

Greater Downtown Miami

Annual Residential Market Study Update

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

February 2016



Greater Downtown Miami

Annual Residential Market Study Update

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

February 2016

For more information, please contact

IRR-Miami/Palm Beach

The Douglas Centre
2600 Douglas Road, Suite 801
Coral Gables, FL 33134
305-670-0001
dbowen@irr.com



Contents

- 2 Key Q1 2016 Conclusions
- 5 Greater Downtown Miami Market Submarket Map
- 6 Greater Downtown Miami Condo Pipeline
- 7 Greater Downtown Miami Market Sizing
- 8 Greater Downtown Miami Market Condo Delivery and Absorption of Units
- 10 Current Selling Projects
- 11 Analysis of Resale
- 12 Current Resale vs. New Product Pricing \$/SF
- 13 Presale Absorption
- 14 Currency Exchange and Purchasing Power
- 16 Submarket Analysis
- 21 Market Drivers
- 22 Major Market Comparison
- 23 Residential Rental Activity
- 26 Conventional Rental Market Supply
- 28 Land Prices Trends
- 30 Occupancy
- 31 Leverage Analysis
- 33 Conclusion
- 34 Condo Development Process Appendix



Key Q1 2016 Conclusions



Millicento

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 2016.

Findings from this year's annual study are outlined as follows:

- New product preconstruction pricing responded to a slower 2015 selling season. Projects which were 80% or more sold-out by Q1-2015 raised prices on average 5%-15%, and projects which were less than 80% sold out dropped pricing or increased broker incentives, or both, to increase market share. The result is that approximately 75% of the inventory under construction is pre-contracted, and 85% of the 2016 deliveries are pre-contracted.
- The under construction pipeline expanded, but will recede again shortly as over 1,500 units will very likely deliver and close by Q3-2016. IRR Miami forecasts that the under construction pipeline will not grow for the balance of 2016.
- The pipeline of contract and reservation inventory declined by 42%, a response to the slower sales activity, and resulting from changes or cancellations of some projects previously in the presale condominium pipeline.
- Resale pricing averaged \$457 per square foot in 2015. This is reflective of newer projects entering the resale inventory market which added to resale statistics. Resale pricing in the first half of 2015 was relatively unchanged; but the second half of the year brought the overall average closing price up nearly 6% above the average price in 2014.
- The resale market's 6% appreciation rate was down markedly from the prior years' back to back 20% appreciation/growth rate, and the forecast for 2016 is consistent with slower pricing expectations.
- The much-anticipated rezoning in Wynwood that would allow residential development of up to 150 units/acre is now codified. This is adding to potential planned inventory, and will likely translate into new project announcements in 2016.

Key Q1 2016 Conclusions

- 11 units were delivered at 250 Wynwood, marking the only completions this quarter. A total of 1,227 units were delivered in 2015. The Crimson (90 Units) is nearly completed and is expected to gain its final occupancy at the beginning of 2016.
- Hyde Midtown has broken ground, with 410 units advancing forward in the pipeline as has Canvas, with 513 units. Elysee, One River Point, and Gran Paraiso have moved to contracts.
- Krystal Tower and Auberge returned to the proposed phase following a cancellation of the Krystal Tower project, with Auberge plan being reworked and potentially expanded to over 1,000 units.
- The 207-unit Bentley Edgewater marks the first condo-hotel of this cycle, and has begun taking reservations. The Satori as well as a reworking of the Edge site in Brickell are also proposed for potential condo-hotels.
- The River Tower in downtown Miami was announced to be moving from condo to rental in November 2015, taking 449 units out of the condo pipeline and moving them to the rental pipeline.
- IRR Miami added an occupancy analysis to this year's forecast to underscore the ownership composition. Our survey of representative projects in each submarket indicate an approximate 35% ownership pool, and a 57% rental participation rate within our sample. Less than 1% of all projects permitted short-term rentals (less than 1-year rental contracts), and an average 6% of total owned inventory was seasonally vacant.
- IRR Miami also conducted a sample analysis of leverage within existing condominium projects in downtown Miami. Our findings indicate that all cash transactions are declining, but still represent 64% of all 2015 transactions having no recorded mortgage. Of the 36% with a recorded mortgage, the average Loan-to-Value (LTV) was 67% with the highest level of leverage experienced in Edgewater. New Construction end user financing increased in 2015, but 78% of all new transactions were cash, with 22% financed. The average LTV on financed transactions was a respectable 59% LTV. The market retains an extremely high degree of equity participation among unit owners which bodes well for price stability.

Key Q1 2016 Conclusions

- The rental market remains in active development mode, and 2016 will mark a very large pipeline of conventional project deliveries. Year over year rent growth has been averaging 5% annually for the past three years, and 2016 deliveries (both condo and conventional apartments) will re-benchmark rent growth expectations. IRR forecasts that downtown demand remains strong, and despite our past predictions of slower rent growth in 2015, the delivery of 880 conventional units and 845 condominium units did not slow rental appreciation in 2015. The coming 12 month deliveries in 2016 will likely exceed the 2015 totals by a factor of two; so IRR once again predicts a slowing of rental rate growth.
- The continued lack of new conventional apartment supply drove conventional rents 3% (3BR) to 17% (Studios) higher year over year. Multi-family deliveries in 2016 will create new competition. Leasing managers indicate demand remains strong.
- SoMa at Brickell has delivered, adding 418 units to greater downtown Miami's apartment supply. Monarc at Met3 has begun leasing. There are over 5,300 units within conventional rental projects under construction against an existing inventory of 2,900 +/- units. Over 8,000 units are proposed, including up to 1,500 units at the Melo Group's Melody II as well as over 700 units in greater Midtown Miami.

Respectfully,

Integra Realty Resources (IRR) – Miami/Palm Beach

Anthony M. Graziano, MAI, CRE, FRICS
Senior Managing Director

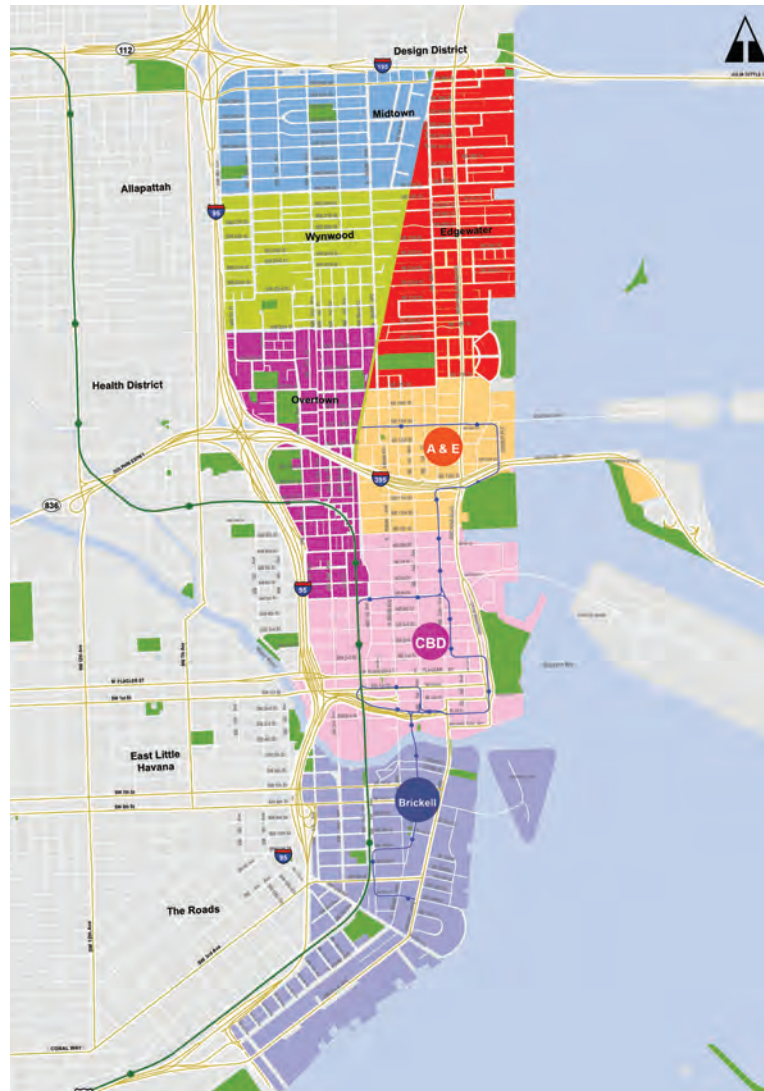
Craig Werley, CRE
Director - Market Research

Dan Bowen
Market Research Analyst

Greater Downtown Miami Market Submarket Map



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



Greater Downtown Miami Condo Pipeline



Brickell House

The following chart summarizes IRR Miami’s update of the current condo pipeline activity within the entire Greater Downtown Miami Market area, by Submarket, development phase and sales status. The following 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 (Units) – Q1-2016



Submarket	Complete	Under Construction	Contracts	Reservations	Proposed	Totals
A & E	0	596	0	0	3,208	3,804
Brickell	1,317	3,698	955	0	4,819	10,789
CBD	0	352	472	0	6,906	7,730
Edgewater	561	2,252	447	207	2,009	5,476
Midtown	0	410	0	0	195	605
Wynwood	11	0	0	0	478	489
Total (2015)	1,889	7,308	1,874	207	17,615	28,893
Total (2014)	1,044	6,019	2,070	1,598	12,543	23,274

The number of units in the Contracts phase has not changed meaningfully year-over-year, although it has increased since the Summer of 2015 as 417 units entered contracts in Edgewater (Gran Paraiso + Elysee) and 406 units entered into contracts at One River Point, as 410 units at Hyde Midtown broke ground. Currently, 7,308 units are under construction; up over 1,000 from last year’s Q4-2014 report.

The number of proposed units, 17,615 +/-, includes a substantial number of units that are from the MUSPs issued in the previous cycle and several large-scale projects that will be extended over a longer timeframe. However, this number is up from 15,500 units in Q4-2014, indicating more projects are moving forward in the planning stages.



Greater Downtown Miami Market Sizing



Figure 2
Current Greater Downtown Miami Market Size – Q1-2016



Submarket	Current Market Size ^[1]	Current Growth	% Growth	Potential Long Term Growth	% Growth Longterm
A & E	4,052	596	15%	3,208	79%
Brickell	21,160	4,653	22%	4,819	23%
CBD	6,288	824	13%	6,906	110%
Edgewater	4,613	2,906	63%	2,009	44%
Midtown	978	410	42%	195	20%
Wynwood	111	0	0%	478	431%
Total (2015)	37,202	9,389	25%	17,615	47%
Total (2014)	36,357	9,687	27%	12,543	34%

[1] Includes all 2014-2015 new deliveries. Net change of 1,227 units in 2015, 566 in 2014, and 96 in 2012.

[2] Long-Term Growth is the remaining Conceptual units, net of current growth.

[3] Current Growth is all Under Construction, Contracts and Reservations.

Through December 2015, Wynwood and the CBD represent the two submarkets with the largest expansion potential over their existing base, as demonstrated by their highest long-term growth percentage, although Wynwood currently has no projects under construction with the completion of 250 Wynwood. By the middle of 2016, Edgewater may overtake Brickell in terms of the number of total units under construction following the planned delivery of Brickell City Centre in late 2016.



Greater Downtown Miami Market Condo Delivery and Absorption of Units



Figure 3 shows historic condo deliveries and absorption since 2011. On average, slightly over 2,000 units have been delivered. These numbers have been revised and supersede prior versions of this table, including that in the Q1 2015 report due to minor corrections in the historic delivery schedules pre-2005.

Figure 3

Greater Downtown Miami Historical Condo Development (2001-2015)



Year Built	Number of Units Delivered	Cumulative Deliveries
2001	436	-
2002	319	436
2003	183	755
2004	2,272	938
2005	1,953	3,210
2006	1,860	5,163
2007	4,500	7,023
2008	10,111	11,523
2009	306	21,634
2010	530	21,940
2011	346	22,470
2012	96	22,816
2013	0	22,912
2014	566	22,912
2015	1,227	23,478
Total/Average Delivery		24,705
11 Year Cycle (2001-2011):		2,043
5 Year Cycle (2008-2013):		1,898
IRR Miami Estimated Typical Annual Demand +/-		2,000

Based on the prior delivery of units from 2001-2011 and 2008-2012, IRR concludes to normalized absorption of 2,000 units per year. With 7,308 units under construction and approximately 85% (See Figure 1) presold over the past 3 years, the market is reaching a point of equilibrium against historical demand patterns.



Greater Downtown Miami Market Condo Delivery and Absorption of Units

Figure 4
Current Greater Downtown Miami Condo Demand



	Current Cycle Projected Delivered Units	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	3,438	2,000	2,769
2017	4,077	2,000	692
2018	2,022	2,000	670
2019	2,172	2,000	498
2020	TBD	2,000	TBD
2021	TBD	2,000	TBD
2022	TBD	2,000	TBD

From this historical perspective, we can normalize demand based on historical patterns by restarting the cycle using an average 2,000 per year demand model. The declines in Pent-Up demand starting in 2015 are consistent with current market dynamics. As more inventory delivers, the historical pre-sales of units is absorbed with fewer future buyers “pent-up.” Nonetheless, while the pent-up demand is declining, the existing pre-sale projects under construction are 85% presold on average. New projects may face a more competitive environment unless differentiated on quality, location, or both.



Current Selling Projects



Figure 5
Current Greater Downtown Miami Under Construction Pipeline



Submarket	Name/Location	# Units	Avg Price	Avg SF	Avg \$/SF
A&E	1000 Museum	83	\$6,937,775	5,389	\$1,287
A&E	Canvas	513	\$459,650	892	\$516
Brickell	Le Parc	128	\$593,309	1,272	\$467
Brickell	The Bond	328	\$656,863	960	\$603
Brickell	Echo Brickell	180	\$1,291,000	1,510	\$875
Brickell	1010 Brickell	387	\$710,817	1,283	\$527
Brickell	Brickell Ten	155	\$410,887	1,050	\$391
Brickell	Brickell Heights - East	350	\$538,910	1,078	\$575
Brickell	Brickell Heights - West (BH02)	332	\$542,000	983	\$552
Brickell	SLS Lux	534	\$816,000	1,250	\$653
Brickell	SLS Hotel & Residences	450	\$521,759	1,117	\$467
Brickell	Brickell CityCentre - Reach	390	\$889,200	1,368	\$650
Brickell	Brickell CityCentre - Rise	383	\$923,400	1,368	\$675
Brickell	Cassa Brickell	81	\$733,000	1,060	\$600
CBD	Centro	352	\$308,945	703	\$439
Edgewater	Aria on the Bay	647	\$746,733	1,317	\$581
Edgewater	Biscayne Beach	399	\$688,723	1,305	\$528
Edgewater	26 Edgewater	86	\$312,662	645	\$485
Edgewater	The Crimson	90	\$623,194	1,143	\$545
Edgewater	Paraiso Bay Tower I	360	\$782,000	1,360	\$575
Edgewater	One Paraiso	272	\$1,201,627	1,682	\$715
Edgewater	Paraiso Bayviews	398	\$572,000	1,044	\$548
Midtown	Hyde Midtown	410	\$565,900	1,100	\$550
Total/Average		7,308	\$751,342	1,221	\$615

Figure 5.1
Current Greater Downtown Miami Pre-Construction Pipeline



Submarket	Name/Location	# Units	Avg Price	Avg SF	Avg \$/SF
Brickell	Flatiron	549	\$579,465	1,160	\$700
Brickell	One River Point	406	\$2,048,841	2,134	\$960
CBD	Paramount Miami	472	\$1,210,275	1,793	\$675
Edgewater	Bentley Edgewater Condo-Hotel	207	\$601,765	905	\$665
Edgewater	Elysee	100	\$2,881,000	3,383	\$750
Edgewater	The Edgewater	30	\$340,333	778	\$437
Edgewater	Gran Paraiso	317	\$782,000	1,549	\$770
Total/Average		2,081	\$1,149,435	1,628.8	\$706



Analysis of Resale

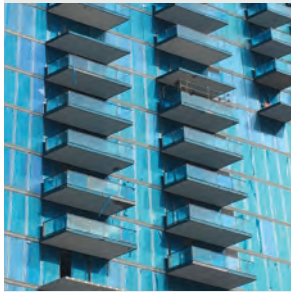
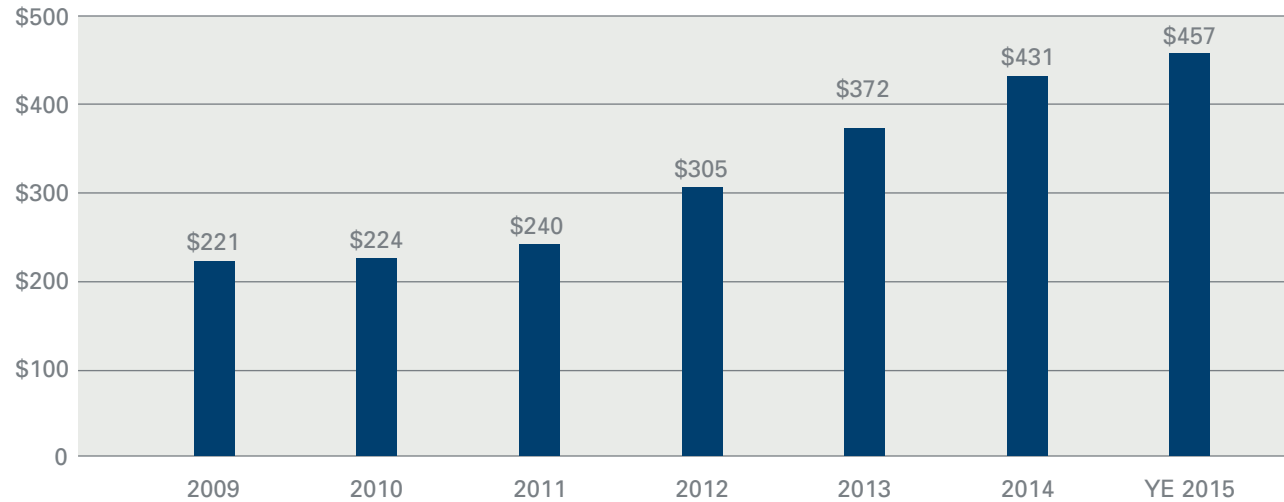


Figure 6
Average \$/SF Sale Price Trend – Greater Downtown Miami Resale Market



The resale market, which includes resales of deliveries in this cycle as well as in the prior development cycle, saw a significant increase in average unit price in 2012 (27%) and 2013 (22%). The resale market realized a 16% increase in 2014 and a 6% increase in 2015, reflecting appreciation since 2010 in excess of 100%. Although property prices are continuing to appreciate, owing both to good performance at older condominiums as well as the delivery of new product, year-over-year appreciation has returned to a stable characteristic of a mature market after several years of price recovery as IRR predicted in prior reports. This stabilization of pricing is healthy for the market, and is consistent with trends in the rental market which correlate to end unit pricing for condo investment sales.

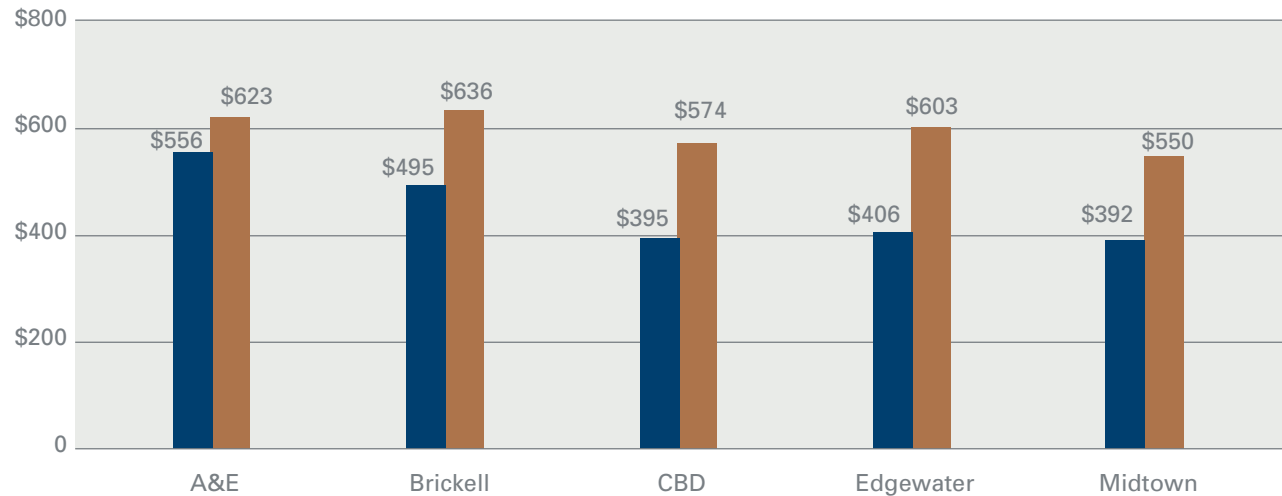


Current Resale vs. New Product Pricing \$/SF



Figure 7
Current Resale vs. New Product Pricing \$/SF

■ Current Resale ■ New Product Pricing



Presale Absorption



It is challenging to characterize all of the input from developers and sales professionals from projects in various stages of completion and sell-out.

The over-arching theme at the conclusion of 2015 was that presale activity, traffic, and contract sales were not nearly as strong as the close of 2014. This was not a late 2015 realization or even a post-Summer surprise, nor was the slowdown in sales unique to only downtown Miami. The slowdown was experienced across all sectors of the pre-construction market county-wide.

The most oft-cited reasoning was the increasing strength of the US Dollar against foreign currencies. IRR Miami had highlighted this issue in last year's report as one of the major headwinds facing the market in 2015. Global economic conditions worsened throughout 2015, and the pre-construction market sales slowed considerably. Our interviews with market participants indicate a range in estimates from 25%-50% reduction in overall activity, and a similar reduction in sales velocity.

As forecast during our periodic market updates, this forced some projects back to the drawing boards or off-line temporarily, and the overall result by year-end 2015 was that the total number of projects taking reservations and in contracts shrunk by 42% year over year. Some projects eased their deposit requirements (explicitly in marketing) to spur sales, and others offered other short-term incentives.

IRR Miami's survey of projects indicates that approximately 75% of the 7,228 units under construction are contracted (sold); and of the units scheduled to deliver in 2016, the sold inventory averages over 85% presold. This level of pre-commitment on projects assures completion of the under construction product, and provides reasonable assurance that downtown will not see any near-term glut of standing vacant inventory.

Projects which were more than 80% sold out by early 2015 kept pricing level, or raised pricing 5%-15% on remaining inventory. Projects between 60%-80% sold out either reduced pricing (10%-25%), reduced initial deposit requirements, or provided off-market incentives to improve their market share.

The presale market survived 2015, and the beginning of 2016, starting with an extremely rainy Art Basel week, has not reinvigorated anyone's enthusiasm for a break-out 2016. At the same time, the market remains stable and retains a healthy balance of pre-sold units relative to the supply under construction.

Currency Exchange and Purchasing Power



The primary driver for the Downtown Miami Condominium market is foreign investment. At the early stages of this cycle, South American capital was extremely strong versus the dollar and represented significant purchasing power for South American buyers using foreign currency to purchase pre-sale units that were being sold in U.S. Dollars. In addition to the favorable currency exchange rates, South American buyers are typically hedging against their own economies, which experience significant fluctuations due to political turbulence.

Due to the recent advance of the U.S. Dollar vs. most South American and European currencies, the advantageous buying power of foreign investors has been diminished significantly since 2011 (with the exception of China). While the Euro has not diminished as much as the South American currencies, its slide vs. the U.S. Dollar has only recently started and is expected to continue to decrease over the next 6-12 months.

The significant slide in currency exchange from 2011-2016 for Russia (-60%), Brazil (-58%), Argentina (-70%) and Venezuela (-32%) could have an impact on projects that were heavily weighted to buyers from these markets as buyers will need to produce proportionally greater funds for the remaining 50% of contracted sale price to close on the units that were contracted in 2012-2013 and will be delivered in 2015-2017. Furthermore, the Chinese Yuan has decreased in the past two years against the US dollar, giving back most of its 2011-2015 gains in the space of twelve months. The performance of these currencies is a substantial factor for overseas buyers, who make up a large percentage of new-construction condo purchasers in Miami.

Currency Exchange and Purchasing Power

Figure 8
U.S. Dollar vs. Foreign Currency Exchange - At USD \$1.00



Country	Currency	Jan-11	Jan-12	Jan-13	Jan-14	Jan-15	Jan-16	Purchasing Power % Change (2014-2016)	Purchasing Power % Change (2011-2014)	Cumulative % Change (2011-2016)
Brazil	Real	0.599	0.513	0.464	0.426	0.373	0.249	-41.57%	-28.88%	-58.45%
Argentina	Peso	0.243	0.220	0.183	0.124	0.117	0.074	-40.32%	-48.97%	-69.55%
Mexico	Peso	0.081	0.076	0.078	0.075	0.068	0.056	-25.33%	-7.41%	-30.86%
Colombia**	Peso	0.547	0.560	0.535	0.503	0.420	0.310	-38.37%	-8.04%	-43.33%
Venezuela	Bolivar Fuerte	0.233	0.233	0.165	0.159	0.159	0.158	-0.94%	-31.76%	-32.40%
Canada	Dollar	1.005	0.982	1.009	0.939	0.847	0.697	-25.80%	-6.57%	-30.67%
Europe	Euro	1.318	1.290	1.316	1.372	1.188	1.090	-20.58%	4.10%	-17.33%
China	Yuan	0.151	0.158	0.159	0.164	0.163	0.152	-7.51%	8.61%	0.45%
Russia	Rouble	0.033	0.031	0.033	0.031	0.017	0.013	-57.77%	-6.06%	-60.33%

Source: Google Public Data/SIX Financial, obtained 1-26-2016



Submarket Analysis

A summary of the key changes to date:



Brickell

One River Point has entered into contracts, and plans have been filed for two new proposals. Swire is proposing up to 668 units on Brickell Key. Similarly, the OKO Group acquired the small condominium at 175 Southeast 25th Road and is reportedly planning to develop a higher-end condominium tower there.



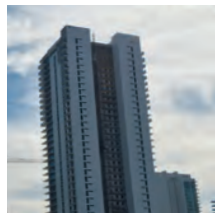
CBD

The 449-unit River Tower has been cancelled as a condominium after the site was sold to Adler Group, a rental developer. Centro is approaching completion with an expected delivery later this year, while Krystal Tower has reportedly suspended sales.



Arts and Entertainment

Revisions to the design of Auberge resulted in it being removed from the reservations stage and added back into Planned Inventory. The developer, Related Group, expects to relaunch sales by mid-2016.



Edgewater

Related has launched sales for Gran Paraiso, and the 100-unit Elysee condominium has also launched sales. Three new towers (2000 Biscayne, The Vine, and 27 Edgewater) were proposed, with a 207-unit condo-hotel (The Bentley Edgewater) proceeding straight to reservations.

Submarket Analysis



Midtown

The first condo groundbreaking in Midtown was Hyde Midtown (410 units) which broke ground Q4-2015. This project spent less than 15 months in contracting before moving to under construction. Under construction rental projects in the submarket include Midtown 5 (400 units) and District 36 (156 Units), both of which will likely deliver by Q1-2017 or before.



Wynwood

The first delivery this cycle has occurred in Wynwood, consisting of 11 units at 250 Wynwood. A number of other projects remain proposed, but none have begun formal marketing as of Q4-2015.

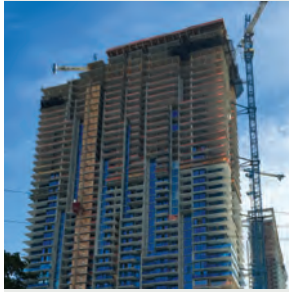


Overtown

While Overtown has seen limited development to date, the proposed Miami Innovation District straddling the eastern border signifies future potential for the neighborhood, in addition to recent public announcements for the much-anticipated Miami Beckham United soccer stadium in the western Overtown neighborhood. With up to 6.5 million square feet of technology-oriented residential and office development proposed, the Miami Innovation District would bring large-scale market-rate units further west, paralleling increased interest in other inland neighborhoods such as Midtown and Wynwood.

Submarket Analysis

A detailed chart with project names, number of units, and current pricing for each submarket is located within the following pages.



Brickell CityCentre

Brickell

North: Miami River
 South: SW 26th Road
 East: Biscayne Bay
 West: Interstate 95

Brickell

Figure 9
 Brickell Condominium Projects



Name/Location	# Units	Average Unit Price	Average SF	Avg. \$/SF
Le Parc	128	\$593,309	1,272	\$467
The Bond	328	\$656,863	960	\$603
Flatiron	549	\$579,465	1,160	\$700
One River Point	406	\$2,048,841	2,134	\$960
Echo Brickell	180	\$1,291,000	1,510	\$875
1010 Brickell	387	\$710,817	1,283	\$527
Brickell Ten	155	\$410,887	1,050	\$391
Brickell Heights - East	350	\$538,910	1,078	\$575
Brickell Heights - West (BH02)	332	\$542,000	983	\$552
SLS Lux	534	\$816,000	1,250	\$653
SLS Hotel & Residences	450	\$521,759	1,117	\$467
Brickell CityCentre - Reach	390	\$889,200	1,368	\$650
Brickell CityCentre - Rise	383	\$923,400	1,368	\$675
Cassa Brickell	81	\$733,000	1,060	\$600
Total Brickell	4,653			

Under construction Brickell inventory declined year-over-year from 3,983 units under construction (Dec 2014) to 3,614 units (Dec 2015). This inventory will reduce again following the early 2016 delivery.



CBD | Arts & Entertainment



Miami Worldcenter

CBD

North: NE 5th and NE 9th Streets
 South: Miami River
 East: Biscayne Bay
 West: Interstate 95/
 NW 1st Avenue



Miami Science Museum

Arts & Entertainment

North: NE 17th Street
 South: NE 9th Street
 East: Biscayne Bay
 West: NW 1st Avenue

Figure 10
CBD Condominium Projects



Name/Location	# Units	Average Unit Price	Average SF	Avg. \$/SF
Paramount Miami	472	\$1,210,275	1,793	\$675
Centro	352	\$308,945	703	\$439
Total CBD	824			

Figure 11
A&E Condominium Projects



Name/Location	# Units	Average Unit Price	Average SF	Avg. \$/SF
1000 Museum	83	\$6,937,775	5,389	\$1,287
Canvas	513	\$459,650	892	\$516
Total A&E	596			



Edgewater | Midtown



Edgewater

Edgewater

North: Interstate 195
 South: NE 17th Street
 East: Biscayne Bay
 West: Railroad Tracks



Midtown

North: Interstate 195
 South: NW 29th Street
 East: Railroad Tracks
 West: Interstate 95

Figure 12
Edgewater Condominium Projects



Name/Location	# Units	Average Unit Price	Average SF	Avg. \$/SF
Aria on the Bay	647	\$746,733	1,317	\$581
Biscayne Beach	399	\$688,723	1,305	\$528
26 Edgewater	86	\$312,662	645	\$485
Bentley Edgewater Condo-Hotel	207	\$601,765	905	\$665
Elysee	100	\$2,881,000	3,383	\$750
The Crimson	90	\$623,194	1,143	\$545
The Edgewater	30	\$340,333	778	\$437
Gran Paraiso	317	\$782,000	1,549	\$770
Paraiso Bay Tower I	360	\$782,000	1,360	\$575
One Paraiso	272	\$1,201,627	1,682	\$715
Paraiso Bayviews	398	\$572,000	1,044	\$548
Total Edgewater	2,906			

Figure 13
Midtown Condominium Projects



Name/Location	# Units	Average Unit Price	Average SF	Avg. \$/SF
Hyde Midtown	410	\$565,900	1,100	\$550
Total Midtown	410			



Market Drivers



Greater downtown Miami's market drivers remain comparable year-over-year. The brand "Miami" continues to attract international interest, and the market remains driven by foreign investor-owners, many of whom purchase units to hold for rental-investment purposes. The drivers of the downtown Miami brand include:

Public Transportation - Construction is firmly in progress for All Aboard Florida's Miami terminal and TriRail, a regional rail line throughout South Florida, is planning on including a stop at All Aboard's station. Miami's popular free trolley system is likely to expand, with the City planning new routes to Little Havana, Coconut Grove, and Wynwood.

Entertainment and Retail/Shopping - Brickell City Centre continues to attract a growing tenant roster, including a recently announced flagship Apple store. At the close of 2015, Miami Worldcenter announced a redesign of their traditional enclosed mall design and anchor tenant plans, and is currently focusing on a high-street retail focus. The 2016 IRR/Miami DDA retail market report highlights key retail drivers including an expanding tourism base, expanding local population base, and increased downtown employment as the three primary contributors to the expanding retail-entertainment base.

Cultural - The Frost Science Museum is scheduled to open in late 2016 and this year's Miami International Boat Show was held at the Miami Marine Stadium, just outside the DDA's Brickell submarket. Both of these reflect new cultural/event demand drivers for Greater Downtown.

Sports - The most recent reports have Miami Beckham United targeting a West Overtown site. Although this site is located outside the Greater Downtown boundaries, it is accessible by Metrorail from the downtown area and is less than one mile from the CBD and Overtown submarkets.

Education - Progress continues on a permanent home for the Miami Arts Charter School in Wynwood. The school will have a capacity of roughly 1,200 students. The proposed Miami Innovation District, which is targeting a technology-based employment mix, could provide a hub for educated workers in greater downtown Miami. The downtown FIU Campus and Miami-Dade College campuses continue to expand the student population downtown.

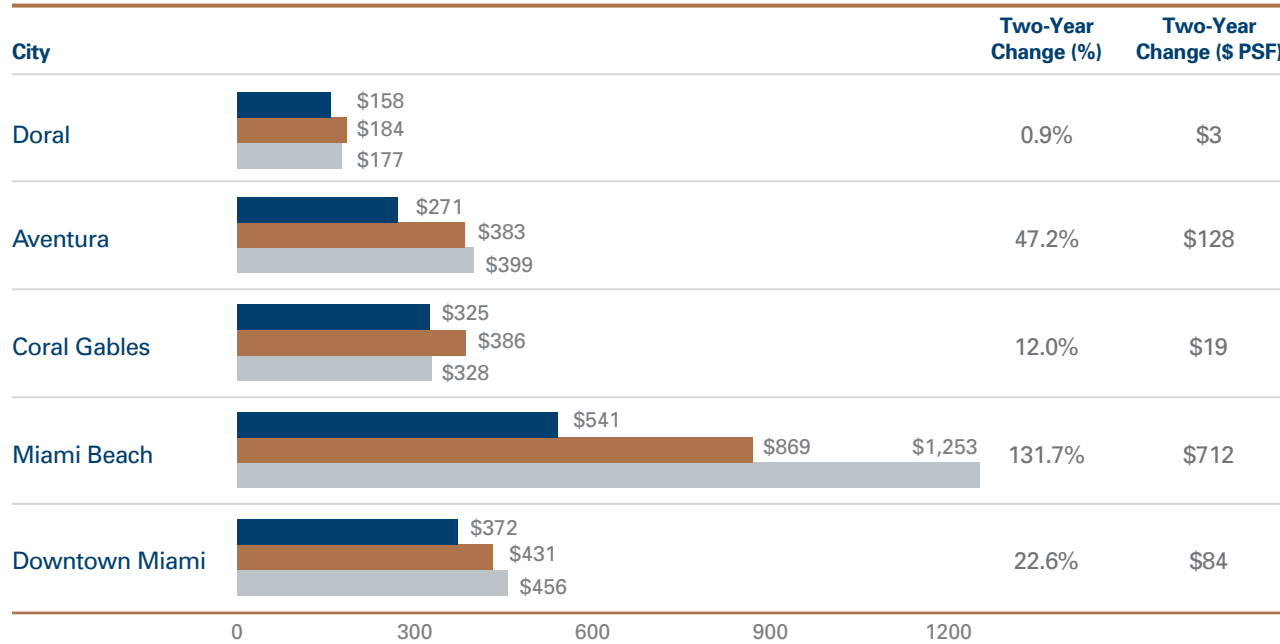
Critical Mass/Market Distinction - Large international events like Art Basel and the Miami Boat Show continue to elevate the perception of downtown lifestyle.

Major Market Comparison



Figure 14
Major Market Comparison – \$/SF

■ 2013 ■ 2014 ■ 2015



Although it remains a bargain when compared to Miami Beach, Downtown Miami has seen the most consistent pricing growth and the second-highest pricing performance of any luxury-condo submarket on the Miami mainland, with three consecutive years of annual increases in average PSF price. Considering the high proportion of ultra-luxury oceanfront condominiums on Miami Beach as well as the lifestyle drivers in Greater Downtown Miami, downtown has continued its strong performance against its competitors.



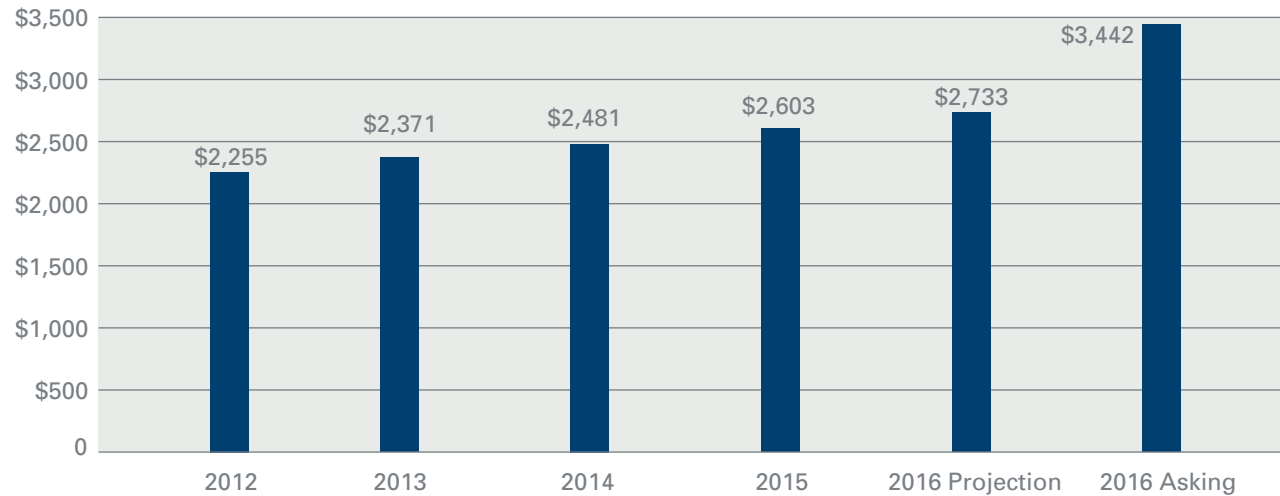
Residential Rental Activity



RR's reporting this summer 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 2015 annual report. Lease rates in the greater Downtown Miami continue to increase with annual lease pricing increasing over 5% per year on average (2012-2013), and 5% per year (2013-2014). Leased rates in 2015 again increased by 5% per year, reflecting continued good performance in the rental market. Current asking rates are quite a bit higher; reflecting the number of ultra-luxury and seasonal rentals that have remained on the market for an extended time. An average monthly pace of 385 units/month were rented downtown in 2015, in line with the 300-450 units/month rented in 2013 and 2014.

Figure 15
Greater Downtown Miami Condominium Average Leasing Price

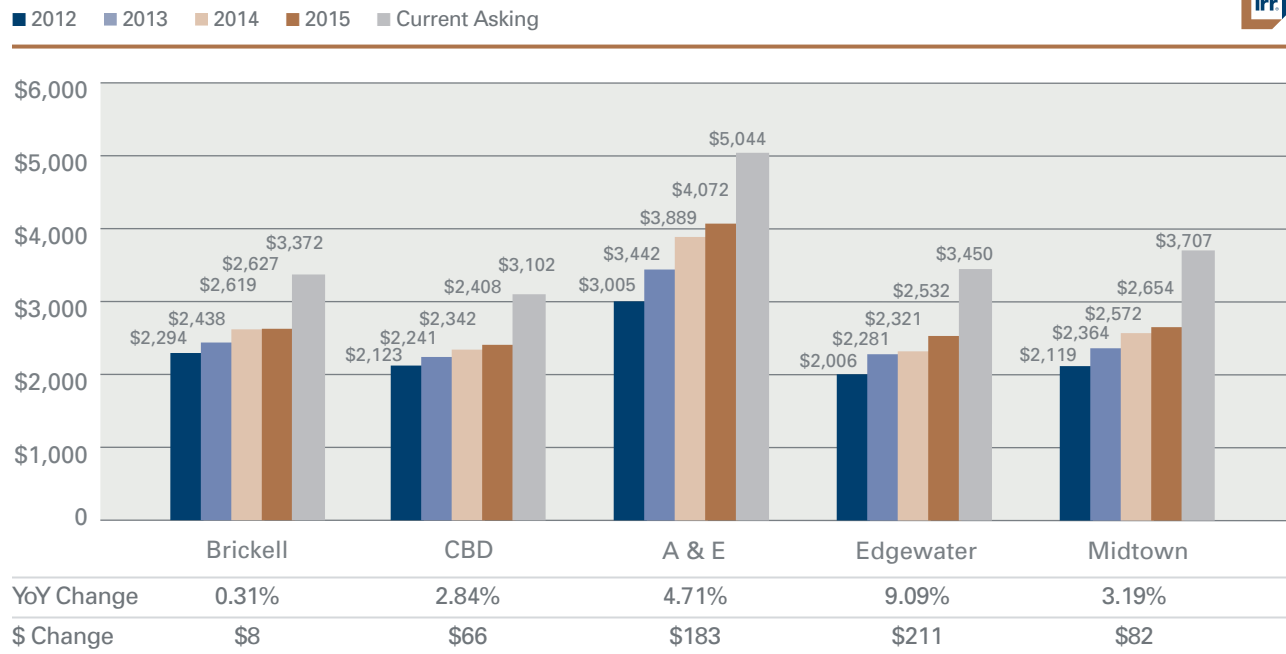
■ Rental \$/Unit



Residential Rental Activity

The following chart illustrates the average monthly lease price (\$) for each submarket. The Arts & Entertainment district continues to command the highest asking and achieved pricing due to a smaller sample with a greater percentage of luxury units along Biscayne Boulevard with unobstructed views of Biscayne Bay and Miami Beach. All submarkets are currently reporting asking rents over \$3,000, although only A&E exceeds \$4,000. The most pronounced rental rate growth has occurred in Edgewater, which was the lowest-priced submarket in 2012 but now is ahead of the CBD and only slightly discounted to Brickell and Midtown.

Figure 16
Greater Downtown Miami Condominium Rental \$/Unit by Submarket

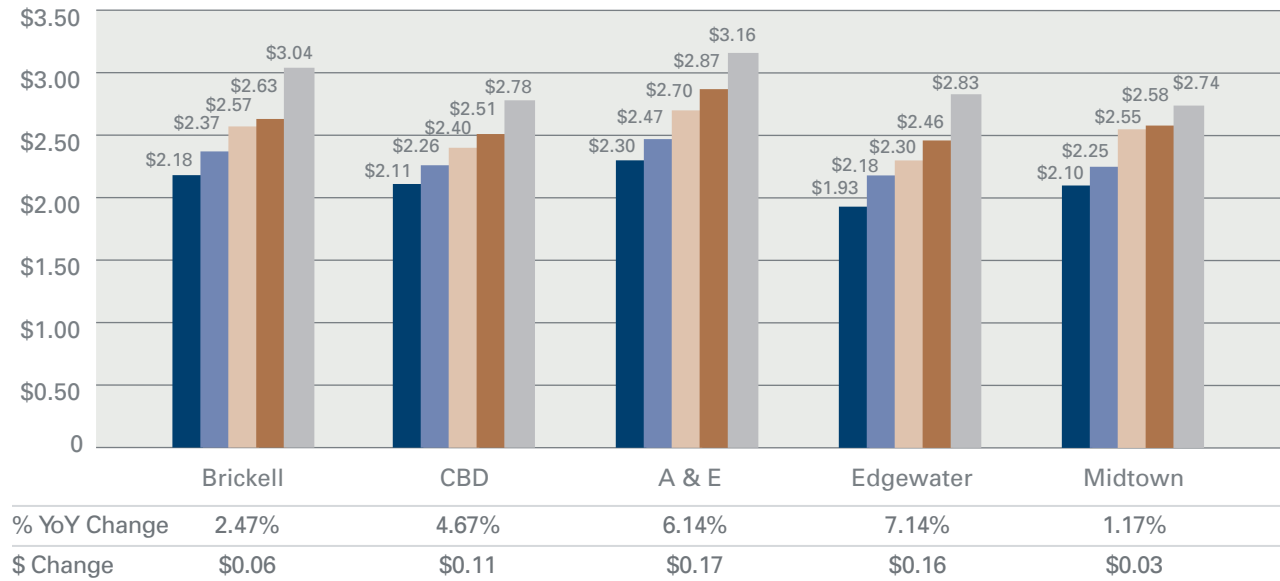


Residential Rental Activity

The table below presents the average PSF asking lease price versus the achieved lease price and the average number of executed leases (MLS only) for each submarket. The Arts and Entertainment district remains the most expensive of the submarkets with several luxury projects located along Biscayne Boulevard with clear views of Biscayne Bay and Miami Beach.

Figure 17
Greater Downtown Miami Condominium Rental \$/SF by Submarket

■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ Current Asking



Conventional Rental Market Supply



Figure 19 illustrates the 28 planned or under construction rental projects with 10,000 (+/-) units within the Downtown Miami market (as compared to the existing conventional inventory of approximately 3,300 units). A total of 880 units delivered or began leasing in two projects (Monarc at Met3 and Soma Brickell) in 2015, with Melody, Broadstone at Brickell, 2500 Biscayne, Midtown 5, District 36, and the 72 market units at Brickell View Terrace also likely to complete in 2016. Total completions in 2016 will likely exceed 2,000 units. As rents have increased and occupancy remains near 100% according to leasing agents, the demand for additional rental projects in Downtown Miami has never been greater.

On the supply side, the pending completions of 4,100 (+/-) conventional units currently under construction, together with the 880 deliveries in 2015, will more than double the conventional inventory of apartments in downtown over the next 18 months. This should constrain the rising rental rates that threaten to price many potential renters out of the Downtown Miami market. In addition, under construction condo inventory at a middle-market sale price will likely introduce a significant number of units onto the market for rent in 2016-2018. This shadow rental inventory could further constrain rent appreciation depending upon the rental participation rate of new projects as they deliver.

Conventional Rental Market Supply

Figure 18
Greater Downtown Miami Rental Pipeline



Submarket	Building	2015 Q4 Status	# Units
A & E	Melody	Under Construction	497
	17 Edgewater	Proposed	240
	14 Plaza	Proposed	650
	Melody II	Proposed	1,500
	School Board	Proposed	TBD
Brickell	One Brickell II	Proposed	500
	Solitair Brickell	Under Construction	438
	Panorama	Under Construction	821
	SoMa	Complete	418
	Broadstone at Brickell	Under Construction	372
	Brickell View Terrace	Under Construction	72
CBD	Monarc at Metropolitan 3	Complete	462
	Avant at Met Square	Under Construction	392
	Luma at Miami World Center	Proposed	429
	MiamiCentral Apartments	Under Construction	800
	Vice	Proposed	464
	Lynx Tower	Proposed	TBD
	Miami World Center Block E	Proposed	418
	7th Street Promenade	Proposed	872
	Miami River Village	Proposed	TBD
	Cultural Center Garage	Proposed	432
	Grand Station	Proposed	300
	River Tower	Proposed	449
	Edgewater	1900 Biscayne	Proposed
2500 Biscayne		Under Construction	156
700 NE 23rd St		Proposed	TBD
700 Edgewater		Proposed	TBD
Midtown	Midtown 5	Under Construction	400
	District 36	Under Construction	197
	Midtown 29	Proposed	309
	Midtown East	Proposed	700
Wynwood	2801 NW 3rd Avenue	Proposed	264
	Wynwood Central	Proposed	69
	2110 N Miami Ave	Proposed	163
	22 NW 24th St	Proposed	80
	2800 NW 2 Ave	Proposed	TBD
		Total:	13,645
		Total # of Units Completed in 2015	880
		Total # of Units Under Construction	4,145
		Total # of Units Proposed	8,620



Land Prices Trends



Gross land prices in Miami remain strong, with three sales over \$30 million in Q4 2015 alone. At the same time, some listings are coming off the market; Midtown Miami's remaining land is no longer actively being marketed, nor is a parking lot in the Arts and Entertainment District that appeared in the previous annual report. The four most recent sales reflect the diversity of uses that are emerging in Greater Downtown Miami.

In order from newest to oldest, they are 350 Biscayne Boulevard (the "World Trade Center site," slated for a mixed retail/office/residential tower), 175 Southeast 25th Road (a condo bought out by the OKO Group for eventual redevelopment), 2900 NE 2nd Ave (purchased by AMLI Residential for mid-rise apartment development), and 230 SW 3rd Street (the River Tower site, containing an approved condo that will be developed as rentals by the Adler Group).

Developers are approaching new development projects more cautiously, and the "land rush" experienced in 2014 has abated somewhat. Land acquisition downtown is entering a new phase where developer-investors are preparing for longer hold times, which will lead to changes in current trading prices.

Land Prices Trends

Figure 19
Greater Downtown Miami Land Sites

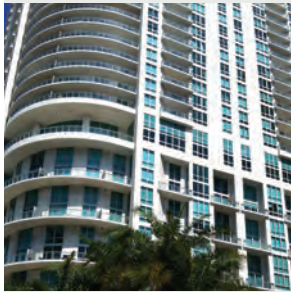


Location	Submarket	Sale Price	Transaction Date	Planned Use
444 Brickell	Brickell	\$104,000,000	Dec-13	Mixed-Use
700 NE 26th Terrace	Edgewater	\$41,187,000	Feb-14	Residential Condo
200 SE 2nd Street	CBD	\$23,100,000	Mar-14	Apartment/Mixed-Use
30 SE 8th Street	CBD	\$28,500,000	May-14	Residential Condo
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
Unity on the Bay*	Edgewater	\$40,000,000	TBD	Residential Condo

*Actively listed site. Price reflects listing price.



Occupancy



IRR was requested to study the occupancy trends downtown as of Q4-2015. We conducted telephone surveys of major projects representing a minimum 10% sample size in each of the Miami DDA districts to provide an extrapolation of occupancy by unit type as follows:

Figure 20
Greater Downtown Miami Rental Surveys



Project	Submarket	% Owner Occupied	% Annual Tenant-Occupied	% Short-Term Rentals [1]	% Seasonally Vacant [1]
Sample Project 1	A&E	31.0%	68.5%	0.5%	Unknown
Sample Project 2	Brickell	19.5%	80.0%	0.5%	0.0%
Sample Project 3	Brickell	22.0%	70%-75.0%	Unknown	3.0%
Sample Project 4	Brickell	15.0%	69.5%	0.5%	15.0%
Sample Project 5	Brickell	39.5%	60.0%	0.5%	Unknown
Sample Project 6	Brickell	39.0%	38.0%	0.0%	23.0%
Sample Project 7	Brickell	66.0%	33.0%	0.5%	0.5%
Sample Project 8	CBD	20.0%	80.0%	Unknown	Unknown
Sample Project 9	CBD	37.5%	62.0%	0.5%	Unknown
Sample Project 10	CBD	40.0%	60.0%	0.0%	0.0%
Sample Project 11	Edgewater	39.5%	55.0%	5.0%	0.5%
Sample Project 12	Edgewater	40.0%	20.0%	0.0%	40.0%
Sample Project 13	Midtown	60.0%	40.0%	0.0%	Unknown
Average		35.6%	57.7%	0.5%	6.2%

[1] "Few" or "Less than 1%" are rounded to 0.5%.

Most inland buildings have 50-80% rental participation. Waterfront and higher-end buildings, as well as those in Midtown Miami, have lower proportions of renters and in some cases have a high percentage of second-home occupiers, although few if any buildings have a majority that is both owner-occupied and full-time residents. One building is largely operating as a hotel and is predominantly composed of short-term rentals and so is excluded from the final results; elsewhere, short term rentals are either not allowed or are a small minority (less than 5% of the rental pool in most buildings). Overall, we can conclude to a rental participation rate of 60-70% for inland buildings and about 40% for waterfront buildings as well as buildings in Midtown Miami, with second homes being scattered and accounting for up to half of owned units at some of the highest-end projects.



Leverage Analysis



Using public records, IRR-Miami conducted a new survey of leverage at several existing and newly-developed developments in various submarkets in order to determine the percentage of all-cash transactions, and the level of leverage used in financed transactions.

The survey is based on an analysis of public record filings of mortgages at time of sale (or lack of mortgages, indicating an all-cash transaction). The below table shows the results of our survey.

Figure 21
Greater Downtown Miami Leverage Analysis - Existing Towers



Submarket	2013		2014		2015	
	% of Sales Financed	% Cash	% of Sales Financed	% Cash	% of Sales Financed	% Cash
A&E	4%	96%	38%	62%	29%	71%
Brickell	20%	80%	15%	85%	29%	71%
CBD	10%	90%	17%	83%	36%	64%
Edgewater	17%	83%	35%	65%	38%	62%
Midtown	15%	85%	49%	51%	52%	48%
Total/Average	15%	85%	28%	72%	36%	64%
Submarket	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾
A&E	61%	-	69%	-	63%	-
Brickell	74%	-	67%	-	62%	-
CBD	75%	-	72%	-	69%	-
Edgewater	83%	-	80%	-	79%	-
Midtown	58%	-	68%	-	57%	-
Total/Average	67%	-	71%	-	67%	-

Greater Downtown Miami Leverage Analysis - New Construction

Submarket	2013		2014		2015	
	% of Sales Financed	% Cash	% of Sales Financed	% Cash	% of Sales Financed	% Cash
Brickell	-	-	8%	92%	18%	82%
Edgewater	-	-	-	-	29%	71%
Total/Average			8%	92%	22%	78%
Submarket	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾	Average LTV ⁽¹⁾
Brickell	-	-	38%	-	62%	-
Edgewater	-	-	-	-	54%	-
Total/Average			38%	-	59%	-

[1] Loan to Value



Leverage Analysis

The vast majority of transactions in each year and almost every submarket were cash-only, with the new-construction properties reporting almost no leveraged purchases.

The percentage of all cash purchases declined on average from 2013 (85%); to 2014 (72%), to 2015 (64%) indicating a higher incidence of mortgage financing more recently. The average LTV (Loan to Price\Value) remained relatively constant at 67% which by all residential standards is relatively low leverage.

New construction LTV's were materially lower at 38% (2014) and 59% (2015).

On balance, the level of residential mortgage leverage in the surveyed properties is extremely low considering the high incidence of all cash purchasers.

Conclusion

As we conclude this year's annual report, IRR Miami notes that a number of our prior analysis points have come to bear on the market. The greater downtown Miami market is showing remarkable signs of maturity in terms of overall equity participation by purchasers, and resiliency in the pre-construction market to weather what was otherwise a lackluster year for new preconstruction condo sales.

Mark Twain remarked that "...The rumors of his death had been greatly exaggerated." The market came into 2015 with difficult and cloudy expectations, and exits the year 2015 with remarkable resiliency.

The ever-present fear of a "Bubble" continues to be greatly exaggerated. The inventory under construction is manageably pre-sold, and the pipeline of new projects in reservations and contracts is shrinking. Investors, bankers, and developers are rightfully approaching the market with caution, and a heightened sense of the need for better due diligence.

The conventional multi-family market is chasing yield based on above-part rental rate growth (5% per year), and continued investor interest driving exit capitalization rates down. These pressures will both abate in 2016, and IRR expects the number of new conventional rental project starts to slow.

IRR previously characterized the market at the turn of 2014 into 2015 as being "in a healthy correction" where market makers acknowledged the headwinds, and proceeded prudently.

This year may mark the point at which we can officially categorize the downtown Miami residential market as "mature." No market is ever immune to economic cycles, but a mature market is one with less volatility owing to wild swings in pricing that create huge winners and losers in unequal proportion. As we had into 2016, there have been far fewer losers throughout this cycle for sure.

Condo Development Process Appendix

Proposed	Reservations	Contracts	Under Construction	Completed	
<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>	<p>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.</p>



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.



Images

- Cover: Photo courtesy of Robin Hill.
- Page 2: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 5: Photo credit: © 2015 IRR-Miami/Palm Beach. Map courtesy Miami DDA.
- Page 6: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 7: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 8: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 10: Brickell, artist's rendering of Brickell CityCentre used by permission of Swire Properties Inc.
- Page 11: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 12: Photo and Map courtesy Miami DDA.
- Page 13: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 16: Brickell, artist's rendering of Brickell CityCentre used by permission of Swire Properties Inc.
CBD, photo courtesy Miami DDA.
Arts and Entertainment, photo courtesy Miami DDA.
Edgewater, photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 17: Midtown, photo courtesy Miami DDA.
Wynwood, photo credit: © 2014 IRR-Miami/Palm Beach.
Overtown, by Ebyabe, Wikimedia Commons.
- Page 18: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 19: CBD, photo courtesy Miami DDA.
Arts and Entertainment, photo courtesy Miami DDA.
- Page 20: Edgewater, photo credit: © 2015 IRR-Miami/Palm Beach.
Midtown, photo courtesy Miami DDA.
- Page 21: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 22: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 23: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 26: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 28: Photo credit: © 2015 IRR-Miami/Palm Beach.
- Page 30: Photo credit: © 2014 IRR-Miami/Palm Beach.
- Page 31: Photo credit: © 2015 IRR-Miami/Palm Beach.

About Integra Realty Resources

With corporate headquarters in New York City, Integra Realty Resources (IRR) is the largest independent commercial real estate market research, valuation, and consulting firm in North America, with 66 offices and more than 200 MAI-designated members of the Appraisal Institute who are among its more than 900 employees located throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services. Many of the nation's largest and most prestigious financial institutions, developers, corporations, law firms, and government agencies are among its clients. For more information, visit www.irr.com or blog.irr.com.





Contact Information:
200 S. Biscayne Blvd, Suite 2929
Miami, Florida 33131

T - 305.579.6675
F - 305.371.2423
W - MiamiDDA.com