

Dallas Firm Pays \$64M for CityPlace South Units



MELANIE BELL

Scotia Capital had taken the project back from the developer Related last year.

By Polyana da Costa
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A Dallas-based fund paid \$63.9 million for 305 unsold condominium units in the CityPlace South Tower, a project in downtown West Palm Beach the Related Group handed over to lenders last year.

Gulfstream Capital Partners bought the units from a consortium of lenders led by Toronto-based Scotia Capital, a subsidiary of Bank of Nova Scotia.

The deal closed Tuesday.

Gulfstream is led by Frank G. Howard of Vero Beach. It owns several multi-family and mixed-use properties in the United States.

Representatives of Gulfstream did not return calls for comment.

Scotia Capital took control of the units in the 420-unit building last year through a so-called friendly foreclosure in which Related handed back about 380 unsold units to the lenders, who had filed to foreclose on a \$134.7 million mortgage granted to Related in 2006.

While CityPlace South was under construction, Related pre-sold 367 units. By the time the project was completed in 2008, the condo market had begun to collapse and many buyers defaulted on their contracts.

Scotia Capital relaunched sales in November 2009. The one-, two- and three-bedroom units at CityPlace range from 800 square feet to 1,700 square feet and are priced from \$160,000 to more than \$700,000.

SALES STRATEGY

Brad Scherer, president of the Wellington-based real estate brokerage Atlantic Western, who has been a consultant for the lenders since the day they took over the property last year, said Gulfstream plans to continue to market the individual units for sale.

“The retail sales plan that the owners were executing was well established,”

Scherer said. “(Scotia Capital) received a great offer from very astute, well-capitalized users, so this is a good ending for the owners and a positive thing for the project.”

But Mark Pordes, head of Pordes Residential, a condo sales and marketing firm, said the CityPlace project may face competition from waterfront projects in the area.

“Because it’s not on the water, if they want to get any type of momentum in sales they will need to price at \$200 per square foot on the high end. Mostly likely, between \$165 to \$200 per square foot.”

Based on the \$63.9 million price Gulfstream paid an average of about \$175 to \$180 per square foot.

If Gulfstream paid over \$110 per square foot, “they overpaid,” Pordes said. “Unless they want to keep it as a pure rental and wait for a better market.”

Last week, Scotia Capital closed on three units in the project.

According to county records, the prices were \$251 per square foot for a 755-square-foot unit, \$205 per square foot for a 1,606-square-foot unit, and \$220 per square foot for a unit of similar size.

Pordes said that, especially in West Palm Beach, the condo market is far from recovery.

“Miami and Fort Lauderdale are seeing a lot more movement,” he said. “It’s still pretty slow in West Palm Beach.”

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AT A GLANCE

City Place South Tower

- **Address:** 550 Okeechobee Blvd., West Palm Beach
- **Buyer:** Gulfstream Capital Partners
- **Seller:** Lender Group led by Scotia Capital
- **Price:** \$63.9 million
- **Developer:** Related Group
- **Completion:** 2008
- **Number of units:** 420
- **Unsold units:** 306