



Related Group CEO Jorge Pérez, at left in July, hopes to remain manager of Miami's Icon Brickell condo complex, at right earlier this year.

# Lenders to Get Miami Condo Complex

By JAMES R. HAGERTY

MIAMI—A group of lenders led by **HSBC Holdings PLC** and **Bank of America Corp.** are likely to take ownership of Icon Brickell, a Miami condominium-and-hotel complex whose residents include the singer Jennifer Lopez, according to Jorge Pérez, chairman of **Related Group**, the current owner of the project.

"The negotiations are almost finished," Mr. Pérez said in an interview Wednesday. He said he hoped the agreement would allow Related Group to remain the manager of the three-tower complex near downtown Miami, featuring décor and sculptures designed by Philippe Starck. Representatives of HSBC and Bank of America declined to comment on the talks.

The talks over the Icon Brick-

ell are among hundreds of similar discussions between real-estate developers and banks stuck with a glut of condos in South Florida. "We're in for a very exciting 2010," said Ron Kriss, chairman of the distressed-property group at the Akerman Senterfitt law firm in Miami.

In the downtown Miami and neighboring Brickell areas, more than 22,000 condos have been built in the past four years, or more than twice the number added over the previous four decades, says Holliday Fenoglio Fowler LP, which advises real-estate developers and investors.

Because of that glut, condo developers have had to slash prices as much as 50% in the past year to spur buying, and some of them aren't getting the cash flow they need to meet loan payments.

Mr. Pérez said Related Group has invested about \$1 billion in the Icon Brickell, including \$15 million for giant statues of heads that resemble those on Easter Island. He said loans secured by the three buildings total around \$700 million.

Mr. Pérez said he expects "a friendly agreement" with the lenders but declined to say whether they would take possession of the buildings through a foreclosure. Alternatives would include various other legal arrangements under which Related could pass ownership to the lenders, said Mr. Kriss, a lawyer who isn't involved in the talks.

Most of the Icon Brickell was completed in 2008 and 2009 but presales of the units began in 2006. Related says buyers put down deposits on most of the nearly 1,800 condo units. So far,

though, only 117 of the purchases have been completed, said Ken Smuts, a vice president at Related. He said he expects hundreds of more completions in coming months.

The average price was cut in October to \$419 a square foot from a peak of about \$650, Mr. Smuts said. A typical two-bedroom unit now would cost about \$550,000, down 30% from the peak, he said.

Finding residents to pay monthly condo fees is vital; Mr. Pérez said maintenance costs on the three buildings are running at about \$12 million a year and the property-tax bill will be about \$9 million for 2009. Rather than selling empty units in bulk to investors at a deep discount, the lenders for now have elected to sell them one by one at higher prices.

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