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Development authority expects Miami's condo market to soften more as sales decline

The condo market in greater downtown Miami is expected to be soft for the next several years, with fewer deliveries of new product. But that could create opportunities for buyers, according to the annual residential market update by the [Miami Downtown Development Authority](#).

Integra Realty Resources Principal [Tony Graziano](#) authored the report on the residential market in downtown, Brickell, Overtown, Midtown, Wynwood, the Arts & Entertainment District and Edgewater. This comes at a time when existing condo sales have declined in Miami-Dade County for 13 consecutive months and some new condos have also seen slowdowns.



Construction in downtown Miami, Florida.

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There were 2,202 condos delivered in greater downtown Miami in 2016 and, based on what's under construction, 2017 should top that with 3,456 delivered units, according to the DDA. However, deliveries should fall to 2,846 in 2018 and 1,960 in 2019. That's because not many projects are expected to break ground this year.

Miami's condo market by the numbers



2,002

Condos delivered in greater downtown Miami in 2016.



3,456

Condo units expected to be delivered in 2017.



2,846

Condo units expected to be delivered in 2018.



1,960

Condo units expected to be delivered in 2019.



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Many condo projects entering the reservation stage now are not likely to break ground in 2017, the DDA report said. Many of the new condo and apartment projects currently proposed may have to wait until later development cycles due to capital constraints both debt and equity requirements.

In other words, there could be a slowdown in residential construction across the board.

The report noted that Missoni Baia, Elysee and the Aston Martin Residences launched sales in recent months.

“Early indications are that these projects have been well-received by the market, however, the market is now in equilibrium and projects can no longer rely on pent-up demand alone,” IRR wrote in the DDA report.

Greater downtown Miami has 6,254 condos under construction, 803 signing purchase contracts, 1,215 accepting reservations, and 13,980 proposed. The largest neighborhoods for new condos are Brickell, downtown and Edgewater, respectively.

In the DDA report a year ago, there were 17,615 condos proposed, so some projects dropped out or were converted to rentals. The new report said that projects entering the reservation or contract phase this year are probably aiming for delivering in 2020 to 2021.

New condo absorption averaged one to two units per month for \$1 million-plus units and three to seven units per month for less expensive units. This absorption level is sustainable for projects that have already sold most of their units and are under construction, but it's not fast enough for larger projects that recently launched sales.

The average price per square foot for condos under construction in greater downtown Miami is \$688, up from \$615 a year ago. The average unit price surged to \$945,312, from \$751,342, so developers were clearly targeting the high end market and not working-class locals.

Resale pricing of new condos in greater downtown Miami declined nearly 7 percent in 2016 to \$426 per square foot as the market experienced a correction following five years of growth, the DDA report said. The strong U.S. dollar relative to most foreign currencies made Miami condos more expensive.

In both Brickell and the Arts & Entertainment District, resale condos are priced above new condos, so the price of resale units probably needs to come down, the report said.

"IRR predicts that the resale market begins to see increasing sales velocity in 2017," the report said. "This will be a combination of more aggressive sellers, and a buyer's mindset that interest rates are moving upward, and locking in a downtown apartment in a thriving urban area for under \$750,000 will be unprecedented in 2025."

As far as prices, IRR said they may dip another 3 to 6 percent.

Rental rates for condos in greater downtown Miami inched up 1 percent to \$2,630 in 2016, the DDA report said. That was considerably slower than the growth of prior years.

On the apartment side, 1,545 units were delivered in greater downtown Miami in 2016. More than 4,950 apartments are under construction. Combined with recent completions, the market's apartment inventory will double over 18 months. On top of that, another 14,141 apartments are proposed.

The rapidly growing supply has stifled the growth of asking rents, the report said. However, the new residential will ultimately be great for economic growth.

"The underlying fundamentals of greater downtown Miami remain strong," IRR wrote in the DDA report. "Increased shopping and employment opportunities as well as a strong tourism market will set the stage for a continued period of growth in Miami's downtown residential market."