

Interest rates rising? Better refinance now, developers say

Developers refinancing are choosing a fixed rather than floating rate

By [Francisco Alvarado](#)



Amid uncertainty about the Federal Reserve's timetable for raising interest rates, the first three months of 2015 has seen a flurry of refinancing deals involving some signature projects in Miami-Dade County.

In January, Agave Holdings closed a deal with Citibank to refinance a \$40 million loan the commercial real estate firm took out in 2005 for its office building at 396 Alhambra Circle in Coral Gables. As part of the restructuring, Citibank provided Agave with an additional \$11 million. A month later, the iconic Shore Club in South Beach received **\$185 million in refinancing** as part of New-York based HFZ Capital Group's plan to reposition the property as a five-star hotel.

In early March, Turnberry Associates and Lefrak refinanced a \$37 million loan from Wells Fargo Bank to Oleta Partners, the firm developing the **183-acre Biscayne Landing project**. After buying out Oleta's previous investors Michael Swerdlow and Ezra Katz, LeFrak entered into a partnership with Turnberry to finish the controversial former superfund site.

According to real estate experts, the deals are a sign developers and property owners want to lock in favorable rates while the Fed is still holding the line low. Jon Chassen, a partner at Miami law firm Bilzin Sumberg, specializing in real estate, who represents Oleta and Agave, said his clients wanted to move quickly. "They are confident interest rates are pretty close to the bottom," Chassen told *The Real Deal*. "Even if the Fed doesn't raise the rate, it's not getting any lower."

Last week, the Fed issued a conservative outlook on the U.S. economy, but stopped short of implementing the first interest rate hike since 2006. The Fed's statement said policymakers "have not decided on the timing of the initial increase," but that it will occur sometime later this year. "As a result, there will be an increase in deal velocity in the next six to 12 months," Chassen said.

James Fried, managing partner at Aztec Group said he has clients who are looking to refinance now because they anticipate an increase in interest rates. "Obviously, there is more pressure to refinance sooner," Fried told *TRD*. "Everybody wants to lock in the lowest rate possible."

A high volume of maturing loans is another factor that will contribute to more refinancing deals this year, said Michael T. Fay, a principal and managing director for Avison Young's Miami office. "You have a lot of CMBS maturities coming up," Fay said. "Those [developers and property owners] will look for refinancing at today's low interest rates."

Daryl Shevin, a principal of 13th Floor Investments, which recently negotiated a \$76 million loan for its 1010 Brickell luxury condo project, said more developers looking to refinance mortgages are also choosing a fixed rate over a floating rate. "Two years ago, using floating rate debt was a no brainer," Shevin said. "Now we are shifting to a fixed rate environment since they won't be at historic lows a year or two from now."