

This Miami Preconstruction Condo Market Snapshot is a brief overview of the preconstruction condo market for January 2017. The November 10, 2016 Miami Preconstruction Condo Market Update available at StatFunding.com provides a detailed overview of the current Miami condo cycle.

Unsold Developer Condo Unit Inventories Are On The Rise

From 2012 to mid-2015 Miami developers sold all units in each project within months of completion of the project. The inflection points of previous condo cycles have been marked by developers getting stuck with unsold developer units. The number of projects with unsold developer units is increasing.

Developer Owned Unsold Units January 2017						
Project Name	Date Completed	Total Units In Project	Unsold Units Owned By Developer	% of Project Unsold	Units For Sale On MLS	% of Project For Sale On MLS
Echo Aventura ¹	8/2015	190	15	8%	36	19%
Crimson	12/2015	90	32	36%	12	13%
Peloro Miami Beach	3/2016	114	4	4%	33	29%
CityCentre Reach ²	4/2016	390	48	12%	48	12%
Le Parc Brickell ³	6/2016	128	10	8%	31	24%
Centro ²	7/2016	352	34	10%	54	15%
Bond ²	8/2016	328	32	10%	67	20%
Grove Grand Bay ²	8/2016	98	8	8%	26	27%
CityCentre Rise ²	9/2016	390	217	56%	20	5%

* Data as of 11/1/2016; Sources: MLS, Miami-Dade Recorder

¹ The Echo Aventura developer took out a bridge loan secured by its unsold units

² Developer closings have slowed to a trickle and it appears that the initial sell through is complete

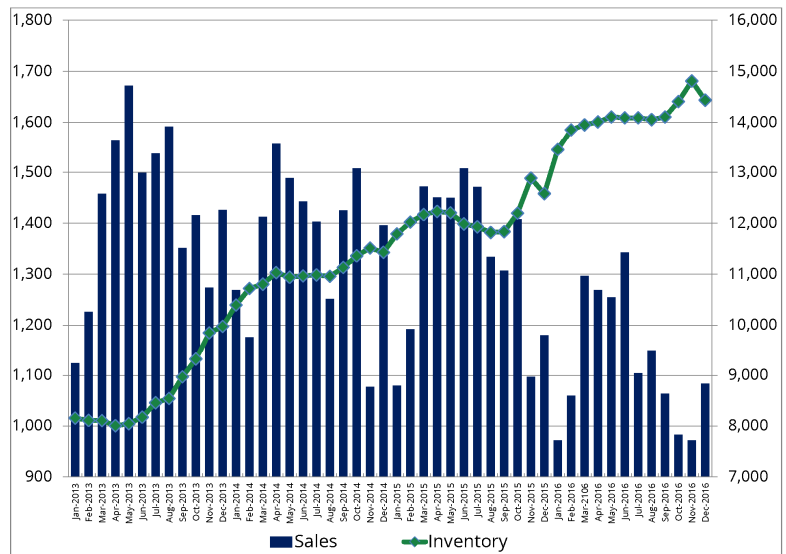
³ All Le Parc unsold units are listed on the MLS for sale by the developer

Unsold Inventories Now A Trend

Some developers have not repaid their construction loans, others have taken out bridge loans to carry unsold units. The developer is responsible for taxes, maintenance fees, and insurance for unsold units and units are probably negative carry for the developer.

Developers are getting stuck with unsold units at a time when overall condo inventories have built to over 13 months of supply at current sales rates. Will developers liquidate or bulk sale unsold units as the cycle progresses, and would doing so affect the preconstruction market as a whole?

2013 – 2016 Miami-Dade Condo Sales and Inventory



Preconstruction Condo Flippers Continue to Suffer Losses On Resale

Miami condo flippers suffered continuing weakness in the resale market from November 2016 through January 2017.

Preconstruction Condo Flip Losses on Resale November 2016 – January 2017								
Project ¹	Unit #	Year Built	Original Purchase Price	Resale Price	Resale Price After 6% Commission	Gain/Loss ²	Percentage Gain/Loss ²	Units in Project / Listed for Sale
Faena House	9A	2015	\$16,500,000	\$12,500,000	\$11,750,000	-\$4,750,000	-28.80%	47 / 8
Chateau Beach	701	2015	\$2,600,000	\$2,750,000	\$2,585,000	-\$15,000	-0.60%	84 / 23
CityCentre Reach	2111	2016	\$875,600	\$930,000	\$874,200	-\$1,400	-0.20%	390 / 48
400 Sunny Isles	1819	2015	\$863,000	\$800,000	\$752,000	-\$111,000	-12.90%	230 / 66
Icon Bay	603	2015	\$549,900	\$525,000	\$493,500	-\$56,400	-10.30%	299 / 68
Icon Bay	803	2015	\$564,900	\$525,000	\$493,500	-\$71,400	-12.60%	299 / 68
Icon Bay	3701	2015	\$703,900	\$630,000	\$592,200	-\$111,700	-15.90%	299 / 68
Bay House	1001	2015	\$604,900	\$620,000	\$582,800	-\$22,100	-3.70%	165 / 38
Bay House	2404	2015	\$671,900	\$615,000	\$578,100	-\$93,800	-14.00%	165 / 38
Bay House	2602	2015	\$634,900	\$600,000	\$564,000	-\$70,900	-11.20%	165 / 38
Brickell House	3104	2014	\$590,900	\$490,000	\$460,600	-\$130,300	-22.10%	374 / 68
MyBrickell	1501	2014	\$399,900	\$398,000	\$374,120	-\$25,780	-6.40%	191 / 37
MyBrickell	1705	2014	\$256,900	\$216,000	\$203,040	-\$53,860	-21.00%	191 / 37

¹ Resales reported on MLS by original purchaser from developer
² Gain/loss after 6% sales commission. Does not include developer fees and other costs paid by preconstruction condo buyer

More Losses On Resale Are On The Way

In our November 10, 2016 Miami Preconstruction Condo Market Update we identified 70 underwater-asking-price preconstruction condo resale listings. Only 9 of those 70 listings sold from November 2016 through January 2017, and the number of flippers willing to take a loss on resale has continued to build.

Because there are so many listings-for-losses in the market, comparable sales prices are trending down, inventories are already at staggering levels, and thousands of new condo units will hit the market in 2017 and 2018, Miami condo flippers should expect losses on resale to continue.

The Immediate Future

The Miami preconstruction condo resale market appears to be distressed. As an additional 10,000+ 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. Unless something extremely positive and unexpected occurs which completely changes market conditions, Miami condo flippers should expect further losses on resale in the immediate future.

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.
