



## Miami DDA Mid-Year Residential Market Report: Demand for Urban Living and Shifting Price Dynamics Fuel Focus on Downtown Miami Rental Market

*Pre-construction condo pricing holds steady with consistent absorption*

**MIAMI – August 3, 2016** – Downtown Miami’s residential market continues to normalize, as pre-construction pricing holds steady and rental rates begin to level off, according to the Miami Downtown Development Authority’s (DDA) 2016 Mid-Year Market Update. The report, prepared by Integra Realty Resources and covering the period beginning January 2016 through June 2016, found that while global and domestic headwinds continue to impact sales velocity, area professionals remain optimistic in the long-term strength of the market.

“Today’s market clearly favors well-capitalized developers, particularly as traditional financing for new construction continues to tighten,” said Anthony M. Graziano, managing principal of Integra Realty Resources. “We expect the construction cycle to be slower heading into 2017, which should favor a reduction in construction costs on projects planned for 2018-2019.”

According to the report, developers and brokers are reporting an expectation that pricing will continue to hold for new, under construction, and delivered inventory. Market participants are adjusting to a more normalized sales pace expectations based on the price point and market position of their projects. Despite retreats in the resale pricing, the pre-construction market pricing remains solid. Some projects have even reported an increase in pre-construction pricing, such as Brickell City Centre, which raised prices on average by nine percent this past quarter.

Additionally, as new projects deliver and the total number of proposed developments in the construction pipeline decrease, developers should see less competition heading into late 2017-2018. More than 2,000 units were delivered since year-end 2015, including Le Parc (which received its temporary CO status in late June) and Brickell City Centre, one of the largest urban developments in the country. The overall annual supply growth has held relatively constant at about 27 percent in 2014 and declined slightly to 24 percent in 2016.

“No market is completely immune to fluctuation, but Miami continues to demonstrate its resiliency and value proposition as inventory closes and buyers seek new opportunities for investment,” said Alicia Cervera, managing partner at Cervera Real Estate. “Current activity is at a more normalized pace and remains strong.”

The report also forecasts that while Miami’s maturity may be tested over the next six to 12 months, demand for urban living continues to grow. As a result, many developers have shifted their attention to rentals, which will further activate the downtown market and should prove its resiliency.

Condominium resale pricing in Greater Downtown is down YTD 4% since year-end, however after three years of double digit price growth (2012-2014), this current retreat from 2015 pricing may be temporary as supply-demand economics continue to shift.

The rental construction pipeline has expanded to over 5,500 units as of June 2016, and combined with the delivery of over 500 rental units since the new year, has yielded a leveling off of pricing, however absorption continues to be very strong. Conventional rent growth has been nominal or negative in all unit types except studios, which grew by four percent year-to-date.

According to the Miami DDA, residential population in downtown has more than doubled since 2000 and continues to rise in lockstep with demand for the convenience and accessibility of the urban lifestyle. This is translating into momentum for rental activity. In fact, Melo Group's 497-unit Melody Tower was fully leased within three months of launching sales and before it even opened its doors in May of this year.

"The growing popularity of downtown is creating a cycle of new residents, new businesses and new life downtown," said City of Miami District 2 Commissioner and Miami DDA Chairman Ken Russell. "Young professionals, students and families are creating a diverse population. New rental properties should help further fuel the growth of that dynamic downtown community."

To download a copy of the full report please visit [www.miamidda.com](http://www.miamidda.com).

#### **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](http://www.MiamiDDA.com) for more information.

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