

End-users, long-term investors snap up downtown condos

Cash buyers now competing with mortgage market

BY YUDISLAIDY FERNANDEZ

After a 2009 marked by discounted bulk sales, more long-term investors and end-users with financing are now buying downtown condos.

The investor-owned units temporarily occupied by renters, plus those who've bought into the downtown condo lifestyle, are clearly changing the direction of downtown. Even in the slowly-recovering economy, retailers and restaurateurs are drawn to downtown's growing office and residential community.

Lewis Goodkin, a Miami-based real estate analyst, says in recent months the downtown condo market has been seeing end-user financing become available as mortgage giant Fannie Mae has approved several condominiums for financing.

As more prospective buyers get these home loans, Mr. Goodkin said, that will transfer into a definite pickup in sales activity.

Smaller investors looking to buy long term are also reentering the market, he said. "These buyers are different from speculators looking to flip it," he said. "These investors have a long-term mentality, like 'it's only going to get better' type of thought."

Realtor Lucas Lechuga, who specializes in condominiums, says since January when Fannie Mae announced the reassessments of condo towers in greater downtown – agreeing to approve more of them for financing – condo prices have bounced a bit.

Cash buyers were the ones closing on condos last year, he says, but now buyers with financing are competing with investors for available units.

Condominiums such as the Club at Brickell Bay, Vue at Brickell and most recently Marina Blue are now Fannie Mae-approved for financing, he said.

Mr. Lechuga, who sells units at Marina Blue, says last year units there were selling at \$200 per square foot and today some of those units back on the market as re-sales are priced at about \$300 a square foot.

"Prices are more in line to what they should have been last year if there hadn't been so much supply and not enough demand," Mr. Lechuga said.

With downtown attracting national and international investors, particularly from Latin America, many of them are buying the units and then renting them to others while they wait for the market to stabilize to sell, the realty experts said. Some are prepared to wait five to 10 years to get a return on their investment.

In the meantime, the increase in ownership and the influx of renters "have really accelerated absorption in the downtown area," said Mr. Goodkin, president and chief executive officer of Goodkin Research Corp., who collaborated on a new downtown occupancy study that shows condos are filling up.

The study indicates that 74% of the 22,079 residential units built in downtown Miami since 2003 are now occupied. This reflects a 12 percentage-point increase over the 62% occupancy reported in a similar study last year. Both studies were conducted by Goodkin Consulting/Focus Real Estate Advisors in partnership with Miami's Downtown Development Authority.

"More residents are the only way to enhance downtown," Mr. Goodkin said. "The more you get, the more demand there is for retail, restaurants and services. Those renters are here all year around.... That's a big positive for downtown."

And the impact is starting to show, as last year more than 40 new retail businesses opened downtown.

Mr. Lechuga, a Realtor with Keller Williams Realty, says many condos that are now occupied sat empty just a year and a half ago. He agrees with Mr. Goodkin that the new residents who are moving in, many of them renters, are luring the stores and restaurants to follow them.

As a result, the rental inventory is drying up.

"Not as many units for rent as last year," Mr. Lechuga said, citing that at Marina Blue there's only a handful of empty rentals. Rates vary throughout downtown depending on the condominium, he said, but monthly rent can range from \$1,600 for a one-bedroom apartment to up to \$2,700 for a two-bedroom unit.

When it comes to for-sale units, Mr. Goodkin calls downtown's condo values a mixed bag because there is no consistency in prices. He says a main reason is that the various owner entities are not on the same page.

The Related Group of Florida is being more aggressive in pricing and has elected to rent some units, he said, while Starwood, which controls several downtown condos after its acquisition of a Corus Bank loan package, has yet to make big moves.

Peter Zalewski, a principal of brokerage and consulting firm CondoVultures, says in properties like 1,800-unit Icon at Brickell, the developers are go-

ing back to pre-construction contract-holders at risk of losing their deposit and offering the units at discounted prices.

"In some circumstances, they are buying for 50% of what they put their money down for and they feel they are getting a great value," Mr. Zalewski said.

Of the 6,600 new, unsold units in greater downtown, the trio of Related Group, Starwood Capital, and Cabi Developers control 57% as of the end of the first quarter, according to a CondoVultures report.

The company tracked 726 closed sales in the first quarter in this area, with buyers paying an average of \$326 per square foot for these new condos, down 9% from last year.

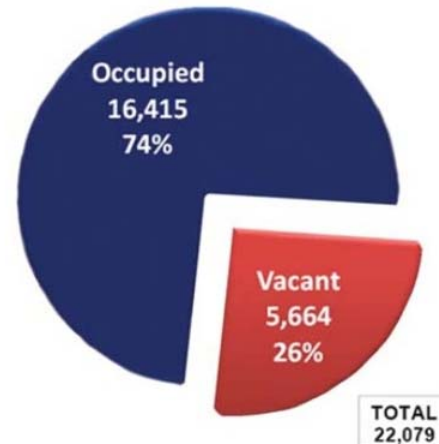
Of a total of 82 boom-built condominiums, the sales translate to 35 condo towers now sold out, the report says, and 24 other projects that have sold at least half their units.

Downtown's condo market is starting to be depleted compared to the clusters of condos available just a few years back, Mr. Zalewski said.

Now, he says, the bulk of the inventory is in the hands of a few developers and buyers have fewer options.

"It's all starting to show signs of stabilization," he said. "There's no longer this overwhelming supply."

NEW CONDOMINIUMS DOWNTOWN



Source: Property Survey; Goodkin Consulting/Focus Real Estate Advisors, LLC.

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