



Greater Downtown Miami

Quarterly Residential Market Study Update

Q2 2015

Prepared for the Miami Downtown Development Authority (DDA)
by Integra Realty Resources (IRR)

May 2015



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IRR-Miami/Palm Beach

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Introduction



Millicento

Integra Realty Resources – Miami/Palm Beach (IRR-Miami) is pleased to present the Q2 2015 update of our Residential Real Estate Market Study within the Miami Downtown Development Authority's (Miami DDA) market area, defined as the Greater Downtown Miami market.

This Q2 2015 update is a continuation of IRR-Miami's Q1 2015 (Annual) market research report. The period under study of this Q2-2015 report includes January 2015-March 2015. Subsequent quarterly reports (Q3 and Q4) will cover the time periods from the preceding quarters, with the annual report (expected for release in Q1 2016) covering the final quarter of 2015.

Findings from this quarter's study are outlined as follows:

- Nine at Mary Brickell has been delivered to market since the 2015 Annual Report. The number of units under construction has declined by 6% as formerly under construction projects have been delivered.
- There are 153 additional units that have moved into the contracts stage of development and 485 less units currently taking reservations. This is due to one (1) project converting to contracts and one (1) project being cancelled (Ion at Edgewater).
- New product (pre-sale) pricing has stabilized with most sales offices reporting similar-to-lower levels of sales traffic and velocity. The lower sales velocity is expected as the majority of larger projects (200+ units) have pre-sold well in 2014 and do not have high levels of inventory remaining.
- Resale (existing) condo pricing did not increase from January to May of this year. Pricing has slowed as the market begins to realize top-level pricing.
- There have been several land acquisitions along Biscayne Boulevard in the past 6 months; the marketability of non-waterfront condos in Edgewater is not proven at the required pricing.
- This development cycle has realized its 1st cancelled project (Ion at Edgewater). The majority of projects selling well in Edgewater are waterfront, unlike the Ion site which is not waterfront.
- Land transactions have slowed after land pricing spiked in the 2nd half of 2014. There are several sites with significant potential density that are available for sale in the CBD and Arts & Entertainment districts.

Introduction

- Brickell City Centre (BCC) announced a reduction in the required deposit structure from 50% to 35%. While most residential condo projects are required to pre-sell 75% +/- of units with sufficient deposits, the developer (Swire) did not use typical financing and plans to deliver units at the end of 2015.
- Conventional rents grew 5% (2012-2013) and 8% (2013-2014). Conventional rental rates have remained level YTD in 2015 as new condo projects are being completed and listed within the rental inventory. Rental rate growth will be constrained in 2015-2017 as more condo projects are completed and delivered into the rental inventory.
- The rented condominium inventory is achieving leasing success at \$2.41/SF per month (2 BR) to over \$3.07/SF per month (Studio). Conventional rental projects are more affordable at \$1.59/SF (3 BR) to \$2.70/SF (Studio).
- Buyers in Brickell House (374 units) have listed 45% of the units for rent with buyers at Millicento (382 units) listing 72% of closed units (171 as of May 2015) for rent.
- There are 3,715 units within conventional rental projects under construction within (9) downtown projects against an existing inventory of 2,500 +/- units. The more-than doubling and delivery of this conventional rental pipeline will place downward pressure on rent growth into 2016.
- The demand drivers of an urban lifestyle continue to provide motivation for suburban or Miami Beach residents to reconsider the Downtown Miami area. As the large-scale projects continue to progress, along with the development of a more transit-oriented metro area, Downtown Miami will continue to benefit through increased downtown housing options.
- The continued increases in land pricing and construction costs are beginning to constrain irrational exuberance over the state of the market. Experienced developers in the market are approaching new deals with caution as current land pricing and construction costs are squeezing development margins substantially.

Introduction

- While market participants remain optimistic about future demand and pricing, a number of supply and demand factors are converging in 2015:
 - More new condo project deliveries are occurring in 2015 than in 2014
 - The market has experienced two consecutive years with over 20% end unit price appreciation
 - A new (and large) pipeline of conventional rental inventory is under construction
 - Escalating land and construction costs are evident. This convergence results in a more moderate forecast of 2015 rental growth, which ultimately is impacting pre-construction price growth of condo units.

Respectfully,

Integra Realty Resources (IRR) – Miami/Palm Beach

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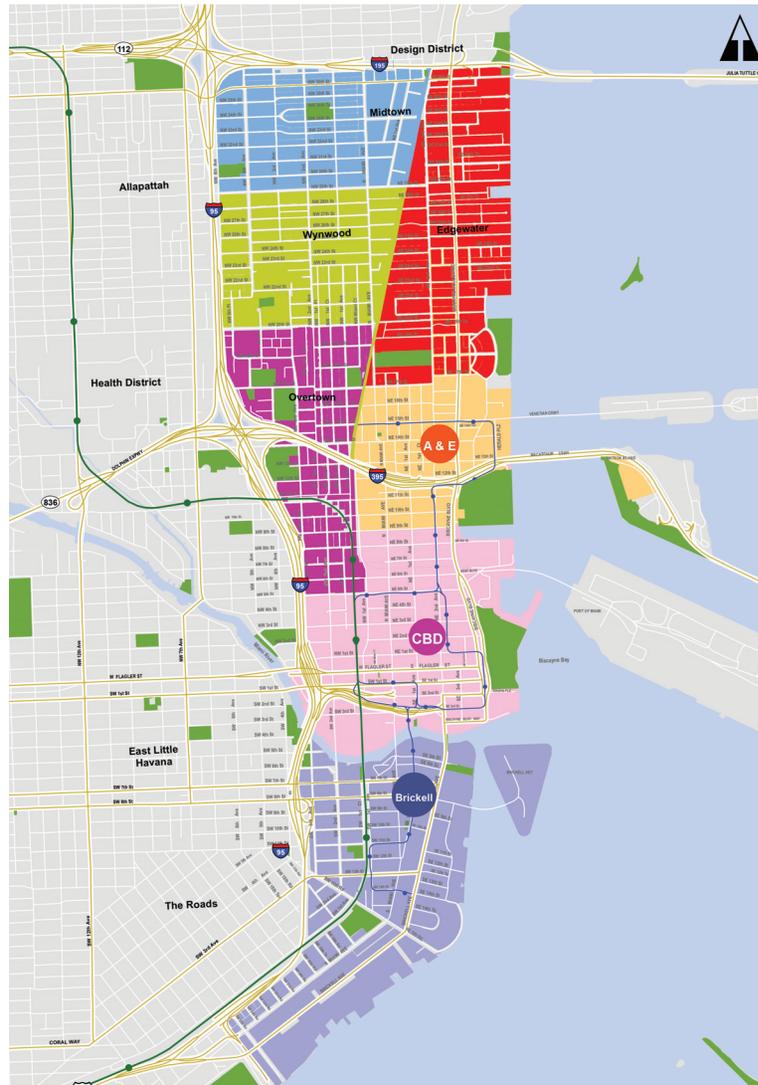
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Greater Downtown Miami Market Submarket Map



The map opposite illustrates the boundaries of the Miami DDA, as well as each submarket within the Miami DDA market.



What Changed Since Last Quarter?



Brickell House

IRR Miami had previously described all proposed units as “conceptual” within prior-issued reports. For market consistency purposes, we will refer to all units that have been announced, are currently approved as a MUSP or are currently being planned by a recognized developer as “proposed” within our analysis.

The Downtown Miami condo pipeline saw the completion and delivery of its 4th condo project in this cycle (Nine at Mary Brickell Village) and a resulting decrease in projects under construction. The 1st cancelled project (Ion at Edgewater) gives pause to condo projects located in secondary locations. The 1st project to break away from the 50% deposit structure (BCC) has created some hesitation among buyer and brokers in regards to the strength of the market. The traditional developer using current financing does not have the ability to lower the deposit structure without contributing additional equity into the deal. While competing condo projects report minimal effects on their sales pricing or velocity as a result of BCC lowering deposit requirements to 35%, will be an important signal to watch in future quarters.

The market has not realized any new projects breaking ground over the current quarter. This is most likely a combination of several factors, including continued increases in construction costs and slower pre-sale absorption. Several developers’ report achieving their expected sales pricing and absorption, only to find revised construction budget increases which prevent financial feasibility. However, several projects report strong pre-sales in the initial marketing periods, even before the “official” launch of sales and opening of the sales center.

As land pricing and construction costs continue to increase, either increased end-unit pricing and/or a decrease in required developer/investor returns will be required to achieve financial feasibility of future condo projects. IRR-Miami projects that a number of recent and pending land sales are being made by long-term investors with plans to sell or develop the site in 5-10 years after the current pipeline has been absorbed.

As was noted in the February 2015 report by IRR-Miami, the Miami economy and the growth of the real estate market are not driven solely by local job and wage growth. The continued growth in the Downtown Miami real estate market remains largely-dependent on foreign capital participation. The decline in foreign currencies compared to the U.S. Dollar over the past 18 months has narrowed the buyer pool. Several brokers have expressed concern regarding the closing ability of mid-level buyers that may not be fully denominated in U.S. currency. There have been early reports of buyers seeking approval for the assignment of their contract to a 3rd party.

What Changed Since Last Quarter?

IRR-Miami's research suggests that the residential downtown development market cycle is firmly into the middle of the cycle. IRR Miami's forecast is for stabilized rental and price appreciation in the coming quarter as supply and demand of downtown rentals comes more into balance. The number of condo units and conventional rental units that are expected to be delivered to market in 2015/2016 will likely constrain any rental rate growth with the opportunity for some spot declines as foreign condo investors do not typically have the same rental rate motivations as the conventional rental project owners.

The following chart summarizes IRR Miami's update of the current condo activity within the entire Greater Downtown Miami Market area, including the number of units, submarket location, and phase of development. The chart illustrates the different stages of the condo development process, including Proposed, Reservations, Contracts, Under Construction and Completed as identified in our prior annual report.

These classifications are significant because they provide a framework for how projects move through the development cycle.

Figure 1
Current Greater Downtown Miami Condo Pipeline – Q2 2015



Submarket	Complete	Under Construction	Contracts	Reservations	Proposed	Totals
A & E	0	83	0	513	2,186	2,782
Brickell	1,317	3,614	549	130	4,757	10,367
CBD	0	352	153	470	6,900	7,875
Edgewater	96	1,590	1,121	0	1,433	4,240
Midtown	0	0	400	0	195	595
Wynwood	0	11	0	0	393	404
TOTAL	1,413	5,650	2,223	1,113	15,864	26,263



What Changed Since Last Quarter?

Only Nine at Mary Brickell has been completed since Q1 2015; the 1st wave of projects in Edgewater (Icon Bay, Bay House and Crimson) are expected to be delivered in the 2Q 2015. The number of units in the Reservations phase has decreased by 30%, largely due to Icon at Edgewater being cancelled and several projects moving into the contracts phase. The number of units in the Contracts phase has decreased marginally (8.8%) as more projects move along the pipeline. This is also demonstrated by the decrease in Under Construction units (6%). More projects have been announced since last quarter (increase of 26% since 2015 Annual Report), although the continued design, approval and launch of sales for those projects could be more than 12 months away.

While these figures tend to change weekly, the number of Reservations and Contracts inventory will comprise the sales which contract in 2015-2016, with closings not anticipated until 2018 and beyond, assuming a typical 30-month construction timeframe.

The number of proposed units, 15,900 +/-, includes a substantial number of units that are from the previous MUSP's issued in the previous cycle and several large-scale projects that will be extended over a longer timeframe, and the initial announcements of projects from developers gauging interest for future development over the course of the next 2-3 years.

What Changed Since Last Quarter?

The entire Greater Downtown Miami market is currently being expanded by nearly 10,000 +/- units, or 27% of the current market size. The long-term growth, which includes proposed projects, represents 44% of the current market size.

Figure 2
Greater Downtown Miami Condo Market Size – Q2 2015



Submarket	Total Potential Pipeline	Current Market Size	Current Growth	% Growth	Potential Long Term Growth	% Growth Longterm
A & E	2,782	4,052	596	15%	2,186	54%
Brickell	9,050	20,791	4,662	22%	4,757	23%
CBD	7,875	6,288	975	16%	6,900	110%
Edgewater	4,144	4,148	3,041	73%	1,433	35%
Midtown	595	978	400	41%	195	20%
Wynwood	404	100	11	11%	393	393%
TOTAL	24,850	36,357	9,685	27%	15,864	44%

* Current Growth is all Under Construction, Contracts and Reservations

** Long-Term Growth is the Remaining Conceptual units, net of current growth

Brickell remains in the number one spot for the most currently active submarket, with Edgewater close behind. The Arts and Entertainment and CBD are the submarkets with the next highest current growth, with about 600 +/- and 1,000 +/- units currently under development respectively. In this quarter, Wynwood and the CBD represent the two submarkets with the largest expansion potential over their existing base, as demonstrated by their highest long-term growthpercentage, but with only nominal developments currently under construction.



What Changed Since Last Quarter?

A summary of the key changes by sub-market since last quarter:



Brickell

The current size of the Brickell condo inventory has increased by 1,317 units during this cycle now that MyBrickell, Brickell House, 1100 Millecento and Nine at Mary Brickell have all been delivered. Meanwhile, the potential long-term growth has remained at more than 9,000 units with the announcement of several new projects.



CBD

Since last quarter, the number of units under construction in the CBD has remained the same with Krystal Tower expected to break ground in the coming months. The CBD has the second highest potential growth in terms of the number of units, so this submarket should be watched closely as more projects come out of the ground. The Miami Worldcenter and All Aboard Florida projects continue to anchor this submarket. The recent announcement of the Miami Innovation District, which would include up to 6.5 Million SF of urban office, residential and retail space could be transformative for the CBD submarket with the proposal of a technology-driven employment center.



Arts and Entertainment

The current growth of this submarket has remained constant. As Auberge Residences and Spa is expected to launch sales in early summer 2015, current growth will likewise increase.

What Changed Since Last Quarter?



Edgewater

This submarket has not seen any changes in terms of current growth, but the potential long term growth has spiked nearly three-fold since last quarter with the announcement of several more projects. Next quarter should see the current growth increase as more projects complete the contracts phase and begin construction (Aria on the Bay). There have been several large-scale land acquisitions along the Biscayne Corridor in the past year. The marketability of non-waterfront projects in Edgewater at pricing levels (\$550-\$600/SF) necessary to reach financial feasibility hurdles has not yet been proven.



Midtown

The current growth of Midtown has been stable over the last few months, Hyde Residences is the only announced condo project as of May 2015; however, the availability of land provides the potential for greater long-term growth.



Wynwood

Similar to Midtown, Wynwood's current growth has been static while the long term growth has spiked significantly since last quarter. As the proposed zoning changes are re-worked in the coming year, IRR-Miami expects additional residential and mixed-use projects to be announced.

What Changed Since Last Quarter?

Figure 3 includes a summary of 33 projects that are actively selling during this cycle. We have segregated the projects by submarket to demonstrate the different demand levels for unit sizing in each area. We have omitted the 1000 Museum project from average unit sizes to represent a more consistent market snapshot.

Figure 3
Greater Downtown Miami “Current Growth”

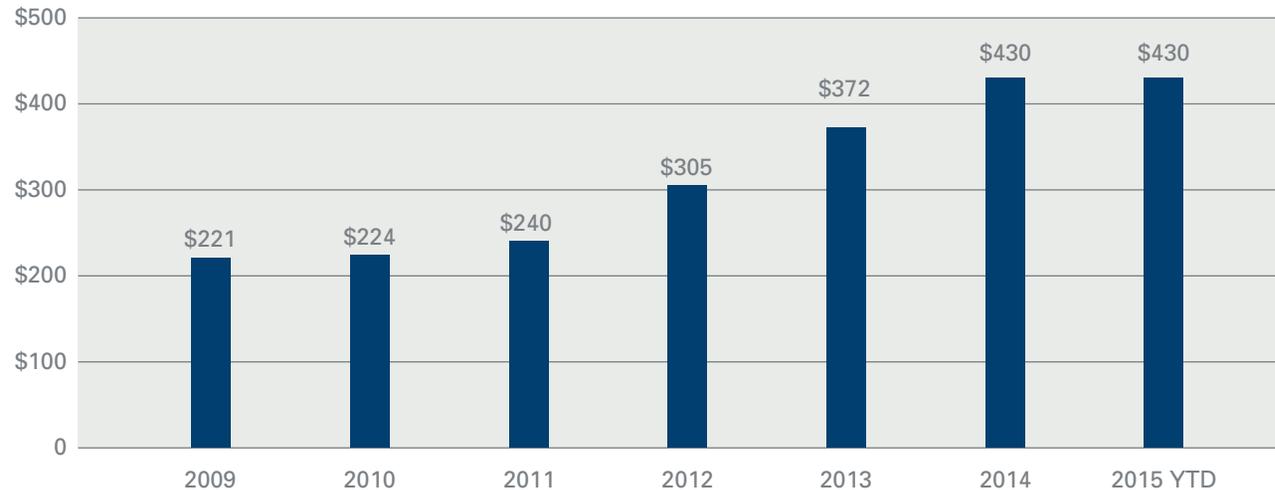


Submarket	Development Name	Avg. SF	# Units
Arts & Entertainment	Canvas	894	513
	1000 Museum	5,389	83
	Average:	894	596
Brickell	Brickell Ten	1,050	155
	Echo Brickell	1,548	180
	Edge on Brickell	1,958	130
	Flatiron	1,210	549
	1010 Brickell	1,179	387
	Brickell Heights - East	1,078	350
	Brickell Heights - West (BH02)	985	332
	Le Parc	1,066	128
	SLS Lux	1,292	450
	Brickell CityCentre - Reach	1,352	390
	Brickell CityCentre - Rise	1,420	383
	SLS Hotel & Residences	1,176	450
	The Bond	1,027	328
Cassa Brickell	1,060	81	
Average:	1,226	4,293	
CBD	Paramount Miami	1,793	470
	Centro	703	352
	Krystal Tower	1,111	153
Average:	1,295	975	
Edgewater	Aria on the Bay	1,344	647
	Biscayne Beach	1,428	399
	Paraiso Bay Tower I	1,360	360
	One Paraiso	1,680	276
	Paraiso Bayviews	1,040	388
	Bay House	1,660	165
	Icon Bay	1,287	300
	The Crimson	1,143	90
	The Edgewater	TBD	30
	26 Edgewater	670	86
Average:	1,319	2,741	
Midtown	28 Hyde Midtown	1,018	400
Wynwood	250 Wynwood	1,503	11
TOTAL / WEIGHTED AVERAGES:		1,276	9,016



What Changed Since Last Quarter?

Figure 4
Average \$/SF Sale Price Trend – Greater Downtown Miami Resale Market



The resale market saw a significant spike in average unit price in 2012 (27%) and 2013 (22%). The resale market realized a 16% increase in 2014 and is level 2015 YTD (0%). This coincided with the lack of new inventory available during those times and the announcement of new projects in late 2012 and 2013. As pre-sale pricing for proposed projects has stabilized, so has the corresponding resale condo pricing.



Sales Velocity



There are currently 3,300 +/- units within nine (9) projects being marketed for sale in either the reservations or contracts phase of development. This does not include projects under construction that are likely 75%+ sold and achieved the critical sales threshold to be able to start construction. Sales centers are reporting anywhere from 10-40 units per month, depending on the size of the project and availability of units. Several larger projects with inventory remaining have expressed concern regarding the slowdown in traffic over recent months.

While there are currently less overall projects to compete for buyers than in 2013-2014, the pre-sale developments are now competing with the initial wave of new delivered inventory in this cycle that is being completed and added back to the market. While over 50% of the new inventory is being marketed for lease, a large percentage of the units delivered are being remarketed for sale in the resale market. A potential investor is able to acquire a recently completed unit, possibly obtain financing and begin receiving rental income immediately.

Rental Market Statistics



The results of our study of rental pricing for existing condominium inventory is shown in Figure 5.

The Q2 2014 Quarterly update report provided in-depth analysis of the rental demand and pricing for both conventional rental properties and the shadow condo market. This quarterly report updates this research to reflect current pricing per unit type and per SF.

IRR Miami has segregated the rental pricing between two classes of rental inventory:

- Existing and Future Condo Inventory rented privately
- Existing and Future Conventional Rental Inventory rented by leasing agents

Figure 5
Average Condo Leasing Price – Greater Downtown Miami



Year	Overall*	Studio		1 BR		2 BR		3 BR	
		\$/Unit	\$/SF	\$/Unit	\$/SF	\$/Unit	\$/SF	\$/Unit	\$/SF
2012	\$2,255	\$1,421	\$2.64	\$1,804	\$2.33	\$2,625	\$2.13	\$4,340	\$2.25
2013	\$2,371	\$1,504	\$2.67	\$1,926	\$2.30	\$2,819	\$2.21	\$4,427	\$2.51
% Change	5%	6%	1%	7%	-1%	7%	4%	2%	12%
2014	\$2,481	\$1,632	\$2.92	\$2,008	\$2.48	\$2,908	\$2.32	\$4,346	\$2.60
% Change	5%	8%	9%	4%	8%	3%	5%	-2%	4%
2015 YTD	\$2,542	\$1,677	\$3.07	\$2,110	\$2.65	\$2,938	\$2.41	\$4,544	\$2.70
% Change	2%	3%	5%	5%	7%	1%	4%	5%	4%

According to leasing statistics from the MLS, approximately 350 to 400 units are leased every month, a contraction of the rental market since Q2 2014. This number could be skewed by the significant number of units that are leased every month outside of the MLS, either as renewals or between parties in off-market transactions. Lease rates in the greater Downtown Miami continue to increase with annual lease pricing increasing over 5% per year on average (2012-2013), and 5% per year (2013-2014). Since the beginning of 2015, rental price appreciation has slowed to about 2% annualized (this represents YTD with the entire year likely to average slightly higher). As the new product is leased in the market, most likely at higher rental rates due to the new condition, modern design, etc., the indicated average rental pricing may skew higher than the existing inventory average.



Rental Market Statistics

In addition to providing condo rental rates, IRR-Miami has included the following analysis of conventional rental properties located within the Greater Downtown Miami market. Twelve (12) rental properties were identified with a total of 2,555 units (not including units currently in the rental construction pipeline). One may note that the averages in every metric are lower than that of comparable condo units.

Figure 6

Overall Downtown Conventional Rental Rent Survey (2,474 Total Units)



	Studio			1 BR			2 BR			3 BR		
	SF	\$/Unit	\$/SF									
Q3 2014	638	\$1,585	\$2.49	864	\$1,605	\$1.86	1,221	\$2,106	\$1.73	1,752	\$2,622	\$1.50
2015 YTD	638	\$1,724	\$2.70	864	\$1,744	\$2.02	1,221	\$2,248	\$1.84	1,752	\$2,789	\$1.59
% Change	8.8%			8.7%			6.7%			6.4%		

This survey omits the Filling Station Lofts from SF and pricing analysis because of the loft style layout of their units as well as the ultra-luxury status of the building. The units are included in the overall unit count.

To the same effect, we have included the rental price appreciation for conventional apartment projects. Price appreciation has been higher in the conventional rental market than the corresponding shadow condo market.



Rental Market Statistics

Figure 7 presents the current (2015 YTD) average asking lease price versus the achieved lease price and the average number of executed leases (MLS only) for each submarket. The Arts and Entertainment district remains the most expensive of the submarkets with several luxury projects located along Biscayne Boulevard with clear views of Biscayne Bay and Miami Beach.

Each submarket is realizing a closer spread between asking and achieved leasing rates, as compared to Q2 2014. While the achieved leasing rates are increasing, the decline in ask vs. actual lease rates implies that the market is adjusting to more reasonable asking rents to drive retention / absorption.

The Brickell and CBD remain the most active leasing submarkets with about 150 and 80 units per month turn-over respectively.

Figure 7
Average Current Asking vs. Achieved Leasing Price and Velocity (2015 YTD)



Submarket	Overall Asking	Overall Achieved	Total # Leases/ Month
Brickell	\$2,667	\$2,589	146
CBD	\$2,404	\$2,402	80
A & E	\$4,793	\$4,017	20
Edgewater	\$2,428	\$2,360	48
Midtown	\$2,492	\$2,426	12
Wynwood	\$2,663	\$2,650	1



Rental Market Statistics

The analysis in Figure 7 has been expanded in Figure 8 to evaluate current asking and effective lease rates for each of the Downtown Miami condo rental submarkets. Additionally, IRR-Miami has included an analysis of these leases on a \$/unit and \$/SF basis for each unit type.

The Wynwood submarket is included in this analysis; however, this submarket continues to have very limited residential options for potential tenants. The Wynwood submarket continues to transition from an industrial and commercial neighborhood with restrictive residential zoning, to a mixed-use area with new residential projects being proposed.

Figure 8
Condominium Inventory Rent Survey



Submarket	Studio			1 BR			2 BR			3 BR		
	SF	Asking \$/SF	Achieved \$/SF	SF	Asking \$/SF	Achieved \$/SF	SF	Asking \$/SF	Achieved \$/SF	SF	Asking \$/SF	Achieved \$/SF
Brickell	542	\$3.25	\$3.17	795	\$2.77	\$2.70	1,242	\$2.52	\$2.45	1,728	\$2.89	\$2.75
CBD	534	\$3.18	\$3.14	786	\$2.58	\$2.52	1,179	\$2.35	\$2.31	1,508	\$2.79	\$2.73
A&E	N/A	N/A	N/A	942	\$2.92	\$2.84	1,581	\$2.86	\$2.77	2,103	\$3.07	\$3.08
Edgewater	553	\$2.86	\$2.80	789	\$2.46	\$2.39	1,163	\$2.41	\$2.33	1,631	\$2.49	\$2.45
Midtown	655	\$2.77	\$2.63	801	\$2.70	\$2.66	1,187	\$2.53	\$2.44	1,363	\$2.42	\$2.27
Wynwood	N/A	N/A	N/A	1,112	\$2.40	\$2.34	1,303	\$2.26	\$2.15	N/A	N/A	N/A
Total Average	571	\$3.02	\$2.93	871	\$2.64	\$2.58	1,276	\$2.49	\$2.41	1,667	\$2.73	\$2.66



Conventional Rental Pipeline



Figure 9 illustrates the 24 planned or under construction rental projects with 7,800 (+/-) units within the Downtown Miami market (as compared to the existing conventional inventory of approximately 2,500 units). As leasing rates have increased and occupancy remains near 100%; the demand for additional rental projects in Downtown Miami has never been greater.

The pending completions of 3,200 (+/-) conventional units currently under construction will more than double the conventional inventory of apartments in downtown over the next 24 months. This will continue to constrain the rising rental rates that are currently pricing many potential renters out of the Downtown Miami market. In addition, the delivery of the under construction condo inventory that are priced at a middle-market sale price will likely introduce a significant number of units onto the market for rent in 2015-2016. This shadow rental inventory will further constrain rent appreciation..

Figure 9
Greater Downtown Miami Rental Pipeline



Submarket	Building	# Units	2015 Q2 Status
Arts & Entertainment	EE Miami	TBD	Proposed
	Melody	497	Under Construction
	17 Edgewater	240	Proposed
	14 Plaza	650	Proposed
Brickell	Solitair Brickell	438	Proposed
	Panorama	821	Under Construction
	SoMa	418	Under Construction
	Broadstone at Brickell	372	Under Construction
CBD	Aria / AQARAT	105	Proposed
	Monarc at Metropolitan 3	462	Under Construction
	Met Square	392	Under Construction
	Miami World Center "Tower 1"	429	Proposed
	Cultural Center Garage Redevelopment	432	Proposed
	Riverside Tower	449	Proposed
Edgewater	1900 Biscayne	429	Proposed
	2500 Biscayne	156	Under Construction
	1836 Biscayne	352	Proposed
Midtown	Midtown 5	400	Under Construction
	District 36	197	Under Construction
	Midtown 29	309	Proposed
Wynwood	Wynwood Central	69	Proposed
	Bazabaz Development	163	Proposed
Total:		7,780	



Significant Land Transactions Update



The 2015 Annual report, which was published in Q1, presented the recent sale of development/redevelopment sites within Downtown Miami that were either recently sold or being marketed for sale through January 2015. The following chart updates this information including the few large sites that are currently available for sale. The sale of the Epic Marina site (1.25 acre) for \$125,000,000 still represents the most publicized transaction, and a leading indicator of the significant increases in Downtown Miami land pricing. Since the most recent report, the only major transaction is the sale of 1021 SW 1st Avenue for \$26M. As land pricing has reached peak pricing, it is likely that any large-scale transactions will be for future development, when either construction costs contract and/or pricing pre-sale velocity increase for new product increases to a level that supports financial feasibility.

Figure 10
Land/Future Development Sales and Listing Summary



Location	Submarket	Sale Price	Transaction Date	Planned Use
Epic Marina Site	CBD	\$125,000,000	Jul-14	Residential Condo
444 Brickell	Brickell	\$104,000,000	Dec-13	Mixed-Use
SW 3rd Avenue	Brickell	\$97,500,000	Jul-14	Mixed-Use
Chetrit Miami River Site	Brickell	\$85,048,000	Jul-14	Special Area Plan (Mixed Use)
300 Biscayne Boulevard	CBD	\$80,000,000	Dec-14	Mixed-Use
Capital at Brickell	Brickell	\$74,740,000	Dec-14	Mixed-Use
NWC NE 2nd Ave & 17th St.	Edgewater	\$64,000,000	Jan-15	Mixed-Use
1400 Biscayne	A & E	\$57,300,000	Oct-14	Mixed-Use
1151 NW 1st Avenue	A & E	\$53,700,000	Jun-14	Mixed-Use
700 NE 26th Terrace	Edgewater	\$41,187,000	Feb-14	Residential Condo
30 SE 8th Street	CBD	\$28,500,000	May-14	Residential Condo
1021 SW 1st Ave	Brickell	\$26,000,000	Feb-15	Mixed-Use
200 SE 2nd Street	CBD	\$23,100,000	Mar-14	Apartment/Mixed-Use
3000 Biscayne Boulevard	Edgewater	\$19,200,000	Oct-14	Mixed-Use
3201 NE 1st Avenue	Midtown	\$14,000,000	Oct-14	Mixed-Use
501 NE 1st Avenue	CBD	\$8,250,000	Jan-15	TBD
Midtown Miami*	Midtown	\$200,000,000	TBD	Mixed-Use
127 NE 11th Street*	A & E	\$40,000,000	TBD	Mixed-Use
251 E Flagler Street*	CBD	TBD	TBD	Mixed-Use
16 SE 2nd Street*	CBD	TBD	TBD	Mixed-Use

* Listing with reported expected bid pricing range



Conclusion

IRR Miami indicated in the prior annual report that the downtown market was early in the middle phase of the market cycle. The market has experienced 2 consecutive years of end unit price appreciation, land values have been escalating, developer yields are compressing and overall land transaction volume is now slowing due to a spike in pricing. This inflection point is the market correction needed for a sustained and balanced U.S. and Miami market. Economic conditions remain favorable, which is a positive sign for downtown employment. The next two quarters will represent a shift when potential buyers may seize group opportunities and/or unit selection/availability as previously contracted buyers may exit at a discount. IRR-Miami forecasts a stabilization in pricing, but also forecasts that same currency devaluations will reverse at a time when the foreign buyer pool has narrowed, and competition for units is less aggressive.



Condo Development Process Appendix

Proposed	Reservations	Contracts	Under Construction	Completed	
<p>The proposed phase is the initial phase of the development process; a conceptual plan for a new building or project is initiated by a developer or property owner. The developer may release a press release or a news story with an initial rendering to gauge the interest in the project, but the project size may change over time to conform to market demand and/or as site due diligence constrains the process.</p>	<p>The reservations phase is the second phase of the development process; the developer and architectural/design team produce additional renderings and floor plans; the sales centers are opened and the finishes, amenities, and features of the project are disclosed. The developer files with the State of Florida to be able to take reservations and deposits for units during this stage. This begins the pre-sale phase during which reservations are taken.</p>	<p>The contracts phase is when the initial proposition and reservation of a completely undefined development idea meets the actual contracting for sale upon the receipt of further deposits. The architectural and construction drawings are completed; the developer obtains government permitting and approvals. The final unit floor plans are defined as the reservations are converted to sales contracts with additional buyer deposits upon filing of the Master Declaration of Condominium. Changes to these documents are costly, and therefore the development plan tends to be more static following this phase.</p>	<p>The Contracts stage is typically the make-or-break stage of development as the project was either well-received by buyers, investors, and lenders, or it was not. If the developer has as a sufficient number of sale contracts, buyer deposits, and a commitment for financing, the project's construction will most likely commence. If the project was not well-received, either by a lack of pre-sales, or insufficient equity from initial investors or debt financing, a project may be scrapped, shelved, or significantly altered in another future attempt (either later in the cycle or in the next one). Projects which fail the Contracts stage may move all the way back to Proposed during this process.</p>	<p>The site improvements and vertical construction have commenced. At this stage of development, the project has secured sufficient pre-sales with significant deposits and most likely a financing commitment. These projects will enter the market under a reasonably definitive timeline of 24-48 months, depending upon the scale of the project and surrounding infrastructure requirements.</p>	<p>This is the final stage of the development process; as the construction of the units is completed, CO's (Certificates of Occupancy) are issued, and the closing of the unit sales are finalized.</p>



Disclaimer

The information provided herein is for informational purposes. This publication does not render legal, accounting, appraisal, counseling, investment, or other professional advice. Should such services or other expert assistance be needed, it is recommended that the services of a competent person or firm, having access to the details of the situation, be employed.



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