

Brickell's skyline takes shape as supply-and-demand curve shifts

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More condos rise in Brickell on April 17, 2015

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Brickell's skyline is changing and as it does, so too is the supply-and-demand curve for condos in what is touted as Miami's fastest-growing hub. At the middle to end of 2014, - international buyers poured into Brickell seeking to purchase preconstruction condos as well as resale units. This continued steadily until midway through the year, with 2015 having a decidedly different feel. The struggles of the Latin American economies coinciding with an increase in inventory saw a slowing in sales as well as an average

price per square foot correction. Last year was one of change for Brickell's residential real estate market, and 2016 will be pivotal.

For the past six months, there has been an average of 27 months inventory in Brickell with the same time period last year averaging around 18.5 months. It is important to keep in mind that a balanced market is around six to nine months, but given the vast number of preconstruction units entering the market, inventory will certainly rise. In 2015, we saw Millicento, Brickell House and Nine open, and in 2016, Brickell City Center, SLS, Bond and Brickell Heights will be completed. This is a total of 2,248 new units, which does include units within new a rental tower, Panorama.

Our advice (taking into consideration the size and number of bedrooms and bathrooms of a unit) is that if you own a condo where your value is \$550 per square foot and over, sell. For those at \$400 to \$500 per square foot, potentially hold, but be careful. And if you want to buy in Brickell, focus on product under \$400 per square foot for the best investment. With that said, unique units — penthouses with high ceilings, limited corner units in top grade buildings and units with very large terraces — should be recognized to a degree outside of these parameters as they may be “one off” deals. Established, high-quality condos with direct water views — for example Bristol Tower, Santa Maria, Asia, Carbonell and Tequesta 2 — may be more resilient to the market correction.

Understanding the anomalies of each individual unit is essential in choosing a wise investment. And with all real estate transactions, each case is different.

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When delivered, the majority of preconstruction units will be injected into the rental market. Fortunately, the population of Brickell is growing rapidly and there has been and will continue to be an increase of amenities to

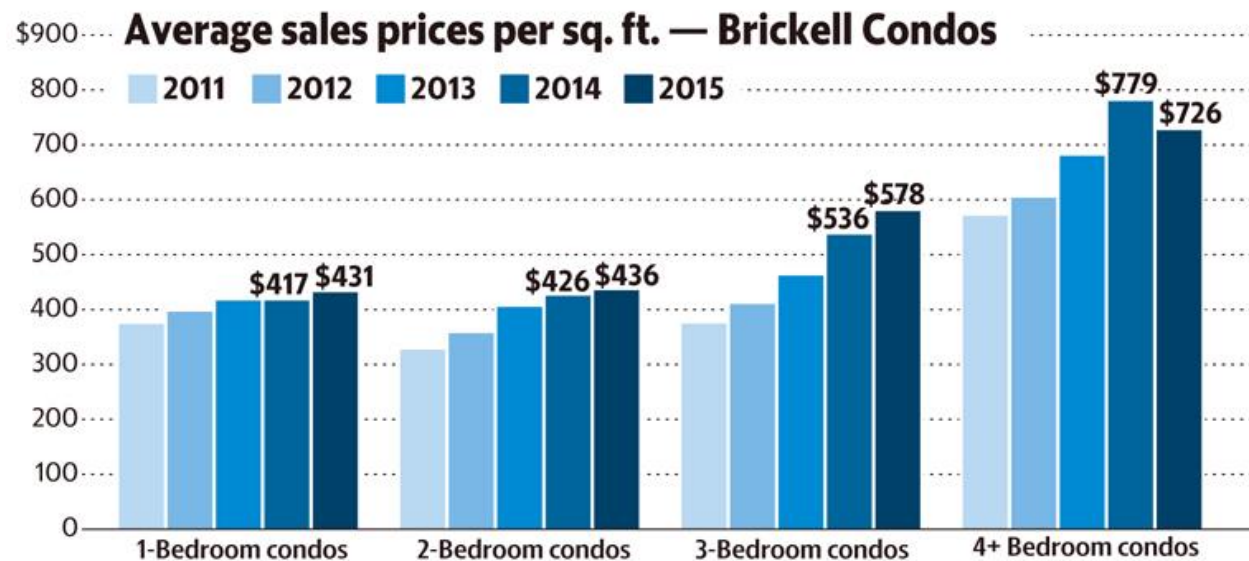
attract renters to the area. In the past year, many new restaurants have opened and major retailers — including Valentino, Chopard, Lululemon and Cole Haan — have announced they've signed leases at Brickell City Center. However, it is unlikely that the market will absorb these new rental units within the next year and we will continue to see rental prices correcting down in Brickell. This will be a welcome relief for renters who have seen rates rise substantially over the past two years.

One side effect of the correcting of the rental rates in Brickell to be considered is that we may see a significant number of these rental units injected back into the resale market. With improved public transportation — the extension of the Metromover directly to the

airport and the widely used Brickell Trolley — paired with the significant absorption of class A and B office space in Brickell, any corrections we may see in the short term will disappear long term. It is anticipated that the market will absorb this rental inventory within two to three years.

What happened in Brickell in 2015?

This is a glimpse of the movement within the Brickell market in 2015.



With key importance, property prices increased in Brickell moderately. The four-bedroom-or more condos saw a price decrease of 7 %. But all the other Brickell condos saw a price increase. One-bedroom units increased on average by 3%. Two-bedroom units increased on average by 2 percent. Three-bedroom units increased on average by 8 percent.



Even though new condos entered the 2015 Brickell market, the rental prices still increased. 1-bedroom: up 2 percent. 2-bedroom: up 5 percent. Three-bedroom: up 2 percent. (For four and more bedrooms, little can be said due to a lack of rentals in this category.)

Source: The David Siddons Group, EWM Realty International: 'Owners Guide 2015: Brickell and Downtown Miami Real Estate'

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Looking ahead, developers are focusing on the next cycle and going to great lengths to secure prime and very rare parcels for development. For instance, Miami-based OKO Group LLC recently purchased 25 Bay Tower for \$48 million and negotiated for five months with each of the tower's 61 individual unit owners to do so. The plan is to

replace the 44-year-old building with a 143-unit luxury tower that will be replete with water views and ease of access into Brickell.

While a few traces remain, Brickell's rich history has given way to rapid urbanization over recent decades. And while the landscape of the residential market will continue to shift as the skyline takes shape, one thing will remain — Brickell is a wonderful place to call home.



Brickell region of Miami

