

REAL ESTATE

The Quick-Change Artist

Big Deal

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A view of the South of Fifth neighborhood in Miami Beach.
Diana Zalucky for The New York Times

MIAMI BEACH — High-end neighborhoods come and go, though few swing from blighted status to the height of luxury living in just one decade.

But in Miami Beach just about anything seems possible. There is no shortage of dreamers and visionaries, and men with the tenacity to battle to the bitter end for what they envision will play out — someday.

That's what happened in the South of Fifth Street neighborhood, where the city took on an ambitious German real estate investor in the struggle to redefine an area that criminals and castoffs had all but taken over.

Almost implausibly, South of Fifth has emerged as the most expensive section of Miami Beach. A string of high-rise condos along the water, which were at the center of the struggle over the city's development 15 years ago, are selling apartments for record prices.

Last year, a penthouse at one of two Continuum towers sold for \$25 million, then the highest sale for an apartment in Miami Beach. In late December, a penthouse at the neighboring Icon tower sold for just under \$21 million, a record for a bay-facing apartment in the city. A lower-rise 50-unit development, One Ocean, has yet to start construction, but has only three apartments that are not spoken for.

Today the area's streets are clean, the vagrants are gone and the lower-lying Art Deco buildings the city fought to preserve by establishing a historic district have been upgraded. More than a dozen restaurants, including several considered the most exclusive in Miami Beach, have opened in the neighborhood, which is also home to the 18-acre South Pointe Park.



The South of Fifth area in Miami Beach has high-rises along the water and low-rises in the center.
Diana Zalucky for The New York Times

Of all the high-end stories of rapid urban renewal and massive accumulation of wealth I have encountered around the world in the past year, the area South of Fifth Street stands out for the sheer pace of its transformation.

“What happened there in less than a decade is absolutely mind-boggling,” said William Cary, the city’s assistant planning director, who drew up the historic district.

Dating to 1912, South of Fifth Street was the first subdivision of Miami Beach to be developed. The brothers James and John Lummus set out to create an affordable seaside community for the “proletariat,” Mr. Cary said. They plotted lots 50 feet wide, small enough that even people with modest incomes could afford to buy land and build homes, Mr. Cary said.

The area served as the industrial and transportation hub of the city back then, with railyards and oil tanks.

Buildings of three stories or less continued to be built in an Art Deco style until 1954 when the Fontainebleau Hotel opened farther north. With 1,504 rooms and multiple restaurants, theaters, arcades and coffee shops, it began to “suck all the energy out of South Beach,” Mr. Cary said.

South of Fifth became desolate. Conditions worsened after 1980, when the Mariel boatlift dropped 125,000 Cubans in Florida. South of Fifth was disproportionately affected, city officials said. The area became known for drug dealing, and the streets were considered unsafe at night. It decayed into a zone of abandoned warehouses, seedy efficiency hotels and boarded-up properties. Mr. Cary recalled seeing vagrants living in the then-vacant Brown’s Hotel on Ocean Drive, lighting the rooms with candles.

Then, while on vacation in early 1992, Thomas Kramer, a German businessman, took a helicopter ride over South Beach and had a vision: to create a version of New York’s Battery Park City on the southern tip of Miami Beach.



A penthouse at Ocean House is on the market for \$18.5 million.
Diana Zalucky for The New York Times

Before German reunification, Mr. Kramer had started a fund to invest in East German real estate. The fund soon went bankrupt. But he had also married into a wealthy German family.

With a reputation for knowing how to get things done quickly, Mr. Kramer spent more than \$100 million to buy real estate in Miami Beach, including 45 acres south of Fifth Street. The area was then called South Pointe; the dilapidated buildings served as chic locations for fashion model shoots.

“Everyone thought he was crazy,” said Saul Gross, the president of Streamline Properties and then a city commissioner. “He wanted to

buy whatever he could, and he was willing to pay whatever people were asking; he wasn't even negotiating.”

Mr. Kramer invited 11 architectural firms to develop plans for the area. After six days of discussions, “Miami Beach’s original city center was ready for its most spectacular facelift,” he said.

But Mr. Kramer was not a developer by trade, and after starting work on the Portofino Tower, he ran into financing problems. In 1995 he turned to Jorge Pérez of the Related Group, a developer who had been focusing on building affordable living units. Mr. Pérez eventually bought 22.5 acres in the South Pointe area from Mr. Kramer for \$125 million, re-branding it South of Fifth. The one parcel Mr. Pérez missed out on was where a Coast Guard station had been. Mr. Kramer sold that to Bruce Eichner, the New York developer, and it became the site of Continuum Towers.

Back then there were no height restrictions. When Mr. Kramer and developers like Donald J. Trump — who in the mid-1990s proposed a 100-story hotel-casino with residences where the Continuum now stands — announced plans to fill the area with large condo towers, residents began to react. A “Save Miami Beach” campaign resulted in a referendum to rein in uncontrolled development.

While Mr. Kramer saw the older buildings as a slum not worth saving, city officials created a historic district in 1996 to protect the low-rise Art Deco structures at a remove from the beach. The referendum passed in 1997 and put in place height restrictions for future developments.



Miami Beach in 1964.
City of Miami Beach Historical Archives

Mr. Cary gerrymandered the historic district around half a dozen towers that had already been approved, including the Murano, the Apogee and the Icon. Mr. Pérez developed all of them. He also has the last site left for development, on which he plans a 32-residence condo at prices expected to average \$3 million.

In the end the towers gave the neighborhood a distinctive character. Some residents gripe that more infrastructure — like grocery stores — is still needed, but the increase in prices is stunning. Consider that in the mid-1990s it was still possible to buy a one-bedroom on Ocean Drive for under \$100,000. Today finding something for under \$1 million — in a new development, certainly — would be a feat.

Before construction finished in 2002, the Continuum's south tower was selling apartments for \$650 a square foot. Recently units there have been averaging more than \$1,500 a square foot, with penthouses selling for over \$3,000 a square foot, said Dora Puig, a broker with PuigWerner. Ms. Puig has Mr. Eichner's penthouse on the market for \$39 million.

Even lower-lying developments that once struggled are now luxury properties South of Fifth. Ocean House, expanded from an Art Deco building on Ocean Drive, has become an exclusive enclave that Ms. Puig likened to the Hamptons, with private beach access and cozy sitting rooms. iStar Financial took it over during the downturn when sales were slow.

Ms. Puig is selling the seventh-floor Ocean House penthouse owned by the restaurateur Myles Chefetz for \$18.5 million. Mr. Chefetz, a New Jersey native, has opened several restaurants in the neighborhood, including Prime One Twelve, Big Pink and Prime Italian, as well as the Prime Hotel.

Ocean House is just half a block from two of Mr. Chefetz's restaurants. He bought the 4,176-square-foot penthouse for \$7.2 million in 2009. He said he spent three years and \$5 million renovating it. Features include 5,200 square feet of outdoor space with a pool area and an outdoor kitchen with eight Viking refrigerators and wine chillers. Not to mention the \$14,000 "bird-suppression" system — a fancy term for a rotating reflective device meant to protect the deck from droppings.

It's another stunning example of the neighborhood's turnaround, and a far cry from the Lummus brothers' original vision. In the Miami Beach of 2013, Mr. Cary concluded, "the proletariat can no longer afford to live" south of Fifth Street.

