund their reserves by the start of 2025, and buildings must pass inspections statewide. All of that, coupled with the doubling or tripling of insurance costs, is putting an unsustainable strain on many owners. In theory, that gives developers more leverage.

"With that pressure mounting, developers are going to have more opportunities and are going to be met with more reception from specific condo owners," said Berkadia broker Omar Morales. Morales said he is speaking with owners or condo associations "probably every week."

Attorney Jonathan Goldstein, a partner at Miami-based Haber Law, pointed to the fact that many associations waived the reserve funding requirement for decades — before the law was changed in 2022.

“That obligation is coming fast. Can the association afford these things? And will the association go into a sort of collection death spiral?” Goldstein said. “That creates a terrible situation of waste.”

At Amethyst, unit owners allege that Mast created safety issues in the building by doing unpermitted work in the units it acquired, and by committing to closing dates that have come and gone.

With the expectation that they would have already sold to Mast by now, some unit owners have stopped paying their monthly fees. And if Mast doesn’t close soon, Amethyst will have to pass its 60-year recertification, due next year.

Developers will often start buying units one by one in an attempt to stay under the radar. They sometimes use different LLCs or straw buyers. Miguel's firm already owns at least eight units at Amethyst.

"It's basically a corporate raider approach. Groups are going in and taking positions here and there," said Peter Zalewski, a former journalist and longtime real estate market analyst.

Zalewski compared Terra entering the picture at Amethyst to a white knight walking into a hostile takeover. By signing contracts with a majority of owners, Miguel's firm tied up the Amethyst building and kept other developers from wanting to touch it — with the exception of Martin.

"At the end of the day it comes down to closing. The associations are at the mercy of whoever they sign with," Zalewski said. "Some of it can be posturing just to 'shit or get off the pot,' as the saying goes."

But unlike a typical commercial deal where a developer is dealing with a sophisticated real estate investor, most of the time the developers are working with sellers who don't understand contracts.

Cohen, who has been working with developer Vivian Dimond to acquire units at a waterfront building in Miami's Edgewater for about two years, said he speaks to the remaining owners every day from 10:00 a.m. to 2:00 p.m., in addition to other regular outreach.

Time's up

While some buyouts have closed over the past year, developers are now pulling out of deals.

"The velocity of deals being looked at is increasing now, [but] I still think these deals are going to remain increasingly complex and rare," Cohen said. "You're going to see more fall out than you're going to see close in the next nine to 12 months."

In the spring, Martin sent out offers to owners at **Castle Beach Club,** an 18-story, roughly 570-unit condominium at 5445 Collins Avenue in Miami Beach. It was months after Jorge Pérez's Related Group and Arnaud Karsenti's 13th Floor Investments withdrew their similarly priced bid for the 4-acre oceanfront property. But it's still not clear if Martin will close, especially since Related and 13th Floor canceled their sale.

More recently, in June, Richard Meruelo **rescinded his $200 million buyout offer** for the historic oceanfront Casablanca condo-hotel at 6345 Collins Avenue. Meruelo's deal was reportedly contingent on his family selling the now-demolished Deauville Beach Resort nearby for half a billion dollars to billionaire developer Steve Ross. The latter is either canceled or on hold.

"There's a lot of false starts," said Jaime Sturgis, broker/owner of Native Realty in Fort Lauderdale. "This is the holy grail of real estate. It's the Rubik's Cube."

At Castle Beach and Casablanca, unit owners are, for the most part, on board with selling their properties. Many units are operated as short-term rentals. But prices may no longer pencil out. And it's unclear if a new buyer will be able to close on Casablanca at a lower price.