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Inventory of new condos on the market starting to ease, but many projects are under the gun

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While many condo developers in Miami-Dade and Broward counties are still dealing with slow sales, the amount of new condo inventory on the market is being absorbed at a steady pace, according to the new Trends report by One Sotheby's International Realty and [Integra Realty Resources](#).

The report found 25 condo projects under construction or in pre-development with less than 60 percent of their units pre-sold, including 18 with less than 50 percent.

Condos that were completed during this cycle, starting for the most part in 2014, have performed well in closing units. Of the 10,005 new condos in built 71 projects, 92 percent were sold, according to the report.

Only six projects that have been completed since 2014 have less than 80 percent of their units sold. Having a large inventory of condos sitting on the market after a building is finished can prove expensive for developers, as they must pay to maintain them.

The completed condos with lowest percentage of sold units were:

Ocean Resort Residences at the Conrad in Fort Lauderdale, with 116 of 290 sold (40 percent).

The Residents at the W Fort Lauderdale, with 89 of 171 sold (52 percent).

Brickell City Centre Rise, with 214 of 390 sold (55 percent).

Louver House in Miami Beach, with eight of 12 sold (67 percent).

Ivory in Bay Harbor Islands, with 30 of 41 sold (73 percent).

Harbour Park on Bay Harbor Islands, with 15 of 20 sold (75 percent).

The report also tracked 67 projects under construction or in pre-development in Miami-Dade and Broward. Of those 11,158 units, 70 percent were pre-sold. After the report was completed, however, the University Bridge building near Florida International was converted from a condo to a rental, removing 492 units from the total. Not counting that project, the pre-sales number would be at 72 percent.

Sales have significantly slowed down from the brisk levels of 2014 and 2015. In 2017, six projects were canceled or postponed and 13 were launched, according to the report.

Integra Realty Resources Senior Managing Director [Anthony Graziano](#) said he's not concerned about the nearly

4,000 unsold units in the construction projects because many of those projects are set to deliver between 2020 and 2022, so there's plenty of time to sell them. About 6,500 condos will be delivered in 2018 and those projects have few remaining units, he said.

The fourth quarter of 2017 ended pretty strong and most realtors feel 2018 is off to a good start, Graziano said. It has helped that the value of the U.S. dollar has weakened against many South American currencies, which makes U.S. real estate less expensive, he said. Buyers from Colombia and Argentina have shown more activity in South Florida, he said.

Diego Arnaud, CEO and broker of DA Luxury Realty, said Mexican nationals are the primary buyers of the condos he's sold at the Ritz-Carlton Residences Sunny Isles Beach, which is under construction. Not only has the Mexican peso gained in value against the U.S. dollar recently, the upcoming Mexican election has some wealthy residents concerned about a new government that might increase their taxes, which gives them reason to invest in the U.S., he said.

A Mexican client of Arnaud recently signed a \$5.5 million deal for a condo in Chateau Group's Ritz-Carlton building.

Most developers are offering discounts and incentives to dispose of their remaining inventory as they deliver buildings, said Fernando de Nunez y Lugones, executive VP of ONE Sotheby's development division. That includes lower deposit requirements as the building nears completion, design finishes for the units, a 3 to 10 percent discount on pricing, and incentives for brokers, he said.

Many of the newly-completed condos will be placed on the rental market or listed for resale, so this increase in inventory should put pressure on existing condo prices and rents, Nunez said. Graziano said there won't be deep discounts in pricing, but the over-supply of inventory, especially in downtown Miami, could take many condo investors out of the market. Buyers are more likely to be seeking condos for second homes, he said.

"With all the project deliveries in 2018, it will be a challenge," Nunez said. "After 2018, it will be better. From 2019 to 2022, the number of completions will drop significantly, opening the door to a new development cycle."

Nunez expects 15 new condo projects will launch in 2018. Many will be boutique projects, with dozens of units instead of hundreds, so the sales targets are easier to reach. He said that developers should adjust their price expectations, and budget for a multi-year period of pre-sales before breaking ground.

Graziano said there is still strong demand for luxury condos, especially on the water. What has held some developers back is rising construction costs, with both the cost of labor and the steel tariffs impacting the price of building materials being a challenge, he said.

"You have to be crazy if you have 500 units to sell with a 50 percent pre-sales requirement to obtain a loan and think you can start construction in a year," Nunez said. "It's not going to happen."

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