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NEWS

Real estate: West Palm Beach developers build spec homes under specter of recession



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The raw grit and gray of 201 Sunset Road's cinderblock skeleton melts away on the second floor to a postcard view of the lazy Lake Worth Lagoon where black skimmers fly fast and low, sailboats glide and the sun chases the dark each dawn.

Developer Matthew Ritzzo hopes it's an \$11 million view.

He has the unfinished home in West Palm Beach's historic El Cid neighborhood on the market without a piece of sheet wall hung, or wiring wired or tile laid.

While it's standard practice to buy unfinished houses in sprawling planned developments where there are a handful of designs and a la carte amenities, it's been less common on a lot-by-lot basis in established and historic neighborhoods. That's changed in some West Palm Beach coastal communities near the welter of commercial construction in the city's downtown.

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Developers are betting on the pandemic-triggered migration into Florida to continue. They bought plots, knocked down old homes and hope to sell to end users under two schools of thought — wait until a home is completed to avoid picky buyers wanting costly design changes, or sell while it is still under construction to catch transplants, or Palm Beachers, who want new homes but don't need immediate housing.

“We've had spec homes before, just not this many,” said Douglas Elliman agent Burt Minkoff. “It's really kind of incredible.”

A cursory search of homes for sale south of downtown and east of Dixie Highway found 14 listed that are in various stages of construction. Prices range from \$2.5 million to \$11 million. Many more are coming out of the ground, but are not yet on the market.

“If I just list the home once it's completed, then people coming down, who are maybe waiting for the school year to start, don't know about it beforehand,” Ritzzo said.

A dreamy rendering planted in front of 201 Sunset promises five bedrooms, an elevator, a pool, a two-car garage and an expansive 5,500 square feet on a corner lot in prestigious El Cid.

Still, Ritzzo's Realtor wouldn't show the home until the second floor was on and he could sell the view.

“When the houses are for sale and under construction, we try to be selective on the showings,” said Ritzzo, who isn't overly concerned about the omens of a national economic recession. “We look at West Palm Beach almost as an anomaly.”

Developers and lenders are watching West Palm Beach's evolution under monolith developer Related Cos. Completed and planned towers of Class A office space have lured firms such as Goldman Sachs and the hedge fund Elliot Management. The University of Florida plans to create a graduate school campus downtown. And luxury condominiums are sprouting along the waterfront, such as the sold-out La Clara, which is nearing completion on Flagler Drive.

Urban Standard Capital, a New York-based private equity firm, made a construction loan of \$11.3 million in December for the Park Central Townhouses being built west of the Flamingo Park Historic District.

The company, which lends to residential developers, was exclusively working in Connecticut, New Jersey and New York before the pandemic.

Now it has loans out in Palm Beach County on homes being built in Manalapan, the town of Palm Beach and two on Murray Road in the popular South of Southern Boulevard, or SoSo, community in West Palm Beach.

“There are special things happening in the South Florida market in terms of tail winds and the number of businesses coming down,” said Robert Levine, an associate with Urban Standard Capital. “On Murray Road, it will be high-end, single-family homes on a really amazing street that is a lot like Palm Beach.”

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About a mile south of the Murray Road homes on SoSo’s Summa Street, four houses are under construction and up for sale. Three of them – 209, 215 and 223 – are next door to each other. Two blocks north, 240 Desota Road is under construction and on the market for \$6.25 million. Then there’s 205 Gray Street and 234 Miramar Way selling for \$6.5 million and \$8.9 million, respectively.

Elizabeth DeWoody, principal founding agent of Palm Beach Advisory at Compass, is representing an investor in the sales on Summa, Desota, Gray and Miramar. She said there are only a handful of speculation builders east of Interstate 95 in West Palm Beach that have homes under construction and are continuing to build despite interest rate hikes and recession fears.

“For investors, they’d like to sell before the home is done because it takes the risk off the table,” DeWoody said. “For buyers, it means they can still be involved in choosing finish work, and the builder may sell at a little discount preconstruction.”

DeWoody said she worked with Goldman Sachs transplants and is expecting more relocations as businesses lease in new office buildings.

“But you can’t just sell a piece of dirt with a sign out front,” DeWoody said. “They don’t buy until they see block going up.”

Florida was the fastest-growing state in 2022 with a population that ballooned by 1.9%.

It was the first time since 1957 that Florida has been the state with the largest percent increase in population, according to a U.S. Census Bureau report released in December.

The increase amounted to 416,754 residents statewide, and the state Demographic Estimating Conference is expecting a population growth through 2027 of 294,756 new residents per year. That’s about 800 people per day.

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The 2022 census information by county won’t be released until March, but new numbers on how many people traded in their out-of-state drivers licenses for Florida licenses tells a similar story.

About 583,210 people statewide exchanged their out-of-state licenses for a Florida license in 2022, according to the Florida Department of Highway Safety and Motor Vehicles. That was 36,200 more than the gangbuster year of 2021 and 23% percent higher than the seven-year average.

In Palm Beach County, 37,637 people traded in out-of-state licenses for one with a local address. That’s 26% higher than the seven-year average.

Aside from overseas transplants, New Yorkers and former New Jersey residents were the top relocations to Palm Beach County last year. About 8,060 New Yorkers got Florida licenses with Palm Beach County addresses, followed by 3,960 from New Jersey.

And many of them want new construction near the coast, developers said.

“To put housing in a broader context, Palm Beach County used to build more than 10,000 single-family homes a year back in the 1980s, 1990s and into the early 2000s,” said Brad Hunter, president of Hunter Housing Economics. “Now, Palm Beach County is lucky if it can find enough lots and supplies and materials to build 1,500 homes a year.”

Minkoff has been representing one of Ritzzo’s homes on Flagler Drive in West Palm Beach while it underwent an extensive remodel. He said selling a home before it's finished is a mixed bag.

Supply-chain delays can mean blown completion deadlines and upset clients whose moving plans are upended. Rising prices on lumber or appliances can pinch builders who may or may not be able to pass extra expenses on to buyers with signed purchase contracts. And while builders are amenable to changing finishes such as plumbing fixtures or tile for preconstruction buyers, they don't want to go back to the city with significant permit changes.

Minkoff has one client who “absolutely” won’t list a home until it’s completed. Another wants it listed early so people can customize it.

The home on Sunset is expected to be finished by Sept. 1 but it could sell long before then.

“There is not a lot of new luxury product right now,” said West Palm Beach developer Sam Fisch, who has about eight homes under construction in SoSo. “As long as we build great quality homes that people want to buy, there will be a demand, recession or not.”

Palm Beach Post staff writer Chris Persaud contributed to this story.

Kimberly Miller is a veteran journalist for The Palm Beach Post, part of the USA Today Network of Florida. She covers real estate and how growth affects South Florida's environment. If you have news tips, please send them to kmiller@pbpost.com. Help support our local journalism, subscribe today.

