

SOUTHEAST FLORIDA CONDOMINIUM SUPPLY VS. DEMAND

Reinhold P. Wolff Economic Research, Inc. recently completed a survey of virtually all currently selling condominium developments in Southeast Florida with 25 or more units.

The survey included 262 developments with a planned total of 73,838 units in the three-county area. A slight majority of the units planned in the developments, 37,637, are under construction while 32,696 units have been completed and 3,505 units are not yet started.

The survey revealed that 47,600 or 64.5% of the units planned in the developments have been sold while 25,736 remain to be sold. Measured from the start of their sales programs, the developments have experienced an average monthly sales rate of 9.1 units.

This research firm has prepared a report presenting the results of the survey by submarket areas in each of the three Southeast Florida counties. The following summarizes some of the survey results for each of the three counties:

| County | # Projects | Units Planned | Units Sold | Unsold | Average Monthly Sales Rate |
|-------------------|-------------------|----------------------|-------------------|---------------|-----------------------------------|
| Miami-Dade | 110 | 39,106 | 27,652 | 11,754 | 10.7 |
| Broward | 80 | 18,628 | 9,520 | 9,108 | 8.0 |
| Palm Beach | 72 | 15,804 | 10,428 | 4,874 | 8.0 |
| Southeast Florida | 262 | 73,838 | 47,600 | 25,736 | 9.1 |

L. Keith White, president of the research firm, notes that the major issue regarding the current condominium market is when will the excessive supply of units be eliminated? Many of the 47,600 units reported as sold are actually under contract for sale when construction of the units is completed. It is possible that buyers may not go through with the purchase of as many as one-third or about 10,675 of the units reported as sold. This, combined with units not yet sold, could result in a total unsold inventory of about 36,410 units.

It is estimated that there is a current monthly demand for about 1,160 additional condominium units in Southeast Florida as a whole and this suggests that the current and potential additional inventory represents about 31 months of supply. Allowing that about 10 months of supply of new units would be acceptable to have available in the market for buyers to choose from, it is estimated that the current and potential additional inventory represents about 21 months of supply. Generally, this suggests that an acceptable balance between supply and demand for condominiums could be reached by mid-2009.

Miami-Dade County has the greatest amount of potential supply followed by Broward County then Palm Beach County. In Miami-Dade County the potential supply of available new units stood at 19,835 units in September, 2007 representing about 35 months of excessive supply while in Broward County the potential supply stood at 10,456 units representing about 19 months of excessive supply. In Palm Beach County the 6,119 potential inventory represents about 6 months of excessive supply.

While the above analysis shows countywide data, much of the current and potential additional inventory of unsold condominiums is concentrated in a few major submarkets. The following lists the two major submarkets in each of the counties in which current and potential inventory is the highest:

Miami-Dade County

1. Downtown Miami/Brickell Area
2. Miami Springs/Doral Area

Broward County

1. Pembroke Pines/Miramar Area
2. Fort Lauderdale/Wilton Manors

Palm Beach County

1. Eastern West Palm Beach/Downtown Area
2. Western Boynton Beach Area

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