

52 months of million-dollar condo inventory crowds market

By CATHERINE LACKNER

Whether Miami's high-end condominium market is in the doldrums depends upon who you ask. While nearly everyone knows the inventory of properties priced at above \$1 million is high, some see the market slowdown as a return to normalcy. "The good news is that we're seeing some movement this spring," said Ron Shuffield, president and CEO of EWM Realty International. That's normal, as most sellers shy away from listing their properties around the December holidays, he explained.

The bad news is that on the market are 3,078 condominium units priced at \$1 million or more, which equates to 52 months of inventory given the present pace of sales. "That's four 1/2 years," he said. "By almost anybody's measure, that's a lot."

In the \$5 million-and-up category, 378 units are on the market but only seven have sold in the past year and only one of the seven sold in 2019, he added.

According to EWM Insight, the company's online market report, "pricing is paramount." The inventory of properties (4,925, single-family homes included) priced at more than \$1 million in Miami-Dade County was the highest in history, and 17% higher than the previous year. But "the 2018 median price for a single-family home or condo valued at more than \$1 million fell 4% over the prior year." The report goes on to say that there are probably buyers waiting on the sidelines for what they perceived to be "right-priced" homes.

The homes that did sell in the \$1 million-and-up category were priced at 83% of the listing price, representing a 17% price drop in the anticipated price, Mr. Shuffield said. "A lot of sellers are recognizing that when the inventory is this high, pricing has to reflect that."

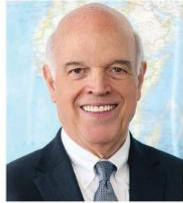
In the condominium market, a building boom of the past five to six years is only now starting to slow down, he said. "We were surprised by the amount of investment, but now that development has slowed, it will give us a chance to catch our breath."

International factors, such as the strength of the dollar against other currencies worldwide and government scrutiny of foreign buyers, have played a part in the slowing market, he said. "Even New York City prices dropped significantly; there's been a fall-off as foreign buyers have struggled," he said.

There are bright spots on the horizon, he said. "Millennials are beginning to buy homes; they're following some of the same patterns as the previous generations, and we'll continue to see younger people buying," Mr. Shuffield said. A few condominium buildings in Sunny Isles Beach and Aventura are being completed, and their sales will bump up the numbers, he added. And sales will improve as waves of people from the Northeast flood into South Florida to escape a difficult federal tax situation, he said.

"We tell sellers that the buyers are here, and there are many people looking for great deals, but the pricing has got to adjust."

"Honestly, for \$1 million, it may be luxury, but it will be a small unit," said Edgardo Defortuna, founder of Fortune International



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But marketing these high-end products is a long process, he said. "We just sold the penthouse in the Ritz Carlton in Sunny Isles Beach, and it took three years. Buyers take six to 10 months to analyze the market; they look at everything. There's no urgency. It's really the brokers who pay attention to how long the units stay on the market."

In the case of foreign buyers, they also have to scrutinize the purchase in terms of their own currency and how it compares against the dollar, he said. "There are still more foreign buyers, but the US is catching up quickly," he said. "The number of buyers from New York, Connecticut and even California, the high-tax states, has picked up significantly."

In the past, few Florida developers would register to sell their products in New York State, but that's changing, he said. Fortune International has held two well-attended showcases in New York over the past few months and has another scheduled for May 15, he said. "We're making an active effort to market to New York, and we've picked up a lot of interest. We've shown the value proposition; properties here are price one-third to half less than higher end projects in New York City," in addition to the tax advantages.

He acknowledges that it's not easy to move a business and family to a completely new environment. "They have concerns about their children, about what the labor



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pool here is like. When they first get here, they want Miami Beach, but they realize it's difficult to find anything new south of Surfside. They like Brickell because they can see the lifestyle around the buildings is very urban. It's very active, and some people love that urban feeling."

That's part of the appeal of Una, a new waterfront development next to the Rickenbacker Causeway at Southeast 25th Street.

"It's very well designed for the Brickell lifestyle, and we're seeing an unexpected velocity of sales," Mr. Defortuna said. "It's the best of both worlds," in that it's a Brickell address but not in the most congested part of Brickell. It offers quick access to a number of private schools, as well, he said. "I think the market has been waiting for something like this, and sales have been great," he said.

"What we call the high-end market is \$2 million and above, and the ultra-luxury market is \$3 million, \$4 million and above," said Michael Neumann, director of sales for BH3 Development, which has built Prive and other high-end products. "There is not a huge oversupply because most buildings are 70% to 95% sold out pre-construction. There is very minimal inventory."

The sales process can stretch five or six months, or even longer, he said. "Clients are looking for their second, third, or fourth home. They take their time."

As buildings get close to completion, developers sometimes discount prices or lower the percentage of deposit required, but that's done on a case-by-case basis, he said. If any unsold units remain when the building finally opens, sometimes people who have already moved in decide to put their units on the market in competition with the developer, he added.

"You would think the resales interfere with the developer's sales, but that's not true," Mr. Neumann said. "The developer has the marketing tools and contacts, and can offer buyers upgrades, like new flooring, that the re-seller can't. But maybe it helps drive traffic to the building."



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Michael Neumann

speculative buying.

He said the apparent slowdown is part of a cycle. "I've been doing this more than 20 years, and when a building came on the market in the past, it would take two years to sell, and three years to build. Then in 2007 and '08, buildings would sell out in four months. This is a return to normalcy. There are more choices now, but the same number of people shopping, so it feels slower. These people don't have to make a quick decision," he said. "There aren't too many new developments right now, but no one's worried. It works out fine."

Once the existing inventory is absorbed, "a new cycle will begin," Mr. Neumann said. "That's the way it's always been in Miami."

Details: EWM Insight.com.

