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# Residential Market Trend Update – September 30, 2011 (2011-Q3)

## Downtown Development Authority District and Adjacent Areas of Influence

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**A Professional Strategic Alliance**

**Lewis M. Goodkin, CRE, FRICS, MIRM**  
Lewis.goodkin@goodkin.com  
305.860.0771

**Craig A. Werley, CRE, FRICS**  
cwerley@focusadvisors.net  
305.441.6438

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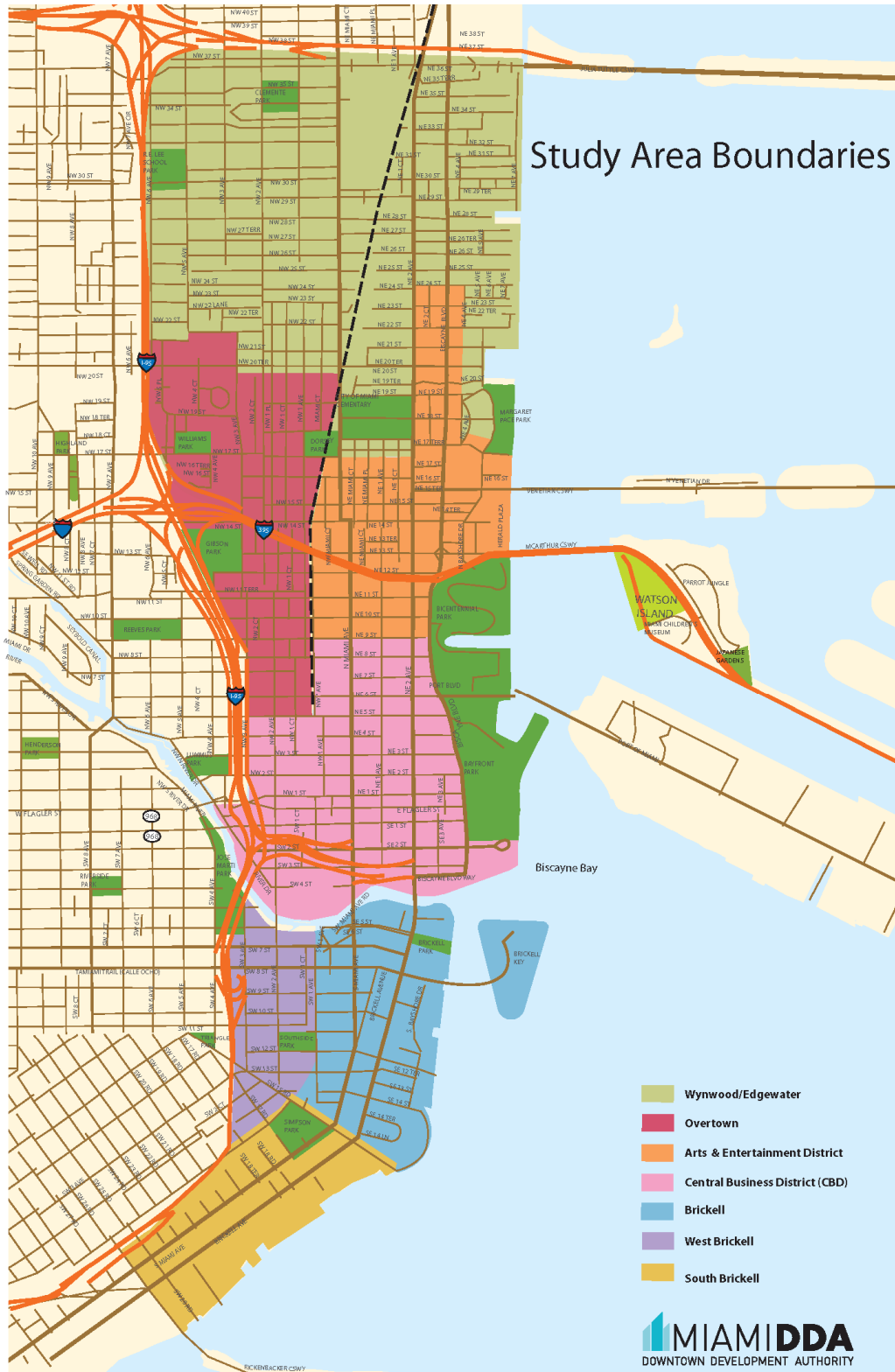
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STUDY AREA



\*Effective Q1 2011, the study area sub-district names have been updated for consistency with the 2025 Downtown Master Plan as adopted by the Miami DDA Board of Directors.

# I. RESIDENTIAL MARKET TREND UPDATE

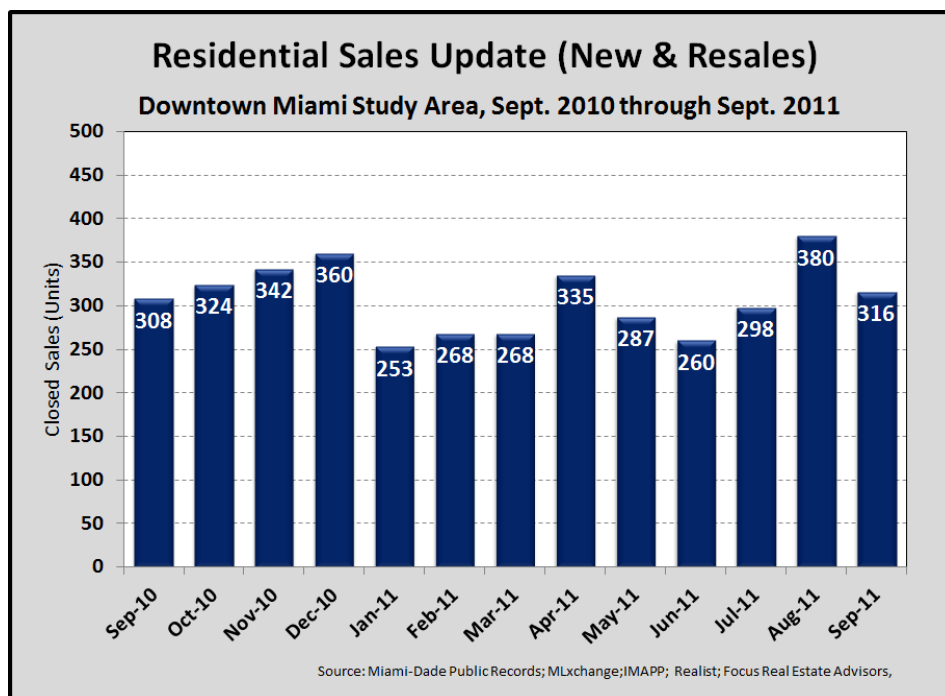
This report presents a statistical update of key residential market trends in the downtown area through September 30, 2011 including:

- Monthly Residential Sales Activity (Closings)
- Price Trends
- Residential Leasing Velocity
- Foreclosure Activity

The information presented in the following exhibits is based on direct research of public records maintained by the Miami-Dade County Appraiser and County Clerk along with MLS and other independent data services. Research using the above noted sources was supplemented, as deemed necessary, by direct field reconnaissance.

## RESIDENTIAL SALES UPDATE

The average monthly volume of residential sales in the Downtown Miami Area in the third quarter of 2011 was 331 units, up about 13% from the second quarter 2011 average of 294 sales per month. Year-over-year, the total of 994 sales in the third quarter of 2011 was up about 21% from 821 during the third quarter of 2010. Monthly sales volume peaked in August with 380 sales, reflecting steady demand from foreign nationals as well as domestic buyers responding to aggressive sales programs in major new buildings (i.e. Icon Brickell, Infinity, Axis, Mint & Vizcayne) and recognition of future demand potential in the downtown area with limited remaining new product inventory.

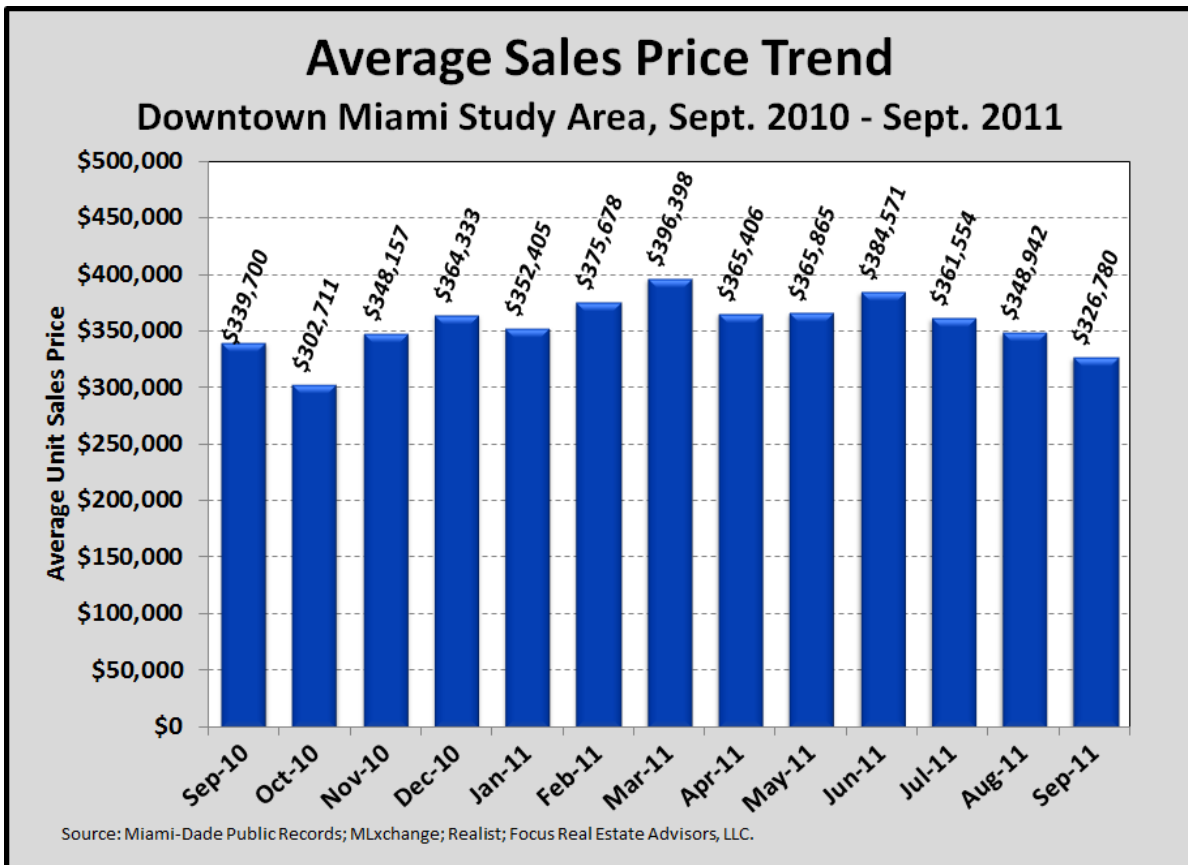


**EXHIBIT I.1 RESIDENTIAL SALES (CLOSINGS) TREND-UPDATE**

Total sales of 2,665 units in the first nine months of 2011 were down slightly from the same nine month period in 2010 when the number of sales reached over 2,750 units. The minor year-over-year decline in the total number of sales evidenced in these statistics primarily reflects the declining inventory of new units available for sale.

**RESIDENTIAL PRICE TREND UPDATE**

The average unit sales price in the third quarter of 2011 was \$345,678, down about 7% from the second quarter 2011 average of \$371,205. However, the average unit sales price was up on a year-over-year basis for the quarter and the first nine months of the year. The average unit sales price in the third quarter of 2011 was 2.2% higher than the average price of \$338,342 in the third quarter of 2010. Through the first nine months of 2011 the average price of condominiums sold in the downtown area (\$362,882) was 3.4% higher than the same period in 2010 (\$350,802). In summary, the average unit price has remained in the \$300,000 to \$400,000 price band over the past 12 months.



**EXHIBIT I.2 RESIDENTIAL SALES PRICE TREND-UPDATE**

The average price per square foot of total units sold in the third quarter of 2011 declined approximately 3% to \$306 per square foot compared to the \$315 per square foot average recorded in the second quarter. The average sales price per square foot for units sold in the third quarter of 2011 was up about 2.4% from the same quarter a year ago. On a year-over-year basis through the first nine months of 2011 the average sales price per square foot of \$312 was up about 3.1% from \$303 per square foot.

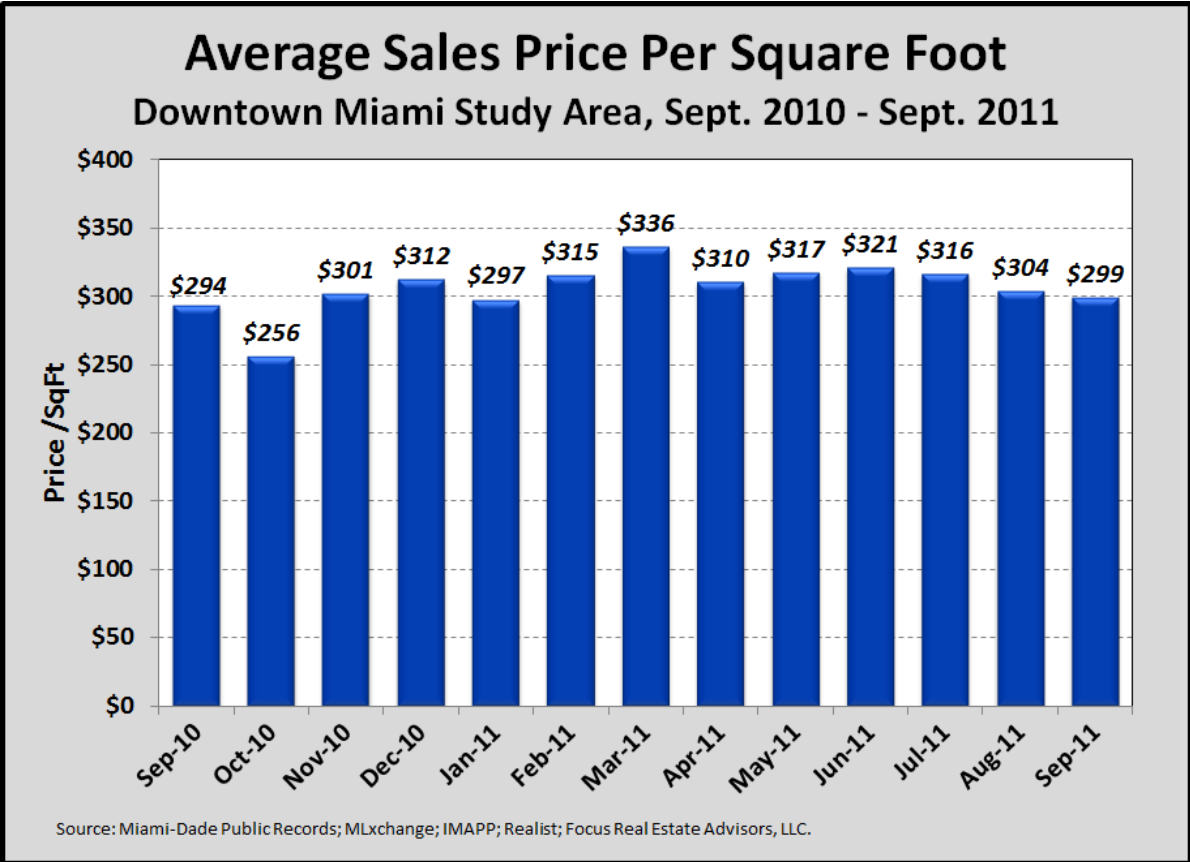


EXHIBIT I.3 RESIDENTIAL SALES PRICE PER SQ.FT. TREND-UPDATE

## Downtown Study Area Residential Sales Update and Profile, Sept. 2010 - Sept. 2011

### *Monthly Sales Profile*

	Units Sold	Total Sales Volume (\$)	Total Sq.Ft.	Average Unit Price	\$/SqFT
<b>Sep-10</b>	308	\$104,627,500	356,390	\$339,700	\$294
<b>Oct-10</b>	324	\$98,078,434	383,588	\$302,711	\$256
<b>Nov-10</b>	342	\$119,069,741	395,256	\$348,157	\$301
<b>Dec-10</b>	360	\$131,160,023	420,372	\$364,333	\$312
<b>Jan-11</b>	253	\$89,158,400	299,812	\$352,405	\$297
<b>Feb-11</b>	268	\$100,681,650	319,604	\$375,678	\$315
<b>Mar-11</b>	268	\$106,234,770	316,095	\$396,398	\$336
<b>Apr-11</b>	335	\$122,410,845	394,753	\$365,406	\$310
<b>May-11</b>	287	\$105,003,300	331,270	\$365,865	\$317
<b>Jun-11</b>	260	\$99,988,500	311,948	\$384,571	\$321
<b>Jul-11</b>	298	\$107,743,200	341,026	\$361,554	\$316
<b>Aug-11</b>	380	\$132,598,072	436,679	\$348,942	\$304
<b>Sep-11</b>	316	\$103,262,481	345,110	\$326,780	\$299

### *Breakdown by Area - 3rd Quarter 2011*

	Units Sold	Total Sales Volume (\$)	Total Sq.Ft.	Average Unit Price	\$/SqFT
<b>Brickell</b>	520	\$200,084,049	596,836	\$384,777	\$335
<b>CBD</b>	253	\$73,036,520	248,032	\$288,682	\$294
<b>Arts &amp; Ent.</b>	113	\$47,673,030	160,495	\$421,885	\$297
<b>Wyn/Edgwtr</b>	108	\$22,810,154	117,452	\$211,205	\$194
<b>Total Q2-2011</b>	994	\$343,603,753	1,122,815	\$345,678	\$306

Source: Miami-Dade Public Record; Mixchange; Realist; Focus Real Estate Advisors, LLC.

#### **EXHIBIT I.4 RESIDENTIAL SALES PROFILE BY MONTH AND SUB-MARKET**

Monthly sales presented above include both first-time sales of new units and resales in new and existing buildings. Exhibit I.4 above also presents third quarter 2011 sales by sub-area. For the purposes of this report, the Overtown district is included in the Wynwood-Edgewater area summary statistics. As previously noted, the study area was updated in the first quarter 2011 to reflect the new sub-districts as defined in the 2025 Downtown Master Plan and adopted by the Miami DDA Board of Directors. Sales volume and pricing trends summarized above reflect stabilization of the downtown area residential market.

The inventory of new, unsold condominium units in the downtown area as of September 30, 2011 was estimated at approximately 4,140 units reflecting absorption (new unit sales) during the third quarter averaging 134 units per month. However, the inventory increased by 346-units with the recently announced commencement of sales and occupancy of Paramount Bay, the last major new condominium development in the downtown area. This 346-unit Paramount Bay project is controlled by Starwood as part of their Corus Bank portfolio acquisition.

A large portion of developer-owned, unsold units are occupied by renters. The estimated inventory of unsold, completed developer-owned units excludes units purchased by individuals or bulk unit investors for resale, but includes units where title has been transferred in ‘non-arms length’ transactions (i.e. project lenders, equity partners or project-level foreclosure sales).

As shown in Exhibit I.5, the amount of remaining new unsold condominium units in the Brickell area dropped below the CBD inventory as of September 30<sup>th</sup>. The development pipeline of new condominiums in the downtown area includes less than 300 units in several partially completed buildings.

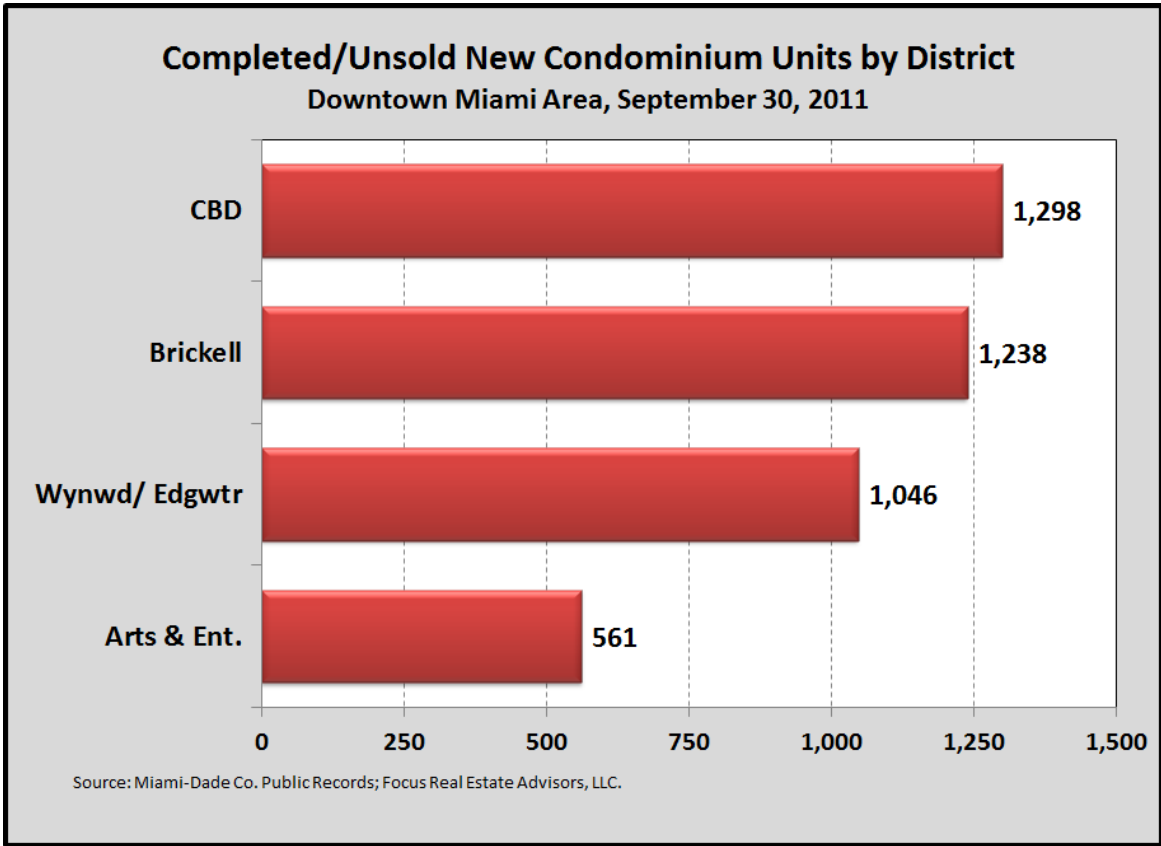
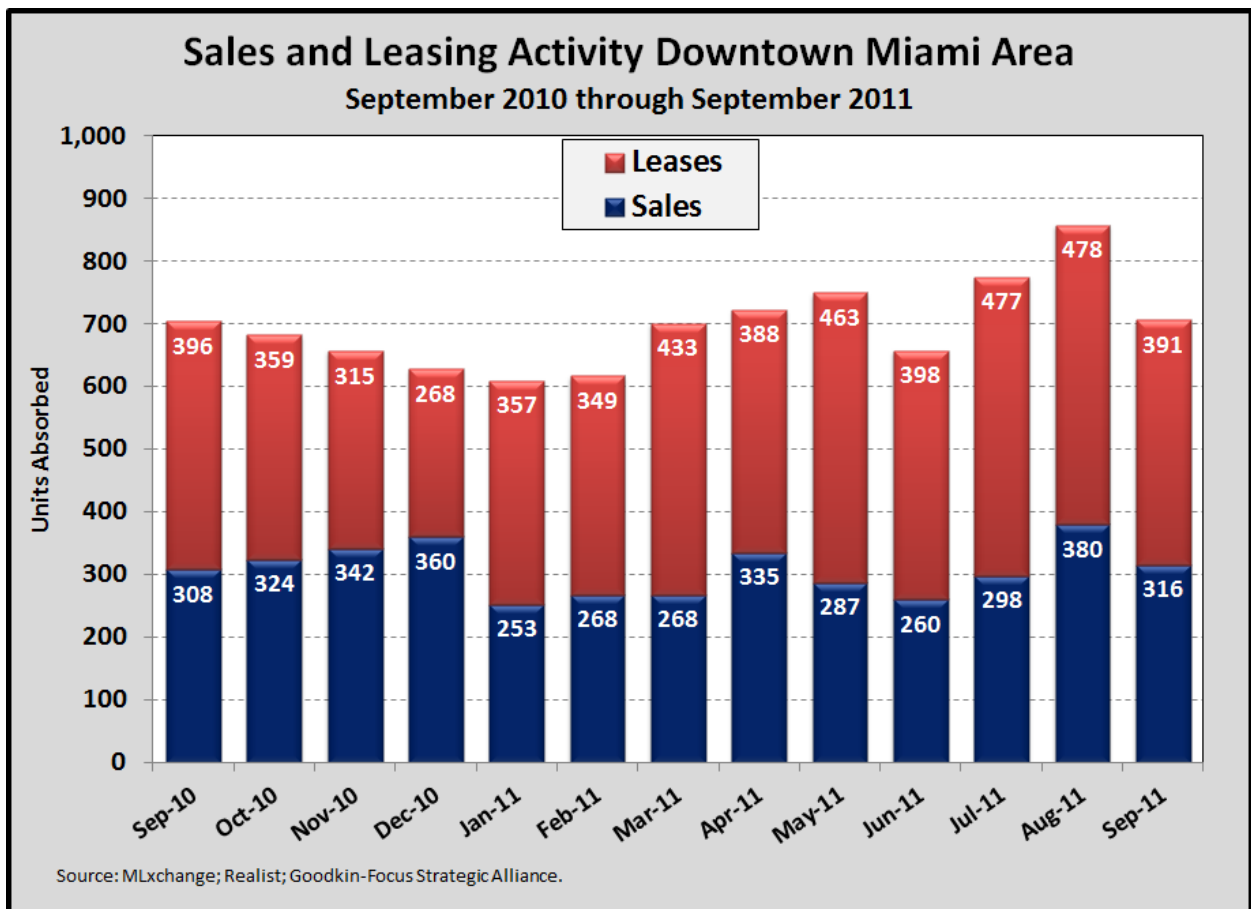


EXHIBIT I.5 UNSOLD NEW CONDOMINIUM UNITS BY DISTRICT

Assuming continuation of the monthly average sales pace of 130 sales per month experienced during the first nine months of 2011, the remaining unsold inventory of completed new condominiums in the downtown area would be sold-out within approximately 32 months. However, the actual sell-out time-frame will be influenced by developers’ strategies regarding pricing, bulk sales and rental programs as well as general demand factors.

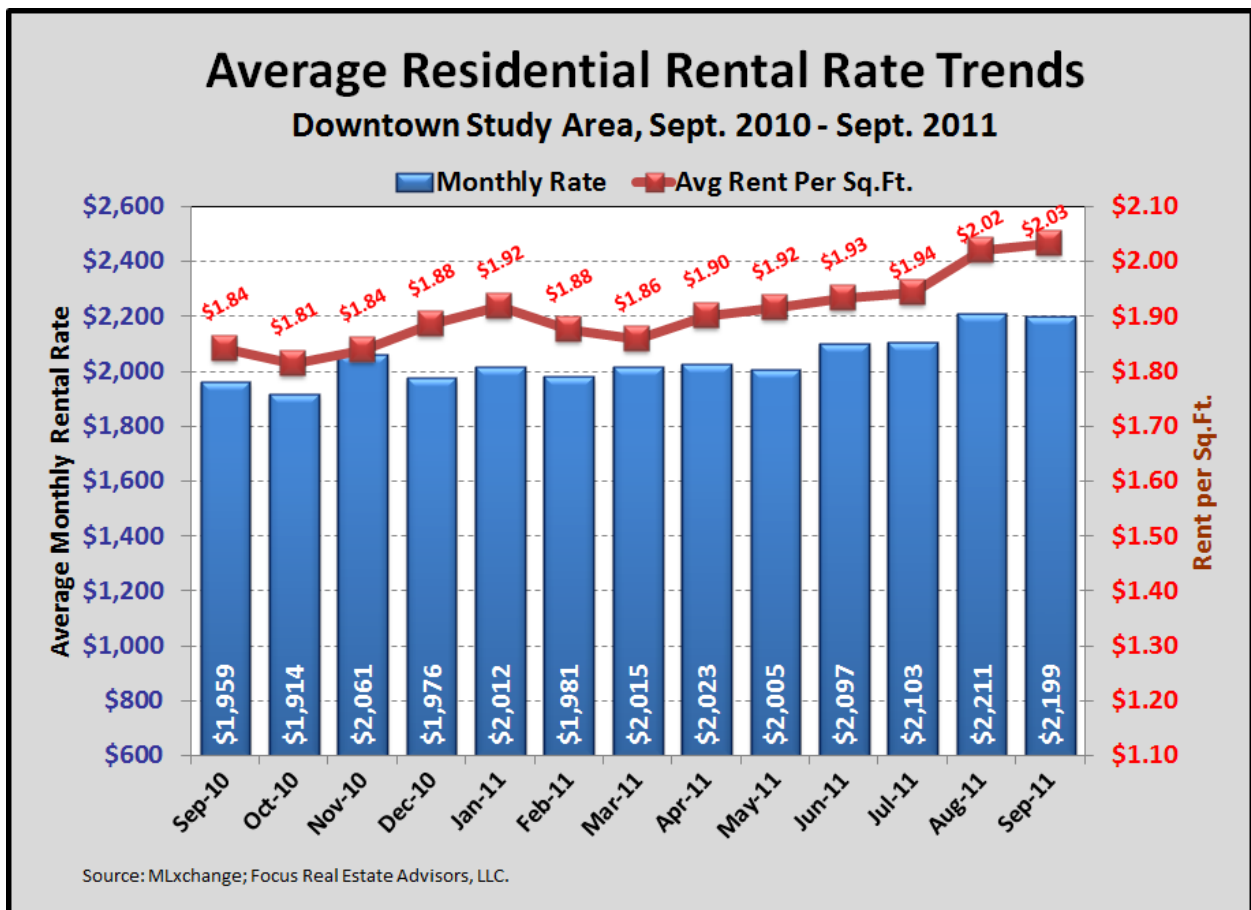
**RESIDENTIAL LEASING VELOCITY AND RENTAL RATE TRENDS**

Residential leasing velocity increased in the third quarter of 2011 with activity comparable to peak monthly levels in 2010. The average number of leases closed monthly during the third quarter of 2011 (449 units per month) was up from 416 units per month during the second quarter of 2011, representing a quarter over quarter increase of about 7.8%. Total leasing activity in the third quarter was down slightly from 1,350 during the third quarter of 2010 to 1,346 in the third quarter of 2011. Leasing volume for the first nine months of 2011 increased approximately 7% over the same period in 2010.



**EXHIBIT I.6 DOWNTOWN MIAMI STUDY AREA LEASING VELOCITY**

Average monthly unit contract rental rates and corresponding per square foot rates are illustrated in Exhibit I.7. The average monthly contract rental rate for units rented during the third quarter of 2011 was \$2,169, which was 6.3% above the second quarter 2011 average of \$2,040 and approximately 14% higher than the average rate of \$1,911 recorded in the third quarter of 2010. While incentives (discounts from contract rates) have declined with increasing occupancy levels, actual ‘effective’ rents are currently estimated to be within five to ten percent of contract rates.



**EXHIBIT I.7 DOWNTOWN MIAMI STUDY AREA RENTAL RATES**

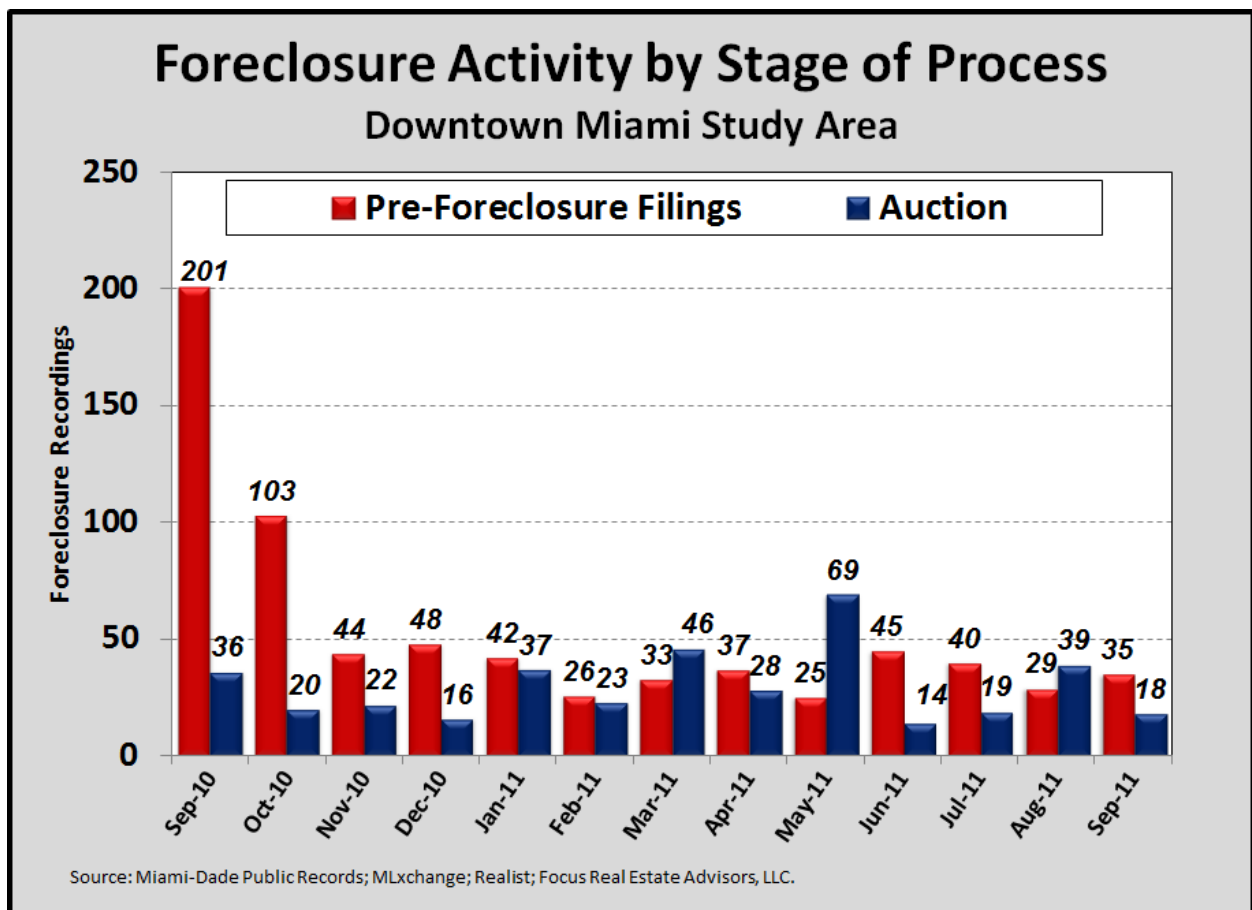
Average rent per square foot in the third quarter was up over 4% from the second quarter increasing from \$1.92 to \$2.00 per square foot. On a year-over-year basis the average per square foot rental rate in the third quarter was up more than 9% from \$1.82 per square foot in the third quarter of 2010 to \$2.00 per square foot in the third quarter of 2011. In addition to increased year-over-year leasing volume through the third quarter of this year, the average monthly rental rate was up about 13% and the rate per square foot increased about 10% through the first nine months of 2011.

The \$2.00 per square foot rental rate represents a significant threshold factor for potential new development. In this regard, a number of proposed new multifamily rental and condominium projects have been announced in recent weeks including Swire Properties’ Brickell CitiCentre, Equity Residential’s Wynwood/Edgewater area bayfront project, Met 3, the Related Group’s MyBrickell and Brickell House projects.

**RESIDENTIAL FORECLOSURE ACTIVITY**

Residential foreclosure activity by stage of process (pre-foreclosure vs. auction sales) in the downtown area is shown below based on research of public records. Foreclosure activity in the downtown area has continued to decline through the first nine months of 2011. Total foreclosure filings and auction sales volume during the first nine months of 2011 were down 60% from the same period a year ago. The ratio of pre-foreclosure filings year-to-date in 2011 to total owner housing units in the downtown area amounts to only about one filing per 193 housing units, which is low in comparison to most other areas in the region and state.

The downtown area condominium market will continue to be less affected than many other areas, based on the fact that approximately 69% (15,447 units) of new units in the downtown condominium inventory were completed after 2006 (following the housing market collapse) and the majority of sales since that time have been cash sales to investors. The low level of foreclosures and limited potential for foreclosures in the downtown area based on the above noted factors also minimizes the shadow market relative to most other submarkets.



**EXHIBIT I.8 FORECLOSURE ACTIVITY – DOWNTOWN MIAMI STUDY AREA**