



Greater Downtown Miami

Residential Market Study Update · April-August 2015

Summer 2015

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

September 2015



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Introduction



Millicento

Integra Realty Resources – Miami/Palm Beach (IRR-Miami) is pleased to present the following Residential Real Estate Market Study within the Miami Downtown Development Authority's (Miami DDA) market area, defined as the Greater Downtown Miami market. This report updates IRR-Miami's findings on the local residential real estate market since January 2015.

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

- Nine at Mary Brickell and Millicento were delivered early in 2015. Bay House (June) and Icon Bay (July) were delivered to market, removing 465 units from the under construction pipeline.
- Three new projects recently broke ground in Edgewater: Aria (647 units in April), Paraiso Bayviews (388 units in August) and 26 Edgewater (86 units in July).
- Paramount at Miami World Center converted to contracts. Many market observers believe ground-breaking at Miami World Center is imminent.
- New product (pre-sale) pricing remains stable.
- Several projects are now taking reservations. These are Auberge (428 units in the Arts & Entertainment District), One River Point (406 units in Brickell), River Tower (449 units in the CBD), and Gran Paraiso (360 units in Edgewater).
- The 482-unit proposed Liquid Lofts was announced in July 2015 adding to the proposed CBD inventory.
- Resale prices resumed an upward trend, increasing by 6.74% through late August. Brokers are forecasting this uptick in sales will continue this Fall.
- The Edge on Brickell site sold for \$18 million to a new developer, who plans to increase density and build a condo-hotel on the site, removing 130 units from the reservations stage.

Introduction

- In 2015 to date, One River Point (406 units) launched reservations at prices starting at \$800/SF. Flatiron (549 units) remains in the contract phase with reportedly continued strong interest.
- Land sales continue to see strong pricing. There have been five major land sales, two each in the CBD and Wynwood and one in Brickell. As most of the prime sites are already accounted for, land transactions are moving to downtown areas with more potential land availability.
- The recent Mana acquisitions along Flagler and anticipated commencement of Flagler Street redevelopment has brought increased attention to the CBD neighborhood.
- A much-anticipated rezoning in Wynwood that would allow residential development of up to 150 units/acre is looking increasingly likely. The City Commission unanimously voted to accept the changes on first reading. A final hearing will be held in September.
- The continued lack of new conventional apartment supply drove conventional rents 3% (3BR) to 17% (Studios) higher year over year. Most observers expect some compression in rental rates given the inventory slated for delivery through 2016.
- There are 4,952 units within conventional rental projects under construction against an existing inventory of 2,500 +/- units. An additional 4,599 units are proposed, with new announcements such as AMLI's 700-unit Midtown East and Magellan's Midtown 6 further expanding the pipeline. The more-than doubling and delivery of this conventional rental pipeline will place downward pressure on rent growth into 2016.
- The rented condominium inventory is achieving leasing success at \$2.45/SF per month (2 BR) to \$3.03/SF per month (Studio). New development projects are targeting potentially smaller units, and many projects are migrating away from the ever-prevalent 1,100 – 1,200 SF 2-bedroom floorplan. The market is seeking differentiation.
- According to the MLS, only 28 units remained available to rent in Brickell House as of August and only 25 remained in Millecento. The rental participation rate in two projects through August was: Brickell House – 102 units of 314 (32.5%) and Millecento – 125 units of 380 (32.9%).

Introduction

- Development interest is spreading beyond the Brickell and East Edgewater neighborhoods towards Wynwood and Midtown, albeit primarily rental product. The proposed Innovation Village in Overtown will mark the first major project within this historic neighborhood.
- The first half of 2015 required recalibration by the developers as increased inventory, rising land and construction costs, and fewer international buyers changed local market dynamics. Nonetheless, the brokerage community continues its promotion of Miami across the globe as a safe economic haven and good overall investment.

Respectfully,

Integra Realty Resources (IRR) – Miami/Palm Beach

Anthony M. Graziano, MAI, CRE, FRICS
Senior Managing Director

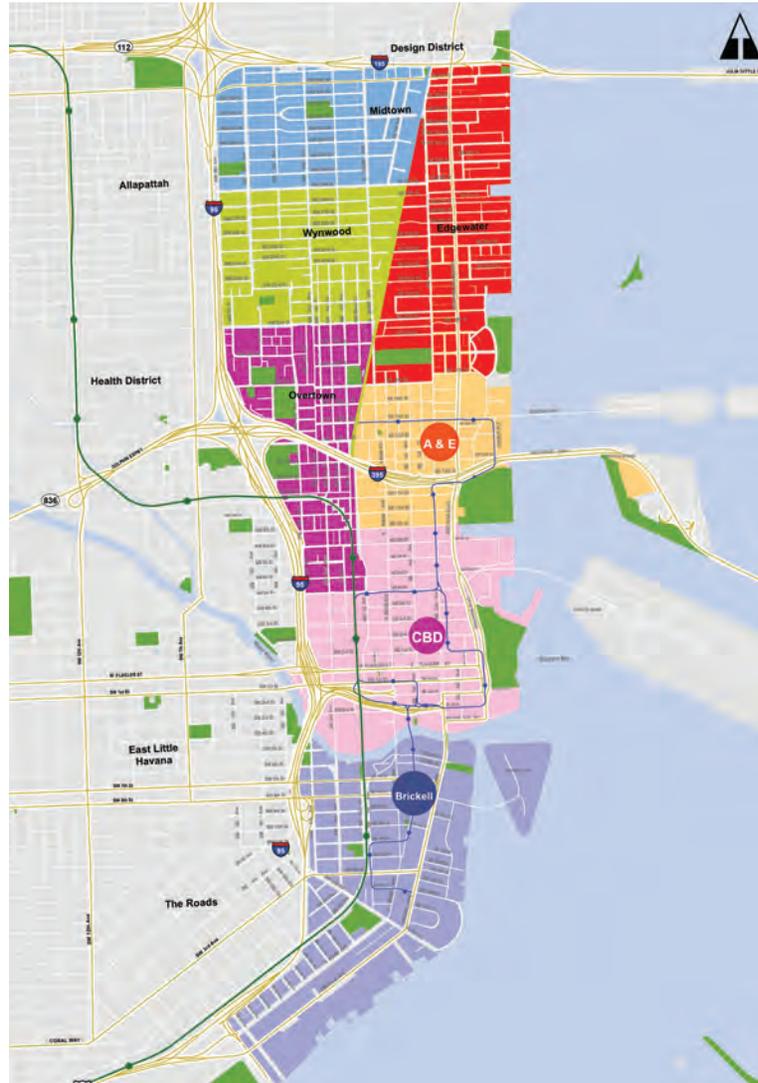
Dan Bowen
Market Research Analyst



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's new?



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 a 33% jump in delivered properties to date. A total of 465 units were completed at Bay House and Icon Bay, which follows the 751 units completed at Nine at Mary Brickell Village and Millecento delivered earlier in 2015. A large percentage (over 40%) of these units have already been listed for rent, reflecting the high percentage of foreign and investment buyers in the greater downtown condominium market.

Several projects recently broke-ground and are now under construction. Most are conventional rental towers – District 36, 2500 Biscayne, Broadstone at Brickell, and Solitair at Brickell. In addition, All Aboard Florida’s MiamiCentral station, which will include an estimated 800-unit rental component, began construction. Three traditional condo projects started work as well – Paraiso Bayviews, 26 Edgewater, and Aria.

As projects break-ground, the total number of units taking contracts shrank to 1,604; The Edgewater, Brickell Flatiron, Krystal Tower, Hyde Midtown, and Paramount at Miami World Center are taking contracts. Several new projects entered reservations, including Auberge (428 units in the Arts & Entertainment District), One River Point (406 units in Brickell), River Tower (449 units in the CBD), and Gran Paraiso (360 units in Edgewater). Interestingly, this growth was offset by the cancellation and ensuing relaunch of Edge and Paramount’s conversion to contracts.

Projects in competitive Miami-Dade markets, like Coconut Grove and Coral Gables, are achieving \$1,200 - \$1,500 per SF. Downtown prices, typically in the \$600 - \$750 per SF range, remain comparatively reasonable. However, the sell-out of Downtown’s luxury products could dramatically influence prices in 2016. PMG Group’s Echo Brickell will mark the first under-construction downtown Miami project to break the \$1,000 per SF sales barrier with potential to break \$2,000 per SF on the Penthouse units. Similarly, 1000 Museum is reportedly selling well at a mid \$1,000 per SF price point.

What's new?

There is some evidence that projects are being reworked to fit fluid market conditions, such as increasing density (as is the case of the Edge at Brickell). The continued lift in the hospitality sector could also bring about a shift of some sites from residential to hotel or hotel/residence concepts (as is the case for Yotel planned for the Miami CBD).

As was noted in earlier IRR-Miami market reports, the Miami economy and the growth of the real estate market are not driven solely by local job and wage growth; outside investors are largely dictating market price. This leads Miamians to expend larger shares of their income on housing – an experience shared in many large metros. Coordinated economic development strategies to grow and attract technology firms amongst local public and private organizations has started to pay dividends. Two recent leases, for over 10,000 square feet of office space, were signed by Twitter and Uber in Brickell adding over 50 jobs to the tech sector. These firms join Facebook, Shyp, Google, and Square as more technology firms recognize the competitive position Miami offers them to reach Latin American markets. More jobs in the technology sector will lead to a more diverse local economy, and, ultimately, wealthier urban residents with greater purchasing and rental power.

IRR-Miami's research suggests that the Downtown Miami residential development is firmly into the middle of its market cycle. The close of 2015 will truly indicate how well the dip in international demand has been absorbed. By the beginning of 2016 Downtown Miami will realize the largest increase in supply in nearly a decade – over 3,000 units of rental and condominium inventory. Next year should bring clarity to the nature and direction of continued growth in the marketplace.

What's new?

Figure 1 includes a summary of 32 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.

Figure 1
Greater Downtown Miami Current Growth



Submarket	Building	Avg. SF	# Units
Arts & Entertainment	Canvas	876	513
	1000 Museum	7,207	83
	Auberge	TBD	428
Brickell	Brickell Ten	1,050	155
	One River Point	1,000	406
	Echo Brickell	1,548	180
	Flatiron	1,887	549
	1010 Brickell	1,179	387
	Brickell Heights - East	1,078	350
	Brickell Heights - West (BH02)	1,303	332
	Le Parc	1,066	128
	SLS Lux	1,292	450
	Brickell CityCentre - Reach	1,642	390
	Brickell CityCentre - Rise	1,642	383
	SLS Hotel & Residences	1,176	450
	The Bond	1,027	328
Cassa Brickell	1,060	81	
CBD	Paramount Miami	1,930	472
	Centro	793	352
	Krystal Tower	1,119	153
	River Tower	TBD	449
Edgewater	Aria on the Bay	1,400	647
	Gran Paraiso	1,537	360
	Biscayne Beach	1,428	399
	Paraiso Bay Tower I	1,490	360
	The Edgewater	TBD	30
	One Paraiso	1,976	276
	Paraiso Bayviews	1,017	398
	The Crimson	1,143	90
	26 Edgewater	696	86
Midtown	Hyde Midtown	930	400
Wynwood	250 Wynwood	1,503	11
TOTAL/AVERAGE		1,247	10,076



Condominium Market Statistics



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 2

Current Greater Downtown Miami Condo Pipeline – Q3 2015



Submarket	Complete	Under Construction	Contracts	Reservations	Proposed	Totals
A & E	0	83	0	941	1,758	2,782
Brickell	1,317	3,614	549	406	4,151	10,037
CBD	0	352	625	449	7,581	9,007
Edgewater	561	2,256	30	360	1,349	4,556
Midtown	0	0	400	0	195	595
Wynwood	0	11	0	0	478	489
TOTAL	1,878	6,316	1,604	2,156	15,512	27,466

The number of units in the Contracts phase has dropped dramatically (34%) as more projects move along the pipeline. A net total of 619 units moved out of the Contracts phase, reflecting 666 net units breaking ground with 1,043 units added to the Reservations pipeline. This is also demonstrated by the rise in Under Construction units (12%). At the same time, new announcements have continued to make up for most of the losses, although many such proposals, such as CBD’s the 76-story Liquid Lofts tower and the Miami Innovation District, remain very preliminary. A total of 1,536 units were added to the Proposed pipeline in the CBD in Q2. These include Liquid Lofts, the condominiums above the Yotel, a reported condominium at Block E of Miami Worldcenter, and the small One15 property.



Condominium Market Statistics

The projects comprised in the contract phase include Paramount at Miami World Center, Brickell Flatiron, Krystal Tower, Hyde Midtown, and The Edgewater.

The number of proposed units, 15,500 +/-, includes a substantial number of units that are from the MUSPs 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. It does not include the very large Miami Innovation District, whose unit count has not yet been released, and the likely wave of residential proposals that will follow in the wake of potential rezoning in Wynwood.

Figure 3
Greater Downtown Miami Condo Market Size – Q3 2015



Submarket	Total Potential Pipeline	Current Market Size	Current Growth	% Growth	Potential Long Term Growth	% Growth Longterm
A & E	2,782	4,052	1,024	25%	1,758	43%
Brickell	8,720	20,791	4,662	22%	4,151	20%
CBD	9,007	6,288	1,426	23%	7,581	121%
Edgewater	3,995	4,613	3,041	66%	1,349	29%
Midtown	595	978	400	41%	195	20%
Wynwood	489	100	11	11%	478	478%
TOTAL	25,588	36,822	10,564	29%	15,512	42%

* Current Growth is all Under Construction, Contracts and Reservations

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

Through June 2015, Wynwood and the CBD represent the two submarkets with the largest expansion potential over their existing base, as demonstrated by their highest long-term growth percentage, but with only nominal developments currently under construction. By the middle of 2016, Edgewater may overtake Brickell in terms of the number of total units under construction following the planned delivery of Brickell City Center in Spring 2016.



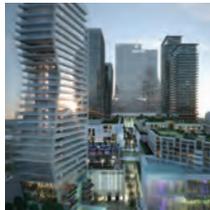
Condominium Market Statistics

A summary of the key changes to date:



Brickell

Millecento and Nine at Mary Brickell have been delivered, bringing the total completions this cycle to 1,317 units. Meanwhile, the potential long-term growth has remained at roughly 9,000 units with the announcement of several new projects. Revised plans for Edge on Brickell call for a higher-density condo-hotel development.



CBD

Since last quarter, the number of units under construction in the CBD has remained the same. Krystal Tower is expected to begin vertical construction by September 2015. 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. It also marks increasing expansion north and west towards Overtown.



Arts and Entertainment

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



Edgewater

This submarket has seen three groundbreakings through June 2015: Paraiso Bayviews, Aria, and 26 Edgewater, as well as the proposal of the 56-unit Spark condominium. The final phase of Paraiso Bay (Gran Paraiso) is beginning to take reservations.

Condominium Market Statistics



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 and has reportedly reached 55% pre-sold as of late July. The availability of land provides the potential for greater long-term growth. However, rental and hotel projects like Triptych, Midtown 5, Midtown 29, and District 36 are dominating the pipeline in this area. The Midtown neighborhood is a mature and pedestrian-friendly neighborhood. Rental pricing and demand also tends to be the strongest, so new, upscale rental product is emerging.



Wynwood

Similar to Midtown, Wynwood's current growth has been static while the long term growth has spiked significantly since last quarter. The proposed rezoning of Wynwood is near ratification. IRR-Miami expects additional residential and mixed-use projects to be announced shortly thereafter. This rezoning will allow for residential development of up to 150 units/acre in the majority of Wynwood and is expected to formally take effect in September.



Overtown

Although there has been limited development in Overtown this cycle, the proposed Miami Innovation District along the historic neighborhood's eastern border signifies growing development interest in Overtown. With up to 6.5 million square feet of technology-oriented residential and office development proposed, the Miami Innovation District would bring large-scale market-rate development further west. This mirrors the increased interest in other inland neighborhoods such as Midtown and Wynwood.

Unit Sizes and Pricing Trends

This table shows unit sizes and pricing trends. Prices are mixed for the projects that are currently selling. For example, two of the newest additions, Gran Paraiso (priced at \$340,000) and 26 Edgewater (priced at \$1.01M), appeal to opposite ends of the market.

Figure 5 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 4



Submarket	Building	Avg. SF	# Units
Arts & Entertainment	Canvas	876	513
	1000 Museum	7,207	83
	Auberge	TBD	428
	Average:	876	1,024
Brickell	Brickell Ten	1,050	155
	One River Point	1,000	406
	Echo Brickell	1,548	180
	Flatiron	1,887	549
	1010 Brickell	1,179	387
	Brickell Heights - East	1,078	350
	Brickell Heights - West (BH02)	1,303	332
	Le Parc	1,066	128
	SLS Lux	1,292	450
	Brickell CityCentre - Reach	1,642	390
	Brickell CityCentre - Rise	1,642	383
	SLS Hotel & Residences	1,176	450
	The Bond	1,027	328
Cassa Brickell	1,060	81	
	Average:	1,332	4,569
CBD	Paramount Miami	1,930	472
	Centro	793	352
	Krystal Tower	1,119	153
	River Tower	TBD	449
	Average:	954	1,426
Edgewater	Aria on the Bay	1,400	647
	Gran Paraiso	1,537	360
	Biscayne Beach	1,428	399
	Paraiso Bay Tower I	1,490	360
	The Edgewater	TBD	30
	One Paraiso	1,976	276
	Paraiso Bayviews	1,017	398
	The Crimson	1,143	90
	26 Edgewater	696	86
	Average:	1,390	2,646
Midtown	Hyde Midtown	930	400
Wynwood	250 Wynwood	1,503	11
	TOTAL/AVERAGE	1,247	10,076



Unit Sizes and Pricing Trends

Figure 5
Greater Downtown Miami New Condominium Pricing Metrics



Submarket	Building	# Units	Avg Price	Avg SF	Avg \$/SF
Arts & Entertainment	Canvas	513	\$462,200	876	\$528
	1000 Museum	83	\$9,397,276	7,207	\$1,304
Brickell	Brickell Ten	155	\$420,000	1,050	\$400
	One River Point	406	\$900,000	1,000	\$900
	Echo Brickell	180	\$2,301,632	1,548	\$1,487
	Flatiron	549	\$1,298,750	1,887	\$712
	1010 Brickell	387	\$679,104	1,179	\$576
	Brickell Heights - East	350	\$596,134	1,078	\$553
	Brickell Heights - West (BH02)	332	\$720,445	1,303	\$553
	Le Parc	128	\$518,076	1,066	\$486
	SLS Lux	450	\$745,000	1,292	\$576
	Brickell CityCentre - Reach	390	\$1,062,900	1,642	\$648
	Brickell CityCentre - Rise	383	\$1,062,900	1,642	\$648
	Nine at Mary Brickell	369	\$589,996	1,219	\$484
	SLS Hotel & Residences	450	\$687,960	1,176	\$585
	The Bond	328	\$567,931	1,027	\$538
Cassa Brickell	81	\$532,750	1,060	\$503	
CBD	Paramount Miami	472	\$1,350,825	1,930	\$700
	Centro	352	\$300,267	793	\$379
	Krystal Tower	153	\$503,550	1,119	\$450
Edgewater	Aria on the Bay	647	\$588,511	1,400	\$420
	Gran Paraiso	360	\$1,085,233	1,537	\$706
	Biscayne Beach	399	\$930,000	1,428	\$651
	Paraiso Bay Tower I	360	\$942,400	1,490	\$632
	One Paraiso	276	\$861,485	1,976	\$436
	Paraiso Bayviews	398	\$786,202	1,017	\$773
	Bay House	165	\$659,020	1,660	\$397
	Icon Bay	300	\$651,222	1,287	\$506
	The Crimson	90	\$622,935	1,143	\$545
	26 Edgewater	86	\$340,000	696	\$489
Midtown	Hyde Midtown	400	\$490,400	930	\$527
Wynwood	250 Wynwood	11	\$653,805	1,503	\$435



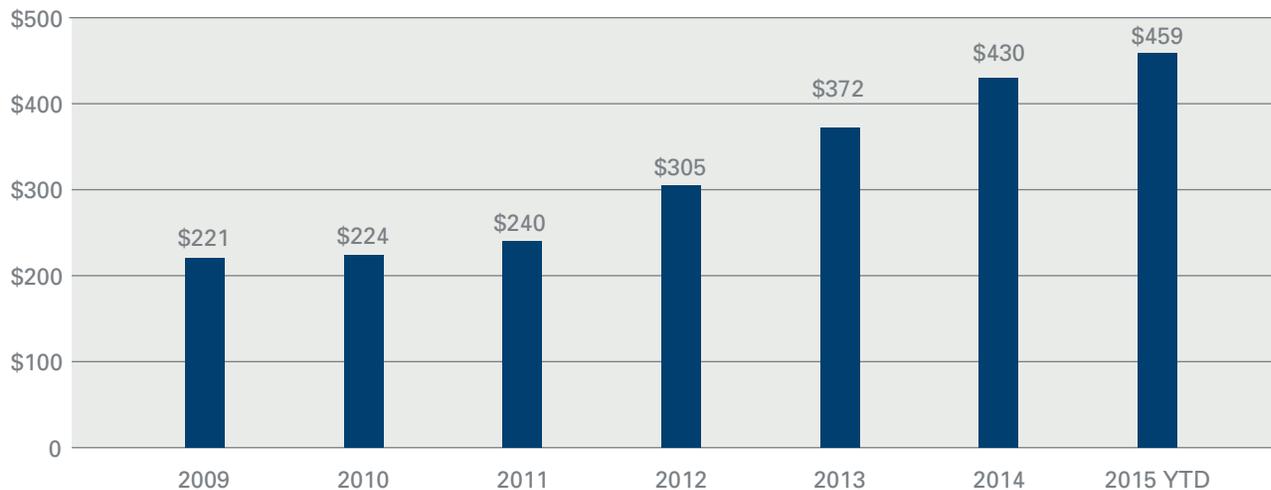
Resale Condominium Pricing



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 a 6.74% increase in 2015 YTD, reflecting appreciation since 2010 in excess of 100%. This increase coincided with the lack of new inventory available during those times and the announcement of new projects in late 2012 and 2013, although annualized price increases are showing signs of leveling off with each of the past four years seeing slowing price appreciation. As pre-sale pricing for proposed projects has stabilized, so has the corresponding resale condo pricing, with an expected year-end appreciation of 8-10% in 2015.

This resale appreciation rate reflects a bump from the levelling off of prices through March 2015. This uptick through the summer months is a good sign of sustainable appreciation.

Figure 6
Average \$/SF Sale Price Trend – Greater Downtown Miami Resale Market



Rental Market Statistics



The results of our study of rental pricing for existing condominium inventory is shown in Figure 7.

IRR's reporting one year ago provided in-depth analysis of the rental demand and pricing for both conventional rental properties and the shadow condo market. This 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:

- Condo re-lease
- Conventional multi-housing

The results of our study of rental pricing for existing condominium inventory is shown in the table below:

Figure 7

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	\$2,582	\$1,698	\$3.03	\$2,139	\$2.62	\$3,008	\$2.45	\$4,773	\$2.89
% Change	4%	4%	4%	7%	6%	3%	6%	10%	11%

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 4% annualized (this represents YTD with the entire year likely to average slightly higher). As the new product is leased in the market, appreciation could move upward due to the newer condition, modern design, etc. This may move average pricing higher than the existing inventory average.



Rental Market Statistics

The table below 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.

The pace of leasing in both Brickell and the CBD has increased since 2014 > Executed leases have grown from approximately 150 to 171/month in Brickell and approximately 80 to 100/month in the CBD. This demonstrates growing rental demand at the current prices, as well as the delivery of new projects such as Millecento and Brickell House, each with an over 40% rental participation rate.

The Brickell and CBD remain the most active leasing submarkets where about 171 and 109 units, respectively, turn-over monthly; leasing activity in Edgewater, Midtown, and Wynwood is significantly slower owing to their smaller inventory; the Arts and Entertainment District has more luxury bayview condominiums that are typically are second homes, not rentals.

Figure 8

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



	Studio			1 BR			2 BR			3 BR		
	SF	\$/Unit	\$/SF	SF	\$/Unit	\$/SF	SF	\$/Unit	\$/SF	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
Q3 2015	638	\$1,856	\$2.91	864	\$1,774	\$2.05	1,221	\$2,241	\$1.84	1,752	\$2,707	\$1.55
% Change		17.1%			10.5%			6.4%			3.2%	

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.

IRR Miami's survey of conventional rental pricing shows substantial growth in the conventional sector. This rental rate growth is a strong driver of new apartment construction, but is also reflective of the conventional rental product being priced generally sub-\$2.00/SF. The conventional studio rents are quickly approaching \$3.00/SF with one bedrooms breaking the \$2.00/SF barrier.



Rental Market Statistics

There are a few projects that have made rapid quarter-over-quarter price increases based on demand. This level of rent growth is expected to moderate as new conventional product comes on-line in 2015-2016.

The table below details price and velocity for each submarket as compared to the total number of households in each submarket.

Figure 9

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



Submarket	Overall Achieved	Overall Asking	Total # Leases/ Month	# of Households (2014 est.)
Brickell	\$2,640	\$3,292	171	18,338
CBD	\$2,357	\$3,078	109	7,482
A & E	\$3,861	\$5,617	13	6,725
Edgewater	\$2,369	\$2,952	52	
Midtown	\$2,653	\$3,092	16	6,756 ¹
Wynwood	\$2,750	—	0	

[1] Wynwood, Midtown, and Edgewater were not broken out in the 2014 population report.

Based on this data, the lease turn-over rate is between 11%-17% of households, with A&E less than 2% of reported households. This indicates possible undersupply in the Arts and Entertainment district currently. This is also reflective of an affordability gap which is most acute in the A&E. Melo has 497 units under construction in this neighborhood which should normalize these figures, with nearly another 900 units planned within A&E.

Notably, the rental market in Midtown is now comparative to Brickell on achieved rents. This trend can be attributed to the pedestrian friendly nature of Midtown, including supportive street retail and a walkable neighborhood experience. These factors are contributing to both new supply creation, and rental rate uptick.



Conventional Rental Market Supply



Figure 10 illustrates the 28 planned or under construction rental projects with 10,000 (+/-) units within the Downtown Miami market (as compared to the existing conventional inventory of approximately 2,500 units). As rents have increased and occupancy remains near 100% according to leasing agents, the demand for additional rental projects in Downtown Miami has never been greater.

Figure 10
Greater Downtown Miami Rental Pipeline



Submarket	Building		# Units	2015 Q3 Status
A & E	Melody	Melo Group	497	Under Construction
	17 Edgewater	17 Street Partners	240	Proposed
	14 Plaza	Melo Group	650	Proposed
Brickell	One Brickell II	Related Group	500	Proposed
	Solitair Brickell (formerly Brickell Bayview)	ZOM	438	Under Construction
	Panorama	Tibor Hollo	821	Under Construction
	SoMa	Alliance Residential	418	Under Construction
	Broadstone at Brickell	Alliance Residential	372	Under Construction
CBD	Monarc at Metropolitan 3	ZOM	462	Under Construction
	Avant at Met Square	ZOM	391	Under Construction
	Luma at Miami World Center	ZOM	429	Proposed
	Miami Central Apartments (up to 5 towers)	FECI	800	Under Construction
	Vice	PMG	464	Proposed
	Miami World Center Block E SF	ZOM/Newgard	418	Proposed
	Miami River Village	KAR Properties	TBD	Proposed
	Cultural Center Garage Redevelopment	Downtown 56, LLC	432	Proposed
Edgewater	1900 Biscayne	Atlas	429	Proposed
	2500 Biscayne	Greystone & Co.	156	Under Construction
	1836 Biscayne	Fifteen Group	352	Proposed
	700 NE 23rd St	Starr Porter	TBD	Proposed
Midtown	Midtown 5	Magellan Development	400	Under Construction
	District 36	Market Real Estate Group	197	Under Construction
	Midtown 29	Adler Group	309	Proposed
	Midtown East	AMLI	700	Proposed
Wynwood	2801 NW 3rd Avenue	David Edelstein	264	Proposed
	Wynwood Central	East End Capital	69	Proposed
	2110 N Miami Ave	Sonny Bazbaz	163	Proposed
	22 NW 24th St	Turnberry Associates	80	Proposed
Total:			10,451	



Conventional Rental Market Supply

On the supply side, the pending completions of 4,900 (+/-) conventional units currently under construction will more than double the conventional inventory of apartments in downtown over the next 24 months. This will constrain the rising rental rates that are currently pricing many potential renters out of the Downtown Miami market. In addition, under construction condo inventory 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 could further constrain rent appreciation depending upon the rental participation rate of new projects as they deliver.

Conclusion

IRR Miami indicated in the prior annual report that the downtown market was early in the middle phase of the market cycle. Although there have been some signs of a correction in condominium pricing and rent growth, the development community has proceeded cautiously in light of market metrics.

Economic conditions remain favorable, which is a positive sign for downtown employment, and employment diversification and continued downtown employment growth supports new conventional supply as evidenced by year-over-year rental appreciation in the conventional sector.

Developers are moving up the risk curve, increasingly investing in non-residential development and in inland submarkets such as Wynwood and the western half of the Miami CBD due to prohibitive land costs.

IRR-Miami forecasts a stabilization in pricing as economic improvements are offset by increasing supply in the coming 6-12 months.

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 & Acknowledgment

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.

The staff of IRR Miami | Palm Beach wishes to acknowledge the outstanding contributions of Ryan Homan, MAI in the development of this report and previous editions.



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