

Miami Preconstruction Condo Market Update

Post-Inflection Point: Has The Miami Preconstruction Condo Market Rolled Over?

More Underwater Sellers. More Underwater Sales. Increasing Shadow Inventory.
Developers Holding Onto Unsold Units. Underwater Mortgages Are Here Again.

August 9, 2016

The Latest Market Data Indicates That The Miami Preconstruction Condo Market Appears To Be Post-Inflection Point

Latest Trends in the Market

- The Miami preconstruction condo resale market has deteriorated materially since May 2016

Indications That The Market Has Rolled Over:

(1) Current Resale Market Activity

- Preconstruction Condos Resold for a Loss: The number of preconstruction condo owners taking losses on resale is increasing
- Preconstruction Condos Listed for Sale for a Loss: The number of preconstruction condo owners willing to take losses to sell is increasing

(2) Current Condo Supply

- If current sales trends continue, in the next 24 months there will be an unsustainable 56+ years of inventory of newly completed condos on the resale market

(3) Shadow Inventory Increasing

- Large numbers of for-sale listings have recently been withdrawn, canceled, terminated, or expired (and not rented), indicating growing shadow inventory
- Developers are now sitting on unsold units

(4) Underwater Mortgages

- Underwater mortgages on recently delivered condo units are here, which may result in lenders withdrawing from financing the preconstruction condo market altogether

Current trends suggest a glut of inventory in the Miami condo market with low demand from resale buyers...which may drive prices down

Based on Current Trends, What Can We Expect In The Next 24 Months?

Most preconstruction buyers will reluctantly attempt to close on their preconstruction condo purchases due to the 50% deposit structure commonplace in this condo cycle. Whether these buyers will have the financial ability to close remains to be seen...

- Due to lack of demand for new condos in the resale market a subset of preconstruction buyers (unknown in number) will be sellers at significant losses
- Preconstruction buyers unwilling to take losses on their condos will likely flood the rental market with new units
- Owners who attempt to rent their units will be competing with other condo owners during the largest increase in multifamily-apartment construction activity in recent history

...Which will likely result in lenders withdrawing from financing preconstruction condo buyers due to the obvious systemic risks in the market

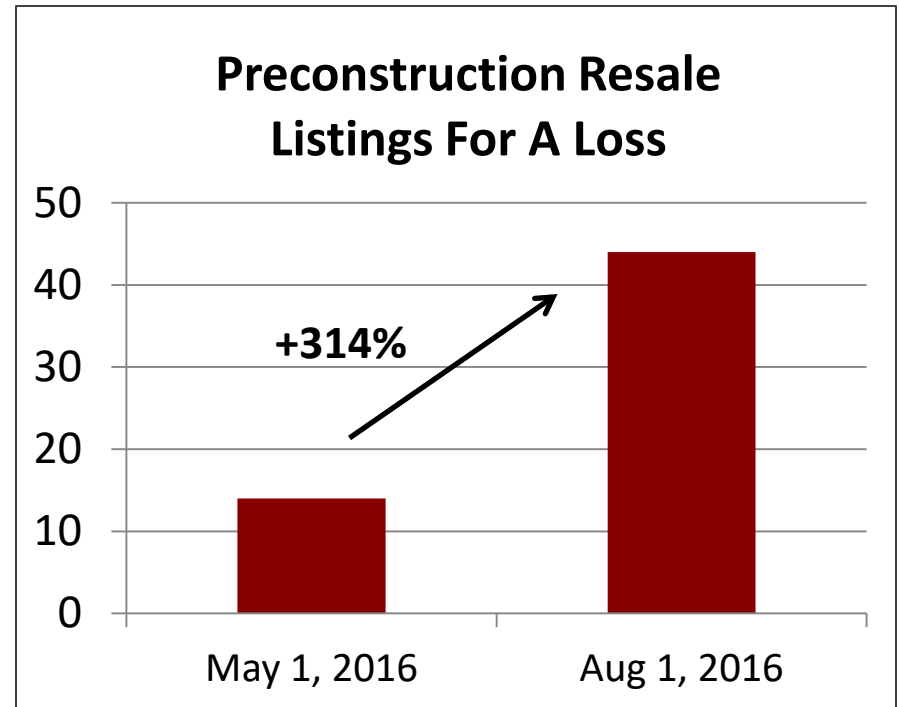
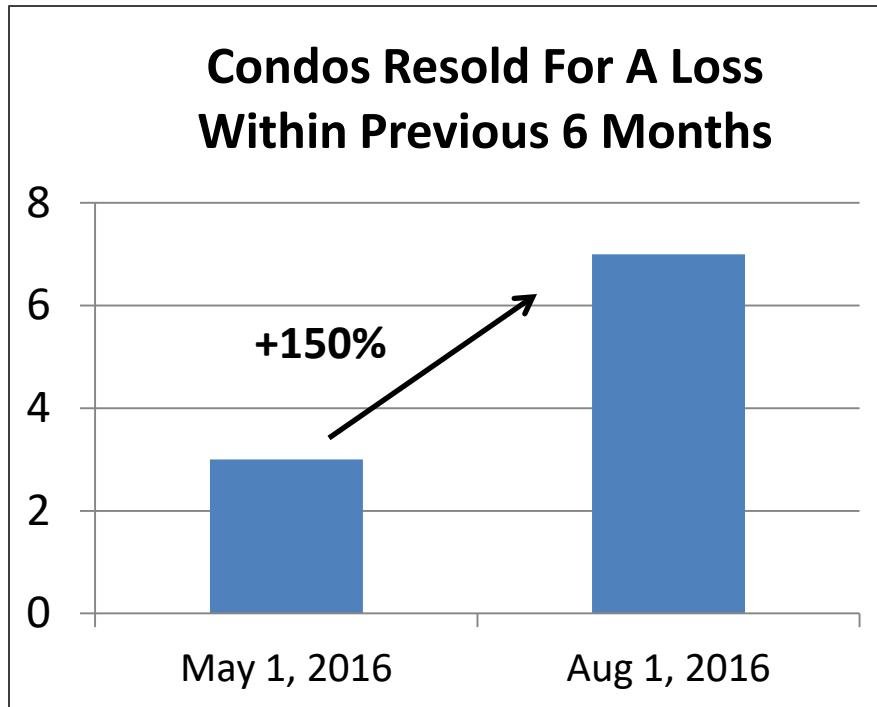
- The first underwater mortgages are emerging in this cycle...lenders who failed to exit the condo market early will likely suffer defaults and losses
- A subset of preconstruction buyers will not be able to close due to lack of financing
- Financing for actual end users and resale buyers will also likely become scarce... which will further shrink the pool of potential buyers and may further depress prices

The next 24 months will likely see a decline in the condo market in both resale prices and rent rates due to preconstruction buyers attempting to mitigate their downside

(1) Current Resale Market Activity

Preconstruction Condos Resold For A Loss
&
Preconstruction Condos Listed for Sale For A Loss

Within The Last 6 Months, Material Increase In Number Of Resales For A Loss & Underwater Listings



Note: Projects with more than 85 units completed from 2012 – 2016; Brickell CityCentre Reach, Crimson, Le Parc Brickell in initial delivery phase and not included; Data as of 8/1/2016

- Within the last 6 months 7 resellers of new preconstruction condos **have sold their units for a loss** (vs. 3 sales for a loss as of May 1, 2016)
- 44 preconstruction condo owners are **willing to take losses to sell** their condos as indicated by underwater listing prices (vs. 14 underwater listings as of May 1, 2016)

**Number of preconstruction units resold for a loss has increased 150%
and number of resale listings for a loss has increased 314%**

Current Underwater Listings & Resales for a Loss Within The Last 6 Months

Project Name	Units For Sale	Listings With Underwater Asking Prices	% Of Listings With Underwater Asking Prices	Closed Sales Last 6 Months	Closed Sales For A Loss Within Last 6 Months	% of Sales For A Loss Within Last 6 Months
MyBrickell	33	3	9%	2	0	0%
Brickell House	77	0	0%	7	3	43%
1100 Millicento	66	7	11%	4	0	0%
Nine at Mary Brickell	46	9	20%	2	1	50%
Bay House	37	3	8%	0	N/A	N/A
Baltus House	40	6	15%	0	N/A	N/A
Icon Bay	86	9	10%	3	1	33%
400 Sunny Isles	78	3	4%	2	0	0%
Marina Palms North	100	3	3%	5	2	40%
Peloro Miami Beach	24	1	4%	0	N/A	N/A
Totals		44		25	7	

Note: Projects with more than 85 units completed from 2012 – 2016; CityCentre Reach, Crimson, Le Parc not included; Data as of 8/1/2016

- 44 preconstruction condo owners are **willing to take losses to sell** their condos as indicated by underwater listing prices for their newly delivered condos
- Within the last 6 months 7 sellers of new preconstruction condos **have sold their units for a loss**

Will buyers on preconstruction condos in this cycle hold onto their units indefinitely OR will they lower asking prices and attempt to sell?

Details On Units Sold For A Loss In Last 6 Months

Project Name	Units For Sale	Unit #	Sale Date	Asking Price	Sale Price	Net Sale Price After 6% Commission	Preconstruction Price Paid	Net Loss
Icon Bay	86	1701	5/19/2016	Off MLS	\$499,700	\$499,700*	\$690,000	\$190,300*
Nine at Mary Brickell	46	2009	5/03/2016	\$450,000	\$420,000	\$394,800	\$410,300	\$15,500
Marina Palms North	100	211	7/1/2016	\$999,000	\$800,000	\$752,000	\$950,000	\$198,000
Marina Palms North	100	LPH-09	7/1/2016	\$1,999,000	\$1,974,000	\$1,855,560	\$1,905,900	\$50,340
Brickell House ¹	77	1701	5/12/2016	Off MLS	\$233,400	\$233,400*	\$376,900	\$143,500*
Brickell House ¹	77	3600	3/21/2016	\$400,000	\$350,000	\$329,000	\$391,900	\$62,900
Brickell House ¹	77	3608	2/11/2016	\$585,000	\$525,000	\$493,500	\$529,900	\$36,400

- The number of owners of preconstruction condos **losing money on on resale is increasing**
- Where sellers have sold for a **loss the amount of the loss on sale is increasing**
- If the trend continues **more sellers will incur deepening losses on resale** as indicated by asking price trends

¹Brickell House: Features a robotic garage that is currently inoperable. Company that installed the robotic garage is in Chapter 7 bankruptcy liquidation. This particular drama is probably uniquely affecting the marketability and value of units at this project.

* Projects with more than 85 units completed from 2012 – 2016; Off MLS transaction net sale price not including 6% deduction for Miami standard sales commission; All data as of 8/1/2016

Some preconstruction buyers have taken a loss on resale, many more are willing to take losses in order to sell...

Details On Current Underwater Listings On Resale Condos For Sale

Project Name	Units For Sale	Unit #	Asking Price	Net Asking Price After 6% Commission	Preconstruction Price Paid	Net Loss If Sold At Asking Price
400 Sunny Isles	78	622	\$1,350,000	\$1,269,000	\$1,315,000	\$46,000
400 Sunny Isles	78	1501	\$1,350,000	\$1,269,000	\$1,270,000	\$1,000
400 Sunny Isles	78	1904	\$950,000	\$893,000	\$1,090,000	\$197,000
Icon Bay	86	705	\$575,000	\$540,500	\$587,000	\$47,400
Icon Bay	86	706	\$549,000	\$516,060	\$521,900	\$5,840
Icon Bay	86	803	\$577,000	\$542,380	\$564,900	\$22,520
Icon Bay	86	804	\$576,000	\$541,440	\$564,900	\$23,460
Icon Bay	86	808	\$849,000	\$798,060	\$799,900	\$1,840
Icon Bay (pending sale)	86	907	\$538,000	\$505,720	\$580,900	\$75,180
Icon Bay	86	1105	\$585,000	\$549,900	\$566,900	\$17,000
Icon Bay	86	2407	\$625,900	\$588,346	\$593,900	\$5,554
Icon Bay	86	2604	\$640,000	\$601,600	\$606,900	\$5,300
MyBrickell	33	606	\$300,000	\$282,000	\$286,900	\$4,900
MyBrickell	33	1501	\$399,999	\$375,999	\$399,900	\$23,901
MyBrickell	33	1705	\$259,000	\$243,460	\$256,900	\$13,400

Note: Projects with more than 85 units completed from 2012 – 2016, resales listed on the MLS; Data as of 8/1/2016

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Details On Current Underwater Listings On Resale Condos For Sale

(Continued)

Project Name	Units for Sale	Unit #	Asking Price	Net Asking Price After 6% Commission	Preconstruction Price Paid	Net Loss If Sold At Asking Price
Baltus House	40	702	\$565,000	\$531,100	\$557,900	\$26,800
Baltus House	40	1002	\$570,000	\$535,800	\$569,900	\$34,100
Baltus House	40	1105	\$340,000	\$319,600	\$339,900	\$20,300
Baltus House	40	1118	\$499,000	\$469,060	\$482,900	\$13,840
Baltus House	40	1415	\$315,000	\$296,100	\$297,900	\$1,800
Baltus House	40	1614	\$310,000	\$291,400	\$295,900	\$4,500
1100 Millicento	66	1807	\$429,000	\$403,260	\$425,900	\$22,640
1100 Millicento	66	3304	\$485,000	\$455,900	\$484,900	\$29,000
1100 Millicento	66	3410	\$575,000	\$540,500	\$597,900	\$57,400
1100 Millicento	66	3910	\$640,000	\$601,600	\$634,900	\$33,300
1100 Millicento	66	4003	\$460,000	\$432,400	\$454,900	\$22,500
1100 Millicento	66	4105	\$286,500	\$269,310	\$273,900	\$4,590
1100 Millicento	66	4111	\$639,000	\$600,660	\$608,900	\$8,240
Marina Palms North	100	308	\$749,000	\$704,060	\$722,000	\$17,940
Marina Palms North	100	610	\$1,185,000	\$1,113,900	\$1,132,000	\$18,100
Marina Palms North	100	2001	\$875,000	\$822,500	\$938,000	\$115,500

Note: Projects with more than 85 units completed from 2012 – 2016, resales listed on the MLS; Data as of 8/1/2016

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Details On Current Underwater Listings On Resale Condos For Sale

(Continued)

Project Name	Units For Sale	Unit #	Asking Price	Net Asking Price After 6% Commission	Preconstruction Price Paid	Net Loss If Sold at Asking Price
Bay House	37	2202	\$549,000	\$516,060	\$592,900	\$76,840
Bay House	37	2302	\$639,000	\$600,660	\$609,900	\$9,240
Bay House	37	2505	\$640,000	\$601,600	\$714,900	\$113,300
Nine at Mary Brickell	46	1713	\$450,000	\$423,000	\$437,300	\$14,300
Nine at Mary Brickell	46	1802	\$650,000	\$611,000	\$650,000	\$39,000
Nine at Mary Brickell	46	2215	\$379,000	\$356,260	\$362,000	\$5,740
Nine at Mary Brickell	46	2410	\$439,000	\$412,660	\$575,000	\$162,340
Nine at Mary Brickell	46	2702	\$685,000	\$643,900	\$683,400	\$39,500
Nine at Mary Brickell	46	2807	\$599,888	\$563,895	\$595,000	\$31,105
Nine at Mary Brickell	46	3009	\$419,000	\$422,060	\$441,700	\$47,840
Nine at Mary Brickell	46	3208	\$444,000	\$417,360	\$432,000	\$15,540
Nine at Mary Brickell	46	PH-9	\$720,000	\$676,800	\$680,000	\$3,200
Peloro Miami Beach	24	609	\$795,000	\$751,906	\$769,900	\$17,994

Note: Projects with more than 85 units completed from 2012 – 2016, resales listed on the MLS; Data as of 8/1/2016

Market data indicates that we may be past the inflection point in the cycle due to the increasing number of sellers willing to take losses.

(2) Current Condo Supply

If Current Sales Trends Continue, In The Next 24 Months There Will Be
Over 56 Years Of Inventory Of Newly Completed Condos
On The Resale Market...An Unsustainable Trend

Projects Completed And Projects in Construction In Current Condo Cycle

Projects Completed From 2012 - 2016

- Oceana Key Biscayne
- MyBrickell
- Baltus House
- Brickell House
- 23 Biscayne Bay
- Peloro Miami Beach
- 400 Sunny Isles
- Bay House
- Echo Aventura
- Marina Palms (North)
- 1 Hotel & Homes
- Icon Bay
- 1100 Millecento Residences
- Brickell CityCentre Reach
- Nine At Mary Brickell Village
- Crimson
- Le Parc Brickell

Projects To Be Completed In Next 24 Months

- 1010 Brickell
- 26 Edgewater
- Aria On The Bay
- Armani Casa
- Aventura Park Square
- Bentley Residences and Hotel
- BH02
- Biscayne Beach
- Bond
- Brickell Citycentre Rise
- Brickell Heights East
- Brickell Ten
- Canvas
- Centro
- Echo Brickell
- Esplendor Bay Hotel
- Gran Paraiso
- Grove At Grand Bay
- Hyde Midtown
- Jade Signature
- Marina Palms Yacht Club South
- Merrick Manor
- Metropica
- Oceana Bal Harbour
- One Paraiso
- One Thousand Museum
- Paraiso Bay North Tower
- Paraiso Bayviews
- Paramount Miami World Center
- Park Grove
- Parque Towers
- Porsche Design Tower Miami
- Privé
- Residences By Armani - Casa
- Ritz-Carlton Residences MB
- Ritz-Carlton Sunny Isles
- SLS Hotel And Residences
- SLS Lux
- Surf Club Four Seasons
- The Harbour

Note: Projects with more than 85 Units

In 4 years 3,749 units were completed...in the next 24 months 11,000+ units will be completed

Is There Demand For Resale Condos Once Projects Are Completed?

Project Name	Date Completed	Total Units In Project	Units For Sale On MLS	% of Project For Sale On MLS	Closed Sales Last 6 Months	Pending Sales	Months Of Supply As Of 8/1	Months of Supply As Of 5/1
23 Biscayne Bay	6/2012	96	15	15%	3	1	30	22
MyBrickell	1/2014	191	33	17%	2	2	99	78
Oceana Key Biscayne	10/2014	153	23	15%	5	0	28	17
Brickell House	10/2014	374	77	20%	7	1	66	66
1100 Millecento	1/2015	382	66	17%	4	1	99	140
Nine Mary Brickell	3/2015	390	46	12%	2	0	138	234
Bay House	4/2015	165	37	22%	0	0	∞	∞
1 Hotel & Homes	5/2015	154	23	15%	1	1	138	56
Baltus House	6/2015	167	40	24%	0	2	∞	∞
Icon Bay	6/2015	299	86	29%	3	1	172	97
Echo Aventura	8/2015	190	31	16%	0	1	∞	228
400 Sunny Isles	11/2015	230	78	34%	2	0	234	∞
Marina Palms North	11/2015	234	100	43%	5	1	120	288
Peloro Miami Beach	3/2016	114	24	21%	0	0	∞	∞

Note: Projects with more than 85 units completed from 2012 – 2016; Brickell CityCentre Reach, Crimson, Le Parc Brickell in initial delivery phase and not included; Data as of 8/1/2016

Lack of sales activity and months of supply indicates little resale demand for preconstruction condos delivered in this condo cycle

Current Supply Of Resale Preconstruction Condos: 18% Of New Units Built Since 2012 Are For Sale... A 119+ Month Supply of Inventory At Current Sell-Through Rates

Total projects completed since 2012 ¹	17
Total units completed since 2012	3,749
Total units completed since 2012 listed for sale on MLS	679
Percent of total for resale	18%
Total closed resales in last 6 months	34
Total pending resales	11
Months of supply @ current sales rate²	119+
<p>¹ Brickell CityCentre Reach, Crimson, Le Parc Brickell in initial delivery phase and not included; Projects with more than 85 units completed from 2012 – 2016, resales listed on the MLS; Data as of 8/1/2016</p> <p>² Calculation does not include average of 4 projects with zero resales in last 6 months</p>	

- Recently completed projects have the highest percentage of listings on the MLS for resale
- Months of supply appears to be **unsustainable and 11,000+ additional units are currently in construction to be delivered within the next 24 months**
- Will the next wave of projects to be completed continue this trend and have upwards of 30% - 40% of the units in each project immediately listed on the MLS for resale?

If the current market trends continue and as additional resale inventory is added the market, the market could get scary...

If Current Market Trends Continue: There Will Be A 567% Increase In Resale Condo Supply... Resulting In 56 Years Of Supply At Current Sell-Through Rates

Buildings to be completed in next 24 months	40
Units to be completed in next 24 months	11,000
Projected % of units that will be listed for resale ¹	35%
Projected units that will be listed for resale	3,850
Total 2012-2016 resale units for sale today	679
Projected increase in supply of resale units	567%
Current months of supply @ current sales rate	119+
Projected increase in months of supply @ current sales rate	674+
¹ 35% is probably a conservative estimate...if current trends continue the number of units to be listed for resale could easily approach or exceed 40% of all completed units; Projects with more than 85 units completed from 2012 – 2016, resales listed on the MLS; Data as of 8/1/2016	

- If the current rate of sales continues and another 3,850 resale condos are added to the existing inventory, within 24 months there will be a 674+ month supply of resale condos listed for sale. That is **56 years of supply!** Something will probably have to give
- Pricing will have to adjust lower to meet demand, sellers might give up trying to sell condos and might flood the rental market, or something unexpected may occur due to imbalances in the market

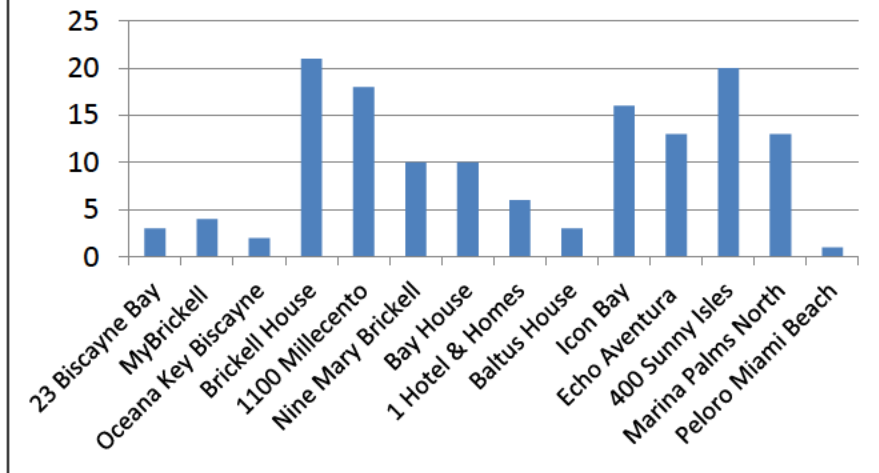
...Market trends indicate that there may soon be 56 years of supply of resale condos on the market. Will that affect values across the market?

(3) Shadow Inventory Increasing

Large Numbers Of For-Sale Listings Have Recently Been Withdrawn, Canceled,
Terminated, Or Expired (And Not Rented)
&
Developers Are Now Sitting On Unsold Units

Shadow Listings & Unsold Developer Inventories On The Rise

Potential Shadow Listings



Note: Data as of 8/1/2016

Unsold Developer Inventory

Echo Aventura

Project First Sale Date	8/11/2015
Total Units in Project	190
Unsold Units	21
Percentage of Project Unsold	11%

- Recent Potential Shadow Listings:** Large numbers of sellers of newly delivered condos have recently pulled their units off the MLS altogether. Will these units be relisted, are they being marketed some other way, or have the sellers simply given up due to poor market conditions?
- Unsold Developer Inventory:** In what may be a first in this condo cycle, a developer did not sell out all units of a condo project at completion. The developer of Echo Aventura has not sold 21 units, 11% of the project, ceased marketing the unsold units for sale on the MLS, is not marketing the units for rent on the MLS, and took out a mortgage covering the unsold units. If this is the start of a trend, how long will developers hold unsold units? Will developers eventually dump unsold units on a discounted individual or discounted bulk sale basis?

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Recent Shadow Listings

Project Name	Date Completed	Total Units In Project	Units for Sale Listed On MLS	% of Project For Sale On MLS	Listings Withdrawn, Canceled, Terminated, Or Expired (And Not Rented) Between 5/1/2016 & 8/1/2016
23 Biscayne Bay	6/2012	96	15	15%	3
MyBrickell	1/2014	191	33	17%	4
Oceana Key Biscayne	10/2014	153	23	15%	2
Brickell House	10/2014	374	77	20%	21
1100 Millecento	1/2015	382	66	17%	18
Nine Mary Brickell	3/2015	390	46	12%	10
Bay House	4/2015	165	37	22%	10
1 Hotel & Homes	5/2015	154	23	15%	6
Baltus House	6/2015	167	40	24%	3
Icon Bay	6/2015	299	86	29%	16
Echo Aventura	8/2015	190	31	16%	13
400 Sunny Isles	11/2015	230	78	34%	20
Marina Palms North	11/2015	234	100	43%	13
Peloro Miami Beach	3/2016	114	24	21%	1

Note: Projects with more than 85 units completed from 2012 – 2016; CityCentre Reach, Crimson, Le Parc not included; Data as of 8/1/2016

The number of listings removed from the MLS in the last 3 months may indicate increasing shadow inventory

Unsold Developer Condo Inventories Contribute To Shadow Inventory

Project Name	Date Completed	Total Units In Project	Pending Sales on MLS	Units For Sale On MLS	% of Project For Sale On MLS	Units Owned By Developer	% of Project Owned by Developer	% of Project For Sale On MLS Or Owned by Developer
Echo Aventura	8/2015	190	1	31	16%	21	11%	27%

*Data as of 8/1/2016

21 Developer Units Remain Unsold at Echo Aventura

- It is unknown why there are still 21 units, 11% of the project, remaining unsold 12 months after initial delivery of the first units in this project. When projects are sold out and sold through all units are typically closed within 6 months from the date of the initial closings

Unsold Developer Units Are Shadow Inventory

- Because developer units might be listed for sale at any time, unsold units are shadow inventory
- Aspiring resellers of newly purchased units might have to compete with developer units

Unsold Developer Units Are Probably Negative Carry For The Developer

- Developer has an outstanding \$24,250,000 mortgage for 20 of the 21 units, \$1,212,500 per unit
- Developer is also responsible for taxes, maintenance fees, and insurance of unsold units

The Start Of A Trend?

- The inflection points of previous condo cycles have been marked by developers getting stuck with unsold developer units. Is this a one-off event for one project, or the start of a trend?

Unsold developer units add to shadow inventory and tend to mark the inflection point in a condo cycle. Time will tell if that is the case here...

(4) Underwater Mortgages

Underwater Mortgages On Recently Delivered Condo Units Are Here,
Which May Result In Lenders Withdrawing From Financing
The Preconstruction Condo Market Altogether

Underwater Mortgages Are Here Again

3 Lowest Price Listings For Sale In Bay House

Project Name	Unit #	Purchase Price	Asking Price	Unit Square Footage	Asking Price Per Square Foot	Asking Price Per Square Foot After 6% Commission
Bay House	2202	\$592,900	\$549,000	1,601	\$343	\$322
Bay House	2505	\$714,900	\$640,000	1,677	\$382	\$359
Bay House	1204	\$575,900	\$630,000	1,601	\$394	\$370

Potentially Underwater Mortgages In Bay House

Project Name	Unit #	Purchase Price	Mortgage Amount	Unit Square Footage	Mortgage Per Square Foot	Potentially Underwater Mortgage
Bay House	3504	\$785,000	\$619,000	1,601	\$387	\$65 p/ft (\$102,940)
Bay House	1701	\$748,900	\$574,450*	1,725	\$333	\$11 p/ft (\$58,390)

*Note: Data as of 8/1/2016 *Total amount of 1st and 2nd mortgage*

- Asking prices for some Bay House units are so low that if they sold at or below asking price, then two mortgages for other units at Bay House might be underwater on a comparable-sales basis
- Details on Bay House:
 - 22% the project listed for resale
 - Zero resales since 9/18/2015
 - 3 units listed for asking prices that would result in a losses to the sellers

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Underwater Mortgages Are Here Again

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3 Lowest Price Listings For Sale In Nine At Mary Brickell Village

Project Name	Unit #	Purchase Price	Asking Price	Unit Square Footage	Asking Price Per Square Foot	Asking Price Per Square Foot after 6% Commission
Nine at Mary Brickell	1505	\$531,300	\$555,000	1,274	\$436	\$409
Nine at Mary Brickell	1706	\$575,000	\$639,900	1,369	\$467	\$439
Nine at Mary Brickell	1713	\$437,300	\$450,000	945	\$476	\$448

Potentially Underwater Mortgages In Nine At Mary Brickell Village

Project Name	Unit #	Purchase Price	Mortgage Amount	Unit Square Footage	Mortgage Per Square Foot	Potentially Underwater Mortgage
Nine at Mary Brickell	1903	\$472,800	\$372,000	821	\$453	\$44 p/ft (\$36,124)

Note: Data as of 8/1/2016

- Asking prices for some Nine at Mary Brickell units are so low that if they sold at or below asking price, then one mortgage at Nine at Mary Brickell might be underwater on a comparable-sales basis
- Details on Nine at Mary Brickell Village:
 - 12% the project listed for resale
 - 138 months of supply at current sales rate
 - 10 units listed for asking prices that would result in a losses to the sellers

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Underwater Mortgages Are Here Again

(Continued)

3 Lowest Price Listings for Sale In 400 Sunny Isles

Project Name	Unit #	Purchase Price	Asking Price	Unit Square Footage	Asking Price Per Square Foot	Asking Price Per Square Foot after 6% Commission
400 Sunny Isles	1904	\$1,090,000	\$950,000	1,705	\$557	\$524
400 Sunny Isles	622	\$1,315,000	\$1,350,000	1,702	\$793	\$746
400 Sunny Isles	1501	\$1,270,000	\$1,350,000	1,688	\$800	\$752

Potentially Underwater Mortgages In 400 Sunny Isles

Project Name	Unit #	Purchase Price	Mortgage Amount	Unit Square Footage	Mortgage Per Square Foot	Potentially Underwater Mortgage
400 Sunny Isles	PH-1	\$1,800,000	\$1,620,000	2,256	\$718	\$194 p/ft (\$437,856)

Note: Data as of 8/1/2016

- Asking prices for some 400 Sunny Isles units are so low that if they sold at or below asking price, then one mortgage at 400 Sunny Isles might be underwater on a comparable-sales basis
- Details on 400 Sunny Isles:
 - 34% the project listed for resale
 - 234 months of supply at current sales rate
 - 3 units listed for asking prices that would result in a losses to the sellers

Standards for underwriting preconstruction condo buyers may adjust if the value of the collateral continues to fall...

Conclusion

Post-Inflection Point: Has The Miami Preconstruction Condo Market Rolled Over?

The Latest Market Data Indicates That The Miami Preconstruction Condo Market Appears To Be Post-Inflection Point

Latest Trends in the Market: Miami preconstruction condo resale market has deteriorated materially since May 2016

Current Condo Cycle: 3,749 condo units have been completed from 2012 through August 2016

- 11,000+ condos are currently in construction to be delivered within the next 24 months

Preconstruction Condos Resold for a Loss

- The number of preconstruction condo owners taking losses on resale is increasing

Preconstruction Condos Listed for Sale for a Loss

- The number of preconstruction condo owners willing to take losses to sell is increasing

56+ Year Condo Supply if Current Sales Trends Continue

- In the next 24 months there will be over 56 years of inventory of newly completed condos on the resale market, which is not sustainable

Shadow Inventory May Be Increasing & Unsold Developer Inventories On The Rise

- Large numbers of for-sale listings have recently been withdrawn, canceled, terminated, or expired (and not rented), which could indicate growing shadow inventory. Unsold developer units add to shadow inventory and tend to mark the inflection point in a condo cycle

Underwater Mortgages on Recently Delivered Condo Units Are Here

- The emergence of the first underwater mortgages in this condo cycle may result in lenders withdrawing from financing preconstruction condo buyers altogether

Current trends suggest an increase in inventory in the Miami condo market with low demand from resale buyers...which may result in lower pricing

If Current Trends Continue, This is What May Occur In The Next 24 Months...

If we are post-inflection point in the condo cycle the most likely chain of events based upon current market trends:

- Most preconstruction buyers will reluctantly attempt to close on their preconstruction condo purchases due to the 50% deposit structure commonplace in this condo cycle.
- Due to systemic market risks evident in the market some lenders will likely withdraw from financing preconstruction condo buyers altogether. As a result, a subset of 50% deposit-holder-buyers will not be able to close their preconstruction purchases due to unavailability of financing for their remaining 50% balance to close.
- A subset of preconstruction buyers, unknown in scope, will close on their units and will be forced sellers for economic reasons and will likely be forced to sell at significant losses.
- Financing for actual end users and resale buyers will also likely become unavailable, which will further shrink the pool of potential buyers and further depress prices.
- Condo lenders who failed to exit the market early will likely see defaults, and lenders will likely realize losses where loans are at the higher end of the LTV spectrum (following short sales and foreclosures).
- Rents will likely tumble as preconstruction buyers unwilling to take losses on their condos flood the rental market with new units.

APPENDIX

- **Current Miami Condo Cycle Overview**
- **The 4 Phases Of The Current Miami Condo Cycle**
- **Volume Of Condos In The 4 Phases During The Current Condo Cycle**
- **Details on The 4 Phases**
- **Unique Characteristics of Phase 4 Preconstruction Buyers**
- **Can Losses On Underwater Units Be Recovered Over Time?**
- **Who Has Exposure In This Condo Cycle?**

Current Miami Condo Cycle Overview

Current Condo Cycle (48+ Months): 2012 – August 2016

First Project Completed:	23 Biscayne Bay in 2012
Last Project Completed:	Le Parc in June 2016
Total Projects Completed:	17
Total Units Completed:	3,749

- Oceana Key Biscayne
- MyBrickell
- Baltus House
- Brickellhouse
- 23 Biscayne Bay
- Peloro Miami Beach
- 400 Sunny Isles
- Bay House
- Echo Aventura
- Marina Palms (North)
- 1 Hotel & Homes
- Icon Bay
- 1100 Millecento Residences
- Brickell CityCentre Reach
- Nine At Mary Brickell Village
- Crimson
- Le Parc Brickell

Note: Projects with more than 85 units

Next 24 months: August 2016 – August 2018

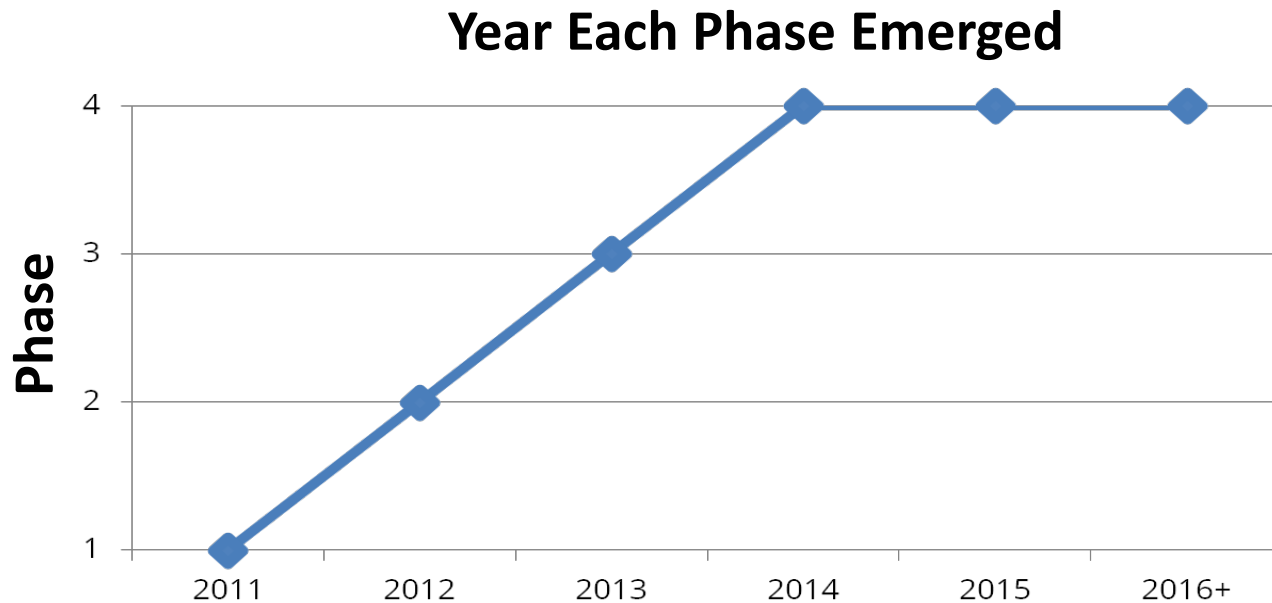
Total Projects in Construction: 40+ to be completed

Total Units in Construction: 11,000+ to be completed

3x as many condos to be completed in next 24 months (11,000+) than have already been completed in current cycle (3,749)

The 4 Phases Of The Current Miami Condo Cycle

- **Phase 1:** Condo projects with 100% deposit structure
- **Phase 2:** Condo projects with 60-80% deposit structure
- **Phase 3:** Condo projects with 50% deposit structure
- **Phase 4:** Condo projects began with 50% deposit structure (majority of condos), then transitioning some portions of some project units to 30% or less deposit structure

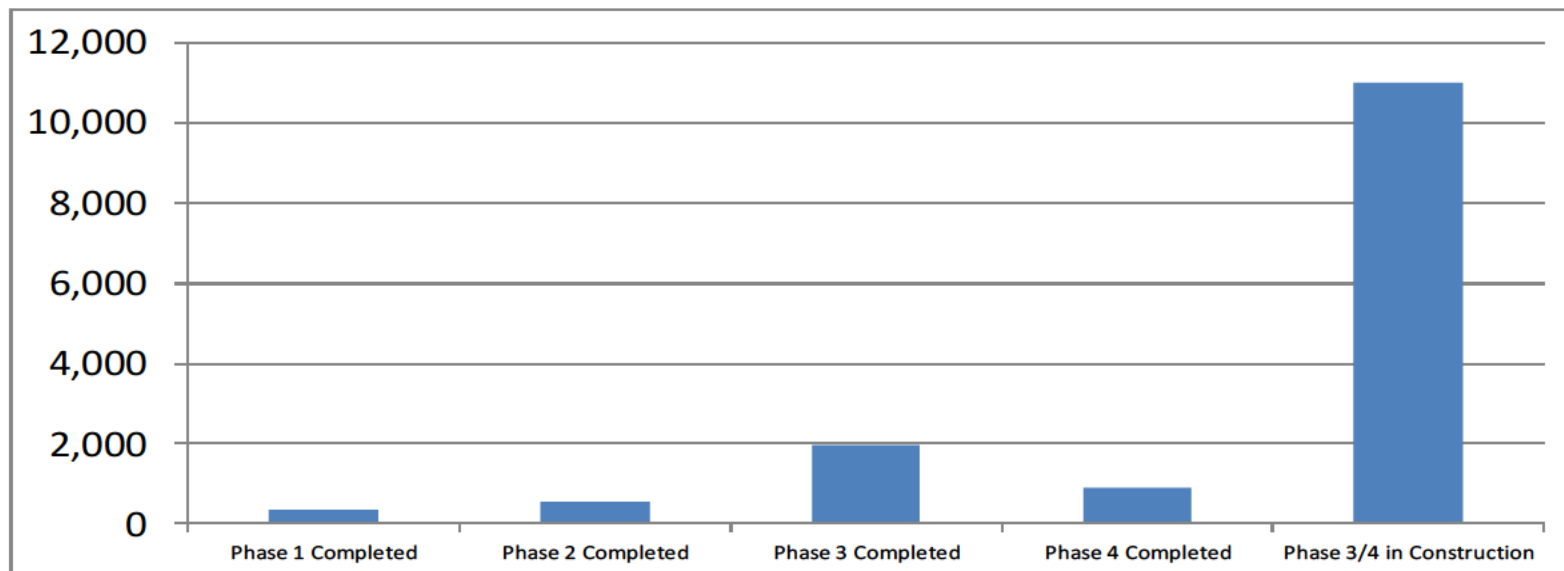


Virtually all current condo projects in construction are in Phase 4 of condo cycle

Volume Of Condos In The 4 Phases During The Current Condo Cycle

- **Phase 1:** 100% deposit structure
- **Phase 2:** 60-80% deposit structure
- **Phase 3:** 50% deposit structure
- **Phase 4:** 50% deposit structure (majority of condos), then transitioning some portions of some project units to 30% or less deposit structure

Number of Units in Each Phase



Note: Projects with more than 85 units

Current condos in construction are 50% or less deposit structure... and eclipse the volume of all other deposit structures in this cycle

Details on The 4 Phases: Lower Deposit Buyers Paid The Highest Premiums With The Most Leverage And The Least Ability To Carry Their Units

Phase 1: 100% Deposit

- Buyers did not require any leverage to close their purchases
- Buyers probably have the financial ability to withstand market turmoil and can afford to carry their units for an extended period of time
- Paid prices at a discount to today's market

Phase 2: 60-80% Deposit

- Buyers generally closed with cash
- Most buyers probably have the financial ability to withstand market turmoil and can afford to carry their units for an extended period of time
- Paid prices at a discount to today's market

Phase 3: 50% Deposit

- Early in the cycle most buyers closed their purchases with cash
- Later in the cycle more buyers required financing to close
- Importantly, Phase 3 buyers likely have less financial capability to carry their units, which may ultimately result in forced selling at whatever prices the market will bear
- Some Phase 3 buyers paid prices at a discount to today's market, but many paid prices at a premium to comparable units in the market

Phase 4: 50% Or Less Deposit

- Phase 4 buyers are the weakest buyers in this condo cycle, likely will be highly leveraged, which creates systemic risk in projects full of other Phase 4 buyers
- Most buyers paid prices at a premium to comparable units in the market today
- **Almost all projects to be completed in the next 24 months are Phase 4 projects**

Unique Characteristics of Phase 4 Preconstruction Buyers In This Condo Cycle May Exacerbate A Rush To The Exits

- **Phase 4 buyers are:**
 - Paying more per square foot vs. previous buyers in this condo cycle
 - Paying prices at a premium to comparable units in the market
 - Borrowing more money to close on their purchases vs. previous preconstruction buyers in this condo cycle
- **Phase 4 buyers are buying into larger projects with more units per project and will be closing their purchases when the market will be flooded with competitive units**
 - The 40+ projects to be completed in the 24 months average 286 units per project, a total of 11,000+ units to be delivered, estimated 35%+ will be listed for resale
- **The flood of Phase 4 units will probably put downward pressure on rents**
 - Almost all Phase 4 buyers requiring leverage to close on their units who chose to rent their units will have to rent for an operating loss...resulting in negative cash flow
 - Even all-cash Phase 4 buyers may not be able to break even by renting their units
- **Phase 4 buyers hoping to re-sell their units will have to compete with thousands of other Phase 4 resellers...many of whom are already willing to take a loss on resale**
 - Losses on resale are increasing at the time that the most units will be delivered into the market.

It is foreseeable that many Phase 4 buyers will be unable sell their units unless they are willing to accept significant losses on sale

Can Losses On Underwater Units Be Recovered Over Time?

Data from the last condo cycle indicates that preconstruction buyers who pay too much cannot necessarily recover their losses over time...

Project Name	Units In Project	Unit #	Purchase Date	Purchase Price	Sale Date	Sale Price	Gain/Loss on Sale	Loss on Sale Including 6% Commission	Percentage Loss On Investment	Holding Period
1060 Brickell	576	1417	3/2008	\$565,000	2/2016	\$470,000	(\$95,000)	\$(123,200)	22%	8 Years
1060 Brickell	576	1009	4/2008	\$391,400	12/2015	\$390,000	\$(1,400)	\$(24,800)	6%	7 Years
1060 Brickell	576	1905	1/2008	\$359,000	6/2015	\$350,000	\$(9,000)	\$(30,000)	8%	7 Years
1060 Brickell	576	2103	2/2008	\$379,000	3/2016	\$335,000	\$(44,000)	\$(64,100)	17%	8 Years
1050 Brickell	576	3220	5/2008	\$484,000	7/2015	\$490,000	\$6,000	\$(23,400)	5%	7 Years
1050 Brickell	576	808	8/2008	\$337,000	2/2016	\$322,000	\$(15,000)	\$(34,320)	10%	7 Years
1050 Brickell	576	220	10/2008	\$353,000	2/2016	\$250,000	\$(103,000)	\$(118,000)	33%	7 years

Data set includes only:

- Original preconstruction buyers and sellers who did not lose their units in foreclosure or short sale
- Sellers who listed their units on the MLS for sale, closed sales between May 2015 and April 2016
- Closed sales with losses despite holding periods between 7 and 9 years
- Does not include data on numerous preconstruction buyers who lost units in foreclosure or sold for losses from 2009 – 2016
- Does not include deduction for upgrades to units paid for by buyer post closing (units were delivered to preconstruction buyer “designer ready” with concrete floors and rough walls). Actual loss would include an increase in cost basis for these items.

Continued on next page...

Can Losses On Underwater Units Be Recovered Over Time?

(Continued)

Project Name	Units In Project	Unit #	Purchase Date	Purchase Price	Sale Date	Sale Price	Gain/Loss on Sale	Loss on Sale Including 6% Commission	Percentage Loss On Investment	Holding Period
Axis South	718	2806	6/2008	\$432,320	9/2015	\$450,000	\$17,680	\$(9,320)	2%	7 Years
Axis South	718	2502	10/2008	\$265,900	3/2016	\$280,000	\$14,100	\$(2,700)	1%	7 Years
Axis North	718	3514	6/2008	\$474,900	10/2015	\$470,000	\$(4,900)	\$(33,100)	7%	7 Years
Plaza 901	1000	2006	5/2008	\$425,000	8/2015	\$430,000	\$5,000	\$(20,800)	5%	7 Years
Plaza 851	1000	3306	3/2008	\$465,000	12/2015	\$430,000	\$(35,000)	\$(60,800)	13%	7 Years
Solaris Brickell	138	1202	11/2006	\$393,000	5/2015	\$372,000	\$(21,000)	\$(43,320)	11%	9 Years
Sail Brickell	152	1401	7/2007	\$335,000	7/2015	\$295,200	\$(39,800)	\$(57,512)	17%	8 Years
Sail Brickell	152	3005	6/2007	\$500,000	7/2015	\$280,000	\$(220,000)	\$(236,800)	47%	8 Years
Sail Brickell	152	1107	1/2007	\$245,000	7/2015	\$200,000	\$(45,000)	\$(57,000)	23%	9 Years

Data set includes only:

- Original preconstruction buyers and sellers who did not lose their units in foreclosure or short sale
- Sellers who listed their units on the MLS for sale, closed sales between May 2015 and April 2016
- Closed sales with losses despite holding periods between 7 and 9 years
- Does not include data on numerous preconstruction buyers who lost units in foreclosure or sold for losses from 2009 – 2016
- Does not include costs for upgrades to units paid for by buyer post closing (units were delivered to preconstruction buyer “designer ready” with concrete floors and rough walls). Actual loss would include an increase in cost basis for these items.

**Paying too much at the wrong time is a long and painful experience.
Losses may never be recovered...**

Who Has Exposure In This Condo Cycle?

Developers, Projects in Construction

- Developers assume that very few buyers will walk away and refuse to close with the 50% deposit structure customary in this condo cycle
- Developers assume that preconstruction buyers will be able to obtain the 50% balance to close from somewhere (could be an optimistic assumption)

Developers, Construction Planned

- With the current market flooded with new resale units and a thin resale market, the probability that new projects will get off the ground is low
- To the extent that developers have purchased land for development, they will have to carry the land until the next condo cycle, some at a high costs basis

Lenders to Condo Buyers

- Will likely see default rates surge as investors are unable to break even renting their units and the resale market stagnates further
- Should expect increasing early payment defaults as preconstruction buyers will be unable to sell their units and will be unable to break even renting their units

Lenders to Condo Developers

- Appear to have limited land-only exposure to condo developers in this condo cycle
- Lenders to condo developers (under the premise that projects are collateralized with pools of 50% preconstruction deposits) could ride out a storm unless buyer deposit litigation places deposits in jeopardy

Condo Buyers

- Will have to decide to i) close on their units and try to resell, ii) close and rent their units at an operating loss, iii) abandon 50% deposit, or iv) litigate over their 50% deposit
- How far would the market need to decline before preconstruction buyers would be willing to walk away from a 50% deposit (if current trends continue we may find out)

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