

Downtown Miami Condo Market Is Finding its Footing

After experiencing several ups and downs, the city is becoming an attractive place for investors. For the first time since 2012, the condo pipeline has more units completed than under construction.

by Timea Papp | Oct 25, 2017



Greater Downtown Miami submarkets

Downtown Miami's real estate market has been through several real estate cycles but now signs point to a maturing environment, as demand for urban living is at an all-time high, according to a [mid-year market report](#) from the Miami Downtown Development Authority (DDA), compiled by Integra Realty Resources (IRR). The city's downtown area is on stable ground, as condo absorption outpaces delivery and plans for further development are underway. The report analyzes Brickell, the Central Business District, the Arts & Entertainment District, Edgewater, Midtown, Wynwood and Overtown.

The current real estate cycle is past the halfway point for deliveries and the condo pipeline has more completed units (5,180) than the number under construction (5,078) for the first time since downtown has begun its post-crash rebound in 2012. The report suggests that unlike the past boom, developers are resisting the urge to overbuild as an effect of stricter requirements for loans.

STEADY ABSORPTION

Figure 2
Current Greater Downtown Miami Condo Pipeline – Q2 2017

Submarket	Complete Since 2012	Under Construction	Contracts	Reservations	Proposed	Totals
A & E	0	596	0	0	1,834	2,430
Brickell	3,767	1,721	418	0	5,267	11,193
CEO	352	512	390	0	5,198	6,452
Edgewater	1,050	1,839	417	490	1,309	5,195
Midtown	0	410	0	0	195	605
Wynwood	11	0	0	15	478	504
Total (2017 Midyear)	5,180	5,078	1,225	505	14,381	26,369
Total (2017 Annual)	4,691	4,254	903	1,215	13,980	26,343
Total (2016 Q2)	2,790	7,499	879	673	15,606	27,447
Total (2015)	1,889	7,308	1,874	297	17,615	28,893
Total (2014)	1,044	6,919	2,670	1,598	12,543	23,274

Current Greater Downtown Miami condo pipeline – Q2 2017

A total of 3,365 condos are expected to be delivered by the end of 2017, with only 652 units to be completed in 2018 and 1,061 planned to arrive in 2019. Just two towers are expected to break ground this year—[Missoni Baia](#) and [Aston Martin Residences](#). This is another indicator that developers are showing restraint as projects are postponed or repositioned, causing the housing pipeline to become increasingly thin. However, absorption has remained steady, as 70 percent of the condos under construction are already pre-sold, according to Senior Managing Director Anthony Graziano of Integra Realty Resources. Brokerages estimate that more than 80 percent of all completed units have been sold.

TIME TO INVEST

Sales volume has dropped about 50 percent in the past year compared to 2015, while the higher-priced condo product has fewer units per project. Graziano suggests that as a result, expectations on unit sales per month are much lower, creating the ideal environment for investors.

“The new condominium development market in downtown continues to project strength in the wake of fewer reported buyers. With 18 percent less inventory under construction resulting from recent deliveries, each new project close-out is a success to be celebrated in favor of less competition among the remaining projects,” Graziano said in prepared remarks.

Figure 6
Greater Downtown Miami Condo Listings (Built 2001+) by Month

QIP codes: 33127, 33128, 33129, 33130, 33131, 33132, 33136, 33137

Date	For Sale	New Listing	Sold	Pending	Date	For Sale	New Listing	Sold	Pending
Jul-13	1,626	446	273	274	Jul-15	2,581	430	130	144
Aug-13	1,588	432	224	230	Aug-15	2,546	450	126	128
Sep-13	1,719	429	278	213	Sep-15	2,619	495	136	139
Oct-13	1,646	477	190	195	Oct-15	2,726	511	126	106
Nov-13	1,908	386	163	166	Nov-15	2,792	396	104	109
Dec-13	1,904	356	162	166	Dec-15	2,747	340	126	100
Jan-14	1,967	526	159	227	Jan-16	2,859	526	90	84
Feb-14	2,046	499	134	213	Feb-16	2,914	528	83	123
Mar-14	2,184	652	278	278	Mar-16	2,990	431	111	121
Apr-14	2,272	521	200	202	Apr-16	3,045	469	95	110
May-14	2,292	496	208	212	May-16	3,041	472	88	136
Jun-14	2,292	441	181	205	Jun-16	3,067	454	120	100
Average	1,964	464	193	216	Average	2,820	450	111	117
Jul-14	1,938	345	132	130	Jul-16	3,032	374	92	86
Aug-14	1,822	340	119	155	Aug-16	2,990	396	106	114
Sep-14	1,831	356	126	147	Sep-16	3,064	457	86	85
Oct-14	2,096	419	131	140	Oct-16	3,121	467	81	77
Nov-14	2,076	342	114	104	Nov-16	3,167	388	88	62
Dec-14	2,152	307	124	89	Dec-16	3,124	363	94	104
Jan-15	2,127	369	109	136	Jan-17	3,190	503	88	90
Feb-15	2,148	406	106	153	Feb-17	3,258	462	86	100
Mar-15	2,264	499	140	143	Mar-17	3,204	530	114	142
Apr-15	2,426	518	112	155	Apr-17	3,264	403	111	109
May-15	2,491	413	162	136	May-17	3,277	467	142	166
Jun-15	2,329	452	123	124	Jun-17	3,293	422	117	120
Average	2,168	493	128	126	Average	3,171	434	99	106

Source: Tridigit/Tridigit, compiled by Intelligo Realty Research, Inc.

Condo listings (built 2001+) by month

The condo resale market experienced significant increases of the average price per unit up to 2015 when it started to decline. Pricing in the market, which includes all projects from 2001 to present, continued to drop from the 2015 peak of \$457 per square foot to the mid-year 2017 value of \$403 per square foot. Sellers are willing to lower prices in an effort to dispose of units left in the inventory from the previous boom. Per the report, transactions volume is quickly growing, with May 2017 marking the best month for closed deals in the past two years and the strongest in the last three years, with 142 closings and 160 pending. To reach pricing balance, the market needs to clear an additional 500-700 resale units currently listed.

STRONG MARKET FUNDAMENTALS



Average sale price/square foot trend

The rental market is also enjoying stability, according to the report. A total of 969 Class A apartment units have come online in Miami since 2012, bringing the overall number of multifamily units under construction to nearly 3,600. Demand for urban living drives conventional apartment rates: rents of Class A apartment buildings are approximately 25-35 percent higher than that of older product, despite increased rental competition from newly delivered condominiums. This demonstrates that renters are in search of premium units and are willing to pay the price.

“The Miami economy remains relatively strong, and that’s showing through in the downtown condo and rental markets,” he added. “Prices remain stable, product quality continues to improve and developers are acting responsibly in pacing deliveries. Miami’s global real estate demand has proven to be undeterred by a strong U.S. dollar, a string of recent hurricanes and broader fears about economic volatility. The depth and diversification of global investment channels are more resilient and less volatile than in past cycles.”

The report indicates that continued multifamily demand will correlate to job growth and regional economic progress. The U.S. and Miami have weathered the storm, despite constant expectations of an ampler recession. The real estate market continues to cautiously expand and adjust to potential uncertainty.

Images courtesy of IRR/Miami DDA