

An offer they could refuse: Inside the failed bulk buyout of Isola Condominium

13th Floor Investments and Key International targeted the aging Brickell Key tower for redevelopment, dangling a premium in front of condo owners. They didn't bite

Ina Cordle | October 17, 2018



Isola Condominium, Arnaud Karsenti and Inigo Ardid

With nearly every acre of Miami waterfront land scooped up, developers have increasingly turned to the bulk buyout, targeting older properties in prime locations that can be demolished and replaced with glittering, taller versions.

Developers 13th Floor Investments and Key International thought they had the ideal candidate recently in the aging 300-unit Isola Condominium on Brickell Key. The 23-story tower hugs the water, but at 28 years old and laden with costly maintenance issues, it lacks many of the modern amenities of its newer, flashier neighbors. Units are also less expensive. For the sale to go through, the 13th Floor joint venture would have to buy out Isola's condo owners, requiring at least 95 percent — or 285 units — to approve. The developers offered \$110 million, which they said worked out to a significant increase on each unit's current market value, *The Real Deal* has learned.

But after presenting their offer to condo owners and mailing a letter of intent with a price schedule for each condo, the buyout attempt at 770 Claughton Island Drive failed. Late last month, the developers formally abandoned their effort. "It's dead," 13th Floor Managing Principal [Arnaud Karsenti](#) confirmed. "You know how many deals we go for and we don't get?" he said.

Most unsuccessful buyouts get buried along with plans for the property. Here, the failed purchase of Isola offers an inside look at how developers target sites for their next project and how much they are willing to pay to secure land, even if it means demolishing an existing property.

Even amid a slowdown in the condo market, as some Latin American investors are shying away from South Florida, developers remain on the hunt for new waterfront land as they plan for the next cycle. The failed Isola bid also highlights

challenges facing condo owners who may not be so willing to sell. Despite an overbuilt market, prices remain high. If they do sell, where can they afford to go?

“We tried to buy it at a fair number — a 35 percent increase to what the units go for on the market,” Karsenti said of the offer. “But apparently that wasn’t enough for most people.”

The developers received “some” signed contracts, Karsenti said, but not enough. He declined to provide details on the specific number. “You need big critical mass — and we didn’t get it,” he added.

For condo owners, there were likely several reasons for them to balk at the offer. “Owners think they are sitting on a pot of gold,” said Cynthia Muniz, Isola’s condominium association president. “Some thought that the value wasn’t enough. Others are Isola lovers that are emotionally attached to their property and didn’t see the reality of the building collapsing.”

In fact, there are significant issues with the building, which may have led 13th Floor partnership to consider it a prime target.

Built in 1990 as the Islander rentals by Swire Properties and converted to Isola Condominium in 2004 by Crescent Heights, the building has been plagued with maintenance issues.

Elevators need modernizing, carpets need replacing, a pool has cracks and leaks and is now shut down, and a garage has structural issues, according to Muniz and a letter sent to unit owners by the board’s treasurer.

Two-bedroom unit owners will soon face an assessment of about \$27,000, and one-bedroom owners about \$16,000, to cover repairs, she said. The assessments will be levied late this year or early next year, depending on bids. The board remained neutral

regarding the buyout, Muniz said, but her personal view was that the offer was “a great option.” Yet, she didn’t sign a contract, waiting to see what would happen. “I always said the unit owners should have an option,” she added.

All along South Florida’s waterfront, developers have already identified many aging buildings and replaced them with taller projects that pack more units. Sunny Isles Beach, now home to condos towers like the 53-story Jade Signature, 60-story Porsche Design Tower, 46-story Mansions at Acqualina and the future 54-story Turnberry Ocean Club, was once a city of older, low-rise oceanfront motels and residential buildings. Prices have risen along with the new buildings.

In Brickell Key, condo units in newer buildings run as high as \$625,000 for a one-bedroom at Three Tequesta Point, to \$2.35 million for a four-bedroom at Carbonell Brickell Key, according to Realtor.com. That has made it increasingly difficult for condo owners to sell their units and afford a new home in the same area.

According to the Isola letter of intent obtained by *TRD*, payout prices would have ranged from about \$273,000 for a one-bedroom to \$600,000 for a two-bedroom, depending on the unit. By comparison, Realtor.com shows one-bedroom units starting at \$245,000, and two-bedroom units going for \$560,000.

The 13th Floor team’s letter of intent included its own comparison of market prices on similar units. It cited a 38-percent increase, because Isola owners would not have to pay closing costs or broker commissions. Unit sellers would also

have been able to rent their condos back for at least six months after the closing, according to the letter.

The developers would have paid \$1.8 million for reserve distributions — essentially refunding money saved for repairs and improvements.

Had the 13th Floor venture succeeded in its buyout attempt, Isola would have been torn down to make way for a new project. Karsenti declined to discuss details of those development plans. Other projects 13th Floor and Key International have teamed up to develop include 1010 Brickell, a [50-story condo](#) completed last year, 400 Sunny Isles in Sunny Isles Beach and [The Harbour](#) in North Miami Beach.

Amid the scarcity of waterfront land in South Florida, developers are also willing to pay the hefty cost of demolition — and risk accompanying complications — to get their new tower.

[The July collapse](#) of the Marlborough House in Miami Beach amid its planned demolition — a project manager died from his injuries — highlighted the dangers of taking down a large building. The 13-story condo at 5775 Collins Avenue was purchased in a bulk sale by Brazilian billionaire developer José Isaac Peres, founder of Multiplan Real Estate Asset Management. He had [received approval](#) to redevelop the site into an 89-unit, 17-story luxury condo building designed by Arquitectonica. Construction is now on hold.

Despite those obstacles, developers are still buying [older condo buildings](#) in South Florida through bulk purchases and planning new projects.

Vlad Doronin's OKO Group paid [\\$48 million](#) in 2015 to buy out the condo owners of the former 11-story, 25 Bay Tower Condo building at 175 Southeast 25th Road. The new project, called Una, will be a 47-story, 135-unit luxury [waterfront condo tower](#).

And Jean Francois Roy's [Ocean Land Investments](#) bought out the 16 owners of a cooperative association at 920 Intracoastal Drive in Fort Lauderdale for \$9 million in 2015. Ocean Land demolished the 60-year-old building to make way for AquaBlu, a 17-story, 35-unit waterfront tower that is nearing completion.

Meanwhile, Karsenti isn't discouraged by the failed Isola bid. "We're always looking for those kinds of opportunities."



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