

As condo supply evaporates, 6,200 units on drawing boards

By MARILYN BOWDEN

Inventory in the Brickell and central business district condo market continues its rapid decline, resulting in price increases and proposals for development of more than 6,200 new units in 18 projects.

According to Miami's Downtown Development Authority, fewer than 500 units of the 23,000-plus constructed during the last development cycle remain on the market. As a result, "we're seeing a conscientious price increase," said authority Board Member Alicia Cervera Lamadrid, managing partner of Cervera Real Estate. "They are rising slowly and in response to demand as inventory dwindles."

"The market has eaten up all that inventory," said Miguel Correa, district sales manager in The Keyes Co.'s Brickell office. "Most of those buildings came due at the bottom of the crisis, so prices were cut in half, and that brought traffic. Now traffic is building price."

In April 2011, he said, the average sales price of a condo in Brickell was \$240,000; in April of this year, it was \$330,000. Over the same two-year period, the number of properties sold per month increased 16%, the number under contract shot up 57% and inventory shrank 36%.

"That tells us there is real demand," Mr. Correa said. "CityCentre is a game changer. With restaurants, bars, nightlife, high-end shopping, theaters and parking, residents will have everything."

Some brokers say they're seeing more sales to end users rather than investors, many of whom rent their units out.

"We're starting to see more users as the capital markets loosen up," said Tony Cho, president, founder and broker at Metrol Properties.

Ms. Cervera Lamadrid said she is seeing a few more end users in existing buildings. But the market for preconstruction, which is getting the most attention right now, "has never



Photo by Maxine Ueda

The average sale price of a Brickell condo rose from \$240,000 in April 2011 to \$330,000, said Miguel Correa.

New Downtown - Brickell Condo Projects

PROJECT	ADDRESS	STATUS	# UNITS
1010 Brickell Avenue	1010 Brickell Ave.	proposed	TBA
The Bond	1080 Brickell Ave.	planned	323
1100 Millecento Residences	1100 S Miami Ave.	under construction	382
1400 Biscayne Blvd.	1400 Biscayne Blvd.	planned	428
Brickell CityCentre	701 S Miami Ave.	under construction	1,174
Brickell House	1300 Brickell Bay Drive	under construction	374
Centro	151 SE First Ave.	proposed	352
Echo Brickell	1451 Brickell Ave.	proposed	250
Habitat II	1700 SW Second Ave.	under construction	33
Le Parc at Brickell	1600 SW First Ave.	proposed	128
MyBrickell	30 SE Sixth St.	under construction	192
One Bayfront Plaza	100 S Biscayne Blvd.	planned	700
One Thousand Museum	1000 Biscayne Blvd.	planned	100
Panorama Tower	1101 Brickell Ave.	planned	724
SLS Hotel & Residences	1300 S Miami Ave.	proposed	450
Villa Magna	1201 Brickell Bay Drive	planned	400
TBA-former Habitat III site	175 SE Second Ave.	proposed	190
TOTAL			6,200+

Source: CondoVultures

been driven by that, because most people don't plan to move two and a half to three years in advance."

It's difficult to gauge a buyer's intentions, said Peter Zalewski, principal of Condo Vultures, but "the majority is not declaring it as a home-stead," which suggests few buyers are using their new

condos as primary residences.

"Right now, we are in 2003 of the last market cycle," Mr. Zalewski said. "Financing is what is missing. Once that ingredient is added, everything will change radically. But we are optimistic because rents are so strong that it doesn't take a lender an outrageous amount of optimism to lend.

"A lot of rentals are going up on condo sites, and by 2015 we will probably see another wave of condo conversions."

According to Condo Vultures' records, 18 new condo projects totaling more than 6,200 units are proposed, planned or recently completed in Brickell and the central business district. Brokers think that may not be suffi-

cient to meet projected demand.

"Some of it will be delivered at the end of 2013 and through 2015," Ms. Cervera Lamadrid said, "but most will not hit until 2016-'17, so we still may not be looking at not enough inventory for the speed at which they are absorbed."

"I believe it can be absorbed," Mr. Correa said. "I think the trend is there. The younger generation is more and more looking for an urban lifestyle, and the state tax situation in California and New York is bringing flight capital to Miami as a tax haven, so population will continue to grow."

Demand is very heavy in the luxury market, Mr. Cho said – the market segment many of the proposed projects are targeting.

"I am seeing luxury getting record prices," he said, "and I am happy to start seeing more mid-level apartments starting to come up and do well. One of the most interesting is Centro, which has no parking. It was approved because it's near public transportation lines.

"Miami is starting to develop distinct neighborhoods with different dynamics, different neighborhood vibes, different price brackets. But more infill projects are needed.

"I don't think that is necessarily the developers' fault that so much of what is being built is luxury. Landowners anywhere in the city think developers can put a high-rise on their property and price it based on the highest recent land sales. This creates challenges for low- to mid- housing developments."

Finding land for development, Ms. Cervera Lamadrid said, is a big challenge – but the competition for it helps make a better community.

"The great thing is we have seasoned talent in the development arena and ferocious competition to do something better, more fantastic, more creative," she said. "It takes more than money to develop in this town now. You also need an ability to acquire properties and navigate them through the permitting process."