THE REAL DEAL
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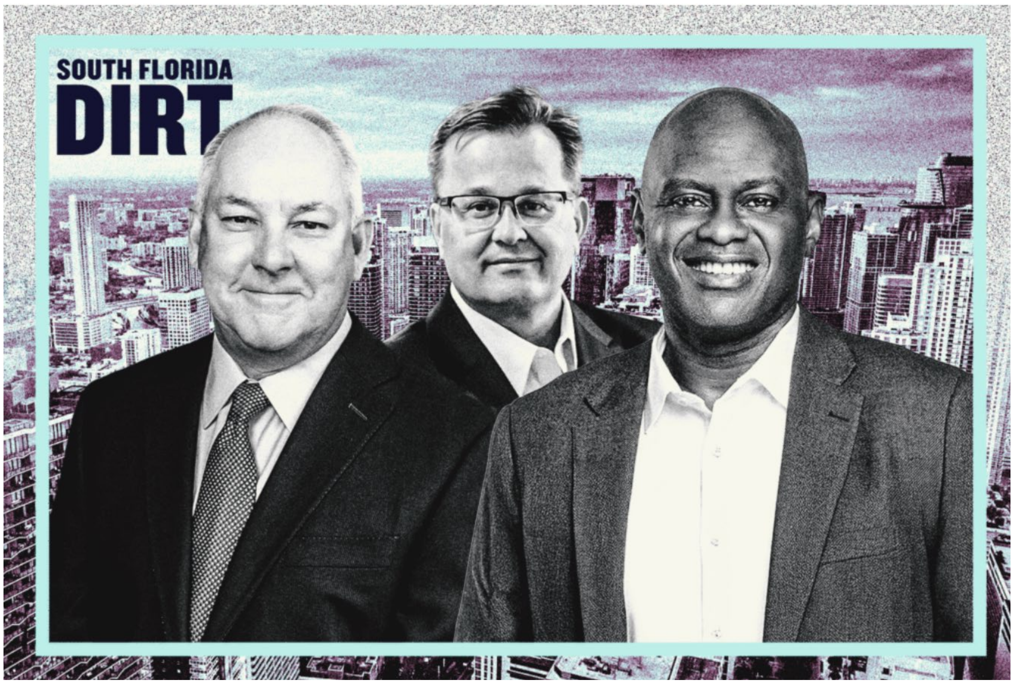
South Florida Dirt: How Fannie and Freddie's new rules will create winners and losers in condos

Also, a Q&A with Atlantic Pacific's Ken Naylor on financing affordable projects



Freddie Mac's Kenny Smith, Robert Smith and Fannie Mae's Peter Akwaboah (Getty, Freddie Mac, Fannie Mae)

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By Katherine Kallergis

Fannie Mae and Freddie Mac are now requiring lenders to pay even closer attention to a condo building's finances.

This shouldn't really be a shock for anyone who's been paying attention to the condo market, especially in Florida. Effective last Monday, Fannie Mae retired its limited review process, and Freddie Mac ended its streamlined review process, which allowed lenders to approve conventional mortgages without a deep dive into a condo associations' finances.

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The long and short of it? All conventional mortgage applications have to go through the full review process, unless they qualify for a waiver.

Fannie Mae also clarified its policy that allows lenders to use a reserve study to show that a building has sufficient reserves when it's not budgeting for replacement reserves under Fannie's requirements. Now lenders have to verify that the budget is using the highest recommended reserve allocations, and lenders can no longer use a baseline funding method that allows the reserve cash balance to approach zero.

So if you're a buyer, seller, mortgage broker or real estate agent involved in a condo sale, the financial health of that condo association has a bigger effect on whether the deal pans out — that is, as long as a mortgage is involved. Lenders are also requiring insurance coverage and maintenance history.

That could mean another wrinkle in the purchasing process, likely one that adds time and could kill certain deals. Even though condo associations across the state are now being forced to get into financial shape, through the state-mandated funding of their reserves and safety and maintenance requirements, not all have.

"Communities that consistently invest in reserves, keep financial records current and plan will generally be in a stronger position when lenders evaluate the property," said Robert Smith, a regional president at FirstService Residential.

Smith said Fannie and Freddie's recent changes will result in condo deals becoming more detailed than before. It will be more difficult to finance purchases in older buildings and complexes that are still addressing reserve funding or big capital projects — think roofs, concrete restoration, installing hurricane windows and modernizing elevators. But it may also motivate condo owners and their boards to get moving on funding their reserves and tackling these capital improvements.

The associations that have been proactive will benefit, and that premium could be baked into the pricing.

Eventually, this should be a good thing. It is being implemented as buyers are increasingly priced out of the single-family home market across South Florida, which means it could limit those same buyers' options in the condo market. But ask anyone who owns a financed condo in an older building with little financial stability. Wouldn't they have preferred a little more scrutiny?

"The biggest difference is that buyers now need to evaluate the financial health of the condominium association just as carefully as they evaluate the home itself," Smith said.

What we're thinking about: The same day my profile on developer Michael Stern dropped, the Promote reported that developer Jeff Soffer is also planning to work with Stern on his Dolce & Gabbana-planned supertall. If true, that would give Soffer two high-profile condo projects in the city of Miami. What changes do you see him making to these projects? Send me a note at kk@therealdeal.com.

Q&A: Five minutes with Atlantic Pacific's Ken Naylor

Atlantic Pacific's Ken Naylor (Atlantic Pacific)

I recently caught up with Ken Naylor, president of development for Atlantic Pacific Companies, about workforce, affordable and mixed-income housing projects. Atlantic Pacific recently completed a redevelopment of the Culmer Place public housing project in Miami's Overtown, where rents range from $1,236 for households earning 60 percent of the area median income to $1,811 for those earning 80 percent AMI.

Here's what Naylor had to say.

This interview has been condensed and edited for clarity.

How do you finance your projects?

We have to remain flexible. Sometimes we're layering more layers of financing into a given development than we anticipated at the outset. Sometimes we're breaking the development into more phases than we originally anticipated, so we can make a little bit of subsidy go further.

SIGN UP

Our Culmer Place development that we just opened has eight layers of financing. There's a state apartment incentive, which is a loan from the state, the subordinate debt. There's several types of subordinate debt from the county, surtax grants from an Overtown specific funding source from the county, county general obligation bond funds, national housing trust fund dollars, yet another state loan for extremely low income units, tax credit equity, and the first mortgage.

Every community is trying to get its affordable housing development funded, so there's a lot more pressure on state resources and county resources, so it's definitely become more competitive, because there's just more need for it at every level.

Can you use any of this funding for the long-term maintenance of the property?

Most of the financing that we have is capital dollars, so because we focus on these long-term holds, which are anywhere from a decade to forever, we are able to look at investing more in the site and the building in order to make our long-term operating costs lower.

At Culmer, as you look across the site, the geology is such that there was an ancient river bed on one end of the site with wetter soils, and the other end of the site is higher. So coming up with a drainage system to match those different soil types and different landscape species that would thrive in those different soil types is a really good idea when you're planning to hold on to it for the long term. We have passive rainwater drainage into rain gardens and other little elements like that that just make it a little easier to maintain and have thriving landscaping, which makes it better to operate and better for our neighbors as well.

At Atlantic Square [also in Overtown/downtown Miami] we elevated that lobby two feet above the minimum we would need just to be able to withstand any future rain events. Designing for future conditions makes your long-term costs a lot lower, and then of course investing in better materials, roofing, painting, mechanical to have a longer-lasting and more efficient building over time makes sense as well.

How are you using the Live Local Act?

Live Local and the subsequent legislation has touched many of our developments in different ways. There's the zoning element, so if a municipality welcomes [Live Local], we'd love to use it with them… The tax exemption piece alone doesn't usually make a development viable by itself, but when you pair up the tax exemption with some state subsidy and maybe some zoning benefits, then you get into the sweet spot.

CLOSING TIME

Residential: A trust scooped up the home at 4040 Kiaora Street in Miami for $22.5 million from an affiliate of luxury homebuilder Pascal Nicolai. Built last year, the home measures 8,500 square feet and has six bedrooms, seven and a half bathrooms and a guest house.

Commercial: Harbor Group International, based in Norfolk, Virginia, paid $109 million for the 505-unit Emerald Palms apartment complex at 12315 Southwest 151st Street near Zoo Miami. The deal is a $2 million gain from what the seller, Dallas-based The Milestone Group, paid for the property in 2021.

— Research by Mary Diduch

THE REAL DEAL

NEW TO THE MARKET

58 La Gorce Circle (Mike Ruiz, Legendary Productions)
Authentic Brands Group's Nick Woodhouse and his wife Jocelyne listed their waterfront La Gorce Island home at 58 La Gorce Circle in Miami Beach for $68.5 million. The 9,000-square-foot mansion, with seven bedrooms, eight bathrooms and two half-bathrooms, was built in 2023 on a 0.4-acre lot. A company led by the Woodhouses paid $17 million for the property in 2021. It's on the market with Douglas Elliman's Oliver Lloyd.

IN MEMORIAM

Cuban-born sugar and real estate billionaire Alfonso Fanjul Jr. died Monday at age 89, WPBF reported. Fanjul was the longtime head of his family's company Florida Crystals. His funeral was Saturday.

Elsewhere in Florida

- Christina Crespi agreed to part ways with Miami's Downtown Development Authority, accepting five months' pay and continued insurance following what the Miami Herald called "several acrimonious public meetings this summer." Miami City Commissioner Ralph Rosado alleged that Crespi may

have been committing “time theft,” which she denied. Crespi’s annual salary is $275,000.
- After 15 years in South Beach, Yardbird closed its doors abruptly last week. The 50 Eggs Hospitality concept, a popular Southern comfort food brunch spot, plans to reopen, according to the Miami New Times.
- Authorities charged a Miami Beach man who served on a boater safety task force with attempted murder after they say he shut off the air supply to an 18-year-old lobster diver during an argument, NBC Miami reported. The man, Michael Joseph Simpson, was originally charged with attempted felony murder.

https://therealdeal.com/miami/2026/08/09/fannie-freddies-condo-rules-will-create-winners-losers/?itm_source=parsely-api