

# The Weekly Dirt: Why condo developers flush with optimism should think twice

Opportunities for multifamily to condo conversions, more branded condo launches expected this year

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A photo illustration of Craig Studnicky, Edgardo Defortuna and Fernando de Nuñez y Lugones (Getty, The Real Deal)

Some condo developers experienced slower sales in 2024. That didn't stop developers from launching more projects.

Expect more of that this year, developers and brokers say.

The consensus is that condos are still “where we can make the numbers work,” says developer Gaetano Caltagirone. Multifamily is way more challenging (see last week's Weekly Dirt) and some of those buildings will mark a “great opportunity” to be converted to condos, broker Craig Studnicky tells me.

Rents have softened, and “we need the inventory,” Studnicky says.

Developers don't want to come off as negative, but challenges remain. High insurance costs and permitting delays are among their concerns. And there is the potential (I think we're already seeing it) for a glut of inventory in the pipeline.

“We've seen renewed momentum and optimism,” says developer and broker Edgardo Defortuna, referring to after the election and the holidays.

Optimism can be dangerous. Defortuna is still cautious.

“[Developers] need to be very careful on launching new projects at this stage in the game,” he says. “There’s some that make sense and many that don’t.”

Much of the pipeline is branded condos, continuing a trend that exploded last year.

Vertical Developments’ Fernando de Nuñez y Lugones is betting on more out-of-the-box, non-hospitality brands this year. De Nuñez y Lugones says hospitality brands are “overused.” Many developers will disagree with this hot take, as hospitality brands have mastered servicing these condos.

Projects that are under construction, including those that will be completed this year, are in the best position. Ned Grace, whose NDT Development is building the Nora District in West Palm Beach, predicts the market will be gassed up by a wave of project deliveries this year.

“You’ll see the development cycle that built in Covid start to deliver in ‘25,” he says.

Developer Raimundo Onetto says buyers are running away from older buildings. Normal people (a.k.a. not the super wealthy) are looking for new condos they can afford.

Onetto went back to an earlier point about permitting. Time is money.

“Everyone is complaining about the interest rates,” he says. “The issue that’s really affecting the returns on the projects is the time needed to spend on the entitlements.”

Prospective buyers of new condos, Studnicky says, are less anxious and more discerning than they were during the pandemic boom. Demand is strongest in the \$500,000 to \$1.5 million range.

In 2025, he says, “I see the roller coaster ride of South Florida sobering up.”