

The Weekly Take

SEASON 6 EP 09

Spender Levy

Miami has long been a favorite destination for snowbirds and spring breakers, but it's much more than a sunny getaway with a history of Latin American flair and an expanding presence on the world stage. It's a place in a state of routine reinvention, and lately, strong investor interest. On this episode, we return to Miami, and the perspective of a global developer helps us put the Magic City in focus.

Henry Bott

I think it's hot right now. Everyone wants to be in Miami.

Spender Levy

That's Henry Bott, President of Swire Properties USA, which is part of the Swire Group, a 200 year old family run company headquartered in London. Swire Properties has been in Miami since 1979, and over the decades, it has helped reshape the market. Its projects include a master plan community on Brickell Key Island and the remodeled Mandarin Oriental property, where we recorded this episode. A major retail-led mixed use project, Brickell City Centre, which the firm developed, owns, and operates, and other work that we'll discuss on this show.

Troy Ballard

Miami is fantastic. I came here 30 years ago to go to school, fell in love with the city, and really found myself a believer in Miami.

Spender Levy

And that's Troy Ballard, a Vice Chairman in CBRE's Multifamily Practice Group. Troy's team handles deals of all shapes and sizes throughout the state of Florida, and during a career of more than two decades, he's helped transact more than 100,000 multifamily units with an aggregate value of over \$25 billion. Coming up, Miami's Heat, a Sunbelt city that is growing, evolving, gaining global reach, and indeed, shaping tomorrow's cities. I'm Spencer Levy and that's right now on The Weekly Take.

Spencer Levy

Welcome to The Weekly Take, and we are back in Miami. And we're here today with two of the leaders of the Miami real estate market. Starting with Henry Bott, the President of Swire Properties USA. And we are here at the sales center of what will be the Residences at Mandarin Oriental, Miami. Henry, welcome.

Henry Bott

Thanks, Spencer. Great to be here.

Spencer Levy

And then my friend and colleague, Troy Ballard from CBRE, Vice Chairman, one of the leaders of our multifamily practice here in South Florida. Troy, thanks for coming out.

Troy Ballard

Spencer, I'm a big fan. Thanks for having me on.

Spencer Levy

We're delighted to have you. And boy, if this was a video component to the show, this would be a lot cooler show. Because I got to tell you, this may be the nicest place we've ever taped the show. And credit to you, Henry and the Swire Properties, for what you're doing here.

Henry Bott

Sure. Thank you, Spencer.

Spencer Levy

So let's just start very big picture, and we'll work our way to this particular project, but Miami. I look at our statistics, it comes out number one, number two, in just about everything, in terms of population growth, in terms of live-work-play, and a lot of other factors. But in your own words, Henry, what's attractive about Miami?

Henry Bott

I think it's hot right now. Everyone wants to be in Miami. I think particularly everyone wants to be in Brickell, which is working well for us because we at Swire made a big bet on Brickell 40 years ago with Brickell Key. And since the pandemic, there's been a huge amount of inward migration to South Florida, and particularly Miami. And it now just feels the right time for us to place the last piece of this 40 year masterplan on Brickell Key with the Residences at Mandarin Oriental here, which is our new project. And like I said, Brickell, everyone wants to be in Brickell. Everyone wants a piece of it. And it's really becoming a global destination in its own right.

Spencer Levy

And Troy, you've been in the multifamily business for many, many years. How's Miami doing today?

Troy Ballard

I mean, Miami is fantastic. I came here 30 years ago to go to school, fell in love with the city, and really found myself a believer in Miami. So in some ways, not only like Swire as a whole company that's been here for such a long time, they saw the trajectory and made an investment, right? And I had a belief in the trajectory of Miami and so decided to make my career here. And it's proven to be a good decision.

Spencer Levy

That's terrific. So Swire Properties, you have your large concentration here in Miami. You're based in London. Just give us a bigger picture about Swire, just overall.

Henry Bott

So the majority of Swire Properties' portfolio is in Asia Pacific, and in Miami, where it was somewhat of an anomaly, but we've been here for a long time, for the last 40 years. But Swire Properties is probably best known for our retail-led mixed use developments. And that's what we were able to bring over to Miami with Brickell City Centre. We have a lot of experience developing, owning and operating retail-led mixed use in Asia. And at the time

when Brickell City Centre opened in 2016, there really wasn't any scale retail or entertainment offerings in Brickell. So it was a big bet at the time, but it's one that I think has paid off. And you've really seen Brickell City Centre drive the evolution of Brickell. Since the mall opened in 2016, there's been 6,000 residential units that have been delivered in and around the environs of Brickell City Centre. So it's really helped create a neighborhood.

Troy Ballard

Well, it's true. I mean, from our viewpoint, we look at a company like Swire that's putting a billion or 2 billion, whatever the scale of the project, it's transformative. And so it's infrastructure. It's as important to the direction of the city as a new airport or a bridge or major transportation. To have something of that scale is equivalent to those things in terms of our growth.

Spencer Levy

I think it's interesting you use that word infrastructure, Troy, because I think there's been a merger of sorts between what we consider infrastructure and what we consider real estate. When we talk about infrastructure, I often joke the most important piece of infrastructure are your own two feet. The ability to live, work, and play in that area. And Brickell has really transformed because it used to be just a business center. Now it's not.

Henry Bott

Yeah. And I think what we're seeing with Brickell now is you're approaching this holy grail of urbanism where as a resident in Brickell in this area, you can achieve all of the services, all of the needs of your daily life within a 15 minute walking radius. That's something that I think very few cities around the world truly have. And we're getting close to it in Brickell.

Spencer Levy

I wonder what the demographic profile is in Brickell. And I say that because Miami 20, 30 years ago had a, I would say, much more of a retirement feel, older feel. And I think the city is getting younger now, and I think it's getting younger in some of the areas like downtown that have traditionally maybe not were that way. What's your point of view on that, Troy?

Troy Ballard

Well, Brickell's hit critical mass, right? Brickell's hit the inflection point, the tipping point, whatever you want to call it. When I came here 20, 30 years ago, 5:00 happy hour, and then Brickell got pretty quiet. A lot of the condos that were here were kind of second homes, but there wasn't the density and the people and the body count and the two feet that you're talking about, people moving around. That's completely transformed in the past two decades, really, and just accelerated. So what's happened is, now you can be there all the time. You can live, work, and play. It's cliché, but you can absolutely do that.

Spencer Levy

You know what this reminds me of, on a smaller scale, though it's getting to be much larger, is downtown Manhattan. I worked in downtown Manhattan in the mid 90s and I'll tell you what. At 5:01, crickets. Then, people transformed a lot of the older buildings down there into either multifamily or condos. Then all the retail came in. Then all the restaurants. It became a completely different place. It's one of the hottest places now to just hang out even if you don't live there.

Troy Ballard

The parallel is strong because Manhattan was office and Brickell was office, right? With Brickell, we needed the retail. We needed the residential of all types to round it out.

Henry Bott

I think that's what true quality mixed use schemes do, right? Rather than having a collection of disparately owned office buildings like perhaps the CBD in Brickell was before. With Brickell City Centre, you have a consistent quality of experience across every use, whether it's the residential towers, the office buildings, the more podium that supports those different uses, and then the hotel. In terms of demographics, you asked earlier, I think what you're seeing in Brickell is very reminiscent of what was outlined in your Shaping Tomorrow's Cities Report, where we see a lot of both millennials and then the baby boomers. So millennials, young families that are preferring to live nearer to where they work and nearer to where they play. And then also the baby boomers, attending to be our buyers on the Residences at Mandarin Oriental, and perhaps they're empty nesters, their kids have moved away from home and they're trading in their larger single family homes in South Miami for a more convenient lifestyle closer to the action here in Brickell.

Spencer Levy

One more piece of infrastructure that we didn't mention: the Brightline. How is that impacting the city?

Troy Ballard

All positive, right?

Spencer Levy

The Brightline, just so people know, is the train line that goes from Miami, I think goes all the way to Orlando now.

Troy Ballard

It goes to Orlando now. Right. They're continuing with an additional station on the Treasure Coast. They are now growing the train sets from six cars to ten cars, including the locomotive. So they're basically increasing capacity to the tune of 30, 40, 50% on the trains. So we'll see more ridership back and forth. And then there's some additional stations planned in the Wynwood area, as you move further north into Aventura and further connectivity that's being both contemplated and planned. So I think as those layer in, you're going to see continued growth.

Spencer Levy

And by the way, a complete non-sequitur, but coming from a guy who flies internationally all the time, the Brightline is beautiful. If you've taken a first class ride on the Brightline, it's not super expensive either. You can have a great experience just taking that train. That plus its transit-oriented element to it makes it a pretty great amenity for this market. And not just amenity, but people-mover, as well.

Henry Bott

Yeah, I think the Brightline is a great example of what can be achieved with quality infrastructure, and the more the better. I would implore the powers that be to turn their attention to the airport to be the next one.

Spencer Levy

So let's now talk about this project, the Residences at Mandarin Oriental, which is extraordinary.

Henry Bott

Thank you.

Spencer Levy

Yeah, it's extraordinary, not just because of its beauty and the finishes, but it's extraordinary just the complexity of the work you're going to be doing here. The Mandarin Oriental Hotel, for people who don't know Brickell, I believe, was completed in 2000. So it's about 24, 25 years old. And you're going to be demolishing it, putting up two new towers. Extraordinary. Tell us about that.

Henry Bott

This project really represents the crescendo in what has been a 40-year master plan on Brickell Key and, as you say, we'll be demolishing the existing Mandarin Oriental hotel. The partnership with Mandarin Oriental has gone fantastically well over the last 24 years, which was one of the main reasons we wanted to continue that partnership on the new project, and combining the footprint of the existing hotel with this vacant piece of land behind it, you have this five acre lot, which is very unusual in Brickell, and allows us to create something really expansive. So as you say, two towers. One will be a taller one facing out on the southern tip of the island, which is pure residences. So 228 private residences for sale, but branded under the Mandarin brand. And then a shorter northern tower in which you'll have a new Mandarin Oriental hotel, but a more boutique format. So only 121 keys. And then above that in the tower, you have 28 hotel condo residences, and above that, 66 private residences. And those two towers are connected by this sort of resort style podium where you have nine different pools and wellness cabanas. All the amenities that one could need.

Spencer Levy

So basically, the folks that are staying in the hotel that own a unit get all the same hotel type of amenities, these nine pools and the other things which obviously, if you saw the model, which I did, it's actually sitting right over there, you can't see it. It's extraordinary.

Henry Bott

Correct. And that's really the proposition. In owning your own home, you also get access to the services of a hotel guest, as well. And all of the amenities that the hotel guests can enjoy. And I think to have the best of both worlds, where you have that serenity and tranquility of true island living, but only moments from the urban center in Brickell, that's a pretty compelling proposition.

Spencer Levy

How much is this going to cost?

Henry Bott

Well, the total sellout for the residences project is around \$2.5 billion. So it's one of the highest grossing projects in the whole of Miami. We've been very, very encouraged with the response from the market so far, in terms of pre-sale. We've almost reached \$800 million worth of presales, and we're able to use a good portion of those buyer deposits to fund the pre-development and the construction.

Spencer Levy

And just so for our listeners who aren't familiar with the condo business, how do presales work? Is it a 10%, 20%, 30% deposit, more?

Henry Bott

So there's a staggered schedule of deposits. It's up to the developer to set those installments. But on our project, it's generally 10% at contract. Then 10% 60 to 90 days later, and then 10% at groundbreaking, 10% at top outs. And then the balance upon closing.

Spencer Levy

And who are your buyers? Is it mostly domestic buyers, International buyers, a mix? How would you classify it?

Henry Bott

It's so far been mostly domestic, which has actually been counter to what has been sort of traditionally the case on Brickell Key. There's always been a strong demand from Latin America. But this time around, with the Residences at Mandarin Oriental, about 70, 75% has been domestic U.S.. Half of that has been from within Florida. And those are buyers who may be of Latin origin but reside here in Florida. So very strong representation from domestic U.S..

Troy Ballard

I think that that makes a statement about Miami, to tie it back to what we were speaking to before, because you're right, a lot of the condo demand in Miami has historically been Latin American, right? But I think that the presence of domestic buyers in your project is a statement about Miami. I think it's a statement of the quality of your project. And then to your last point, that some of those domestic buyers are, in fact, Latin roots, right? Because, you know, three generations ago, Latins were visiting and then they were buying condos and now they're staying, right? And so I think it speaks volumes to the quality of your project, the amount of domestic buyers.

Henry Bott

Yeah. Thank you. I think that's true. And we've actually seen a lot of buyers who were already residents on Brickell Key. So I think they have confidence in Swire's ability to execute, to do what we say we're going to do, and to continue building this very vibrant neighborhood that they've been part of.

Troy Ballard

And it shows the bar has risen. If you build it, they'll come, right? If you deliver the kind of quality, there are people in the other towers that want the bigger units and the finer finishes and the higher quality that the Mandarin Oriental will deliver, and they're speaking with their wallets.

Spencer Levy

Speaking of wallets, I'm sure our listeners are saying, geez, what is it going to cost to live here? So if I'm not out of school, do you mind me asking, what does it cost to buy a unit here?

Henry Bott

Of course. So the average price of an apartment is about \$7.5 million. But that's because they are big residences.

Spencer Levy

About 3,000 a foot?

Henry Bott

They're about 3,000 square feet, yeah.

Spencer Levy

3000 feet, but about \$3,000 a foot? 3,500?

Henry Bott

So, so far, we've been landing at about 2,500 a foot. But we have a number of deals that have achieved over \$3,000 a square foot, which is a high watermark here in Brickell.

Spencer Levy

That's remarkable. I remember when I was working for a New York City based developer and we were buying projects in Soho, and we were hoping, hoping to get \$300 a foot on the sell out in the late 90s. And those are selling for over \$4,000 a foot. And we said, we'll never see these 2, \$3000 foot prices outside of Manhattan. That is not true. And in fact, it's not just Miami. I was just in Charleston, South Carolina. You know, a secondary market, over \$2,000 a foot for the best units. Tampa, right here in Florida, over \$2,000 a foot for the best units. And so it doesn't surprise me at all that, and I say this in a complimentary not of a negative way, you're getting New York pricing here in Miami.

Henry Bott

Yeah, it's crazy. And that's why we've seen that firsthand. When we brought the Reach & Rise condos, which are the residential component of Brickell City Centre. I mean, this was 2014, 2015. We were landing at \$600, \$700 a square foot.

Spencer Levy

Let's pause there. Just pause. \$600, \$700 a foot, nine years ago. \$3,000 a foot today. If I'm mathing this thing right, that's a 5x change there. Thank you, Troy, for putting up the hand signal for me. But that's remarkable. And so I'll ask from a— I didn't mean to cut you off, by the way, I just had to emphasize that point.

Troy Ballard

Well, not to diminish the 5x, but you are talking waterfront. And this is Brickell Key. Versus Urban Brickell, and then what City Centre ultimately and all the ancillary growth that it delivered to Brickell, right? So I mean those same condos at \$600 a foot then are double and triple that today.

Henry Bott

Yeah, no, you're right. It's certainly not apples to apples, those Reach & Rise condos versus what we're doing here on the Residences at Mandarin Oriental. But the point I'm making is that at that time there really wasn't much in the way of a true luxury condo in Brickell.

Troy Ballard

No.

Henry Bott

But to see how we've had to innovate and now raise the bar to meet the expectations of these luxury buyers, I mean, that in itself, as Spencer says, over nine years, is a huge sea change.

Troy Ballard

Completely. Yeah. And that goes along with Miami and some things that are happening in the broader United States globe with respect to branding and what have you. And luxury, right? Luxury is elevated from what it was. It's broadened and deepened, I think both.

Henry Bott

I think that's right. There is a huge proliferation of branded residences in Miami and South Florida, and therefore, there's a real need to differentiate if you're going to come on the kind of prices that you need to. And I think those projects that will really thrive are the ones that can truly differentiate, whether that's through having an actual hotel component on site that can deliver on that service proposition or whether it's working with a brand that you can't find anywhere else in the market, like Mandarin Oriental, or whether it's just simply location, location, location, and having unobstructed views in perpetuity like we have here on Brickell Key. But it is going to be hard to differentiate.

Spencer Levy

Well I know this is a discussion primarily around condos, multifamily, retail, but I think I'd be remiss if we didn't touch on the office sector just a touch, and it's a mixed bag here in Miami. I think overall the Brickell story was a huge success story. It still is overall, but there are some softness in segments of the market. Tell us about that and how that may impact the residential market. Maybe it's an opportunity for conversion?

Troy Ballard

Let's be honest. I mean, office has been a dirty word, right, for the last couple of years in the commercial real estate sector. But I think Miami is still kind of held out as having some strong fundamentals, certainly in Brickell, where the fundamentals actually improved and that might have been unique across the country. But generally, the office sector in South Florida has held out stronger than the rest of the country, kind of on a relative basis.

Spencer Levy

What about conversion?

Troy Ballard

Harder than people think, you know. It's easy to talk about. It's easy to kind of think about it on a piece of paper. But actually getting in there and turning office buildings into residential buildings I think is more challenging than people realize. I think what we'll see more of is some office buildings coming down and being replaced with condo buildings, with residential buildings, with mixed use projects, whatever that particular site demands.

Spencer Levy

Well I think this is Exhibit A. We have a hotel which is quite candidly not that old by hotel standards. It's more efficient, better, to take it down than to convert it. So I'm sure that you did the analysis on that. Tell us about that analysis of keep it versus tear down, start again.

Henry Bott

Yeah, we did a lot of analysis on it. I mean, there were a number of different scenarios that we looked at. But ultimately the conclusion of that analysis was that the highest and best use is combining it with the lot behind it, which is the last piece of developable land on the

island, and creating this new two tower scheme where you're maximizing the views, you're maximizing the for-sale condo component within that mixed use scheme. And like I said, the partnership with the Mandarin has been fantastic over the last 24 years and we look forward to continuing that.

Troy Ballard

I agree with you, Spencer, that it's a remarkable statement about Miami when a building that was a top quality building, that is a top quality building, reaches its useful life and conclusion in 25 years. That's an astonishing statement, right? And I think that ties directly to Miami's growth..

Henry Bott

Yeah. Absolutely. I mean, the building's done remarkably well. And were it not for the redevelopment, I think it could continue with a minor renovation quite easily. But since the Mandarin Oriental opened, when it really was the first global five star hotel in Miami, there's been a huge proliferation of hotels and that's raised expectations. And I think now to really deliver on those expectations, we've got to provide the next generation of Mandarin Oriental.

Spencer Levy

How easy is it to get permits? How easy is it to redevelop an asset? Easy, hard? And if it's a little hard, is that a competitive advantage for you?

Henry Bott

I don't think anyone involved in permitting would describe it as easy in Miami. But I would say that there's an opportunity that Swire has and perhaps a source of competitive advantage in that having been here for so long and having really worked to cultivate key relationships with stakeholders at the city and in the local community. That definitely helps win support for the project. So yeah, Swire is big on really making places and working with the local community so that our projects don't just exist in a vacuum. That they are sensitive to the neighborhood around it. And I think that those relationships help us when we are explaining the vision to folks of the city.

Spencer Levy

Let me bring up an issue that unfortunately came up in great force because of the terrible fires that happened in Los Angeles. We just had an episode we aired recently on property and casualty insurance, and I think that there is no place that has been impacted more than Florida in the multifamily sector. And I know that it's been impacting some of our owners here. Increases of 100 to 400% in the last 5 or 6 years, but may have stabilized recently. So that's, I guess, the good news story. So let me just turn to you, Troy. How much is that issue coming up today in the multifamily arena?

Troy Ballard

Well, it's coming up less, right? I mean, the peak of that volatility was probably in the back half of 2022, where rates were, to your point, 2, 3, 4, 5x in some cases, groups couldn't get quotes, right? And so we generally saw deals stall or fall apart. But every one of those deals got put back together. And so the market kind of recovered and found its way. We saw stabilization through 2023. We see anecdotes become data points become trend lines, right? And so we see that emerging sequence of data points bringing the rates down again. Now we've got the fires in California. We'll see what happens there. But generally, I think we see a positive direction to insurance where year over year rates are down in a

meaningful way, up to 25%, even more in some cases. So we're kind of off the peaks, and now we're watching to see what the new equilibrium is.

Spencer Levy

Let me go a little bit further into the weeds here, and I'm going to turn this one to you, Henry. The episode really focused on the choice that developers have, that builders have, between more insurance and building a more resilient project for storms, flooding, and the like. How do you see it? And I say that because as a developer, factoring in building the best building, of course, which you're going to do, but the most resilient building and some of these other factors that may go into it like insurance.

Henry Bott

Yeah, I think every developer building in coastal areas or areas that are considered high risk have a responsibility to design with sustainability and climate resiliency in mind. And here we're on the tip of an island. But there are key features that we have designed into the Residences at Mandarin Oriental project to mitigate further climate risk in the future. So, for example, there is a seawall that surrounds the island that we will be enhancing and raising to above code level to protect against storm surge. We've raised the lobbies of the towers to well above the storm surge risk level. And then other other features to avoid having too much subterranean air, as well. So I think it has to be top of mind and that then has its benefits when it comes to insurance costs, as well.

Spencer Levy

So going back to the Shaping Tomorrow's Cities. First of all, Henry, you get the gold star for mentioning it before we did on the show today. So I appreciate that. You have an international perspective at Swire International. Any international thoughts in Asia or elsewhere that you say, you know, we learned lessons there.

Henry Bott

Yeah. I mean, I spent six years working in Hong Kong, and there's definite lessons that we can take from a very dense city like Hong Kong, where transit oriented design is so important to what we're doing here in Brickell. And you've seen the densification of Brickell over the last ten years. I think there's a way to go with really integrating more public transport. But what we have with Brickell City Centre is a connection to the Metromover, we're seeing that being used more and more. And as the CBD densifies, and therefore the risk of more congestion, any ways that we can promote more walkability, like we do in Hong Kong, is going to be beneficial for the future of the city.

Spencer Levy

And I think that the global buyer, even though this particular project may be disproportionately domestic, it still has an international component. And you get plenty of local feel here in Miami. I mean, I may be going straight to Wynwood and I'm probably going to get a cafe Cubano in Little Havana. I love that place. I'm not hiding the ball here, folks.

Henry Bott

Yeah, we don't want to lose that, right? Absolutely don't want to lose that in Miami. But you're right. And I think it speaks to the timing of why Swire is now launching this extraordinary project. Miami has become a global destination in its own right, now, and it's shaken off that old reputation of just being a party city, to now one that has much, much higher levels of sophistication in terms of culture and F&B offering, entertainment.

Troy Ballard

It's taking its more rightful place on both the national and the global stage.

Henry Bott

I think so.

Troy Ballard

Without question.

Henry Bott

Yeah. And we're seeing that. I mean, I mentioned the domestic U.S. buyers earlier, but we're seeing buyers from all over Europe, some from the Middle East. There's a lot of interest in Miami, and we feel very privileged to be able to capture that interest at the moment.

Spencer Levy

So Troy, let's ask just a straight up, how are the capital markets question now. Listeners know because we talk about this all the time, about inflation, interest rates, and institutional buyers falling off, high-net-worth buyers coming up. How do you see the buyer pool for a for-sale product in this market? Not the individual units, but whole multifamily jobs.

Troy Ballard

Strong. I mean, look, there's a ton of capital out there, right? So the challenge of the last 24 months really has been buyer expectations and seller expectations, right? And then kind of narrowing the gap. Deals have been getting done, but they've been kind of grinding to the finish line, right? Sellers that have some level of motivation. Buyers that are anxious to get capital out because there hasn't been a lot of buying opportunities. And so that's kept transaction volume okay. But we haven't seen transaction volume be extraordinary. But I think 2025 is one where we round the corner. I think 2025, we see transaction volumes kind of revert to the mean and deals get done. We've got a year ahead of us with improving fundamentals, no question. The biggest part of the supply has been absorbed or is being absorbed. So any kind of concerns that the institutional groups have about that are starting to dissipate. And then private capital, which to some extent does its own thing, but also is very, very acutely aware of the cadence of institutional capital, right? And so I think that this is a year where we'll see everybody be active, I think. Frankly, I think everybody wants to get out there and get stuff done this year.

Spencer Levy

And one of the things we said, and you mentioned in your last sentence there, was institutional versus high-net-worth. We've seen high-net-worth acting very differently than institutional, particularly on the development front. We're seeing institutions having difficulty underwriting the yield, the cost that they need to get to an attractive multifamily build. But the high-net-worth's that have a lower cost of capital and a longer time horizon are able to build. So are we seeing building of new rental product here?

Troy Ballard

Starts have been tough, right? Because the institutional capital is not there and the institutional capital is what fuels the national developers. The Greystars and Alliances and Wood Partners and, you know, etc.. It's been difficult to make those metrics work. But here's the thing: a little bit on the interest rates, a little bit on the construction debt proceeds, a little bit on the rents, a little bit of concessions going away, and all of a sudden, in a game of inches, you're in the zone again and you can have starts again. So

we think the back half of the year is where we start to see some meaningful starts, as the market kind of continues to move through the absorption, and fundamentals look better.

Spencer Levy

So at the risk of me asking Henry to put a Cuban coffee shop in the Residences at Mandarin Oriental, I will go right back to this question one more time, because this is something that I've talked about on the show internationally, and there's luxury product. We all know what luxury is and we're trying to do it with the pools, the restaurants. But it's good to have a good local flavor, too, because it drives a different vibe, a different feel. But in this world where the global traveler is looking at Hong Kong, New York, Miami, London, right next to each other, how much of it is, and again, I'm not saying in a negative way, how much of that luxury is the same? How much of it is local? How do you look at that issue?

Henry Bott

I go back to how we define luxury, right? And I think so often people consider luxury as just doing more, as just trying to spend more or offer more. But actually, true hospitality is all about thoughtfulness, and it's those one of one experiences. So yes, we have some amazing features in the Residences at Mandarin Oriental project, and 100,000 square feet of amenities. But for each of our residents, for each of our hotel guests, for anyone who enjoys the project, we will be trying to deliver that one on one experience. So for you, Spencer, if you come along and you buy a residence and we know you love Cuban coffee, that's an amazing opportunity to deliver that one of one experience to you in some way.

Spencer Levy

And I think that's right. Surprise and delight. Bring it to the individual. And I think you can have that great mix. Just for example, if this was identical to the project in Hong Kong, it's still different.

Henry Bott

Oh yeah. And I think the point you're getting at is Miami's multiculturalism is one of its strengths, right? And that should never be diluted. We should celebrate that.

Spencer Levy

So we have been very fortunate to have on this show several times one of our great friends and colleagues Mary Ann Tighe, and she said, "The number one amenity of New York is New York." Would you say that the number one amenity of Miami is Miami?

Henry Bott

I think so, because the vast majority of people moving to Miami are doing so to get away from perhaps those other traditional cities. And Miami's allure and the appeal, because of all the things we mentioned in the last half an hour, it is because of that, right? It is because of Miami.

Troy Ballard

The lifestyle. I think Miami is at a really fantastic inflection point, right? And I think Ken Griffin's company coming here is an interesting one, right, where take your top MBA candidates, right? Historically, they would interview in New York, Chicago and Boston, right? San Francisco became a spot that became looked at, right? When Miami enters the conversation for that, because you can now chart out not just job number one, but job number two and three and four, and then therefore a whole career, then you start looking at lifestyle. And when you're really looking at lifestyle and comparing some of these cities,

Miami delivers. Now, New York's the center of the world. Nothing's going to change that, right? If Miami can compete against some of these other cities on that level, then I think that we've still got a lot of runway.

Spencer Levy

So for our listeners, Ken Griffin is the CEO of Citadel, which is one of the largest hedge funds in the world, which moved its headquarters from Chicago to Miami, which was a coup for Miami. And it's also led to a tremendous amount of new development in the Brickell area. Good summary, locals?

Troy Ballard

Yeah.

Spencer Levy

So this is the crystal ball portion of the show. First of all, when is the Residences at Mandarin Oriental expected to deliver? And with that as part of the context, how do you see the next 5 to 10 years in Miami? How do things go right? What are some of the challenges that you might have to overcome along the way?

Henry Bott

So the Residences at Mandarin Oriental will start deliveries in 2029 and then then into 2030, when the hotel will be complete. And over the next five years until then, I think we're going to see consistently more interest from global buyers, as well as that domestic U.S. buyer that I was talking about. I think that we're going to see more of a continuation of the tax benefits of being a resident in South Florida, both for corporations and individuals. And in terms of challenges, I don't know. I think wherever there is this huge proliferation of developments, that puts a strain on the labor market and puts a strain on the availability of contractors and materials. But, like I said earlier, the best projects will thrive, and the ones that aren't as good will die.

Spencer Levy

Same question for you, Troy. We know where we are at. We talked about today's capital markets environment. Where do we go in the next 5 to 10 years, let's say five years in Miami? The opportunities and any challenges?

Troy Ballard

I think the challenges are like a lot of cities. Affordability is an issue in Miami, and schools. I'd like to see the school systems improve. Transportation, traffic's a problem, but transportation is actually one of those I think is a real opportunity in Miami, with the Brightline and the Metromover and the Metrorail. And so we've got a lot of new transportation infrastructure. And then what's happening is there's a lot of development along those transportation nodes. So I think for me, the real opportunities in Miami and what's exciting is, you know, we've talked about Brickell and how strong it is and how what a great performer and the growth. Downtown has got tons of infrastructure investments going on. Wynwood, you talked about Little Havana and your Cuban coffee, right? So to me, it's the interaction of all of the multi-centric nature of Miami that's exciting. As each of these centers gets more dense and more exciting and more things to do, by the way, that doesn't hurt Brickell at all. That helps tremendously. Right now, residents living in Brickell aren't really taking the Metromover to downtown other than to go to a basketball game. I think in ten years, there's going to be a tremendous amount of permeability between downtown and Brickell. And as downtown continues to grow, I think that only helps Brickell.

Spencer Levy

Great conversation today, guys, about Miami, about the Residences at Mandarin Oriental, Miami. Starting with the President of Swire Properties USA, Henry Bott. Henry, terrific job.

Henry Bott

Thank you, Spencer.

Spencer Levy

And then our friend and colleague, and by the way, you're our friend, too, Henry, our friend and colleague, Troy Ballard, Vice Chairman who handles multifamily and condominiums for CBRE here in South Florida. Troy, great job.

Troy Ballard

Thank you, Spencer. And thank you, as well, Henry.

Spencer Levy

For more about Miami and this so-called developing destination according to CBRE Shaping Tomorrow's Cities report, you can find related content on our website, [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). Also remember to subscribe to the show on the platform of your choice: Apple Podcasts, Spotify, or wherever you listen. Share it with folks in your network, and please send us your feedback. We'd love to hear what you're interested in, and every comment or review that you post can help other people find the show, too. We look forward to you joining us again next week. For now, thanks for listening. I'm Spencer Levy. Be smart. Be safe. Be well.