

South Florida rents are declining as coronavirus chases tenants away from downtowns



By DAVID LYONS

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Construction continues on high rise apartments just west of Federal Highway in Fort Lauderdale's northern Flagler Village on June 19. (Amy Beth Bennett / South Florida Sun Sentinel)

The coronavirus pandemic might be chasing people away from living on top of each other in apartments.

Rents are gradually declining, suggesting that tenants are looking elsewhere for room to work at home and stay healthy.

Two of three renters, the company found, **suffered pay cuts**, shortened work hours or loss of jobs from the pandemic. And Zumper predicts that landlords will need to reduce prices or offer incentives to fill vacancies in the coming months.

These cities recorded lower median rents from a year ago for one-bedroom apartments:

- Coral Gables: \$1,700, down 10.5%
- Deerfield Beach: \$1,350 down 5.6% Davie: \$1,400 down 3.4%
- Delray Beach: \$1,520, down 3.4%
- Coconut Creek: \$1,300, down 3.0%
- Miami-\$1,750, down 2.2%
- Sunrise: \$1,280, down 1.5%
- Hallandale Beach: \$1,460, down 1.4%

“As more and more companies move into remote work, many renters don’t want to **pay a big city price** tag when they are ... looking for more affordable and spacious options outside of large, metropolitan areas,” Crystal Chen, a data analyst for Zumper, said by email.

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While no one is suggesting that a mass exodus to green suburbs is under way, some brokers, developers and other specialists are hearing from renters who are considering bigger digs to rent or even to buy after the coronavirus effectively disrupted the lives of most everyone.

“We’ve been looking at that a lot — people cooped up in the city with nightlife being closed down,” said Josh Clark, an economist with Zillow, another search firm. “It certainly makes sense for people to be looking out of the city.”

“It doesn’t surprise me to think that maybe there is less demand for that one-bedroom apartment downtown,” said Chad Leibundguth, district president for Florida or Robert Half & Co., the national staffing company. “It feels like it’s still a moving target because companies haven’t quite figured it all out quite yet.”

From rentals to homes

A rebound in a depressed housing market is partly inspired by buyers who are exiting high-rise apartments, Stuart Miller, executive chairman of Miami-based [homebuilder Lennar](#), told investors this week.

“While unemployment increased throughout the quarter due to impacts from the COVID-19 pandemic, customers moved from rental apartments and from densely populated areas to purchase homes, and home sales grew steadily, as record-low interest rates and low inventory levels drove a favorable rebound in the homebuilding industry,” he said.

During an interview on CNBC, Miller also said the company has a “build to rent” program aimed at people who want bigger places to live. But he did not say where the homes are situated or for what price. Asked for details, Lennar declined to comment.

[CC Homes of Miami](#), developer of single-family homes in Broward, Miami-Dade and Collier counties, says it, too, is seeing movement by former apartment dwellers in quest of more open spaces outside cities.

Many have moved in the last month or so from downtown Fort Lauderdale to communities in Davie and Cooper City, said Andres Miyares, the company’s chief operating officer.

“A lot of people who want a nice place to raise their kids realize they can work part of the time from home and still be effective,” he said.

Marisela Cotilla, sales director at the ALINA Residences in Boca Raton, said she converted two couples who had been renting downtown apartments into buyers of \$2 million-plus condos with golf course views.

“Their position was based on the fact that they found themselves in a more limited environment in an apartment complex and not feeling comfortable with who their neighbors were,” she said. “They kept looking at each other and asked, ‘What are we waiting for?’”

COVID condos

Brad Hunter, managing director at RCLCO, a national real estate consulting firm, said common spaces in new buildings “are being rethought all with an eye towards appealing to people who may realize it’s possible they’ll have to observe social distancing again at some point in the future.”

It also means creating spaces to be used for the home office or something as simple in an apartment having an island in the kitchen.

Joseph Kavana, developer of the [mixed-use Metropica](#) community in Sunrise, said he is reconsidering the layout of his project to provide for more open spaces.

“We are getting a lot of people coming from rental communities,” Kavana said. The project’s recently completed 29-story condo tower offers units for \$500,000 to \$650,000. Kavana said he intends to build a 4-acre park to accompany retail and office space along with three more residential towers.

“We see people coming from downtowns,” he said, including a would-be buyer looking to vacate a rental unit in the Brickell Avenue district of Miami. “People are looking for areas that are more open.”

“After COVID 19 we are redesigning the mixed-use section,” he said. “We are eliminating some of the retail; we will have additional green space there.”

“More and more we have to think about restaurants that have a lot of seating outside,” he added.

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Society Las Olas, the 34-story tower by PMG that includes shared living apartments, recently opened in downtown Fort Lauderdale and is 25% leased by people who are not looking to jump to the suburbs, said Brian Koles, the company’s director of brands and experience.

“We target typical incomes from \$60,000 to \$150,000,” he said.

“We’re well suited to remain stable through all of the uncertainty out there. We cater to the younger professionals who can continue making their incomes working from home.”

Part of the allure of Society Las Olas, formerly known as X Las Olas, was its shared common areas in some apartments as well as work spaces.

In the COVID era, management is taking precautions, ensuring that the tenants who are moving in observe public health guidelines.

The “rent by bedroom” program, where prices start at \$1,175, is as popular as it was before the virus arrived, Koles said. The shared apartment component consists of 15% to 20% of the building’s 639 units, which include one- two- and three-bedroom apartments. The website shows prices ranging from \$1,675 to the mid-\$2,000s, depending on unit size and location.

The company has been “very pleasantly surprised” that leasing “has been very near pre-COVID expectations.” he said. “There’s still a very healthy demand for the price points of our products there.”

He said would-be tenants are still maintaining interest despite the shared living aspect of parts of the building.

“With the rent-by bedroom program, the word ‘co-living’ may seem scary in the context of COVID, but what we see are people who were planning to live with roommates were always living with roommates. It’s not a new or change of plan with them.”

An addendum to the lease requires an acknowledgment by inbound renters “that they don’t have exposure.”

No bargains for luxury

Brokers and analysts tracking the upper end of the market insist that luxury apartments are still commanding premium prices.

Brad Hunter, the real estate analyst, acknowledged that Class A apartment rents have edged down. But the more significant drops have been focused on the working class dwellings discussed in the Zumper survey.

Rents will be under pressure with new developments coming onto the market in the next 12 months, Hunter said.

In Fort Lauderdale, new high rises such as the Amaray-Las Olas by Windsor downtown are commanding prices from \$2,045 to \$2,790 for a one-bedroom, one-bath, 768-square-foot apartments to two-bedroom, two-bath units that approach \$5,000 monthly depending on the floor and size.

Up the road on Federal Highway, more high rises with hefty prices are under construction in the northern portion of Flagler Village, where prices for small apartments start in the mid \$2,000s.

Karen Elmir, an agent with Sotheby’s International in Miami’s high rise-packed [Brickell Avenue district](#), said there is “big demand by people who want to live there. It’s an evolving neighborhood.”

A two-bedroom with den can be had for between \$5,000 to \$6,000 a month, she said. And she’s not seeing people leaving for places like Metropica.

“The market is healthy,” she said. “The units are getting absorbed.”



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