DDA REPORT: CASH-HEAVY DEAL FLOW AND LOW LEVERAGE FUELING MATURITY OF DOWNTOWN MIAMI CONDO MARKET

Development pipeline stabilizes as new product delivers and pent-up demand is absorbed

MIAMI – February 25, 2016 – Downtown Miami's residential market is showing signs of maturity and resiliency as sales velocity and pricing appreciation continues to stabilize, according to the Miami Downtown Development Authority's (DDA) 2016 Q1 Market Report. The report, prepared by Integra Realty Resources and covering the period beginning January 2015 through January 2016, found that the pre-construction market remains stable with 78% of the existing under construction inventory having been pre-sold, with over 85% of the inventory delivering in 2016 pre-sold. Additionally, while new construction end-user financing increased in 2015, seventy-eight percent of all new transactions were cash, with only 22% financed.

As new product delivers, pent up demand continues to be satisfied. According to the report, the under construction pipeline expanded, but will recede again shortly as over 1,500 units will very likely deliver and close by Q3-2016. Additionally, resale pricing averaged $457 per square foot, reflecting a six (6%) percent year-over-year appreciation rate. This is down from the prior year's 20% growth rate but is consistent with slower pricing expectations IRR had forecast at the beginning of 2015.

The report also found that the Downtown Miami rental market is in active development mode, with year-over-year rent growth averaging 5% annually for the past three years. However, 2016 will mark a very large pipeline of conventional project deliveries, and this rental growth rate is expected to slow – offering much sought after relief to Downtown area renters. For example, SoMa at Brickell has delivered, adding 418 units to the market's apartment supply and Monarc at Met3 has begun leasing. Over 8,000 rental units are proposed, including up to 1,500 units at the Melo Group's Melody II as well as over 700 units in greater Midtown Miami.

"The Downtown Miami market continues to show marked resiliency in the face of global economic headwinds, and the low buyer leverage makes bubble-fears appear overblown for the second straight year," said Anthony M. Graziano, Senior Managing Director of Integra Realty Resources - Miami. "Unlike prior cycles, this is a more mature market being fueled by buyers' heavy cash investments."

While no market is ever immune to economic fluctuations, a mature market is one that can react and adapt quickly with less volatility. For example, in response to the slower sales activity in 2015, the pipeline of contract and reservation inventory declined as developers either delayed, cancelled or repositioned certain projects in the presale condominium pipeline.

Graziano adds that the inventory still under construction remains manageably pre-sold, and the pipeline of new projects in reservations and contracts is shrinking. Despite foreign currency depreciation against the U.S. dollar, Miami's urban core sustained pricing appreciation across all market segments including pre construction sales, resales and rentals.

The IRR report assessed the market's ownership composition, finding that the majority of units are occupied year-round – with 36% of all units owner-occupied; 58% of units tenant-occupied; and only 6% of units serving as a second home for investors. These 'rooftop' numbers are supporting Downtown Miami's office and retail markets, both of which are experiencing unprecedented levels of net absorption. In fact, a recent Miami DDA Office Report found that Downtown Miami experienced nearly 450,000 square feet of positive absorption in the past two years.

"Downtown Miami has gone from a 9-to-5 employment center to a 24-hour destination, taking downtown from ghost town to boom town in just a few short years," said Miami DDA Executive Director Alyce Robertson. "As a result, this city is becoming a magnet for new ideas and the infrastructure to support them. While residential sales have slowed, Downtown Miami will continue to be seen as a place for viable, long-term investment."

About the Miami Downtown Development Authority
The Miami DDA is an independent agency of the City of Miami funded by a special tax levy on properties in its district boundaries. It is governed by a 15-member Board comprised of three public appointees and 12 downtown property owners, residents and/or workers who are tasked with overseeing the direction of the agency and setting policy. The agency is committed to grow, strengthen and promote the economic health and vitality of downtown Miami. As an autonomous agency of the City of Miami, the Miami DDA advocates, facilitates, plans, and executes business development, planning and capital improvements, and marketing and communication strategies. Visit www.MiamiDDA.com for more information.

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