

# 'Not a Bust,' But Miami Luxury Housing Is in Decline

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South Florida's luxury real estate market has juggled several hits.

The U.S. stock market bounced back and forth, replacing investor appetite with uncertainty. A slowdown in China squeezed Latin American economies, hurting the home countries of Miami's most loyal buyers as a relentless U.S. dollar shredded their currencies.

When the global economy hiccupped, people began asking, "What will happen to Miami?"

Hushed phrases like "condo bust" made their way into media headlines, yet South Florida's real estate industry kept inking deals and collecting data they hope would prove the region is far from collapse.

The latest numbers show pricey homes are lingering on the market longer, deals are taking longer to close and prices are adjusting. But experts say there's nothing resembling a housing crash.

At a Miami Beach event on South Florida's luxury housing market, Anthony M. Graziano, senior managing director for Integra Realty Resources, presented an in-depth analysis of where the area has been and where it's heading in a report created by his company and ONE Sotheby's International Realty.

The numbers pointed to an expected conclusion: Miami-Dade County's luxury market is kicking back. For the first time since 2011, the number of single-family homes priced at \$1 million to \$5 million dropped. Sale numbers fell to

890 last year compared to 910 in 2014, a 2 percent drop over the year.

While the sales dip was considered moderate, inventory increased dramatically, with about 22 percent more \$1 million to \$5 million listings per month last year than the previous year, according to the report.

Fewer trades kept property on the market longer, causing price appreciation to slow.

"Some of this is also tied to sellers' lofty price expectations, which is causing inventory to be mispriced and therefore stay on the market longer," the report said.

Sales in the \$5 million-plus market increased slightly, with 63 recorded in the \$5 million to \$10 million range and 22 above that.

Graziano said it wasn't the type of year in which a project was fully sold during one Art Basel weekend.

In 2015, it took longer to get a deal done, and pricing mattered.

"It's going to matter more so in 2016," Graziano said. "There's a lot more inventory. Even if transactions are ticking up, there's so much more inventory left."

This is good news for South Florida buyers, who now have a lot more to choose from.

Miami-Dade's single-family home market fared better than condo resales, where the number of units sold in the \$1 million to \$5 million dropped 16 percentage points.

Nearly 1,500 condos were listed for sale each month last year compared to 1,141 in 2014. Listings grew across all price categories over \$1 million, and sales volume dropped for homes priced over \$10 million.

Broward County was a healthier market where trades of single-family homes in the \$1 million to \$10 million range and condos under \$5 million increased year over year.

"Pricing in Miami has gotten strong enough that a lot of people who were [looking] to buy in Miami went to Broward," Graziano said.

Overall, inventory rose across both counties in all price categories.

Despite the notable slowdown, Graziano explained, "Here's why it's not a bust."

About 16,000 units were under construction in 2006 compared with only 7,300 units today in central Miami, where residential construction is most active.

Extremely lenient lending contributed to the previous bust, Graziano said, citing another positive note: More than 80 percent of the new homes being delivered this year are pre-sold.

"2016 is going to be slower and harder to predict," he said.

Time will tell if federal scrutiny from the Treasury Department's geographic targeting order for \$1 million-plus cash housing sales in Miami will further slow sales.

Media reports have shed light on suspicious purchases following a massive leak of documents from a Panamanian law firm, which specialized in creating offshore shell companies that hid the people behind transactions. Experts believe the GTO is the first of similar anti-money laundering tactics to come.

Antonio Martinez, founder of Florida Secured Title, said his firm has received several calls from clients now aware of

the power of limited liability companies, which can shield buyers from tax and legal liabilities. Rather than deter buyers from using LLCs to purchase homes, the media attention generated by the Panama Papers has increased his clients' desire to learn more about protecting their assets.

He told the audience, "There are a lot of legal reasons why you'd want to layer a purchase."