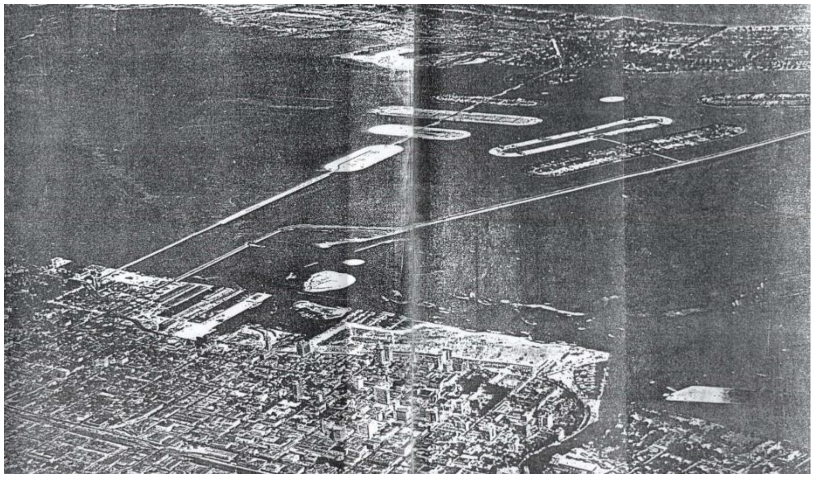
History Repeats Itself

Downtown Miami 1920's

Real Estate Expansion and Boom in Miami and It's Environs During the 1920's



Downtown Miami 2000's

(Google Earth)

A comparison of the real estate booms in the1920's versus the 2000's in the city of Miami

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> *"This account will recall to those who lived through the boom that parade of events which convinced the rest of the world that we were all quite mad down here in Florida. But it was good fun while it lasted,"*- Kenneth Ballinger, author of *Miami Millions*, 1936.

Within the last 100 years, Miami has grown in so many aspects: socially, economically, architecturally, and culturally. There were two significant periods of change that have been a substantial part of the city's real estate and architectural growth throughout the last century and have shaped the character of what Miami is today. The 1920's was the start of the Miami we know today, with immense numbers of homes, apartments, businesses, public buildings and hotels being constructed. The boom began in 1921 and after five busy years it came to an abrupt end when the Hurricane of 1926 blew in and destroyed a huge part of what had just been built, only to be followed by the Great Depression of 1929. The development that occurred during this period was the headway for the city that Miami has become. When the New Millennium began, another stage of Miami's development started. Within a period of less than eight years, Miami's skyline was dramatically changed and many other projects in South Florida had begun. When the economic recession hit in 2008, all of the projects that had been started during this boom were severely affected by the unemployment rate and the economic uncertainty throughout the country and the world. Although there was almost eighty years between the two booms, both of the time periods shared similar characteristics, and the recovery from the busts that followed also shared parallel themes. Looking back on these two periods of growth, it is clear that the construction and changes that took place during both time periods were very influential to Miami as it exists today.

The real estate boom of the mid 1920's severely impacted the development of South Florida. It began in 1921 and lasted until 1926, but the bulk of the initial building started in 1923.

Within the months of April through July, $5.7 million worth of building permits were issued. A little over a year later, four million dollars' worth of permits were allotted in the month of August alone. The peak of the growth was reached in October of 1925 when a record $15.8 million worth of permits were issued for the greater Miami area (Ballinger, 5). The rising trend in Florida real estate values began in 1924 "when investors could purchase property and realize a quick turnover at a small profit. The selling gathered momentum and was at its highest from July to October 31st 1925. In November, there was a noticeable slackening of investing and the stock market crash of November, 1925 was really the finish of Miami's boom," wrote Ballinger**.** However, in October of 1925 lots that normally sold for around $2,000 dollars were being sold for $50,000, a 2400 percent increase (Ballinger 7).

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http://www.skyscrapercity.com/showthread.php?t=290672&page=7

1924 marked the first of the three biggest building years in Miami. In 1924 alone, $17.0 million worth of construction began. At that time the city consisted of eight, one to three square mile areas. Miami Beach was also growing rapidly during the same time period. Construction on the beach totaled $4.2 million in 1923 and almost doubled to $7.0 million in 1924 (Ballinger 8). A huge part of the boom was the building of resort hotels. Many famous people would travel to stay at the hotels and be entertained. Over nineteen hotels were built during the boom, many of which had swimming pools, grand lobbies, golf courses and other luxurious amenities. With August of 1924 being one of Miami's best building months, Clark Dredging Company started pumping 1,000,000 cubic yards of sand and rock to form Bayfront Park (Ballinger 10). This represented one of the first major steps toward making Miami an urban city, and providing nature to the many people moving to the city.

George Merrick sold his first five lots in five days in September of 1924, and this was the basis for what became Coral Gables eight months later. Merrick's city became the largest single unit of the boom as over $150 million worth of property was sold, and $100 million was spent on construction. During the boom, the Casa Loma Hotel, the Biltmore, the bank building, the post office, and the administration building were all constructed. To entice people to come live in Coral Gables, boat excursions took potential property owners down through the bay and up the Coral Gables canal, attracting people to the "40 miles of inland waterway" (Ballinger 25). In January of 1925 George Merrick even took further measures to lure people to his city when he hired William Jennings Bryan to lecture about the "glories of Coral Gables". Merrick was so confident in Bryan's ability to increase the popularity of his city he paid Bryan $100,000, half in cash and half in property (Ballinger 27).

Advertisement for Coral Gables

http://www.newyorksocialdiary.com/node/1903449

Throughout the years of the boom many new communities were built in the rapidly growing city. One of the fastest growing communities was Miami Shores which was built in 1924. The area was comprised of 2500 acres, and from that 12,000 building sites were created. The first day that the sales offices opened, over two and a half million dollars of sales were brought in. On the biggest day over $30 million worth of property was sold. These outrageous numbers were only one example of the immense number of sales that took place throughout the city on a daily basis (Ballinger 35).

In the year 1925, 481 hotels and apartments were added in Miami alone, which brought vacationers and residents to the city from all over the world (Ballinger 135). People interviewed that year expressed that they believed by 1935 the city would have 1,000,000 residents or more (Ballinger 41). A publication from April 1925 stated, “Miami is not having a boom like the West where professional speculators made paper towns out of nothing, disposed of lots and went their way to pastures green” (Ballinger 41). They believed that Miami’s boom was more of a “natural growth”. The “natural growth” that was occurring in the city was certainly a very rapid and immense one, as the resident listings of the year recorded 102,582 permanent residents, however many people were moving to the city by the day (Ballinger 41). The all-time highest sale of real estate in “southern land” was set in May of 1925 when the Charles Deering estate was sold for $6.5 million, which amounted to $30,600 an acre. Developers began plotting for five islands in Biscayne Bay that would altogether become a $200 million development. “Soon lots were being sold on paper, on locations, then admittedly 10 feet underwater” (Ballinger 72). The fact that people were buying plots of land that were still underwater should have been a warning sign to developers, as it meant that they could sell land to people for large quantities of money without even seeing the site. Another indicator that the boom was coming to an end was that by June of 1925 a one million dollar sale would only receive $200,000 of it in cash (Ballinger 78).

Charles Deering Estate

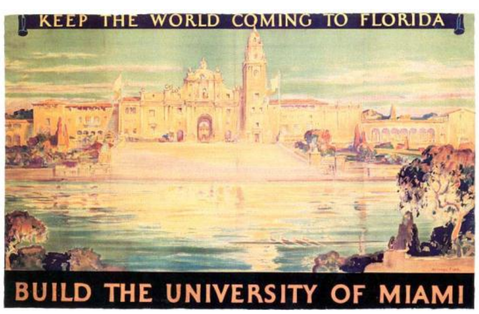
http://www.benandhallie.com/ceremony.html

One of the tragedies that launched the first serious downfall of the boom was on January 10th, 1926 when the 241 foot schooner, Prinz Valdemar, wrecked and turned on its side, blocking the entire entrance to the harbor. For 25 days, no vessels bigger than a rowboat could enter the harbor. Because of this, cargo could not be exported or imported, leaving massive amounts of money tied up in transactions and delaying many construction projects. Some of the ships cut holes in their bows just so that they could remove the freight from their craft (Ballinger, 137). The losses that followed this disaster were stifled by the exciting plans of Hugh Anderson's development of Biscayne Boulevard and the building of the Charles Deering Estate (Ballinger, 145). Anderson's Boulevard was to become more than just a road; it was going to become an intricate part of the urban atmosphere of the city, enticing more people to live in the city. Another project of 1926 that made it difficult to see that the boom was over, was that Merrick's Coral Gables seemed to be growing by the day with a full house at the opening of the Roney Plaza Hotel and the extravagant Biltmore Hotel, and with the plans and construction underway for University of Miami (Ballinger, 148). Although the numbers pointed to a loss, as the number of real estate transactions had consistently dwindled since March, Merrick still

Wreck of Prinz Valdemar
http://www.searchamelia.com/the-1926-miami-hurricane

Biscayne Boulevard and Downtown Miami, 1920's

http://www.miamistreetwear.com/miami-biscayne-blvd-downtown-1920s.php



Promotional Poster by Denman Fink 1

http://scholar.library.miami.edu/umhistory/DisplaySubjects.php?subject_id=Beginnings believed his city would grow as he sent out 20,000 invitations to property owners to travel back to Coral Gables and see all of the progress that had been completed (Ballinger, 153).

When the first news was heard that a storm was brewing in the Atlantic in 1926, no one in Miami gave much thought to the amount of devastation that was to come. Only people who were old enough to remember the Hurricane of 1910 were able to prepare at all as some moved their ships from the bay to the river. By the time that fateful Sunday, September 19th came, nothing could be done to protect what damage was to come. High speed winds rolled through the Keys and up the coast hitting Miami at 120 miles per hour, and Miami Beach at 125 miles per hour (Ballinger, 154). By the time the storm had rolled out of Miami, over 2000 homes were destroyed in Miami and 3000 homes had been damaged (Ballinger, 155). The amount of structure that was lost to the storm was estimated at $20 million, a disturbing number to any developer of the boom. Most of the damages that occurred during the storm were to houses and stores that had been "thrown up" in order to accommodate for the massive residential demand during the boom period. The National Guard came in to help clean up the city and the Red Cross came to take care of the people and just ten days later Mayor Romfh claimed that Miami was "back to normal" however the most insolvent tourist season Miami had seen followed the devastating hurricane, indicating that the boom was over (Ballinger, 156).

Damage from the Great Hurricane of 1926

http://www.inspectionnews.net/home_inspection/roofing-system-home-inspection-commercial-inspection/14144-roof-valley-corner.html

> All the shoddy work of the boom stood out for the world to see, and for years there were grim reminders all about to make investors think twice before they bought in Florida. (Ballinger 157)

For eight years after the storm, investors, bankers, and developers worked to recover from the losses but a series of failing banks and the Great Depression made it next to impossible to continue with construction (Ballinger 157).

> We cannot say that Florida will not have other booms but it is evident that this state never again will see the same kind of a boom, nor experience in this generation, at least, the same damage to pride and pocketbook that followed 1925 and 1926. (Ballinger 160)

Ballinger's thoughts here relay the turntable of emotions of the people who lived through the boom and bust of the 1920's: bliss to complete devastation.

The boom of the New Millennium was also prompted by many developers seeking the opportunity to transform Miami as a city. A large part of the construction in Miami was high rise luxury condominiums. Developers were looking to transform the downtown area from a suburban municipality to a 24 hour urban city. In a report by Condo Vultures, which tracked the projects east of I-95, researchers found that almost 50,000 condos were built in the eight year boom (*Condo inventory detailed in new report*). In the 2000's, more condos were built in the downtown and

Brickell's Skyline
http://www.urban-photos.com/view_image/25498/Skyine-of-Miami-Brickell-District.html

Brickell area than in the preceding four decades combined. In the last 8 years, 18,675 new condos were sold which was about 84% of what had been built. "Developers built 23,000 condos, and when over 80 percent have been sold and occupied, clearly it tells you that this is where people want to live and invest. The condos have single handedly helped lead the transformation of downtown Miami into a 24/7 global city" (*Condo inventory detailed in new report*). Leo Zabezhinsk, the Manager of Business Development and Real Estate for Miami Downtown Development Authority stated "People are certainly taking advantage of the fact that (condos) are affordable and available both to live in and also to invest in" (*Condo inventory detailed in new report*). During the boom, many of the buyers were speculators, while the people who are currently buying are investors and "vultures" who rent out their condos for a profit. "An investor comes in, they look in South Beach, and they get sticker shock. If they want to be on the sand, they go up to Sunny Isles Beach. If they're looking for investment value new construction, they go to downtown Miami" (*Condo inventory detailed in new report*). At the peak of the boom, condo prices were 60% higher than what they are today (South Florida Home). Jorge Perez, the Chief Executive of the Miami-based Related Realty Group said, "People have to take risks, and we were willing to take the risks." Perez and his company were responsible for completely changing the Miami skyline during the boom years with seven large high rise condominium buildings. The company just came down a long road after battling for two years to save their company when a " 'perfect storm' of troubled condo projects, financial system meltdown and a recession handed (the company) a billion dollars in losses," Toluse Olorunnipa reported. Since 2009, the company has been working with

Related Group's Icon Building, Brickell

http://www.miamicondolifestyle.com/icon_brickell_one_condos-icon_brickell_one_condos.php over 80 lenders to escape the debt of the “perfect storm” and is now officially debt-free, with more luxury condo projects in their plans for the distant future. Perez feels that the worst of the recession is over although it will take a while before any banks will finance any more condo projects in the South Florida area, but he has his eyes open and will wait for the right signs of a rebound. Related Realty Group built over 15,000 condos between 2002 and 2010. When the market crashed, many of Related’s buyers bailed on their twenty percent deposits and contracts (Related Group’s Jorge Perez). Many critics of the situation said that Perez and his employees should have never allowed these buyers to sign contracts as they did not have the means to pay for the million dollar units. “Related didn’t really do its part in weeding out speculators (among) the buyers who had signed pre-construction contracts. The speculation had everything to do with the fact that Related and other developers were putting up new projects as fast as they could and doing any and everything they could to sell those projects,” Jared Beck stated. Beck is a Miami attorney who fought with hundreds of buyers to recover their pre-construction deposits. When the recession hit, Related had two billion dollars of unpaid construction loans (Related Group’s Jorge Perez). After foreclosures, property givebacks, and cash payments to lenders the company relinquished ownership of their newest projects and took a loss of more than one billion dollars. However, Perez is still confident that his company’s efforts were positive additions to the city,

Downtown Miami Skyline at Night

http://miamitips.wordpress.com/2010/12/30/downtown-miami-the-icon-building/

> Within the shortest period of time of any city that I know of, we were able to turn Miami from a suburban city into an urban 24-hour city…There’s no question in my mind, no question in my mind, that Miami is better off today because of the development of the

past few years. History will say that it was the most productive years in Miami's history, and what we did was the right thing. (Related Group's Jorge Perez)

Since the bust that followed the construction boom, things are beginning to look up for the condo market in downtown Miami. Sales in downtown Miami increased by 57% from 2009 to 2010 to 3,675 units sold, mostly due to people who are buying units in bulk. Whereas in South Beach only 123 condos sold; however this was still up from 107 in 2007. At these rates it is estimated that it will take about a year to sell all of the empty condos in downtown Miami, but over a decade to sell the 1300 new condos in South Beach. Nonetheless, it appears that the real estate market is improving even if it is a slow process. Places like Fort Lauderdale were fortunate enough to complete the majority of their projects in the boom years before the bust hit, leaving just 160 empty condos, when more than 5,000 had been built (*Condo inventory detailed in new report*). Compared to the boom of the 1920's when all of South Florida was in a building boom and the Depression hit, it was Miami Beach that emerged through the Depression still doing a fair amount of construction. However it seems that the building that was done post-boom in both time periods was done to target particular audiences, not particular geographical areas. Real estate agents evaluated the current economic situation of South Florida and realized that since South Florida still has double digit unemployment rates and many unpaid mortgages, it is necessary to seek out other buyers. Real estate brokers travelled around the United States and to other countries to seek out their new buyers including New York and Venezuela. One buyer, Sam Mandel, a retired New Yorker said that the amenities of the condo buildings were what sold

Aerial View of Miami Beach

http://miami.metblogs.com/2009/05/08/miami-an-overpriced-city-nah/

him, “The apartments are beautiful and available…” (Related Group’s Jorge Perez). When evaluating the boom of 1920, it is clear that both Coral Gables and Miami Beach sought other opportunities to lure people to the cities. When Merrick saw that his real estate numbers were steadily decreasing in 1926, he invited many people to come see the progress that was still being made (Ballinger 133). In addition, Miami Beach came out of the Depression still building resort hotels, showing that developers evaluated the economic situation and realized the potential for attracting wealthy tourists to their hotels to enjoy the luxurious amenities similar to those that Mandel speaks of. When development companies see opportunities for mass construction and sales, it is clear that they invest heavily to seek maximum profits. However, the interesting aspect about the boom periods is that in both the 1920’s and the 2000’s there was an attempt at improving the city as a whole as a result of the mass construction. Although the development companies’ main goals were to make money, both periods of mass construction were based around a framework for improving Miami as an urban area that would be enjoyable for the people who live there. In the 1920’s additions to the city such as Bayfront Park, Biscayne Boulevard, public transportation, new hotels, new communities, beaches, and urban gathering areas were all created for the enjoyment visitors and residents. In the more recent boom, the high rises that were built completely changed the atmosphere of the downtown area. It went from being a spread out, less wealthy area, to a place where people could live, work, dine, and be social in a small geographic area with amazing

Areial View of Miami
http://www.miamicondolifestyle.com/brickell_condos.php

views of the bay. With buildings popping up everywhere, the area became more enticing for businesses, restaurants, shops and clubs to open, which added to the urban atmosphere.

After analyzing both periods when Miami experienced real estate booms, perhaps developers could learn from the past, as it seems that a euphoria created unrealistic expectations which resulted in a free fall in the Miami real estate market, and a harsh blow to the local economy. The bust that followed the boom of the 1920's took more of a severe emotional and physical toll on the residents of Miami than that of 2000. Mainly this was due to the Great Hurricane of 1926 and the casualties and damage it caused. However, the fact that the Great Depression followed this tragedy only intensified the hopeless feelings of the people of the city. In contrast, the bust that followed the boom in the 2000's took a more severe toll on banks and development firms, as this bust was mainly due to poor economic supervision. Nevertheless, in the end, the crash of the banks and large firms creates a trickle down affect, which in the end impacts all of the people of the city. During both periods of boom and bust the money did eventually dry up and with the potential of cyclical economic decline in other parts of the country, and unpredictable natural disasters, the greater Miami area should consider economical oversight to avoid large scale economic declines. Nevertheless, as history has proven, each period of boom was a crucial part in the development of what the city is today. As Ballinger wrote,

> 'We don't want another boom,' so often it has been said in the last few years (post 1920's) but I wonder if people really mean it. The aftermath of the 1925-1926 speculation was bitter, it is true but like the turmoil of spring plowing, the boom created values, and not even bank failures and hurricanes could erase them. (Ballinger 159)

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