



# Greater Downtown Miami

## Residential Market Study “Flash Report”

**Q3 2016**

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

December 2016

Welcome to the Q3 Flash Report of the Downtown Miami Annual market study. This special edition through October 2016 provides continuity to our on-going research covering the residential development market in Downtown Miami.

Figure 1  
Current Greater Downtown Miami Condo Pipeline



Submarket	Complete	Under Construction	Contracts	Reservations	Proposed	Totals
A&E	0	596	0	298	1,758	2,652
Brickell	2,694	2,870	406	0	4,512	10,482
CBD	352	512	0	390	5,303	6,557
Edgewater	651	2,249	417	512	1,839	5,668
Midtown	0	410	0	0	195	605
Wynwood	11	0	0	15	478	504
<b>Total Q3 2016</b>	<b>3,708</b>	<b>6,637</b>	<b>823</b>	<b>1,215</b>	<b>14,085</b>	<b>26,468</b>

Figure 1a  
Current Greater Downtown Miami Condo Time Series



<b>Total YE 2014</b>	<b>1,044</b>	<b>6,019</b>	<b>2,070</b>	<b>1,598</b>	<b>12,543</b>	<b>23,274</b>
<b>Total YE 2015</b>	<b>1,889</b>	<b>7,308</b>	<b>1,874</b>	<b>207</b>	<b>17,615</b>	<b>28,893</b>
<b>Total Q2 2016</b>	<b>2,790</b>	<b>7,499</b>	<b>879</b>	<b>673</b>	<b>15,606</b>	<b>27,447</b>
<b>Total Q3 2016</b>	<b>3,708</b>	<b>6,637</b>	<b>823</b>	<b>1,215</b>	<b>14,085</b>	<b>26,468</b>

As the market has been evolving since Summer 2016, the downtown Miami market has remained fairly resilient. Between the second and third quarter of 2016, over 900 new construction condominium units received TCO and commenced closings. Attorney and brokers report successful new project close-outs, and IRR has received no major indications that pre-contracted deals are not closing. In large part, this is due to the higher levels of buyer equity at stake.

Consistent with our prior forecast, no major condominium projects commenced construction during the third quarter of 2016. Some new projects began taking reservations, indicating confidence among some developers positioning for 2019 delivery.

A review of Figure 2 provides some insight why we may see an uptick in project reservations. The bulk of the under construction inventory will have been delivered by the end of 2016. The short tail of the remaining downtown projects under construction begins to decline in 2017 and beyond, until possibly 2019 with less than 2,000 units under construction.

Figure 2  
Greater Downtown Miami Current Growth – Completions



Submarket	Completions	2012	2013	2014	2015	2016	2017	2018	2019
Arts & Entertainment		-	-	-	-	-	596	-	298
Brickell		-	-	566	382	2,811	1,256	-	955
CBD		-	-	-	-	352	-	512	390
Edgewater		96	-	-	-	585	512	2,319	317
Midtown		-	-	-	-	-	410	-	-
Wynwood		-	-	-	11	-	-	15	-
<b>Total</b>		<b>96</b>	<b>-</b>	<b>566</b>	<b>393</b>	<b>3,748</b>	<b>2,774</b>	<b>2,846</b>	<b>1,960</b>



While the declining construction pipeline is encouraging, a more careful analysis is required to understand the demand side of the equation. Figure 3 represents IRR's forecast of probable timing for delivery of new conventional rental product downtown. That delivery pipeline reaches its peak next year in 2017.

Figure 3

### Greater Downtown Miami Unit Delivery of Conventional Rental Projects by Year



Year	2014	2015	2016	2017	2018	2019
Forecasted Delivery	250	418	1,038	3,575	1,882	464

An increase of conventional rental inventory delivering on the heels of the new construction condo inventory, (some of which serves as shadow rental inventory), is placing downward pressure on rents as early as Q3-2016. Average condo leasing prices are down from 2% – 4% quarter over quarter after a flat Q1 and Q2 2016. Studios delivered a slight rental increase, but are even (no change) year to date in the condo rental sector.

Figure 4

### 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 [1]	\$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 [1]	\$2,582	\$1,698	\$3.03	\$2,139	\$2.62	\$3,008	\$2.45	\$4,773	\$2.89
% Change	4.1%	4.0%	3.6%	6.5%	5.8%	3.4%	5.7%	9.8%	11.1%
2016 Q1-Q2	\$2,677	\$1,683	\$2.97	\$2,165	\$2.66	\$3,009	\$2.46	\$4,675	\$2.72
% Change	3.7%	-0.9%	-2.0%	1.2%	1.5%	0.0%	0.4%	-2.0%	-6.0%
2016 Q3	\$2,590	\$1,699	\$3.09	\$2,110	\$2.55	\$2,957	\$2.42	\$4,382	\$2.62
% Change	-3.2%	0.9%	4.1%	-2.5%	-4.3%	-1.7%	-1.8%	-6.3%	-3.5%

[1] Midyear.



Overall conventional rental building rents are up nearly 3% with the exception of 1 bedroom units. Notably, condominium rentals tend to be \$0.75 – \$1.00 per SF more expensive than the conventional market, so a lot of the rent compression in the condo buildings represents the market seeking equilibrium. The conventional rental product should see continued rent growth in the coming (3) quarters because the newer product deliveries will elevate the average rents in the market.

Figure 5  
Overall Downtown Conventional Rental Rent Survey



	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
Q2 2015	638	\$1,856	\$2.91	864	\$1,774	\$2.05	1,221	\$2,241	\$1.84	1,752	\$2,707	\$1.55
Q2 2016	638	\$1,937	\$3.04	864	\$1,772	\$2.05	1,221	\$2,257	\$1.85	1,752	\$2,652	\$1.51
Q3-Q4 2016	638	\$1,945	\$3.05	865	\$1,736	\$2.01	1,222	\$2,320	\$1.90	1,753	\$2,725	\$1.55
Q3 2014 – Q2 2015 Change	17.1%			10.5%			6.4%			3.2%		
Q2 2015 – Q2 2016 Change	4.4%			-0.1%			0.7%			-2.0%		
Q2 2016 – Q3 2016 Change	0.4%			-2.0%			2.8%			2.7%		

Falling condo rental prices, and competition from conventional rental projects is driving more activity in the condominium resale market as identified during IRR’s Summer 2016 report. While there have been some analysts who warn that a wave of “upside down” sales is occurring where the seller takes less than (s)he paid, these analysts are not adjusting for the positive effects of currency conversion. The strong dollar makes cashing out, even at the same price paid, profitable for foreign investors who convert a strong U.S. Dollar back into their home currency. If condo rents may fall, and vacancy may rise, better to capitalize on the favorable currency conversion. In any case, these are not “upside down” sales unless the seller sells for a price that is less than their mortgage, if any.

In the meantime, if you live in downtown and intend to stay for a while, the coming year may be the ideal time to discuss a structured purchase (rent to own) with your landlord. Interest rates currently remain favorable, and a market with higher resale inventory provides more choice, and more negotiating power, with your condominium landlord.

Continued job market strength will be important to the stability of Miami’s overall residential market in 2017. US policy changes associated with a changing Presidential administration, and their effect on the global economy and international participation in South Florida’s real estate market, will also impact the market direction in the months ahead.

The Integra Realty Resources (IRR) | Miami DDA Annual Report will be issued in February analyzing all the data through year end 2016 in more detail.

For more information, please contact

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