

Sujet traité : Trois ans après l'effondrement de Surfside, la nouvelle loi en Floride ébranle son marché des condos / New Florida Law Roils Its Condo Market Three Years After Surfside Collapse

Source : Wall Street Journal Date : 13 mai 2024

## New Florida Law Roils Its Condo Market Three Years After Surfside Collapse

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May 13, 2024

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| Photographs by Bryan Cereijo for The Wall Street Journal  
May 13, 2024 5:30 am ET

MIAMI—Ivan Rodriguez leapt at the chance to buy a unit at the Cricket Club, an exclusive bay-front condominium in North Miami. In 2019, he liquidated his 401(k) retirement account to purchase a nearly 1,500-square-foot unit with water views for \$190,000.

But because of a recent state law that requires older buildings to meet certain structural safety standards, the condo board recently proposed a nearly \$30 million special assessment for repairs, including roof replacement and facade waterproofing. It would amount to more than \$134,000 per unit owner.

Rodriguez, 76, didn't have the money. So he reluctantly put his two-bedroom condo up for sale, joining dozens of others in the building who are doing the same. After originally listing his unit for \$350,000, he kept marking it down until finally it sold for \$110,000 last month, or 42% less than what he paid for it.

Every time a potential buyer learned of the assessment, he said, "they'd run in the opposite direction."

Few buildings have as many condo owners looking to get out as the Cricket Club, an exclusive bay-front condo in North Miami, Fla., that is almost 50 years old.

Miami has enjoyed one of the biggest real-estate booms in the country. Home prices have doubled since 2018, according to real-estate brokerage Redfin. Now, thanks to a new law in response to the partial collapse of a building in Surfside that killed 98 people, apartment owners are dumping their units on the market because they can't afford the six-figure special assessments.

Condo inventory for sale in South Florida has more than doubled since the first quarter of last year, to more than 18,000 units. While the sharp rise in Florida home insurance costs is driving some to sell, most of the units on the market are in buildings 30 years or older. Under the new law, buildings must pass milestone structural inspections no later than 30 years after they are built.

In Miami, about 38% of the housing stock is condos, the highest of any major metropolitan area in the U.S. according to Zillow. Of those buildings, nearly three-quarters are at least 30 years old. For those that have large repairs looming, many owners are scrambling to sell before Jan. 1 when building reserves must be fully funded to be in compliance with the law.

"I think this is just the beginning," said Greg Main-Baillie, an executive managing director at real-estate firm Colliers, who oversees 40 condo renovation projects across the state.

In a number of these buildings, prices are beginning to plummet. While units built less than 30 years ago are selling for about 38% more today than they did in 2020, units 30 years or older are now going for almost 12% less than they did back then, according to a data analysis by brokerage ISG World.

Owners are struggling to find all-cash buyers because mortgage lenders are increasingly unwilling to take on the risk associated with these units.

"It's not the buyers that aren't qualifying," said Craig Studnicky, chief executive at ISG World. "It's the buildings that aren't qualifying."

Few buildings have as many condo owners looking to get out as the Cricket Club, which was once one of the city's more desirable places to live. The high-rise boasts its own bar, boat dock, tennis courts and pool deck. A Saudi prince made it his part-time home in the 1980s.

Irene Vargas, a Cricket Club resident, looks at a display with all the proposed fixes for the condo.

State law previously allowed condos to waive reserve funding year after year, leading many buildings, including the nearly 50-year-old Cricket Club, to keep next to nothing in their coffers. Now, about 40 units in the building of 220 are listed for sale but are seeing little interest.

"These units are practically being given away," said Sari Papir, a retired real-estate agent who has lived in the Cricket Club with her partner Shaul Szlaifer since 2018. "Even if we found a buyer, what could we buy with the pennies we'd receive for our unit?"

Sari Papir, a retired real-estate agent who lives at the Cricket Club with her partner Shaul Szlaifer, says the units are practically being given away.

Maria Tkachun and her husband purchased their seventh-floor bay-front unit at the Cricket Club in 2022 for \$490,000. With a terrace and a balcony, the apartment boasts 180-degree views of Miami and Biscayne Bay.

They spent another \$100,000 on renovations. They installed extra-large format Italian porcelain tiles and redid the entire kitchen, adding a marble countertop and island.

The first sign of the Cricket Club's financial shortfall came when banks wouldn't give them a mortgage unless they put down 25%, Tkachun said. The reason, the lender said, was that their building had no reserves. Two years later, they face a six-figure assessment.

"This is just outrageous," Tkachun said.

Maria Tkachun and her daughter, Victoria, at their apartment at the Cricket Club. In 2020, two years before the new law was passed, the building completed a recent recertification after taking out about \$9 million in loans, some of which was used for repairs to the pool deck and other areas. So when the condo board estimated an almost \$30 million special assessment four years later, it came as a shock.

"Just because the project passed inspection in 2020 doesn't necessarily mean that the condition is acceptable now," said Alexandros Washburn, the condo board president. "There is an enormous amount of value in the Cricket Club that will only grow when we fix it."

Residents say that the assessments have sowed discord in the building, pitting owners who feel they are being pushed out against those who can afford the assessments and are eager to move on.

Residents still meet at the building's bar and pool decks to celebrate birthdays. But now, those gatherings are often charged with owners pooling documentation in hope of finding evidence that the assessments should be lower.

Shaul Szlaifer, center, talks with a few other owners at the Cricket Club at a birthday celebration.

Some are worried developers may already be purchasing condos in the building for a potential takeover, where a developer tries to gain control of a building to knock it down and build a newer, more luxurious one. These condo terminations are happening up and down the state's coastline. While the rules can vary by building, if enough people vote to sell their units, the others have to follow along.

Rodriguez considers himself lucky, despite the big loss on his sale. He is moving out next month and will rent an apartment near his daughter and grandchildren. He said younger families that have mortgages are worse off, especially if the debt exceeds what the units can sell for.

Szlaifer and his partner also own their unit outright, but they are unwilling to part with it at a loss. Their plan?

"The truth: We don't know," he said.

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