

## Condo resale prices slip in downtown Miami as new condo construction slows

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The steady decline in condo resale prices and swelling inventory levels in downtown Miami have discouraged developers from launching new projects, according to the mid-year 2018 report from the Miami Downtown Development Authority.

The DDA commissioned **Integra Realty Resources**, led by Senior Managing Director **Anthony M. Graziano**, to survey the residential market in the greater downtown area, spanning from Brickell north to the Design District, and west into Overtown and Wynwood. The researchers say that condo resale prices should continue falling in the next 24 to 36 months as the huge amount of inventory from new buildings is absorbed in the market, but they haven't seen any signs of a crash. There have been no major bulk discounts for condos and the projects currently under construction have relatively few units left to sell, so they appear likely to be completed, IRR said in its report.

Some key takeaways from IRR's report to the DDA:

- **Condo construction:** There were 3,849 units under construction in greater downtown by mid-2018, down from about 5,000 at year-end 2017. Given the schedule of deliveries and the expectation that few projects will break ground, there will be less than 2,500 condos under construction by the end of 2018. Most of the condos under construction have strong sales volumes, including Brickell Flatiron and Paramount Miami Worldcenter. The Related Group's Paraiso project in Edgewater has few units left.
- **Next wave of condos:** There were six projects with a combined 1,396 units taking reservations or contracts that have yet to break ground. It might take some of them a while to generate significant sales because there's major competition from resales in recently-completed buildings. There were 15,016 condos proposed that have yet to start sales, although some of those projects have languished in the pipeline for years.
- **Condo resales:** The average price per square foot in the first half of 2018 was \$392, down from \$405 in 2017, \$426 in 2016 and \$457 in 2015. That means price per square foot were around 2013 levels. However, the lower pricing has caused sales volume to increase. Sales are faster in older buildings with lower prices than in newer buildings. Prices might decline to around \$360 per square foot before they bounce back.

- **Leasing condos:** The average rate for leasing condos was up 2.5 percent in the first half of 2018. The average per condo was \$2,584.
- **Apartment rents:** Rates increased 4.5 percent over the past 12 months to average \$2,175. However, the massive construction of apartments downtown could cause rents to “wobble” over the next 24 months as vacancies are absorbed.
- **Apartment construction:** Over 2,400 apartments were completed in the past 12 months. There are 5,886 apartments under construction, with 1,600 set to be delivered over the next six to nine months. Another 18,224 apartments are proposed. So far, the market for developers to obtain apartment construction financing has been robust, but rental development could slow as new employment growth plateaus.

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