

Developers Dangle Perks to Boost Much-Watched Miami Condo Demand

Better Commissions Offered in Area That Signaled to US the Start of the Last Recession

[Miami](#) condominium developers are starting to get antsy about slowing demand, if their marketing email blasts are any indication.

Hyde Midtown in Miami, built by The Related Group in partnership with Dezer Developments, is offering brokers 10 percent commissions, double the going rate from what was previously offered.

In addition to higher broker commissions, Melo Group's Aria on the Bay in Miami said it would cover buyers' maintenance fees for a year. At Cassa Brickell, developed by TSG Group, the marketing blitz has included such phrases as "prices re-defined" and "unique incentives."

Other Miami developments also are rolling out rewards for buyers and brokers as the city faces an [oversupply of condos](#) that's prompting concerns of a market in decline and forcing developers to get creative to unload units. Even so, real estate executives say the incentives rarely mean as much to buyers as a fair price.

Miami was the first major market to signal the start of the Great Recession more than a decade ago, so it is looked at across the country as an economic bellwether as the U.S. economy enjoys a stretch of prosperity that could set a record next month for the longest ever. As a result, real estate executives around the country watch the behavior of South Florida developers for hints of where the economy may be headed.

"They're trying to get bodies in the doors," said Peter Zalewski, a consultant for the Condo Vultures Realty consulting firm in Miami. "I think right now you're buying quality at a discount. Next year, it'll be quality and price. The following year, units with a view of a Dumpster will be selling for a big discount."

Sebastian Tettamanti, Dezer's executive vice president of development and sales, said Dezer and Related Group had fewer than 10 units left to sell at [Hyde Midtown](#). The developers decided to close the sales office to cut overhead expenses and use the savings to boost commissions, he explained.

"There's a lot of product out there, so we wanted to incentivize the brokers," he said.

Tettamanti added that the excess supply of units has forced most developers to stop launching projects and focus instead on selling their supply of recently built units.

Patricia Velasquez, exclusive sales agent for [Cassa Brickell](#), said in emails to CoStar News that the incentives are no longer available, adding that the developer opted to rent some of the units rather than sell them. Representatives for Aria on the Bay did not respond to an email or phone call for comment.

A market balanced equally between buyers and sellers has about six months of supply, meaning it would take that long to sell all the units if no more were listed for sale.



Downtown Miami has a 102-month supply of condos priced at \$1 million or more, according to the latest report from Condo Vultures Realty. Sunny Isles Beach, a seaside town north of Miami, is hamstrung by a 65-month supply of luxury units, the data shows.

Zalewski called the oversupply “atrociously out of whack,” adding that buyers have all the leverage in a market where the asking price is simply a best-case scenario for a developer or landlord.

Around eight years ago, following the end of the housing bust, foreign investors bought low-priced Miami condos in big numbers. That jump-started the market and eventually prompted developers to start building again.

But less-favorable currency exchanges have reduced the buying power of non-U.S. investors, and President Donald Trump’s immigration stance also is an issue, making some foreigners feel unwelcome in the United States, according to Zalewski. They are willing to wait until they see what becomes of the current political climate, he said.

“There’s a very real possibility, especially with \$1 million-plus condos, that we could see prices fall in a number of buildings by 25 and as much as 30%,” said Jack McCabe, a real estate consultant in Deerfield Beach, Florida.

Builders have started requiring deposits of up to 50% to guard against buyers walking away from the deals, as they did during the housing meltdown more than a decade ago. But even with the heftier deposits, developers could be surprised at the number of canceled contracts this time around, McCabe explained.

“Buyers may figure they have as much or more risk by closing on the units as they do of walking away from their down payments,” he said.

But another Miami real estate executive has a different view.

Despite more developer concessions and fewer buyers, the condo market is “fairly resilient and stable,” insisted Tony Graziano, senior managing director for Integra Realty Resources in Miami.

Graziano conceded the incentives are a way for developers to motivate brokers to show their properties and buyers to sign contracts in a climate that clearly has slowed in recent months.

He said the months of supply may be artificially high because some owners don’t officially take their units off the market once they find renters. Besides, he added, an increased sales velocity can quickly shrink the months’ supply of units, helping to correct a market that may seem dismal now.

In a recent report analyzing the downtown condo market for the Miami Downtown Development Authority, Graziano noted the average price of resale condos increased year over year. The report also showed there are 2,200 condos under construction, more than three-quarters of which were presold in 2015 and 2016.

What's more, at the peak of the current cycle, there were about 7,500 units in development – only one-third the number completed and vacant during the worst of the housing collapse in 2009, according to Graziano.

Barring a major economic downturn, he said he's confident any price declines won't be close to what occurred during the previous housing bust, when some Miami condos lost half or more of their values.

"There's no way price cuts will be as deep," he said. "No way."

Still, the incentives continue. Some projects are offering 10% commissions paid in advance, while another is asking for only 5% of the down payment. Analysts say some desperate developers eventually may throw in cars or cruises to entice buyers and brokers.

McCabe and other execs insist the price -- not incentives -- is the determining factor in the vast majority of sales. But developers still offer the incentives, hoping to lure buyers without having to lower the price, which wouldn't sit well with existing owners who paid more for their units, McCabe noted.

"Offering incentives is easier to explain than lowering the price," he said. "These guys aren't doing it out of the goodness of their hearts."