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# Buyers are flocking back to condos. A Boca penthouse went for \$10 million.

By **DAVID LYONS** SOUTH FLORIDA SUN SENTINEL | MAR 24, 2021 AT 8:00 AM

Condos are back in vogue in South Florida, lifted by the COVID vaccines, a dearth of homes for sale and a steady flow of migrants from out of state. Buyers appear to be more comfortable again with tight multiunit living spaces. In Boca Raton, someone plunked down \$10 million for a downtown penthouse that won't be completed until next year. And some purchasers buy sight unseen — clinching deals after viewing their condo layouts virtually.

“The market’s on fire,” said Ignacio Diaz, co-owner and director of Group P6, the developer that is building the Royal Palm Residences in downtown Boca Raton. He said the [surge in demand has gotten more intense](#) since December and January. In the early months of the COVID breakout, condo sales were all but moribund, brokers say, as buyers shied away from the tight confines of multifamily buildings.

“We sold units virtually during COVID for the first time,” he said. Many of the customers were from high-tax states such as New York, California and Illinois. The downtown Boca Raton development contains 48 units. “We are 65% sold right now,” he said. “Half from out of town. Half from in town.”

The buyers of the penthouse — whom Diaz declined to identify for privacy reasons — are from Boca Raton. They wanted to downsize from a large home and emerged as the winner against a competing bidder. Based on current listings, the price was a record for the downtown area, he said.

Monthly year-over-year sales figures for February released Monday by the Broward, Palm Beaches & St. Lucie Realtors shows closed sales, median sales prices and dollar volumes all to the upside over the last several months in Broward and Palm Beach counties.

In Broward, closed sales of condos and townhomes in February rose 22.8% to 1,451, with the dollar volume rising to \$421.6 million from \$277.3 million, or 52.1%, in February 2020. There were 739 cash sales, up 14.9%.

In Palm Beach County, closed sales rose to 1,107, or 9.1%, with the dollar volume rising to \$482.1 million from \$337.5 million, or 43%. Cash sales rose slightly to 645 or 1.7%.

Karen Johnson, a Coral Springs area broker and president of the Realtors group, said high-end condos in the \$600,000 to \$800,000 range are moving quickly. She said a friend spent six months trying to sell a unit for \$850,000. But recently, it sold “within a week” after she placed it back on the market. In another instance, she said she put a property on the market at 2 in the morning and “had to stop taking offers at the end of the day. I was up to six offers.”

### **Business owners, professionals**

Diaz, Johnson and economic development officials all point to the arrival of out-of-town business buyers as the source of much of the demand.

“We have seen a lot of business owners,” Diaz said. “I haven’t seen as much as from the C-level suite. A lot of them are owners of very successful companies.

They have companies that are sizable, but it's not your typical Fortune 500 companies. Some of them have listed public companies.”



Rendering of Royal Palm Residences, a luxury condo project in downtown Boca Raton that is under construction. The project's "Sky Palace" penthouse recently was sold for \$10 million. (Royal Palm Residences/Courtesy)

“We’re definitely a hot spot,” said Jessica Del Vecchio, economic development manager for the city of Boca Raton. “We are working more now with residential Realtors than ever.”

She pointed to the city’s innovation campus, former development site of the IBM personal computer, which is a landing spot for small to mid-sized companies and [the executives and others who work there.](#)

“We attract more of the corporate sector,” she said. “The new inventory on the residential side of things has really given us an edge.”

In Fort Lauderdale, broker Donna Incorvaja of Related/ISG believes the city is attractive for its appeal to families, particularly when compared with Miami. “People are leaving New York or Chicago or buying second homes here and are moving their families down here,” she said. “They want to be as close to the beach as possible. They do look at Miami. When they explore other areas they find that Fort Lauderdale is a better fit and more family-oriented than Miami. You get more house for your money closer to the beach.”

Rising rents are also driving people to buy condos, she said.

“A lot of people are coming down here and they’re finding that rent is so expensive, so they prefer to buy,” she said. “If they have money and put down a good down payment, it costs them less money to pay a mortgage than to rent.”

Craig Studnicky, CEO of Related/ISG, said condo sales are being driven primarily by the widening distribution of the COVID vaccine.

“Buyers are feeling more comfortable about going back to condos and apartment buildings,” he said. “There’s confidence that this vaccine is working and customers are asking brokers to show them condos.”

The second factor driving condo sales is the shortage of single-family houses for sale. “We’re at an all-time low with single-family house inventory,” Studnicky said.

The third factor, he added, are the companies moving to Florida from the Northeast and “these people are asking for housing.”

### **An overvalued market**

“There are no bargains in houses, not at all, anywhere,” Studnicky said. “Sale prices have appreciated so quickly that appraisers are having a hard time keeping up with [market] values.”

Going forward, buyers will continue to compete for limited supplies of condos and townhomes, which will continue to drive prices upward.

Across the board, South Florida real estate values — including condos and townhomes — remain overvalued by more than 11%, according to a report released Tuesday by Florida Atlantic University and Florida International University.

“Mortgage rates remain very low compared to historical norms, which helps pricing, and the influx of new residents continues to grow at an astounding pace,” said Ken H. Johnson, an economist at FAU’s College of Business. “Both of these factors support housing prices and help explain the current degree of overpricing in the marketplace. But mortgage rates are on the rise, and rising mortgage rates always act as a headwind for housing prices.”

Still, Johnson doesn’t see any danger of a market crash or a slowdown in buying.

Mortgage rates are on the rise, hitting 3.09% last week, the highest since last June. But experts do not expect rising rates to affect prices and the demand for homes until they reach 4%.