

THE WALL STREET JOURNAL.



By **ROBYN A. FRIEDMAN**

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Florida's Fort Lauderdale, once known for spring-break revelers, is today [more likely to draw business moguls](#) seeking relief from state income taxes.

Home prices are rising, boosted by low inventory and a swelling population. In an analysis of luxury sales, defined as the top 10% of the market, Douglas Elliman Real Estate found that the median sale price of condos and single-family homes rose 3.8% year-over-year in the fourth quarter of 2016. Condos sold for a median \$1.245 million, while single-family homes sold for a median \$2.025 million.

Last year, a 9,695-square-foot gated estate with dockage for two megayachts sold for \$5.5 million. An 11,477-square-foot oceanfront penthouse—one of the largest condos in the city—sold for \$5.1 million.

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Driving the price increase: fewer homes for sale. Single-family listings in the greater Fort Lauderdale area declined by 7.2% between January 2016 and January 2017, according to the Greater Fort Lauderdale Realtors, a trade association. Active multifamily listings declined by 2.9% during the same period.

One recent transplant is Bruce Paddock, 68, who relocated full time to Fort Lauderdale from Minneapolis in 2013. Mr. Paddock, who sold a generic-pharmaceutical business in 2011 for \$540 million, was drawn to Fort Lauderdale's boating lifestyle—he owns two yachts—as well as its weather and lack of state income tax. While the west coast of Florida attracts many Midwesterners, Mr. Paddock found that area “too sleepy” and Miami to be “a little too crazy.”



Fort Lauderdale, Fla., once known for spring-break revelers, is today more likely to draw business moguls seeking relief from state income taxes. Photo: Alexia Fodere for The Wall Street Journal

Fort Lauderdale, located 45 minutes north of Miami, was just right. Last year he paid \$17.1 million for a 13,000-square-foot waterfront estate in the popular Rio Vista Isles neighborhood. The home has seven bedrooms, a chef's kitchen and a wine cellar. A big selling point, however, was the 430 feet of deep-water frontage, says Mr. Paddock.

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“All the boat manufacturers have offices here, and we have world-recognized marinas like Pier Sixty-Six and the Bahia Mar,” Mr. Paddock says. He particularly enjoys sailing his 74-foot Sunseeker to Bimini and the Bahamas, about 50 nautical miles away, on weekends.

His real-estate agent, Tim Elmes, says that most buyers today want new homes, both in contemporary and transitional styles, which is a blend of contemporary and traditional.

“People don’t want to get in a fight with a South Florida contractor,” says Mr. Elmes, of the Tim Elmes Group at Coldwell Banker. “They’ll pay a premium for a turnkey house.”

Mr. Elmes is currently listing a three-story penthouse on the top floor of Las Olas River House. The 8,329-square-foot unit, built in 2004, has five bedrooms, seven bathrooms and two half-baths, custom finishes and panoramic views of the ocean and city from every room. The price: \$13.995 million.



The living room of a three-story penthouse at the top of Las Olas River House, a condominium in downtown Fort Lauderdale. The 8,329-square-foot unit is on the market for \$13.995 million. *PHOTO: ALEXIA FODERE FOR THE WALL STREET JOURNAL*

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Companies such as AutoNation, Citrix Systems and Hotwire Communications call Fort Lauderdale home. Businesses are drawn to the region for its diverse labor pool, easy access to both domestic and international markets, favorable tax climate and lifestyle. Last week, Canadian pharmaceutical firm Apotex announced a \$184 million U.S. expansion plan, including the development of a new research and development center, and manufacturing and packaging facility that will serve as its U.S. headquarters in nearby Miramar.

Other local companies, such as virtual-reality startup Magic Leap, are expanding as well and are drawing more people to Fort Lauderdale. The population was 180,133 in 2016, but is forecast to grow to 194,063 by 2021, according to the Greater Fort Lauderdale Alliance.

Even with rising home prices, “Fort Lauderdale is a bargain compared to Miami Beach,” says Craig Studnicky, co-founder of Aventura, Fla.-based ISG World, a real-estate sales and marketing firm. “The price per square foot for a new condominium in Miami Beach is roughly three times more than for a new condominium on Fort Lauderdale Beach.”

Developers are also touting the price differential. “When you look at what prices are half an hour south of Fort Lauderdale, in Bal Harbour and Surfside, Fort Lauderdale is a great bargain,” says Carlos Rosso, president of the condominium development division at the Related Group in Miami.

Fort Lauderdale has its challenges as well. Florida was hit hard by the recession, and some areas are still struggling to recover. According to data firm [CoreLogic](#), 12.6% of all residential properties with a mortgage were in negative equity, or “underwater,” in the greater Fort Lauderdale metropolitan area in the fourth quarter of 2016. Traffic in many parts of the city can be brutal, especially during peak season and spring break. The threat of hurricanes means average homeowners-insurance premiums in Florida are the highest in the nation, according to the Insurance Information Institute.

The lack of mass transit and increasing road congestion are common complaints. The new Brightline express train service connecting Miami, Fort Lauderdale and West Palm Beach

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will launch this summer, with service to Orlando following in several years. Ridership is estimated to reach up to 3 million passengers a year after Brightline's first full year in operation.

Mansion Hunting in Fort Lauderdale »

Inside a 13,000-square-foot waterfront mansion that sold in Fort Lauderdale for \$17 million last year, as well as an 8,329-square-foot penthouse that's on the market for \$13.995 million.



The living room of Bruce Paddock's mansion, located in the Rio Vista Isles section of Fort Lauderdale. Mr. Paddock, a pharmaceutical magnate originally from Minnesota, purchased the 13,000-square-foot waterfront home for more than \$17 million last year. *ALEXIA FODERE FOR THE WALL STREET JOURNAL*

Auberge Beach Residences & Spa, a 171-unit condominium on the beach in Fort Lauderdale, has nearly sold out the project's North Tower and half of the South Tower. Prices range from \$1.5 million to \$9.8 million. The buildings, developed by Fairwinds Group, the Related Group and Fortune International Group, are scheduled to open at the end of 2017 and mid-2018. Related says a 4,300-square-foot penthouse is under contract for \$1,632 a square foot.

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However, another Auberge-branded project by Related Group, in Miami, has been put on hold, Mr. Rosso says, although the sales office remains open to take reservations. In terms of new construction, “we understand that Miami has a lot of problems, and we’re waiting for some of the product there to close and be off the market before we push hard on that project,” he says.

Another project in the works is the Four Seasons Private Residences Fort Lauderdale, under development by Fort Partners. Condominium prices here range from \$1 million to \$15 million. According to Dan Teixeira of Douglas Elliman, director of sales for the Four Seasons, units have sold at prices exceeding \$2,000 a square foot.

Meanwhile, Mr. Studnický says he has seen developers [cut prices at some new condominiums in Miami-Dade County](#) because of slowing sales due to the strength of the U.S. dollar, which makes real estate more expensive for foreign buyers. Some developers are discounting as much as 20%, he says.

Some home buyers just prefer the livelier lifestyle of Miami to that of Fort Lauderdale, particularly foreign buyers from major cities who are accustomed to late dining and nightlife.

“Trying to get somebody who is more comfortable living in Miami to go to Fort Lauderdale is extremely challenging,” says Peter Zalewski, a Miami-based real-estate consultant with CraneSpotters.com. “You can grab dinner in Dade late at night, but when I’m in Fort Lauderdale, I’m challenged to eat after 10 p.m.”