

This Miami Preconstruction Condo Market Snapshot is a brief overview of the preconstruction condo resale activity for the month of August 2016. The August 9, 2016 Miami Preconstruction Condo Market Update available at StatFunding.com provides a detailed overview of the current Miami condo cycle.

## August 2016: 87.5% of Resellers of Miami Preconstruction Condos Suffered a Loss on Resale

Condo flippers experienced continuing weakness in the Miami preconstruction condo resale market in August. With more than 700 units listed for sale, a total of 8 resales of year 2012-2016 vintage condos closed in August (17 projects included in the review). Sellers suffered losses on 7 out of 8 resales (87.5%).

August 2016							
Project <sup>1</sup>	Unit #	Original Purchase Price	Resale Price	Resale Price After 6% Commission	Gain/Loss <sup>2</sup>	Percentage Gain/Loss <sup>2</sup>	Units Listed for Sale in Project
Baltus House	1002	\$569,900	\$550,000	\$517,000	-\$52,900	-9%	33
Baltus House	1415	\$297,900	\$307,500 <sup>3</sup>	\$289,050 <sup>3</sup>	-\$8,850	-3%	33
Brickell House	3308	\$445,000	\$450,000	\$423,000	-\$22,000	-5%	80
Brickell House	3208	\$440,000	\$475,000	\$446,500	\$6,500	1%	80
Marina Palms North	1009	\$1,140,000	\$1,275,000 <sup>4</sup>	\$1,119,000 <sup>4</sup>	-\$21,100	-2%	89
Marina Palms North	606	\$797,000	\$830,000	\$780,200	-\$16,800	-2%	89
Millicento	1002	\$404,900	\$385,000	\$361,900	-\$43,000	-11%	72
Nine at Mary Brickell	1713	\$437,300	\$425,000	\$399,500	-\$37,800	-9%	47

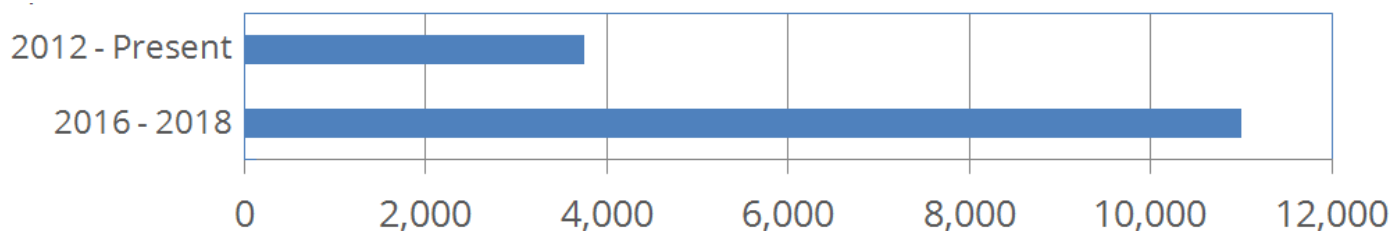
<sup>1</sup> Resales reported on MLS by original purchaser from developer; projects completed from 2012-2016 with more than 85 units.  
<sup>2</sup> Gain/loss after 6% sales commission. Does not include developer fees and other costs paid by preconstruction condo buyer.  
<sup>3</sup> Sale reported for \$315,000 on the MLS & \$307,500 as recorded on the deed.  
<sup>4</sup> Sale reported for \$1,119,000 on the MLS & \$1,275,000 as recorded on the deed; MLS notes 5% buyer's agent commission.

Although *only* 87.5% of resellers suffered losses on resale based on reported sale prices, if preconstruction developer fees, association contributions, and other actual costs (paid by the preconstruction buyer at closing, generally more than 1.5% of preconstruction purchase price) are included in the analysis for each resale, then 100% of resellers of Miami preconstruction condos in August 2016 lost money on the resale transaction, even without including carrying costs. This is clearly not a good sign for the market.

## Temporary Blip or Long Term Trend

Current weakness could be contained to a limited number of forced sellers or a temporary lack of willing buyers. Regardless of the cause, this instability could not have arrived at a more inopportune time in the current Miami condo cycle, with a deluge of units nearing completion in the immediate future.

**Number of Preconstruction Condo Units Completed and to be Delivered**



## High Inventory Levels and Low Sales Volumes

There could be a temporary market imbalance of more sellers than buyers, or the high percentage of sellers willing to take losses on resale could be affecting the willingness of buyers to enter the market in the current environment. Perhaps potential buyers see what is happening in the market and are unwilling to catch the proverbial falling knife.

August 2016						
Project	All Resales <sup>1</sup>	Resales For A Loss <sup>2</sup>	Units For Sale	# Of Units In Project	% of Project Listed For Sale On MLS	# Of Units With Listing Price For A Loss <sup>4</sup>
Baltus House	2	2	33	167	20%	6
Marina Palms North	2	2	89	234	38%	3
Brickell House	2	1	80	374	21%	0
Millicento	1	1	72	382	19%	7
Nine at Mary Brickell	1	1	47	390	12%	9
MyBrickell <sup>3</sup>	0	N/A	33	191	17%	3
1 Hotel & Homes	0	N/A	18	154	12%	0
23 Biscayne Bay	0	N/A	14	96	15%	0
400 Sunny Isles	0	N/A	72	230	31%	3
Bay House	0	N/A	35	165	21%	3
CityCentre Reach	0	N/A	41	390	11%	0
Crimson	0	N/A	3	90	3%	0
Echo Aventura	0	N/A	34	190	18%	0
Icon Bay	0	N/A	81	299	27%	9
Le Parc Brickell	0	N/A	30	128	23%	0
Oceana Key Biscayne	0	N/A	22	154	14%	0
Peloro Miami Beach	0	N/A	31	114	27%	1
<b>Totals</b>	<b>8</b>	<b>7</b>	<b>735</b>	<b>3,748</b>	<b>20%</b>	<b>44</b>

<sup>1</sup> Resales reported on MLS by original purchaser from developer; projects completed from 2012–2016 with more than 85 units.  
<sup>2</sup> Gain/loss after 6% sales commission. Does not include developer fees paid by preconstruction condo purchaser at closing.  
<sup>3</sup> One transaction at MyBrickell has been excluded (unit 2003, developer sale in 2014: \$200,000, sale on 8/23/2016: \$222,000). Seller on 8/23/2016 was not the original purchaser from the developer. Original seller sold unit for \$100,000 in 2014.  
<sup>4</sup> As of 8/1/2016; after 6% commission; does not include developer fees paid by preconstruction condo purchaser at closing.

Inventory levels relative to sales velocity are staggering. The Miami preconstruction condo resale market appears to be distressed. As an additional 11,000+ units are completed and subsets of those units are then listed for resale over the next 24 months, the preconstruction condo resale market will likely continue to weaken.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Sources: MLS; Miami-Dade County Recorder.