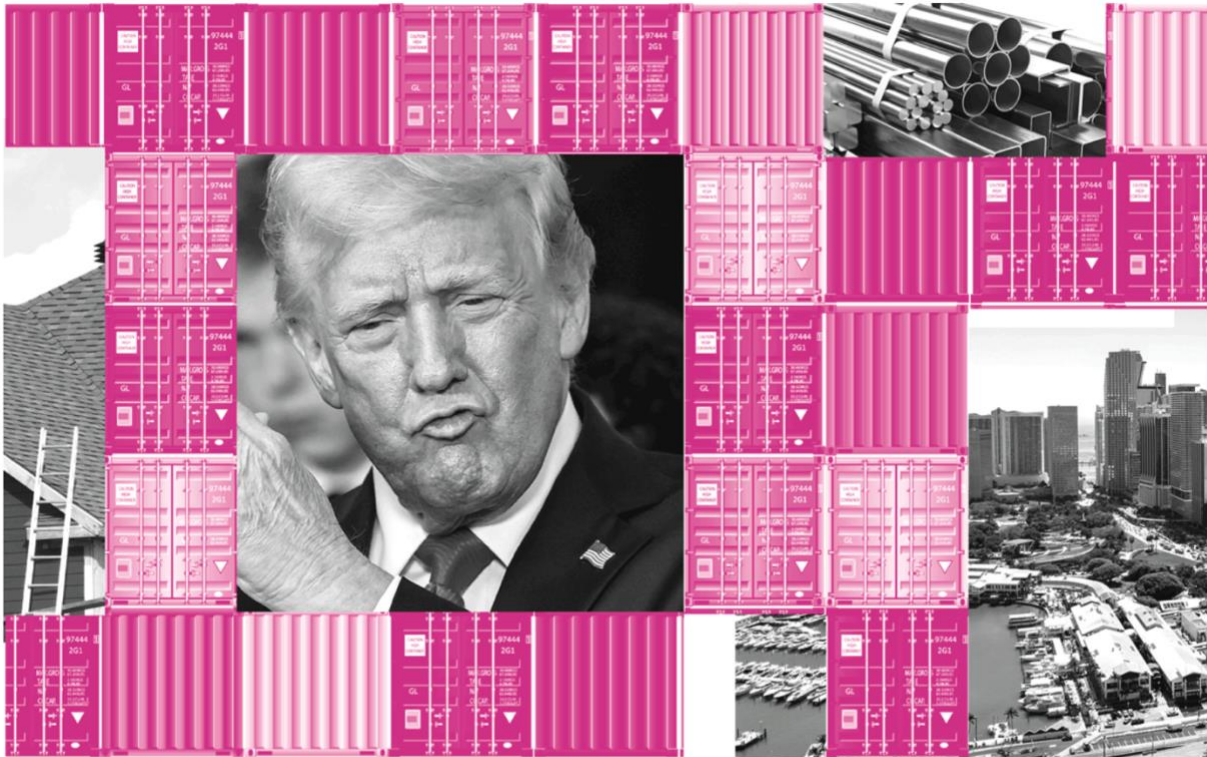


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DEVELOPMENT SOUTH FLORIDA

## Here's how South Florida condo developers are prepping for tariffs

"We have been crunching every number we can possibly imagine," said Integra's Nelson Stabile



(Getty; Illustration by Kevin Rebong/The Real Deal)

The sudden panic resulting from President Donald Trump's tariffs has subsided, and despite his 90-day pause on country-specific duties, fees on steel, aluminum, lumber and other materials remain in effect.

That includes a universal 10 percent tariff on all goods coming into the U.S.

Since Trump's announcement on April 2 and the pause just one week later, developers, contractors and lenders in South Florida have been mapping out different scenarios — preparing for the worst, but hoping for the best, said developer Gaetano Caltagirone of the [Calta Group](#).

Developers, universal in their desire to keep moving, agree that uncertainty is the killer. Some are adjusting on the fly.

Nelson Stabile, principal of Miami-based [Integra](#) Investments, said he received a notification from one of his suppliers that it will shift all furniture production (for clubhouses and common spaces) to Integra's Brazilian partners. "The supply chain is making these adjustments as fast as we can."

The cost of construction, labor, insurance and financing have been high, making any project with tight margins more challenging, experts say. Some developers say the projects that will be affected most by tariffs are those that are about to break ground or just broke ground.

Other developers are much [more bullish](#).

Henry Torres, who recently priced out the cost to build a rental project in Miami called Havana Enclave, where construction could begin this summer, said he's been able to convince his subcontractors that the tariffs "aren't going to have a very big impact on us." None of the bigger subcontractors he's working with are including price escalations in their contracts, Torres said.

*The Real Deal* spoke to condo developers and other experts involved in these projects over the past two weeks. Here's what they said:

## Gaetano Caltagirone, co-founder of Calta Group

*Projects include Via Veneto and Village at Coral Gables townhouse and condos in Coral Gables*

Caltagirone said on April 8 that general contractors were buying materials such as steel, aluminum and rebar in advance to lock in pricing. He said his company is looking at purchasing kitchens, including cabinetry and finishes, from Italy in advance.



Gaetano Caltagirone

"There will be tariffs going forward, but I think they will change. From here to three to six months, I don't think we'll be in the same situation," he said. "It is disruptive, but what do you want me to tell you? We have to try to mitigate the situation. It's not easy because it's already hard for us

to budget these projects and try to be as precise as possible. When you throw something like this in there, it becomes a lot more complicated.”

## Isaac Toledano, co-founder of **BH Group**

*Projects include W Pompano Beach Hotel & Residences with Related Group*

Toledano, like many other developers, believes that Trump is using the tariffs to negotiate.



*Isaac Toledano*

“He wants the economy to stay strong, but on the other hand he knows that this is going to bring the other countries to negotiate,”

Toledano said on April 4, before the pause was announced. “In the short term, we’re going to see the market a little choppy. Construction materials will go up five or six months from now.”

Toledano said he spoke to general contractors, lenders and other financial institutions. No one was really nervous, he said. “The opposite. They think it’s a great opportunity to execute.”

“Being a developer here in the state of Florida is better than being in other states,” Toledano said, citing stronger demand and less red tape.

## Nelson Stabile, Integra; and past president of the Builders Association of South Florida

*Condo projects include Sereno Fort Lauderdale and St. Regis Residences, Miami*

Stabile said he's been staying in close touch with suppliers.

"We're having conversations with our flooring suppliers, drywall, plumbing, electrical, pretty much everything that's common practice, this day and age, to be imported," he said on April 8. "We have been crunching every number we can possibly imagine."



Nelson Stabile

Integra is also keeping an eye on the cost of window systems, Stabile said. Like many other South Florida developers, Integra imports its windows from Colombia.

Stabile expects that affordable and workforce housing will be affected the most, because the profit margins are very tight to begin with. "It has become challenging. Now you put additional tariffs, you exacerbate the pressures," he said.

As a board member for the builders' association, he said the group is working closely with the National Association of Home Builders "to make sure they are able to do as much as they can to really convey to the [Trump] administration the potential negative impacts the tariffs can have."

## Shahab Karmely, CEO of KAR Properties

*Projects include [Faena Residences](#) planned along the Miami River with Fortune Development Group*

Karmely is optimistic about the long-term benefits of leveling the playing field,” though he acknowledged the process has been “chaotic.”

“If I was in charge, maybe I would have done it differently, but I’m not in charge,” he said.

The upside for South Florida developers is that buyers may view condos as a hedge against inflation. But not so for all developers.

“If you’re overleveraged, I think you’re a little worried,” he said.



*Shahab Karmely*

## **Peter Dyga, CEO of Associated Builders and Contractors’ Florida East Coast chapter**

Dyga said the pandemic helped train contractors and subcontractors to adapt. He hasn’t heard very much from his members regarding tariffs.

“They’ve gotten really smart with force majeure and escalation clauses,” he said.

Still, Dyga said builders are just looking for predictability. “They want to be able to know that those prices are going to hold true,” he said.



*Peter Dyga*

## **Patrick Murphy, executive vice president of Coastal Construction**

Murphy said he's seen a mixed reaction from developers, but the biggest effect has been uncertainty.

"This could all change the second we get off the phone. Just the amount of uncertainty puts people on pause," Murphy said on April 8. "How long are [tariffs] going to be in place, with what countries? What's getting less attention is the finished materials: flooring, cabinets, fixtures."



*Patrick Murphy*

Tariffs are inflationary, he said, and inflation rising "means the Fed has to raise rates, not lower rates, unless we go into a recession. A lot of our multifamily developers haven't been able to move forward with deals because of interest rates. It's like three-dimensional chess here."