

## **Miami DDA Annual Residential Market Report: Condo Deliveries to Peak in 2017, Followed by a Normalized Pipeline of New Inventory**

***Long-term market fundamentals are stable as condo developers exercise restraint amidst strong dollar, strict lending climate and level sales activity.***

***Nearly 5,000 apartment units are now under construction, spelling relief for renters and young professionals eyeing a move into the urban core.***

**MIAMI – March XX, 2017** – The arrival of nearly 3,500 condo units in downtown Miami this year will give way to a gradual slowdown in new deliveries over the next two years as developers adjust to stabilized levels of buying activity, according to the Miami Downtown Development Authority’s 2016-2017 annual market report. By 2019, the number of total deliveries is expected to drop below 2,000 units – an indication of normalized demand in the downtown market. The return to this moderate pace of development reflects the strong U.S. dollar, a tightening lending environment, and the belief among developers that absorption will remain level for the foreseeable future.

The DDA report, conducted by Integra Realty Resources and covering the period beginning July 2016 through January 2017, concludes that the underlying fundamentals guiding the downtown market are strong – buoyed by new retail and entertainment options, improved amenities in the district, a stable tourism market, and a prevailing trend toward urban living in Miami. At the same time, infrastructure upgrades ranging from streetscape improvements to the launch of the Brightline rail service this year, will improve quality of life for the hundreds of thousands of people living and working in downtown each day.

Greater Downtown Miami is expected to welcome 3,456 new condo units in 2017, followed by the delivery of 2,846 units in 2018 and 1,960 units in 2019. All told, 12,257 new condos are projected to deliver between 2014 and 2019, as outlined in the report. For historical perspective, more than 21,000 new units came online between 2004 and 2009.

“After peaking this year with the most condo units to deliver since 2008, downtown Miami will approach its sweet spot with about 2,000 units coming online in 2019,” said Anthony M. Graziano, Principal of Integra Realty Resources (IRR) - Miami and author of the Miami DDA report. “As demand and absorption patterns have normalized in the past 18 months, developers and lenders have been more disciplined about timing and product differentiation. We’re seeing a wider diversity of upscale product, with buyers having a wider array of choice in the market. The pre-construction midscale product, which often doubles as shadow rental inventory, is now competitively priced with resale product in Brickell and Edgewater. ”

The surge of new units set to deliver this year is already offering modest relief for buyers, with aggregate resale pricing in the urban core falling for the first time in eight years. Preconstruction product is available in the mid \$500/SF - \$650/SF range, which is competitive

to new resale product. Pricing on existing product is down seven percent year-over-year as more inventory has come to market.

“Resale condo prices may fall another three-to-six percent, but buyers should be cautious in trying to time the market,” said Graziano. “Waiting for some proverbial bottom could mean sacrificing historically-low interest rates that are soon expected to rise. If you’re a domestic buyer looking for an urban lifestyle in the heart of Miami, now is a good time to make your move. There is no distress in the market similar to what we experienced in 2007-2009, so IRR does not predict dramatic declines in pricing similar to the last cycle. Pre-construction product pricing is holding up relatively well, with projects that recently delivered closing out their pre-contracted inventory without much fanfare.”

Market dynamics should also fuel greater affordability for renters as the apartment pipeline accelerates. According to the report, approximately 1,000 conventional rental apartments were delivered in 2016, with an additional 4,900 rental apartments now under construction. This new rental supply, coupled with the additional condos coming online this year, is beginning to slow rental rate appreciation, opening the door for young professionals seeking to live in downtown who would otherwise be priced out of the market.

“Today’s young professionals crave the energy and activity of an urban playground, with nearly 90,000 people now calling downtown Miami home,” says City of Miami District 2 Commissioner and Miami DDA Chair Ken Russell. “While the residential pipeline may be slowing, our public sector is on overdrive working to ensure infrastructure can keep up with growth. This means investing in public transit, enhancing pedestrian access, and adding more public space and street-level amenities for our residents, visitors and businesses.”

The report concludes that while some condo projects now in the reservation stage may come to fruition in future development cycles, a recent resurgence in land sales indicates that developer and investor confidence is holding steady. Land sales valued at approximately \$220 million in and around downtown occurred during the study period, including record-setting transactions in Wynwood, where rezoning efforts are paving the way for greater residential density.

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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