

# The Palm Beach Post

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## NEWS

### **Slate of new apartments and houses coming to the county as demand surges due to pandemic moves**

*Among the factors: Work-from-home setups have led people to move to warmer climes earlier than they had planned.*

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A department store that closed in West Palm Beach is being replaced by a luxury rental apartment complex, not another retailer.

The site of a former office building on the Intracoastal Waterway in Boca Raton is being transformed into a luxury condominium, where units cost millions of dollars each. And the owner of a Boynton Beach shopping center, where a large tenant shut down during the coronavirus pandemic, is working on a plan to turn part of the development into multi-family housing.

The nearly year-long coronavirus pandemic decimated the county's tourism and hospitality industries, but it hasn't hurt the county's dominant real estate industry.

In fact, the pandemic has fueled strong demand for the new homes and apartments slated for completion during the next two years, and beyond, as investors and builders snap up any piece of land they can find to build more housing.

The market for new homes and apartments in Palm Beach County already was robust prior to the pandemic. That's because the county is a popular destination for people moving here to escape cold weather and high taxes in the Northeast and Midwest.

But the pandemic created even more interest in the Palm Beach County homes, especially from wealthy residents fleeing crowded, urban cities outside the county and state.

"It's a lot easier to socially distance when you can pull into your driveway and walk into your home, rather than get into a dense elevator," said West Palm Beach housing analyst Brad

Hunter.

In addition, the acceptance of work-from-home arrangements means people can live where they want, a trend Hunter said is "here to stay."

For builders of new homes and apartments, the pandemic has turned housing projection on its head, forcing experts to rethink demand.

Job growth used to be a major tool by which developers decided where to build, said Steve Patterson, president of Related Development, an arm of Miami-based Related Group, builder of numerous apartment and condominiums in South Florida.

But with the pandemic, "domestic migration from the northern states has played a huge factor," especially since many people moving still can work from their homes, Patterson said.

That's not to say Palm Beach County's housing developments are being built now simply because of the pandemic. "The decision (to build) was made years ago," Patterson said. "It's a very time-consuming process."

But this prior planning means homebuilders not only have skill on their side, they also have luck, thanks to the unexpected pandemic-fueled demand for residences.

The crop of new homes comes at a difficult time for many existing Palm Beach County residents.

Some people living in houses or apartments face the prospect of homelessness because they cannot pay mortgages or rents, community leaders say. The pandemic has slammed hotels, restaurants and retailers, leading to job losses, or slashed wages or hours.

Rental eviction moratoriums in place will expire either at year-end or early in 2021, depending on federal efforts to craft another coronavirus relief package. When rental moratoriums end, renters will be responsible for months of back rent, which many people will not be able to pay.

Some home builders, including GL Homes, already have given money to homeless services' agencies such as The Lord's Place to help keep people from winding up on the streets.

"We are gearing up for 2021, which is going to be a year of helping people stay in their homes," said Diana Stanley, chief executive of The Lord's Place. "We've got to do everything in our power to keep them housed."

Stanley said she understands the demand for new housing. But she also worries the county does not have enough affordable housing, although there is some small progress on this front.

Housing Trust Group, one of the nation's largest developers of affordable homes, just broke ground on Flagler Station, a new \$33 million affordable apartment complex in West Palm Beach.

Apartments at Flagler Station will be set aside for residents who earn at or below 30%, 60%, 70% and 80% of area media income, with rents ranging from \$393 to \$1,689. The 94-unit property is scheduled for completion in February 2022.

Still, for many out-of-towners moving to Palm Beach County for the first time, housing is cheap compared to the high prices paid for houses or apartments in states such as New York, Massachusetts or Illinois, Patterson said.

That's a boost for Related Group, which is building four rental apartment complexes in Palm Beach County. These projects alone will add 1,405 new apartments to the county during the next two years.

Related is building the second apartment phase of Water Tower Commons, a mixed-use project in Lantana.

Manor at Lantana started construction in September and will feature 348 units, ranging in rent from \$2,100 to \$3,200 a month, when the project is finished in November 2021. Related previously built Town Lantana, a 360-unit apartment complex at Water Tower Commons that was finished in December 2019.

Related also is building Manor Broken Sound in Boca Raton on land in a business park just east of Interstate 95.

The 297-apartment complex, which began construction in July, is expected to be completed in November 2021. Rents will range from \$2,000 to \$4,000 per month.

Meanwhile, construction is expected to start in 2021 on two high-profile West Palm Beach rental communities.

One is Icon, a two-tower, 399-unit luxury apartment complex at Marina Village, a housing community planned on North Flagler Drive along the Intracoastal. Marina Village is a joint venture with Rybovich and has been years in the making. Construction on Icon will start on Jan 6.

When completed in October 2022, the upscale Icon apartments will rent for \$2,200 a month for a small one-bedroom unit to a whopping \$10,000 a month for a large penthouse.

The other Related Group project starting construction in West Palm Beach next year is 575 Rosemary Square. The luxury apartment complex is being built on the closed Macy's department store site at Rosemary Square, formerly CityPlace.

This coming March, construction will begin on 361 apartments, with rental rates ranging from \$1,750 for a studio to more than \$5,000 for a large, three-bedroom unit. The project is expected to be completed in December 2022.

Patterson said both West Palm Beach apartment complexes could one day be converted to condominiums, which aren't in vogue right now.

But small, boutique condos are, especially if they are near or on the water.

Wealthy buyers want water views, low-density buildings and plenty of luxury touches, developers say. This has led to the construction of several small coastal condominiums, where units cost millions of dollars each.

Despite the hefty price tags, people are buying these pricey condos.

In Delray Beach, there's Ocean Delray, a 19-unit boutique condominium being built on the ocean. Prices range from \$5.7 million to \$9 million for the units, and the project is 50% sold out, said John Farina, president of U.S. Construction, one of the project's developers.

Buyers are coming from Chicago, the Northeast and even California, Farina said. The work-from-home trend is so prevalent now, Farina said, Ocean Delray's design has been changed to feature an office for every unit.

Units range in size from 3,000 to 4,400 square feet. Completion is set for the second quarter of 2021.

Meanwhile, U.S. Construction plans to start first-quarter 2021 construction of another luxury Delray Beach condominium on the beach, on the site of the former Delray South Shore Club.

This condo project, dubbed 1625 Ocean, will feature only 14 units. Sales start in January, with units selling for between \$3.5 million to \$6.8 million, Farina said.

At the south end of the county, in Boca Raton, construction has begun on the Boca Beach Club, a waterfront boutique ultra-luxury condominium.

The Intracoastal Waterway property, on the site of a former real estate sales center, features 32 units, of which 26 already are sold, meaning the condominium already is 81 percent pre-sold.

Prices range from \$3.5 million to just under \$8 million for the condominiums, which will be completed toward the end of 2022.

Inigo Ardid, co-president of developer Key International, said Boca Beach Club buyers like the project's waterfront location and limited number of units. Many buyers are New Yorkers who came to Florida during the pandemic and don't want to return to dense residential buildings in the Big Apple, where restaurants and theaters are closed, Ardid said.

Boca Beach Club is only four stories, but it sits on two acres of land. Units are large, about 4,750 square feet, with another 4,500 square feet of terraces. Boca Beach House is so spread out, "It feels like 32 homes, instead of 32 condos," Ardid said.

Meanwhile, in the heart of downtown Boca, construction also has begun on Royal Palm Residences, a 48-unit condominium next to the Boca Raton Resort & Club and featuring Intracoastal Waterway views. Prices range from \$1.9 million to \$4.3 million.

Sales began in January, just before the pandemic set in. As the months rolled by, so did sales, and now 19 units have sold, including to buyers moving from the Northeast, said Todd Richardson, vice president of sales for developer Group P6. Some potential buyers are even exploring combining units, Richardson added. Completion of Royal Palm Residences is set for 2022.

It's not just southern Palm Beach County that is seeing construction of small upscale condos, however.

In Tequesta, at the county's northern edge, developers just broke ground on SeaGlass Jupiter Island, a boutique luxury condominium featuring only 21 units.

Since sales launched in May, developers have logged an undisclosed number of pre-construction sales, ranging in price from \$5.9 million to more than \$10 million. Each unit features ocean-to-Intracoastal views, as well as private terraces with summer kitchens.

The project, being developed by Fontainebleau Development and Perko Development Partners, is expected to be completed in the fall of 2022.

Companies that build single-family homes also are busy building more houses, especially large houses, because people working from home want more space.

"There's demand for bigger houses, home gyms and pools. There's a huge surge in people wanting their own pools," said Brent Baker, president of PulteGroup's Southeast region.

The pool trend reflects frustration by people who live in places where the community pool closed for months due to the pandemic, Baker said.

To meet demand, PulteGroup is working on projects throughout South Florida and the Treasure Coast, in a range of prices.

In Palm Beach County, the company plans to build 80 single-family homes starting in the high \$500,000s on a former golf course in Delray Beach, in the Sherwood Forest community. The project would mark the fifth time Pulte has turned a golf course into a housing community.

Meanwhile, the company will build more than 400 homes in Avenir, a massive housing development in Palm Beach Gardens. Home prices will range from the high \$500,000s to the mid-\$800,000s, and model homes will be ready by next summer.

Builders such as Pulte are snapping up any land they can find for homes.

Recently, Pulte bought a 31-acre site in Lake Worth Beach, at State Road 441 south of Lake Worth Road, for a new community dubbed Windsong Estates. The community will feature 93 single-family homes, with prices starting in the low \$500,000s.

In addition, PulteGroup also just bought two development sites in Martin County.

One site, a 215-acre site dubbed Bridgewater, is just over the line from Palm Beach. The property will feature 107 homes on lots ranging from 1 to 5 acres. The properties are big enough to build the main house and also "casitas," or small guest houses. Prices will start at \$1 million.

Another site, a 13-acre parcel in Stuart, will feature 80 townhomes priced from the low \$300,000s.

Baker said PulteGroup can't build and sell homes fast enough. "This past November was our best sales month over, across the board" in all home prices, Baker said.

That's no surprise to Mike Pappas, president of The Keyes Company real estate brokerage. Pappas said the pandemic accelerated the trend of people migrating to Florida when they retire.

"They decided, 'I was going to come to Florida two years from now, but I'm moving now,'" Pappas said.

GL Homes also continues to build and sell homes at its many communities in Palm Beach County, which range from 55-and-up enclaves to luxury single-family homes.

Jill DiDonna, GL Homes senior vice president of sales and marketing, said the company's Boca Raton luxury single-family home communities, Boca Bridges and Lotus, with average prices well above \$1 million, have experienced double-digit sales growth in 2020 compared to last year.

And unlike previous years, "where we capture extremely high concentrations of buyers from the Northeast, this year GL Homes has seen homebuyers from all over the country relocating" to South Florida, DiDonna said.

Demand for new home construction is keeping local construction companies busy.

West Palm Beach-based Kast Construction is building the Manor Broken Sound and Manor at Lantana apartment complexes for Related Group. Kast also is building the luxurious Ocean Delray condominium in Delray Beach, said Dave DeMay, Kast senior vice president.

In the coming year, Kast also will resume work on a massive apartment, hotel and office complex: One West Palm, a 30-story, twin-tower mixed-use project in downtown West Palm Beach that halted construction earlier this year but soon will resume work.

Meanwhile, in Boynton Beach, the owner of the Catalina Centre is talking to Boynton Beach city officials about transforming part of the shopping center into an apartment building that could feature up to 300 units.

The idea was in the works before the pandemic, said Randy Tulepan, vice president of Roberts Equities, which owns the center.

"But then the pandemic hit and knocked 24 Hour fitness out, and that accelerated things," Tulepan said, referring to the Chapter 11 filing of the national gym, which has closed many of its locations. 24 Fitness was the shopping center's largest tenant, with 50,000 square feet.

It seems everyone wants a piece of the housing pie in Palm Beach County, and it's not just new residences that are in demand.

Even an old apartment complex in Lake Worth Beach was a recent hot commodity.

The Floridian, a 60-unit apartment complex on Congress Avenue across from John Prince Park, is a sturdy but plain apartment complex built in 1964. Despite the property's age, The Floridian just traded for \$6 million, up nearly \$2 million from just five years ago, said Ryan Nee, regional manager of Marcus & Millichap, a commercial real estate brokerage.

The property generated several written offers and ended up with a cash buyer, Nee said.

The seller is a New Jersey resident who wants to buy another Palm Beach County property. The buyer is a local resident who wants to own rental property.

Judging by the demand for rental properties, Nee added, it's not just people moving to South Florida from other parts of the country.

"Investors are looking to move money here, too," he said.