Greater Downtown Miami

Annual Residential Market Study

April 2019

MIAMI DDA
DOWNTOWN DEVELOPMENT AUTHORITY

irr Integra Realty Resources

Prepared for the Miami Downtown Development Authority (DDA)
By Integra Realty Resources (IRR)

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For more information, please contact

IRR-Miami/Palm Beach
The Dadeland Centre
9155 S Dadeland Blvd, Suite 1208
Miami, FL 33156
305-670-0001
dbowen@irr.com

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Introduction

Integra Realty Resources – Miami|Palm Beach (IRR-Miami) is pleased to present the following Residential Real Estate Market Study within the Miami Downtown Development Authority's (Miami DDA) market area, defined as the Greater Downtown Miami market. This report updates IRR-Miami's findings on the local residential real estate market through January 2019.

Key findings are as follows:

- The under construction pipeline delivered between Q2-Q4 2018 reduced the number of units under construction by 43% with a total of 1,649 units delivered, 1,020 of which were located in the Edgewater submarket, and 513 units representing the Canvas project in A&E.
- Considering the typical timeline for new construction at 30+ months for a major project, the levels of current growth would indicate that each submarket is likely to see 3%-4% inventory growth on average in the coming 2-3 years.
- The coming years' deliveries starting in 2019 represents an inflection point where the historic demand of 2,000 units per year will begin to demonstrate pent-up demand once again. Will this lead to the next wave of construction commencing in 2019? Not likely. IRR Miami has previously forecasted a short-term lull in new construction starting in early 2017, and we continue to see projects in the planning stages approaching the near-term market cautiously for many reasons detailed in this report.
- For the first time since 2015, the average price of resale condos increased year-over-year in Greater Downtown Miami (Figure 6), although they remain below their 2015 high-water mark of $457 PSF. The 2.7% increase is consistent with Integra's predictions that the market would stabilize this year and that the market was approaching a replacement-cost floor of $375-$400 PSF. These price averages were also aided by recovery in the condo rental market (see Figure 11).
- The US dollar once again strengthened against benchmark currencies in 2018, with Venezuela's currency undergoing hyperinflation and therefore no longer being tracked by benchmark sources. In light of these currency shifts owing to global macro factors (foreign policy, Brexit, tariffs, trade deficits, weakening Euro-economy, etc) the near-term prospects of strengthening foreign currency against the US dollar in 2019 appears unlikely.
- With only 2,200 units remaining in the under- construction pipeline, over 75% of which are pre-sold (excludes projects in pre-construction sales), Integra estimates there are fewer than 550 units remaining and available in this current construction cycle.

Introduction

- Condominium rental-rate growth returned to the Greater Downtown Miami condominium market in 2018, with rents appreciating 4.0% consistent with 2016-era levels. This reversed most of the prior year's declines. Many of the same positive factors driving renters into downtown to conventional rental properties are also driving demand into the condo rental sector.
- On the conventional rental project side, there are currently 5,118 units (Figure 14a) currently under construction among (10) buildings. Integra forecasts approximately 1,056 of these under-construction units will occur in 2019, with the balance of the 4,062 units delivering between 2020-2022.
- In general, occupancy is currently higher for Class A- properties versus the newer deliveries. With the exception of Hamilton on the Bay, which is currently undergoing renovation, stabilized Class A- properties demonstrate average occupancy at 96.4%, with Class A projects at 91.6%.
- On balance, the area condo developers remain cautious on new projects, but those that are currently active are ambitiously developing higher-end product and pursuing strong buyers who see the long-term value of Greater Downtown Miami.
- The rental market (both condo and conventional) has been much deeper than many expected, with stabilized occupancies in Class A and A- product in the 92% - 96% range. Condo and conventional rents remain stable, although the construction pipeline of conventional rentals has a few more years to deliver.
- Downtown population growth and demand for an urban lifestyle continue to support a perspective for long-term stability and growth in the downtown market.

Respectfully,

Integra Realty Resources (IRR) – Miami/Palm Beach

Anthony M. Graziano, MAI, CRE
Senior Managing Director

Dan Bowen
Market Research Analyst

Greater Downtown Miami Condo Pipeline

The following chart summarizes IRR Miami's update of the current condo activity within the entire Greater Downtown Miami Market area, including the number of units, submarket location, and phase of development. The chart illustrates the different stages of the condo development process, including Proposed, Reservations, Contracts, Under Construction and Completed as identified in our prior annual report.

These classifications are significant because they provide a framework for how projects move through the development cycle

Figure 1

Current Greater Downtown Miami Condo Pipeline

Submarket	Complete	Under Construction	Contracts	Reservations	Proposed	Totals
A&E	513	83	0	0	2,291	2,887
Brickell	4,939	549	450	137	5,454	11,529
CBD	352	902	0	600	6,402	8,256
Edgewater	2,834	666	0	0	1,296	4,796
Midtown	410	0	0	0	0	410
Wynwood	11	0	0	0	591	602
Total (2018 Q4)	**9,059[1]**	**2,200**	**450**	**737**	**16,034**	**28,480**
Total (2018 Midyear)	**7,410**	**3,849**	**450**	**946**	**15,033**	**27,688**
% Change	**22%**	**-43%**	**0%**	**-22%**	**7%**	**3%**

[1] Reflects cumulative deliveries from Q1 2012 – Q4 2018.

The under construction pipeline delivered between Q2-Q4 2018 reduced the number of units under construction by 43% with a total of 1,649 units delivered, 1,020 of which were located in the Edgewater submarket, and 513 units representing the Canvas project in A&E. The net change of projects in the reservations phase largely reflected the -207 units resulting from the cancellation of Bentley Edgewater (plus or minus some minor unit mix changes in existing projects in the reservations phase).

Greater Downtown Miami Condo Pipeline

This wave of new deliveries was largely met with closings on pre-contracted units during the projects' development phases.

The Proposed conceptual developments tracked by IRR Miami include our tracking of various project announcements and conceptual designs released to the public. These are not necessarily imminent projects, but rather represent our sizing of the future potential market based on announced plans or prior entitlements known or expected throughout the various submarkets. These proposed projects do not directly affect the supply-demand dynamics in the market since these projects are not actively marketing or available for sale. This metric is used to forecast areas of the greater downtown market that are likely to experience long-term growth based on the availability of development sites. The largest new proposed project is 300 Biscayne which is planned to include 400 new luxury units with a hotel component flagged by the Waldorf Astoria with expected initial pricing at $2 Million per unit.

Greater Downtown Miami Market Sizing

Figure 2

Greater Downtown Miami Condo Market Size – Q4 2018

Submarket	Current Market Size [1]	Current Growth	% Growth	Potential Long Term Growth	% Growth Longterm
A & E	4,565	83	2%	2,291	50%
Brickell	24,782	1,136	5%	5,454	22%
CBD	6,640	1,502	23%	6,402	96%
Edgewater	6,886	666	10%	1,296	19%
Midtown	1,388	0	0%	0	0%
Wynwood	111	0	0%	591	532%
Total (2018)	**44,372**	**3,387**	**8%**	**16,034**	**36%**

[1] Long-Term Growth is the remaining Conceptual units, net of current growth.
[2] Current Growth is all Under Construction, Contracts and Reservations.

Relative to existing inventory (all units delivered since 2001), reflected as the Current Market Size, the market appears balanced on current growth with remaining under construction and selling projects reflecting 0% - 10% inventory growth with the exception of the CBD. The CBD current growth at 23% reflects 1,502 units, but includes Okan and YotelPad (600 units) that are not currently under construction. The current under construction inventory in the CBD is comprised of Paramount Miami and the recently started Aston Martin Residences (512 and 390 units respectively) representing about 13.5% growth against the existing inventory base.

Considering the typical timeline for new construction at 30+ months for a major project, the levels of current growth would indicate that each submarket is likely to see 3%-4% inventory growth on average in the coming 2-3 years.

A review of proposed conceptual development plans representing potential long-term growth show the highest level of activity in the Brickell and CBD submarkets (based on total unit/project announcements). These two submarkets are likely to reflect the dominant market activity when new development resumes in the downtown Miami market.

Greater Downtown Miami Market
Condo Delivery and Absorption of Units

Figure 3

Greater Downtown Miami Historical Condo Development (2001-2018)

Year Built	Number of Units Delivered	Cumulative Deliveries
2001	436	436
2002	319	755
2003	183	938
2004	2,272	3,210
2005	1,953	5,163
2006	1,860	7,023
2007	4,500	11,523
2008	10,111	21,634
2009	306	21,940
2010	530	22,470
2011	346	22,816
2012	96	22,912
2013	0	22,912
2014	566	23,478
2015	1,227	24,705
2016	2,202	26,907
2017	2,221	29,128
2018	2,747	31,875
	Total Delivery	**31,875**
	10 Year Cycle (2001-2010):	2,247
	19 Year Cycle (2001-2018):	1,678
	IRR Miami Estimated Typical Annual Demand +/-	**2,000**

Greater Downtown Miami Market
Condo Delivery and Absorption of Units

The table above shows historic condo deliveries and absorption since 2001. Over a 10 year cycle (2001-2019), the market delivered and absorbed over 2,200 new units per year. In the past 18 year cycle (2001-2018), the average is slightly less at 1,678 units per year, reflective of a long-term average including the major downturn new construction starts (2009-2012) and lag time resulting from new construction starts (2012-2014).

IRR has previously concluded to normalized annual absorption of 2,000 units per year.

The following figure shows pent-up demand estimates since 2013 based on annual demand of +/- 2,000 units.

Figure 4
Greater Downtown Miami Condo Demand

	Current Cycle Projected Deliveries	Normalized Demand @2,000	Cumulative Pent-Up Demand
2013	0	2,000	2,000
2014	566	2,000	3,434
2015	1,227	2,000	4,207
2016	2,202	2,000	4,005
2017	2,221	2,000	3,784
2018	2,747	2,000	3,037
2019	1,461	2,000	3,576
2020	349	2,000	5,227
2021	390	2,000	6,837
2022	TBD	2,000	TBD
2023	TBD	2,000	TBD

Greater Downtown Miami Market
Condo Delivery and Absorption of Units

The coming years' deliveries starting in 2019 represents an inflection point where the historic demand of 2,000 units per year will begin to demonstrate pent-up demand once again. Even if the 2,000 units per year overstates current levels of demand, and some lesser level (1,000 – 1,600) is applied, by 2020 we are likely to have sufficient levels of unsatisfied demand to justify new construction.

Will this lead to the next wave of construction commencing in 2019? Not likely. IRR Miami has previously forecasted a short-term lull in new construction starting in early 2017, and we continue to see projects in the planning stages approaching the near-term market cautiously.

In large part, this is currently due to late-cycle concerns about the state of the US and world economy, with correlating impacts on luxury purchasing patterns. The second condition holding back new development is more temporary, relating to the level of resale inventory on the market which continues to garner much attention and speculation from the local and regional brokerage community.

The last and perhaps most significant trend is that the downtown Miami market is maturing, with a much wider array in end unit pricing. The long-term average historic absorption in condominium deliveries was concentrated across projects that were generally in the same price point and market position sub $1 Million. Luxury projects over $650 per SF and/or over $1 Million end unit pricing were less prevalent historically. This could alter (lower) the long-term average uptake in units.

Of the twelve projects currently under development or in a sales phase (taking contracts or reservations), eight projects reflect average selling prices over $1 Million. This concentration of luxury downtown development is diversifying the market pricing and elevating the overall desirability and availability of a wider range in luxury product downtown. This trend may alter the long-term demand trend, with fewer annual sales but more high-end projects at higher prices.

Greater Downtown Miami Market
Condo Delivery and Absorption of Units

Figure 5

Current Greater Downtown Miami Under Construction Pipeline

Submarket	Name/Location	# Units	Avg Price	Avg SF	Avg $/SF
A&E	1000 Museum	83	$6,940,000	5,389	$1,288
	Total A&E	**83**			
Brickell	Flatiron	549	$1,100,000	1,437	$766
	One River Point	350	$1,850,000	2,117	$874
	Smart Brickell	100	$550,000	838	$657
	Una	137	$3,550,000	2,729	$1,301
	Total Brickell	**1,136**			
CBD	Paramount Miami	512	$1,130,000	1,600	$706
	Okan Tower (former Sterling)	385	$900,000	1,295	$695
	YotelPad	215	$330,000	500	$660
	Aston Martin Residences	390	$2,240,000	2,240	$1,000
	Total CBD	**1,502**			
Edgewater	Elysee	100	$2,340,000	3,303	$708
	Gran Paraiso	317	$1,210,000	1,549	$781
	Missoni Baia	249	$1,580,000	1,956	$808
	Total Edgewater	**666**			
Total/Average		**3,387**	**$1,550,000**	**1,784**	**$869**

[1] Pricing reflects published pricing averaged against all floorplan options.

Greater Downtown Miami Market
Condo Delivery and Absorption of Units

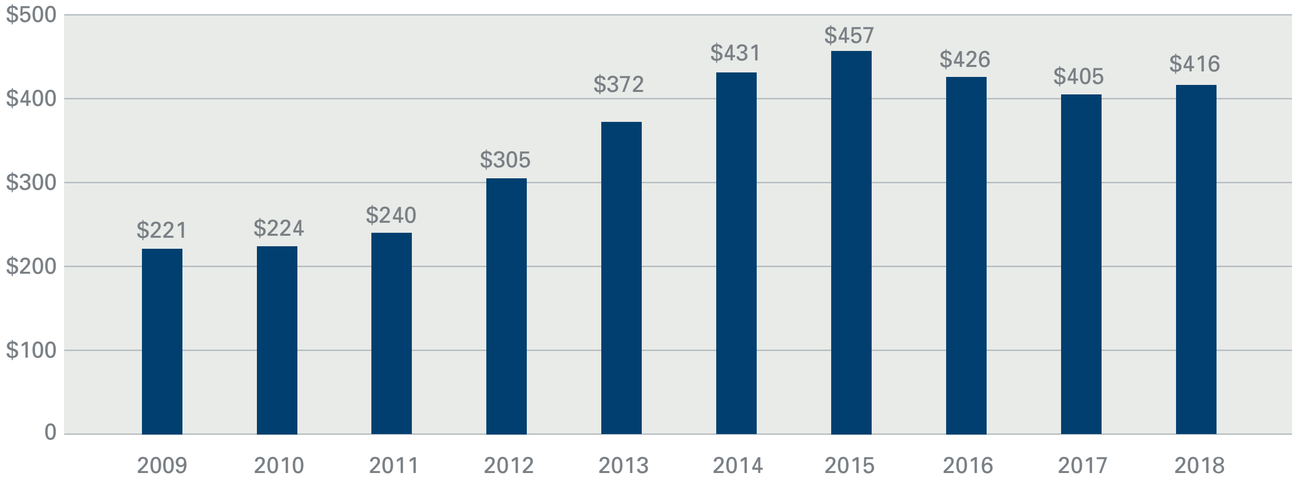
The chart below provides a breakdown of sales pricing for the 3,387 units considered to be current growth. Average pricing is currently well over $1 million, with the newly-announced Una having the highest average pricing of any project outside of 1000 Museum.

Only three projects are currently offering units at a price point of under $1 million (Smart Brickell, Okan, and YotelPad), two of which (Smart and YotelPad) will have condo-hotel components. One River Point, Smart Brickell, Una, Okan and Yotel Pad are not under-construction as of January 1, 2019. Yotelpad reportedly broke ground in late January 2019 and will be included in the mid-year construction pipeline.

Analysis of Resale

Figure 6

Average $/SF Sale Price Trend – Greater Downtown Miami Resale Market



For the first time since 2015, the average price of resale condos increased year-over-year in Greater Downtown Miami, although they remain below their high-water mark of $457 PSF. The 2.7% increase is consistent with Integra's predictions that the market would stabilize this year and that the market was approaching a replacement-cost floor of $375-$400 PSF. These price averages were also aided by recovery in the condo rental market (see Figure 11).

Local area brokers active in the resale market continue to warn of an excess supply of resale inventory. Some of this buildup can be attributed to dual listing of units for rent or sale, although Integra's year-over-year analysis shows a 5.75% increase in listing supply between 2017 and 2018.

2013-2018 Resale Inventory Retrospective

We have included an additional table summarizing the performance of the resale condominium market over the past five years, with a focus on the total inventory of units for sale as well as the volume of sales. This shows several noteworthy long-term trends.

The first was the slowdown and subsequent recovery of the resale market, with velocity hitting a bottom in late 2016 and early 2017. The following months have seen a significant recovery, with sales volume in the second half of 2018 reaching 121 units/month, up from 109 in the prior twelve months and 99 in the 2016-2017 slowdown. The other notable trend which confirms brokerage agency reports on elevated inventory levels is that average listed resale inventory has been growing 8%-10% over the past two years.

Assuming continued stability in the US and local economy, and considering the dwindling inventory of new construction in the coming 24 months, Integra forecasts stable or slightly declining resale pricing through 2019. Toward the latter part of 2019 or early 2020, we will start to see a decline in resale inventory and stronger pricing. Until then, opportunities exist within the resale market which is considered a “buyers-market” at the moment.

2013-2018 Resale Inventory Retrospective

Figure 7

Greater Downtown Miami Condo Listings (Built 2001+) by Month

(Zip codes: 33127, 33128, 33129, 33130, 33131, 33132, 33136, 33137)

Date	For Sale	New Listing	Sold	Pended
Jul-13	1,273	338	164	198
Aug-13	1,320	333	163	164
Sep-13	1,424	328	159	145
Oct-13	1,524	366	130	156
Nov-13	1,583	306	143	106
Dec-13	1,591	280	134	121
Jan-14	1,645	419	108	175
Feb-14	1,684	375	105	156
Mar-14	1,822	446	159	157
Apr-14	1,904	422	148	149
May-14	1,918	387	144	155
Jun-14	1,926	351	146	146
Average	**1,635**	**363**	**142**	**152**
Jul-14	1,939	345	132	120
Aug-14	1,932	340	118	155
Sep-14	1,931	356	135	147
Oct-14	2,006	410	131	140
Nov-14	2,078	342	114	104
Dec-14	2,152	357	124	99
Jan-15	2,127	399	109	136
Feb-15	2,146	408	106	153
Mar-15	2,264	499	140	143
Apr-15	2,428	518	112	155
May-15	2,481	413	152	139
Jun-15	2,,539	452	133	124
Average	**2,169**	**403**	**126**	**135**
Jul-15	2,568	438	130	144
Aug-15	2,546	410	126	128
Sep-15	2,619	465	136	139
Oct-15	2,726	511	128	108
Nov-15	2,792	396	104	109
Dec-15	2,747	346	126	100
Jan-16	2,859	536	90	84
Feb-16	2,976	528	83	123
Mar-16	2,980	431	111	121
Apr-16	3,045	469	95	110
May-16	3,041	412	88	136
Jun-16	3,057	454	120	100
Average	**2,830**	**450**	**111**	**117**

Date	For Sale	New Listing	Sold	Pended
Jul-16	3,032	374	92	86
Aug-16	2,990	396	105	114
Sep-16	3,064	457	86	85
Oct-16	3,121	407	81	77
Nov-16	3,167	389	88	82
Dec-16	3,124	353	94	104
Jan-17	3,198	553	68	90
Feb-17	3,258	452	85	100
Mar-17	3,304	530	114	142
Apr-17	3,264	403	111	109
May-17	3,277	467	142	160
Jun-17	3,251	422	117	120
Average	**3,171**	**434**	**99**	**106**
Jul-17	3,268	440	119	105
Aug-17	3,317	464	128	118
Sep-17 [1]	3,264	285	73	62
Oct-17	3,302	437	95	104
Nov-17	3,370	473	85	100
Dec-17	3,408	395	126	106
Jan-18	3,400	571	91	120
Feb-18	3,497	500	100	109
Mar-18	3,542	410	108	135
Apr-18	3,513	427	139	164
May-18	3,518	472	138	160
Jun-18	3,505	400	109	117
Average	**3,409**	**440**	**109**	**117**
Jul-18	3,473	432	127	126
Aug-18	3,495	501	131	139
Sep-18	3,565	493	109	123
Oct-18	3,704	534	133	116
Nov-18	3,727	410	116	139
Dec-18	3,663	329	112	93
Average	**3,605**	**450**	**121**	**123**
Difference	**196**	**10**	**12**	**6**

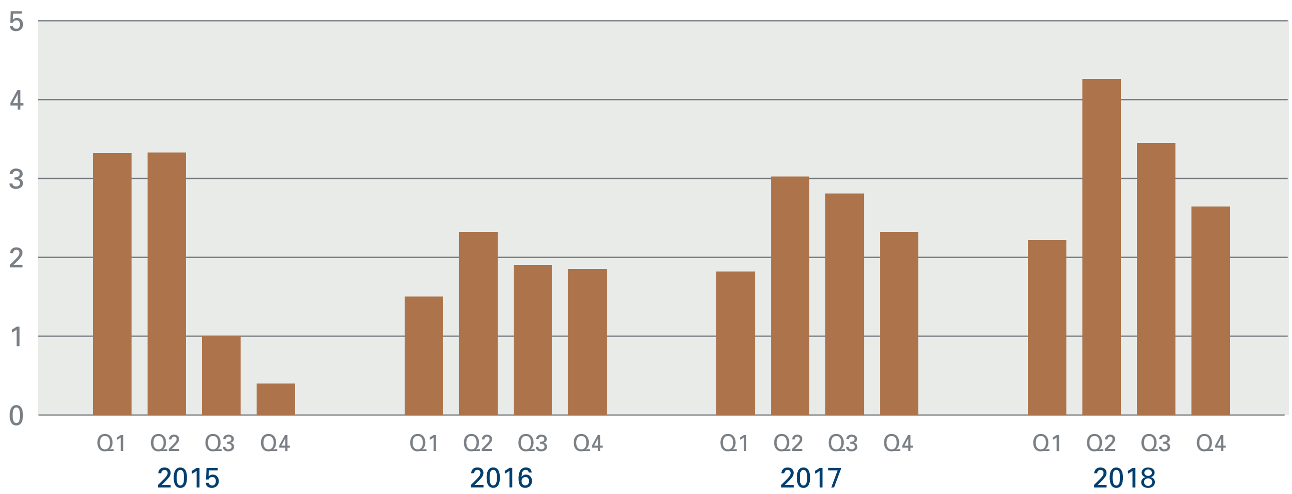
[1] Hurricane Irma.

Source: Trendgraphix, compiled by Integra Realty Resources, Inc.

2013-2018 Resale Inventory Retrospective

Figure 8

Real GDP: Percent Change from Preceding Quarter (2015-2018)



U.S.Bureau of Economic Analysis

Seasonally adjusted at annual rates

A review of Figure 8 reflecting quarterly GDP analysis provided by the US Bureau of Economic Analysis shows that impact of the late 2017 US Tax Act with quarterly GDP boosts in Q2 and Q3 over 3%, and overall strong 2018 economic growth.

Area market participants interviewed for this and other similar studies indicate a notable increase in the number of domestic US buyers as a percentage of the total buyers in the market. This is consistent with broader economic data, including GDP in Figure 7, indicating the relative health of the US economy during this time period. Unfortunately, this has corresponding impacts on the strength of the US dollar, negatively affecting the foreign purchasing power of non-domestic purchasers.

Currency Exchange and Purchasing Patterns

The US dollar once again strengthened against benchmark currencies in 2018, with Venezuela's currency undergoing hyperinflation and therefore no longer being tracked by benchmark sources. In light of these currency shifts owing to global macro factors (foreign policy, Brexit, tariffs, trade deficits, weakening Euro-economy, etc) the near-term prospects of strengthening foreign currency against the US dollar in 2019 appear unlikely.

Figure 9

U.S. Dollar vs. Foreign Currency Exchange - At USD $1.00

Country	Currency	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Purchasing Power % Change (2017-2018)	Purchasing Power % Change (2013-2017)	Purchasing Power % Change (2010-2013)	Cumulative % Change (2010-2018)
Brazil	**Real**	0.599	0.513	0.464	0.426	0.373	0.249	0.310	0.320	0.270	-15.63%	-24.88%	-28.88%	-54.92%
Argentina	**Peso**	0.243	0.220	0.183	0.124	0.117	0.074	0.063	0.052	0.027	-48.08%	-58.06%	-48.97%	-88.89%
Mexico	**Peso**	0.081	0.076	0.078	0.075	0.068	0.056	0.047	0.055	0.052	-5.45%	-26.67%	-7.41%	-35.80%
Colombia**	**Peso**	0.547	0.560	0.535	0.503	0.420	0.310	0.340	0.360	0.320	-11.11%	-28.43%	-8.04%	-41.50%
Venezuela	**Bolivar Fuerte**	0.233	0.233	0.165	0.159	0.159	0.158	0.100	0.100	[1]	[1]	-37.11%	-31.76%	[1]
Canada	**Dollar**	1.005	0.982	1.009	0.939	0.847	0.697	0.750	0.820	0.760	-7.32%	-12.67%	-6.57%	-24.38%
Europe	**Euro**	1.318	1.290	1.316	1.372	1.188	1.090	1.050	1.250	1.150	-8.00%	-8.89%	4.10%	-12.75%
China	**Yuan**	0.151	0.158	0.159	0.164	0.163	0.152	0.150	0.160	0.150	-6.25%	-2.44%	8.61%	-0.66%
Russia	**Rouble**	0.033	0.031	0.033	0.031	0.017	0.013	0.017	0.018	0.015	-16.67%	-41.94%	-6.06%	-54.55%
N/A	**Bitcoin**				817.1	302.0	429.8	958.2	14341.0	4004.0	-72.08%	1655.07%		

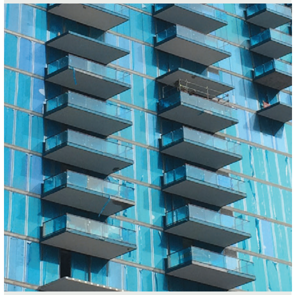
[1] Venezuela is currently experiencing hyperinflation and official exchange rates are no longer provided by Google.

Source: Google Public Data/SIX Financial and Coinbase, obtained 1-2019 (note: standard bitcoin price indices began in mid-2013)

A strong dollar provides economic incentive for foreign owners to sell their dollar-denominated assets for re-conversion into their home currency. However, this assumes these owners don't fear further currency erosion, or have alternate high-yielding opportunities in their home country.

On the buy side, a strong dollar certainly affects their purchasing power and willingness to buy since the effective cost of all goods (including real estate) is higher. Flight capital continues to migrate to Miami, but at a slower pace given weakened foreign economies.

Current Cycle Completions



The following list details all of the major condominium projects delivered between 2012 and 2018, comprising the 9,059 units delivered since 2012. With only 2,200 units remaining in the under- construction pipeline, over 75% of which are pre-sold (excludes projects in pre-construction sales), **Integra estimates there are fewer than 550 units remaining and available in this current construction cycle.**

Figure 10

2012-2018 Completions

Submarket	Building	# Units	Delivery
A&E	Canvas	513	2018
Brickell	Brickell Ten	155	2017
	MyBrickell	192	2014
	Echo Brickell	180	2017
	1010 Brickell	387	2017
	Brickell Heights - East	358	2017
	Brickell Heights - West (BH02)	332	2017
	Le Parc	128	2016
	Millecento	382	2015
	SLS Lux	450	2018
	Brickell CityCentre - Reach	390	2016
	Brickell CityCentre - Rise	383	2016
	Nine at Mary Brickell	369	2015
	Brickell House	374	2014
	SLS Hotel & Residences	450	2016
	The Bond	328	2016
	Cassa Brickell	81	2016

Submarket	Building	# Units	Delivery
CBD	Centro	352	2016
Edgewater	23 Biscayne	96	2012
	Aria on the Bay	648	2018
	Biscayne Beach	399	2017
	Paraiso Bay Tower I	360	2018
	One Paraiso	272	2018
	Paraiso Bayviews	388	2018
	Bay House	165	2015
	Icon Bay	300	2015
	The Crimson	90	2016
	26 Edgewater	86	2018
	The Edgewater	30	2018
Midtown	Hyde Midtown	410	2017
Wynwood	250 Wynwood	11	2015
	Total of Above[1]	**9,059**	

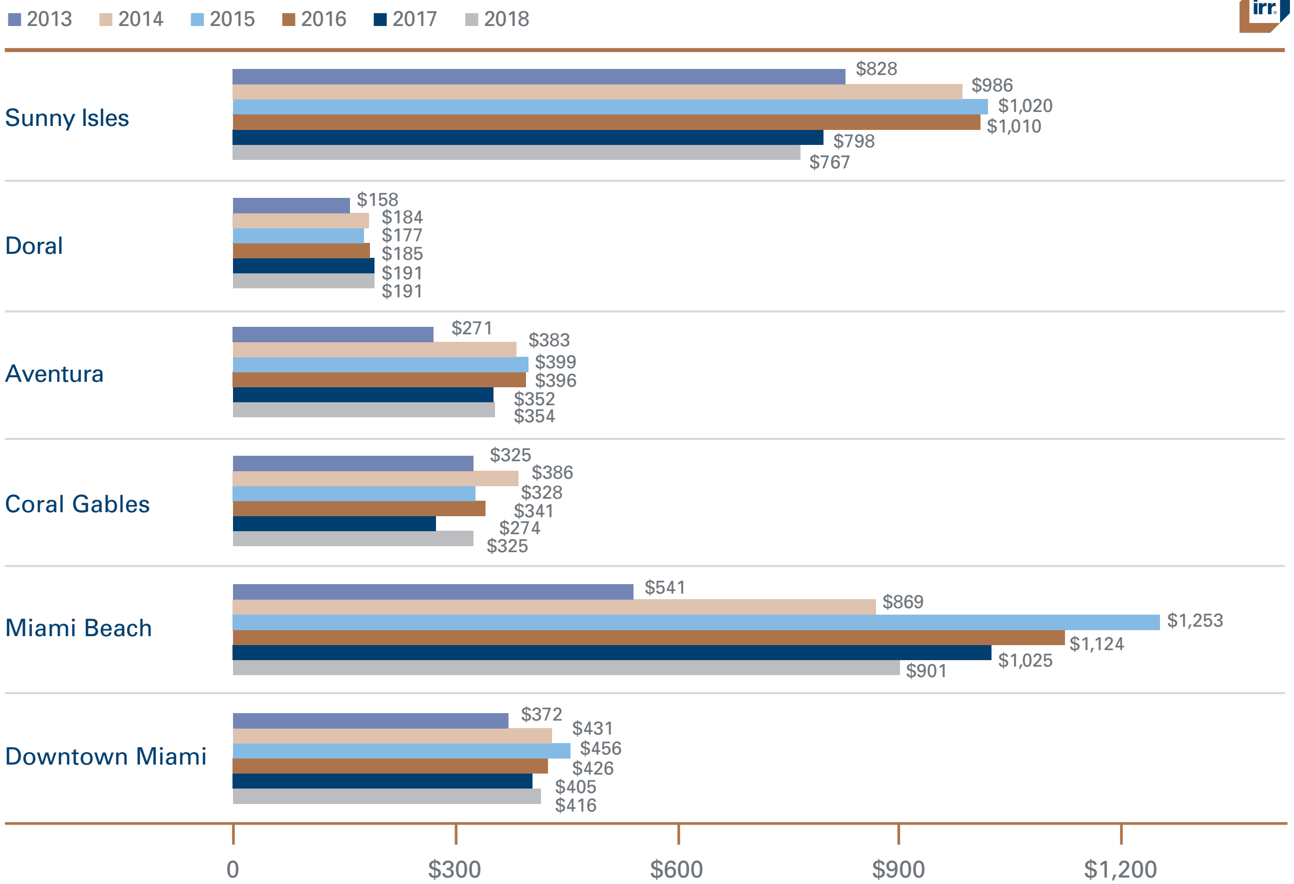
[1] Reflects cumulative deliveries 2012 – 2018.

Major Market Comparison

Figure 10 represents our analysis of resale product within competitive markets to greater downtown. Only Coral Gables and Downtown Miami registered positive average price gains in 2018. Aventura and Doral remained even between 2017 and 2018, and Sunny Isles and Miami Beach saw minor declines in average resale pricing.

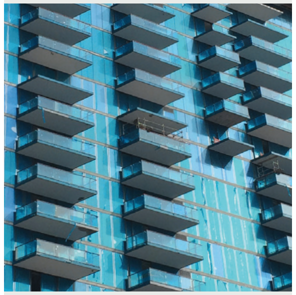
Figure 11

Major Market Comparison – $/SF



Notably, the average pricing metric in Sunny Isles and Miami Beach can be skewed depending on the number of oceanfront sales within the overall sample data in any given year, so the directionality of these markets is less indicative. The larger takeaway is the relative competitiveness of greater downtown Miami to the beach markets.

Condominium Rental Activity



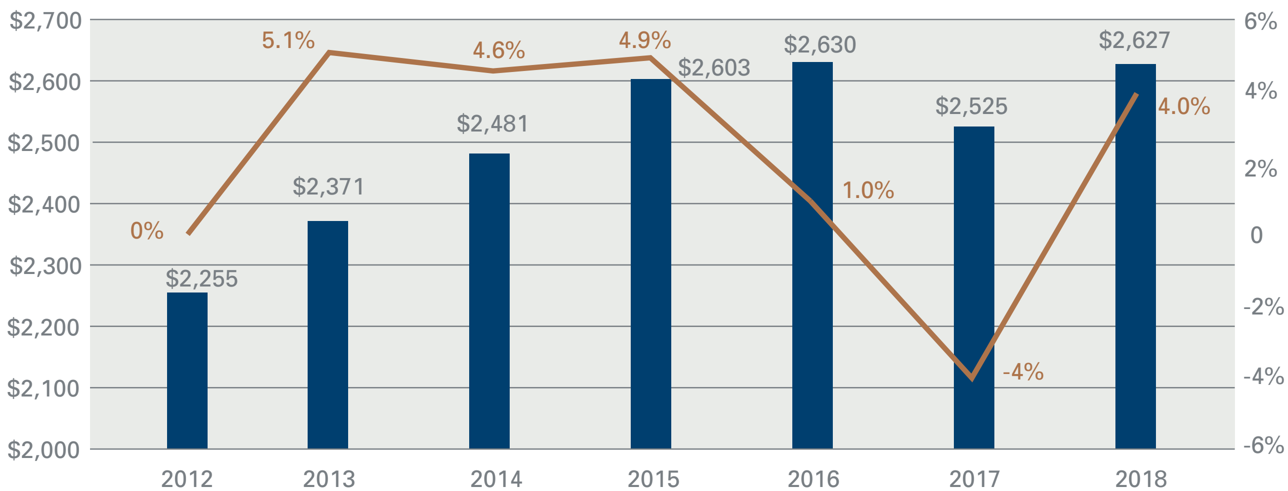
IRR's reporting in Summer 2018 provided in-depth analysis of the rental demand and pricing for both conventional rental properties and the shadow condo market. This update focuses on condo rentals, in line with the prior annual reports.

Condominium rental-rate growth returned to the Greater Downtown Miami condominium market in 2018, with rents appreciating 4.0% to 2016-era levels and reversing most of the prior year's declines. Overall downtown condominium rental pricing has been stable over the past four years in spite of significant growth in supply of conventional rental product. Many of the same positive factors driving renters into downtown to conventional rental properties are also driving demand into the condo rental sector.

Figure 12

Greater Downtown Miami Condominium Average Leasing Price

■ Rental $/Unit ■ % Change

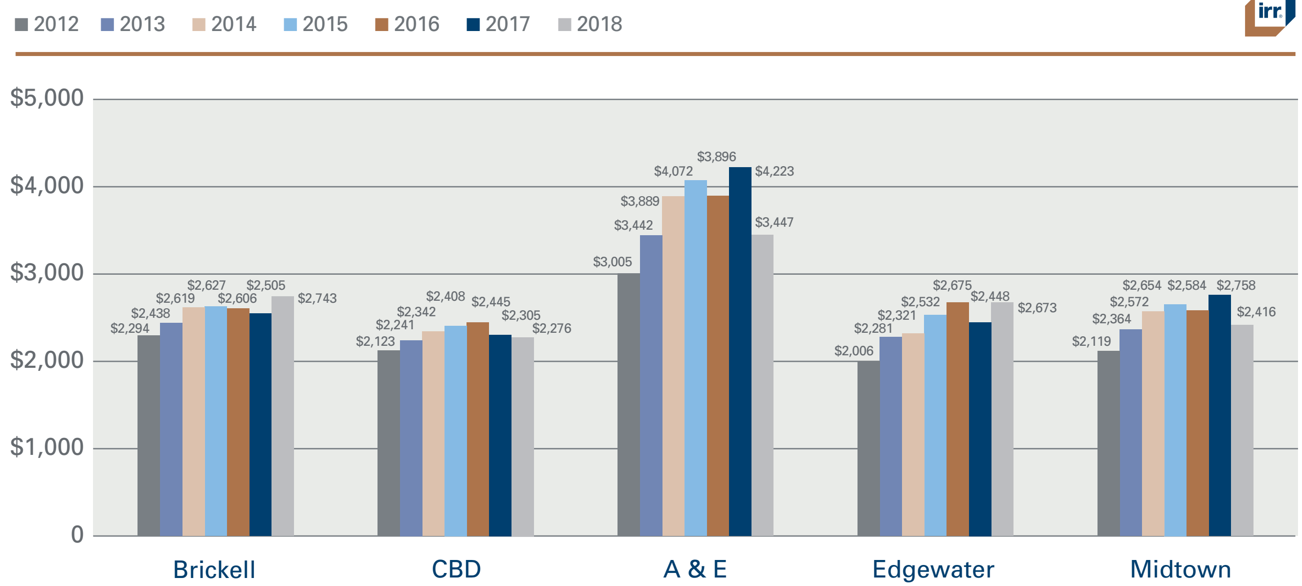


Condominium Rental Activity

Figure 13 illustrates the average monthly lease price ($) for each submarket. The Arts & Entertainment district continues to command the highest pricing, although its rental rates remain volatile. Brickell rents reached an all-time high, clearing the $2,700 average mark for the first time on record. Edgewater also experienced rent growth and is on par with its 2016 peak.

Figure 13

Greater Downtown Miami Condominium Rental $/Unit by Submarket



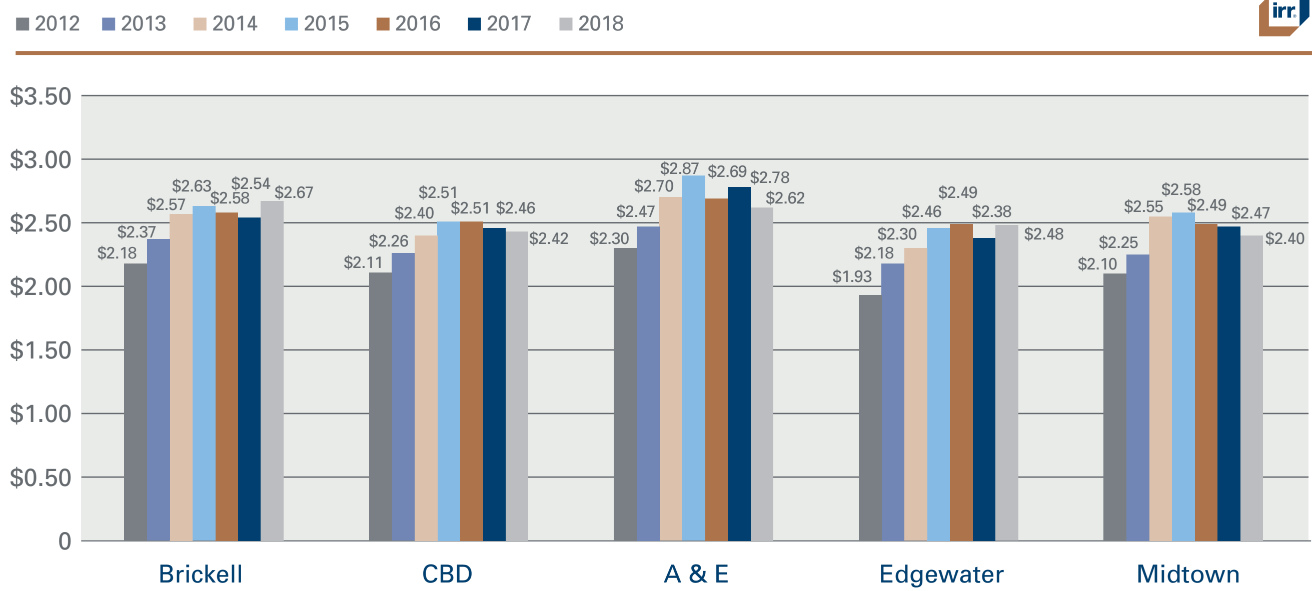
	Brickell	CBD	A & E	Edgewater	Midtown
% YoY Change	7.57%	-1.28%	-18.37%	9.17%	-12.39%
$ Change	$193	-$30 -	-$776	$225	-$342

Condominium Rental Activity

Figure 14 presents the average PSF condo asking lease price versus the achieved lease price. Brickell set an all-time rental pricing record, with Edgewater not being far behind. Rents on a PSF basis were unchanged in the CBD and Midtown and declined in A&E, reflecting the volatility of this very high-end submarket.. As for asking rents, the following table (13a) shows trends with gross and PSF asking rents. Since 2015, asking rents have remained fairly level constant.

Figure 14

Greater Downtown Miami Condominium Rental $/SF by Submarket



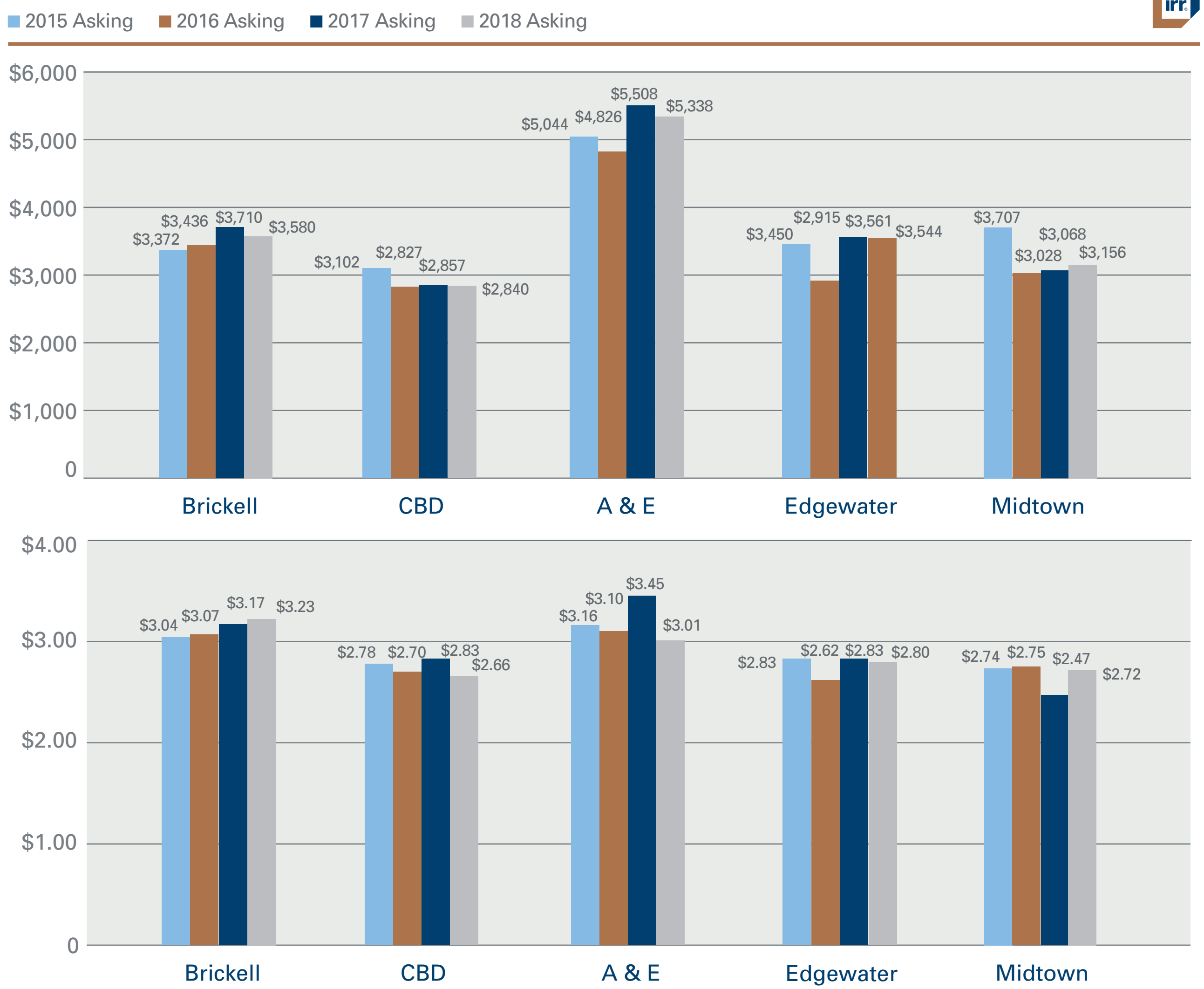
	Brickell	CBD	A & E	Edgewater	Midtown
% YoY Change	5.08%	-1.67%	-5.67%	4.38%	-2.87%
$ Change	$0.13	-$0.04	-$0.16	$0.10	-$0.07

Condominium Rental Activity

2015 2016 2017 2018

Figure 14a

YoY Asking Rent Changes (Gross and PSF) by Submarket



Conventional Rental Market Supply

Figure 15a illustrates the under construction, proposed, and recently completed rental pipeline in Greater Downtown Miami. The latest deliveries (all 2018) comprise Square Station (+705), Panorama (+821), Caoba (+444), Muze (+309), and X Miami (+464). In addition, the south tower of Park Line MiamiCentral has topped off.

Figure 15a

Greater Downtown Miami Rental Pipeline – Under Construction and Complete Projects

Submarket	Building	2018 Q4 Status	# Units
Arts & Entertainment	Melody	Complete	500
Arts & Entertainment	Square Station	Complete	705
Brickell	Brickell View Terrace	Complete	76
Brickell	Broadstone at Brickell	Complete	372
Brickell	Panorama	Complete	821
Brickell	Solitair Brickell (former Brickell Bayview Center)	Complete	438
Brickell	SoMa	Complete	418
CBD	Caoba (fka 7th St Promenade)	Complete	444
CBD	Flagler on the River	Complete	250
CBD	Monarc at Metropolitan 3	Complete	462
CBD	Muze Met Square	Complete	309
CBD	X Miami (formerly Vice)	Complete	464
Edgewater	2500 Biscayne	Complete	156
Midtown	Midtown 5	Complete	400
Midtown	Eve at the District	Complete	197
Midtown	Midtown 29	Complete	309
Arts & Entertainment	Art Plaza	Under Construction	667
Brickell	MaiZon at Brickell	Under Construction	262
CBD	7th Street Promenade Tower 2	Under Construction	429
CBD	Grand Station	Under Construction	300
CBD	Park Line MiamiCentral	Under Construction	816
Edgewater	Biscayne 27/blu27	Under Construction	330
Edgewater	Modera Edgewater	Under Construction	296
Midtown	Midtown 6	Under Construction	447
Midtown	Midtown 8	Under Construction	387
Midtown	Midtown East /Chiquita (now one phase)	Under Construction	720
Wynwood	The Bradley	Under Construction	175
Wynwood	Wynwood 25	Under Construction	289
		Total # of Units Under Construction	**5,118**
		Total # of Units Completed 2018	**2,743**
		Total # Units Completed 2016-17	**2,448**
		Total # Units Completed 2014-2015	**1,130**
		Conventional Rent Survey (Class A)	**2,474**
		Conventional Rent Survey (Class A-/B)	**2,344**
		Total # Units U/C or Proposed	**24,248**

Conventional Rental Market Supply

With over 6,000 conventional rental units delivered since 2014, downtown Miami has become the fastest growing rental submarket in South Florida. For the first time this cycle, completions to date have exceeded the current under-construction pipeline.

Integra forecasts approximately 1,056 units of under-construction rental deliveries to occur in 2019, with the balance of the 4,062 units currently under construction delivering 2020-2022.

Figure 15b
Greater Downtown Miami Rental Completions – Unit Mix

	# Units in Survey	% Studio	Avg SF	% 1 Bed	Avg SF	% 2 Bed	Avg SF	% 3 Bed	Avg SF
Brickell	2,225	9%	**492**	51%	**840**	34%	**1,157**	7%	**1,736**
CBD/A&E	3,134	10%	**561**	48%	**738**	32%	**1,094**	10%	**1,414**
Midtown/Edgewater	1,062	10%	**589**	54%	**770**	33%	**1,117**	3%	**1,529**

Integra's survey of unit mix and average unit size of new projects (Figure 15b), first introduced in the 2018 annual report, indicates that a majority (60%+/-) of units (58% - 64% depending upon the submarket) are studios or one-bedrooms. This reflects the urban core's attractiveness to young urban workers and its increasing dominance in that sector within Miami-Dade County. This unit mix preference also considers the overall balancing of gross rents versus rents per square foot, a key metric to optimizing project feasibility.

Conventional Rental Market Supply

Figure 15c

Greater Downtown Miami Rental Pipeline – Proposed Projects

Submarket	Building	2018 Q4 Status	# Units
A&E	School Board	Proposed	1,100
	Melody II	Proposed	630
	The Arts	Proposed	550
	Miami Plaza	Proposed	437
	Omni Station	Proposed	TBD
	70-90 NE 17th St	Proposed	225
Brickell	One Brickell II	Proposed	500
	TBD Allen Morris/Related	Proposed	TBD
	1111 Brickell (Yacht Club Phase II)	Proposed	897
	Brickell Fire Station	Proposed	196
	1430 Brickell (TBD)	Proposed	TBD
	Tobacco Road	Proposed	TBD
	El Eden Micro Units	Proposed	132
	Possible Redevelopment-1809 Brickell	Proposed	TBD
	Smart Brickell Rental	Proposed	89
CBD	Luma at Miami World Center	Proposed	434
	Lynx Tower	Proposed	483
	Miami World Center Block E	Proposed	418
	Miami River Village	Proposed	TBD
	Nexus Riverside	Proposed	462
	Nexus Riverside Central	Proposed	900
	54 West Flagler	Proposed	391
	225 SE 2nd St	Proposed	TBD
	M-Tower	Proposed	440
	Miami Station Tower f/k/a Krystal	Proposed	153
	200 NMA	Proposed	328
	533 NE 2 Ave	Proposed	150
	One Bayfront Plaza (RENTAL)	Proposed	1,361
	400 Biscayne (RENTAL)	Proposed	704
	Potential Olympia Theater	Proposed	300
	5 Plaza and Downtown Fifth	Proposed	1,042

Submarket	Building	2018 Q4 Status	# Units
CBD	Macy's Redevelopment	Proposed	TBD
	Knight Center Towers	Proposed	TBD
	2nd & 2nd	Proposed	637
	34 W 1st St	Proposed	TBD
	255 NE 1st St	Proposed	TBD
Edgewater	1900 Biscayne	Proposed	429
	1836 Biscayne (Possible Condo)	Proposed	352
	700 Edgewater	Proposed	TBD
	AR Edgewater	Proposed	171
	Ellipsis	Proposed	34
	The Village	Proposed	220
	Miami 18	Proposed	1,400
	2000 Biscayne (Rental)	Proposed	393
	1775 Edgewater	Proposed	444
	2501 Biscayne	Proposed	TBD
	Modera Biscayne Bay	Proposed	296
	"25" (RENTAL)	Proposed	93
	Price Choice Redevelopment	Proposed	TBD
Midtown	Midtown 7	Proposed	391
Overtown	Block 45	Proposed	240
	Soleste Grand Central	Proposed	320
Wynwood	2801 NW 3rd Avenue	Proposed	264
	2110 N Miami Ave	Proposed	163
	Wynwood Plant	Proposed	306
	Wynwood Green	Proposed	189
	35 NW 27 St	Proposed	92
	Wynwood Square	Proposed	241
	Wynwood Quarter (Rentals)	Proposed	133

Total # of Units Proposed 19,130

Conventional Rental Market Supply

In addition, we have also completed a survey of estimated occupancy rates for conventional rental properties in Greater Downtown Miami by aggregating several primary and secondary sources. In general, occupancy is currently higher for Class A- properties versus the newer deliveries. With the exception of Hamilton on the Bay, which is currently undergoing renovation, stabilized Class A- properties demonstrate average occupancy at 96.4%, with Class A projects at 91.6%.

Figure 16

Greater Downtown Miami Class A and A- Vacancy

Class A	Vacancy (Rounded to Nearest %)
Monarc	5.0%
Soma	7.0%
Eve at the District	11.0%
Broadstone	11.0%
Melody	2.0%
Midtown 5	14.0%
Solitair	12.0%
Weighted Average	**8.4%**

Properties In Leaseup	Vacancy (Rounded to Nearest %)	Number of Units
Panorama	37.0%	821
Caoba	37.0%	444
Muze	0.0%	309
X Miami	25.0%	464
Square Station	1.0%	705
2500 Biscayne	23.0%	156
Midtown 29	21.0%	309

Class A	Vacancy (Rounded to Nearest %)
Hamilton on the Bay [under renovation 2019-20]	21.0%
One Broadway	7.0%
Camden	4.0%
25 Mirage	4.0%
22 Skyview	2.0%
Flagler River	3.0%
25 Biscayne Park	2.0%
Filling Station	7.0%
One Plaza	3.0%
22 Biscayne Bay	3.0%
Second Plaza	1.0%
Weighted Average (ex. Hamilton)	**3.8%**

Land Prices Trends

At least ten sales with prices of over $10 million were reported in Greater Downtown Miami, spread out across every submarket with the exception of Midtown. The largest sales were the church site at 400 Biscayne ($55M) and the assemblage at 545 Wynwood ($18.9M).

Figure 17

Greater Downtown Miami Land Sites

Location	Submarket	Sale Price	Transaction Date	Planned Use
444 Brickell	Brickell	$104,000,000	Dec-13	Mixed-Use
700 NE 26th Terrace	Edgewater	$41,187,000	Feb-14	Residential Condo
200 SE 2nd Street	CBD	$23,100,000	Mar-14	Apartment/Mixed-Use
30 SE 8th Street	CBD	$28,500,000	May-14	Residential Condo
1151 NW 1st Avenue	A & E	$53,700,000	Jun-14	Mixed-Use
Epic Marina Site	CBD	$125,000,000	Jul-14	Residential Condo
SW 3rd Avenue	Brickell	$97,500,000	Jul-14	Mixed-Use
Chetrit Miami River Site	Brickell	$85,048,000	Jul-14	Special Area Plan (Mixed Use)
1400 Biscayne	A & E	$57,300,000	Oct-14	Mixed-Use
3000 Biscayne Boulevard	Edgewater	$19,200,000	Oct-14	Mixed-Use
3201 NE 1st Avenue	Midtown	$14,000,000	Oct-14	Mixed-Use
300 Biscayne Boulevard	CBD	$80,000,000	Dec-14	Residential Condo
Capital at Brickell	Brickell	$74,740,000	Dec-14	Mixed-Use
NWC NE 2nd Ave & 17th St.	Edgewater	$64,000,000	Jan-15	Mixed-Use
501 NE 1st Avenue	CBD	$8,250,000	Jan-15	TBD
1021 SW 1st Ave	Brickell	$26,000,000	Feb-15	Mixed-Use
2201 N Miami Ave	Wynwood	$15,000,000	Mar-15	Mixed-Use
Edge	Brickell	$18,000,000	Jul-15	Condo Hotel
230 SW 3rd St	CBD	$14,250,000	Aug-15	Residential Rental
2900 NE 2nd Ave	Midtown	$55,000,000	Nov-15	Residential Rental
175 SE 25th Rd	Brickell	$48,000,000	Nov-15	Residential Condo
350 Biscayne Blvd	CBD	$65,000,000	Nov-15	Mixed-Use
Rosenberg Wynwood	Wynwood	$18,000,000	Jun-16	Mixed-Use
UPS Site	CBD/Overtown	$31,000,000	Jul-16	Mixed-Use
27th & 2 Wynwood	Wynwood	$30,750,000	Sep-16	Mixed-Use
Wynwood Land +/- 1 Acre	Wynwood	$53,500,000	Oct-16	Mixed-Use
Edelstein Wynwood Sites	Wynwood	$13,125,000	Oct-16	Mixed-Use
Doronin/Jesuit Sites	Edgewater	$54,000,000	Nov-16	Residential Condo
Midtown 8	Midtown	$25,000,000	Nov-16	Residential Rental

Continued...

Land Prices Trends

Figure 17 *(Continued)*

Greater Downtown Miami Land Sites

Location	Submarket	Sale Price	Transaction Date	Planned Use
Wynwood 29 Portfolio	Wynwood	$12,000,000	Nov-16	Mixed-Use
El Eden Site	Brickell	$18,400,000	Jan-17	Mixed-Use
Taplin Site/1428 Brickell	Brickell	$50,000,000	Jan-17	Residential TBD
Marriott Marquis Site	CBD	$45,000,000	Mar-17	Hotel
Modera Edgewater	Edgewater	$21,700,000	Mar-17	Residential Rental
501 NMA Site	CBD	$18,095,000	Mar-17	Residential TBD
Wynwood Two Sites	Wynwood	$11,000,000	Mar-17	Retail
Maizon Sites	Brickell	$14,101,600	May-17	Residential Rental
S&S Assemblage	Edgewater	$33,000,000	Jun-17	Residential TBD
Five Plaza	CBD	$10,000,000	Jul-17	Residential Rental
90 SW 8 St (LAND)	Brickell	$29,450,000	Jul-17	Retail
Mexican Consulate (LAND)	Brickell	$31,750,000	Aug-17	Residential TBD
Midtown 6 Site	Midtown	$27,900,000	Aug-17	Residential Rental
Village/Naranza Sites	Edgewater	$10,640,000	Aug-17	Residential Condo
Perricone's (Land)	Brickell	$16,180,167	Sep-17	Hotel
Edgewater Site	Edgewater	$18,400,000	Sep-17	Residential TBD
400 Biscayne Church Site	CBD	$55,000,000	Jan-18	Mixed-Use
Wynwood Oasis (Carpe/Goltens)	Wynwood	$14,000,000	Mar-18	Retail
6 Plaza/Christ Fellowship/ Downtown 5th (LAND)	CBD	$10,750,000	Jul-18	Residential Rental
Miami Worldcenter Northwest Site	A&E	$16,536,000	Aug-18	Mixed-Use
32 Plaza	Edgewater	$12,500,000	Aug-18	Residential Rental
34th and Biscayne/ The Boulevard Site	Edgewater	$11,500,000	Sep-18	Mixed-Use
West Brickell Apartments (LAND)	Brickell	$14,500,000	Sep-18	Residential Rental
Mishorim Parking Garage (LAND)	CBD	$18,250,000	Oct-18	Mixed-Use
545 Wynwood Assemblage	Wynwood	$18,900,000	Dec-18	Retail
Miami Worldcenter CItizenM Hotel Site	CBD	$10,750,000	Dec-18	Hotel

Opportunity Zone Analysis

In 2017, the federal government passed the Tax Cuts and Jobs Act, a package of tax law changes that allow each state to designate certain lower-income areas as lower-tax "opportunity zones." In Florida, 427 census tracts were designated as opportunity zones for the 2018-2028 period, distributed proportionally by county. These areas enjoy lower taxes for businesses as well as investors along with designated "opportunity funds" that provide capital-gains tax deferment and if properties are developed and held for longer than 10 years, compete elimination of capital gains on all new appreciation post-acquisition.

There are currently four designated opportunity zone tracts that overlap with Greater Downtown Miami, including all of Overtown and portions of the CBD, A&E, Edgewater, and Wynwood. The map below shows the location of the Greater Downtown Miami opportunity zone as it relates to the submarkets defined by the Miami DDA.

It is unclear yet how the Opportunity Zone (OZ) designation will impact development. What is known is that to garner the capital gains benefits of development with an OZ, the OZ fund will be require to make material improvements to the project, and hold the project for 10-years from the deployment of capital to receive maximum capital gains benefit. Investments in the OZ cannot withdraw funds in excess of the capital deployed during this 10-year development timeline. Therefore, condominium development within an OZ is not a likely candidate for the preferential capital gains investor.

This would seem to indicate that those areas within greater downtown Miami that are included in the Opportunity Zone will likely see increased investment activity towards income-producing long-term investments (hotels, rental apartments, retail, office, etc.)

The Overtown submarket in greater downtown Miami has not seen significant investment, but this new OZ designation and associated tax benefits could signal potential for the submarket. Similarly, the western portions of Edgewater and the CBD could also expect increased activity.

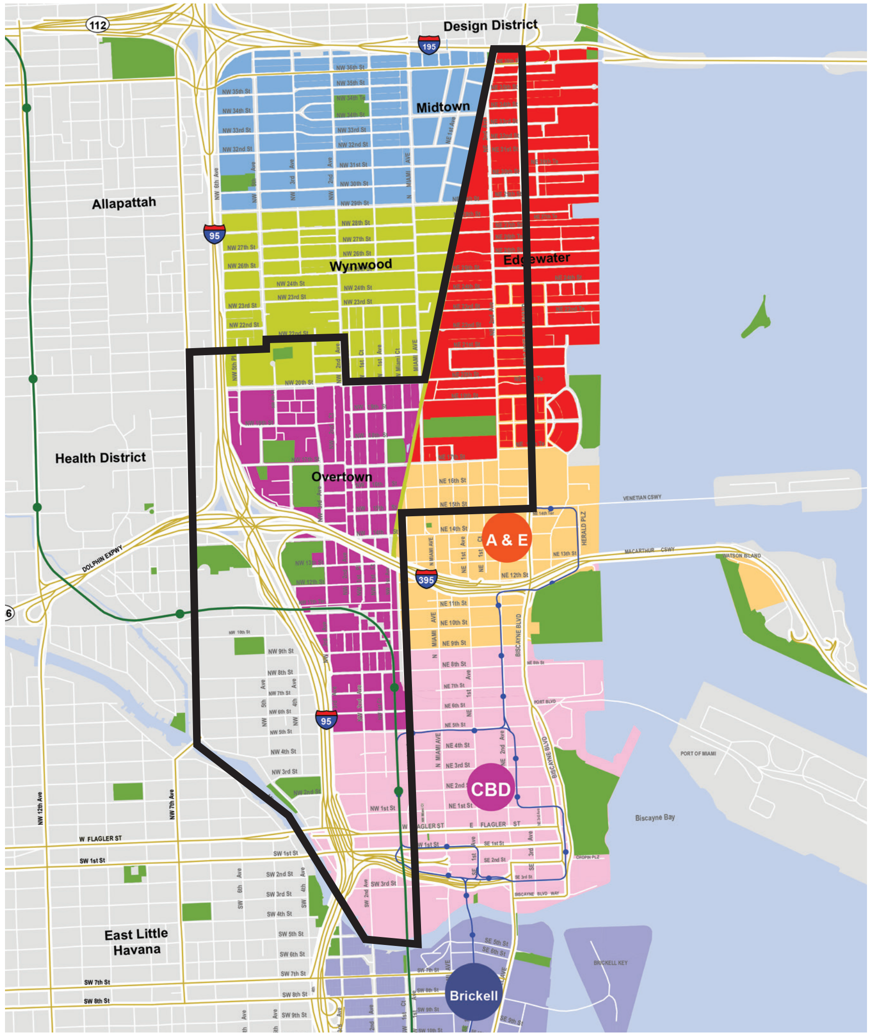
The long-term implications on the level of investment will depend on area fundamentals. Most Opportunity Zone investment funds continue to seek market with strong fundamentals with an assurance to investors that deals must be feasible without the tax benefits considered. In the short-term, we predict increased land investment activity as OZ funds seek opportunities downtown.

The map opposite illustrates the boundaries of the Miami DDA, as well as each submarket within the Miami DDA market.

This map is for illustrative purposes only, and should not be relied upon for making site-specific investments within the opportunity zone.

Greater Downtown Miami Market Submarket Map

Opportunity Zone Boundary



The black boundary is an approximation of the opportunity zone boundary within the Miami DDA District.

Conclusions

Each year, Integra provides an overall Report Card on the drivers of the Greater Downtown Market. We provide our grading and analysis on each of the relative drivers signaling potential strengths and weaknesses in the market which in aggregate contribute to the market's overall health.

Greater Downtown Miami Residential Report Card

Subject	2018	Comments
New Demand/ Pricing	B+	New demand remains slow, but dwindling pipeline and diversity in pricing are positive signs.
Resale Demand/ Pricing	C+	Inventory levels are still building; but prices increased 4%. The grading reflects seller perspective; buyers should view high inventory level as an A+ opportunity.
Rental Demand	B	Conventional occupancy is stabilizing with new rental product absorbing quickly. Recent conventional rental deliveries could impact pricing, but condo rental pricing is up 4%. The balance of under construction rental projects will deliver in 2019-2020.
Local Economic Conditions	A-	Local economy remains healthy. Residential construction projects showing, but overall conditions robust. Outlook is more tempered given macro US trends and warnings. Construction pipeline is slowing (which has direct impact on local economy).
Inventory Spikes	B-	The 2018 bulge of deliveries is been completed, the back-end 2019-2020 deliveries will be less concerning.
International Stability	C	Global economic conditions, political and social strife in South America, and US dollar strength require downgrade to International Stability Ranking.
Construction Costs	B+	Construction cost indices still rising, but informal interviews with major construction companies indicates pricing will be much more competitive in 2019.
Domestic Housing Market	B	Countywide market remained strong in 2018 out-pacing 2017 volumes; supply and pricing are stable in most sectors.
Lifestyle Amenities	B+	Local demand drivers remain strong; Brightline, Tri-rail, and improved metro-rail are all strong mobility investments that favor downtown locations.
Affordability	B	Higher resale inventory should be a positive, but new condo projects lean towards luxury. Conventional Apartment units have a wider array of studio and one-bedroom options which allow for lower monthly housing costs with trade-offs on unit size.
Land Pricing	C+	Land pricing remains high relative to feasible rents/pricing. This may come back into balance in the coming 24+/- months, but will largely depend upon either lower land prices, or higher demand/pricing levels.
Wage Growth	B+	Local economy remains vibrant, and US tax breaks, increased GDP and continued strong job growth signal employment and wage stability.

Condo Development Process Appendix

Proposed	Reservations	Contracts		Under Construction	Completed
The proposed phase is the initial phase of the development process; a conceptual plan for a new building or project is initiated by a developer or property owner. The developer may release a press release or a news story with an initial rendering to gauge the interest in the project, but the project size may change over time to conform to market demand and/or as site due diligence constrains the process.	The reservations phase is the second phase of the development process; the developer and architectural/ design team produce additional renderings and floor plans; the sales centers are opened and the finishes, amenities, and features of the project are disclosed. The developer files with the State of Florida to be able to take reservations and deposits for units during this stage. This begins the pre-sale phase during which reservations are taken.	The contracts phase is when the initial proposition and reservation of a completely undefined development idea meets the actual contracting for sale upon the receipt of further deposits. The architectural and construction drawings are completed; the developer obtains government permitting and approvals. The final unit floor plans are defined as the reservations are converted to sales contracts with additional buyer deposits upon filing of the Master Declaration of Condominium. Changes to these documents are costly, and therefore the development plan tends to be more static following this phase.	The Contracts stage is typically the make-or-break stage of development as the project was either well-received by buyers, investors, and lenders, or it was not. If the developer has as a sufficient number of sale contracts, buyer deposits, and a commitment for financing, the project's construction will most likely commence. If the project was not well-received, either by a lack of pre-sales, or insufficient equity from initial investors or debt financing, a project may be scrapped, shelved, or significantly altered in another future attempt (either later in the cycle or in the next one). Projects which fail the Contracts stage may move all the way back to Proposed during this process.	The site improvements and vertical construction have commenced. At this stage of development, the project has secured sufficient pre-sales with significant deposits and most likely a financing commitment. These projects will enter the market under a reasonably definitive timeline of 24-48 months, depending upon the scale of the project and surrounding infrastructure requirements.	This is the final stage of the development process; as the construction of the units is completed, CO's (Certificates of Occupancy) are issued, and the closing of the unit sales are finalized.

Disclaimer & Acknowledgment

The information provided herein is for informational purposes. This publication does not render legal, accounting, appraisal, counseling, investment, or other professional advice. Should such services or other expert assistance be needed, it is recommended that the services of a competent person or firm, having access to the details of the situation, be employed.

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