

THE FUTURE OF FLORIDA CONDOS: FACTS & STATISTICS

January 2025



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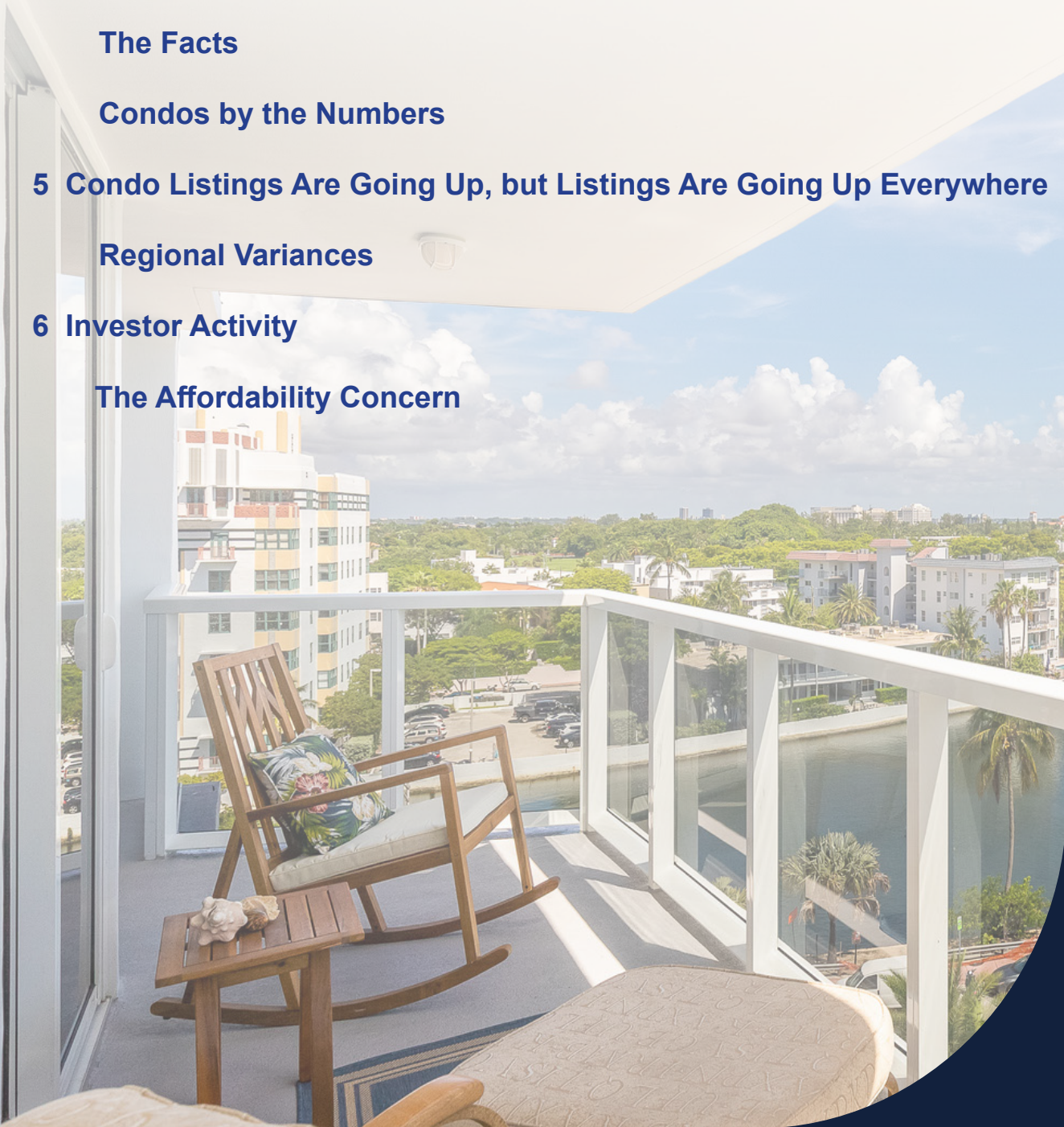
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The Future of Florida Condos: Facts & Statistics

Summary

Florida's condo market is facing the implementation of new laws aimed at protecting owners from unsafe buildings. The laws passed after the Champlain Tower (Surfside) tragedy, when 98 people were killed when the structurally unsafe building collapsed in the middle of the night. The laws, meant to protect condominium owners, resulted in large assessments for owners, many of whom cannot afford the cost of repairs. The substantial assessments for many of these buildings stem from deferred maintenance by condominium associations and owners, frequently leading to structurally unsafe conditions.

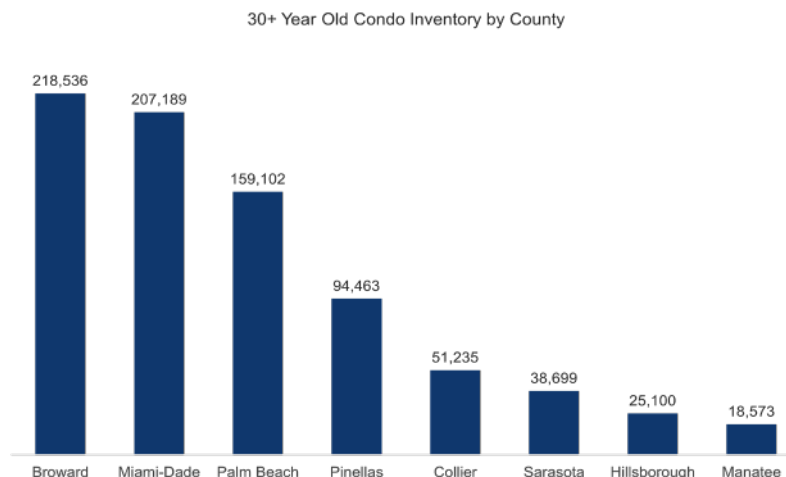
As a result of the inspections and assessments, some owners may face eviction, or the building could be condemned. Thousands have listed their existing condo for sale, but the buyer pool is slim with the impending and unknown assessments. Investors have entered the condo market, offering to buy individual units in older buildings, regardless of assessments, but have faced increasing legal challenges from residents. The situation is entering a critical point with a looming deadline for all older condo buildings to have a "plan in place" for repairs and upgrades. Furthermore, the shortage of qualified inspectors and engineers to assess the buildings is causing a growing backlog, which risks further compounding the issue.

The Facts

Per Florida Senate Bill 4-D, all three-story-plus condo buildings and at least 30 years old must undergo a mandatory engineering assessment before Dec. 31, 2024. The condo associations are also required to increase their reserves to meet their future maintenance needs. The magnitude of condo assessments can range significantly depending on the renovations needed. Recent news reports highlight assessments in the hundreds of thousands of dollars per unit, especially condo buildings where the condo owners and associations have deferred maintenance.

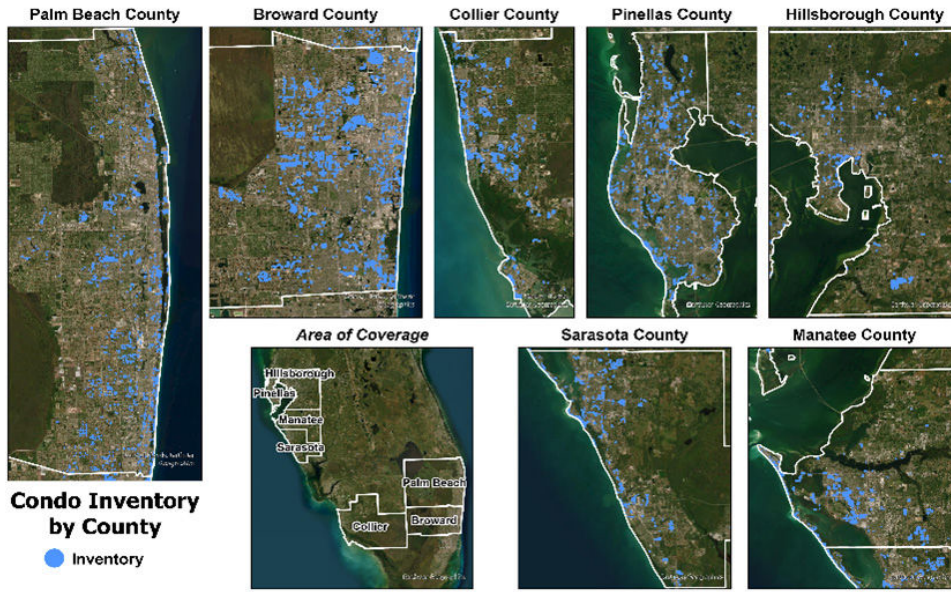
Condos by the Numbers

We estimate Florida has 1.1 million condo units that are more than 30 years old⁽¹⁾, and the majority (58%) of these condos are concentrated in just 8 counties: Broward, Miami-Dade, Palm Beach, Pinellas, Collier, Sarasota, Hillsborough, and Manatee.



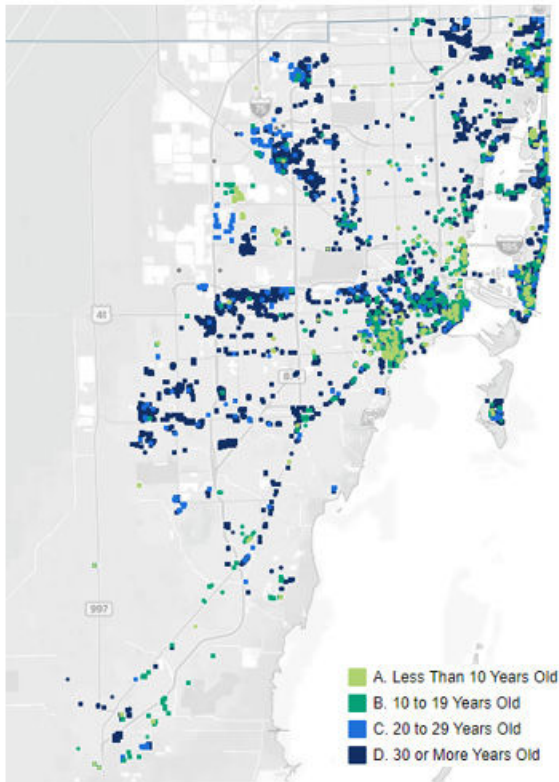
(1) The figure includes all condos over 30 years old, not only the ones that are three stories or higher.

Condo Inventory by County

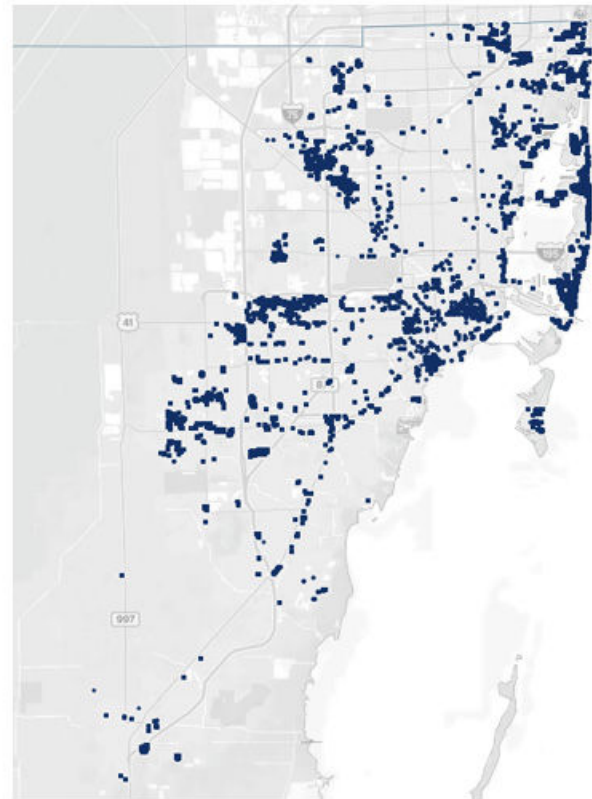


In land-constrained counties like Miami-Dade, these older condos represent nearly 65% of existing inventory, with most older condos located along the waterfront.

Miami-Dade County Current Condo Inventory



Miami-Dade Condos - 30+ Years Old

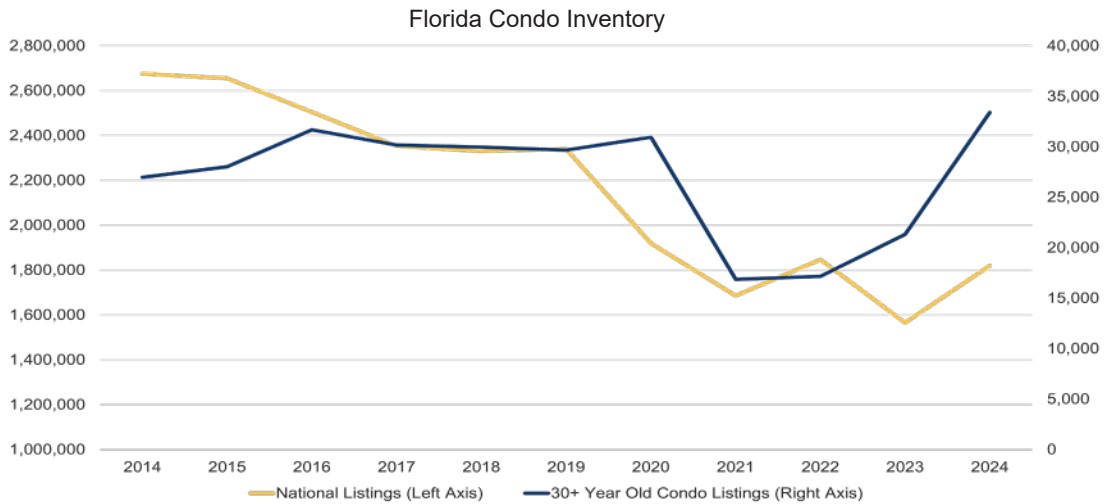


Source: John Burns Research and Consulting analysis of public records data.

Condo Listings Are Going Up, but Listings Are Going Up Everywhere

The Senate Bill 4-D has many condo owners concerned about unknown levels of assessments which has resulted in a rapid rise of condo listings in most of these markets. While the rise in listings is a sign of instability in the local housing markets, we recognize that home listings are rising nationwide as slower price appreciation, modest economic growth and higher interest rates put a damper on housing demand. We compared the 30+ condo listings to 9 MSAs in Florida to national home listings. The condo listings were up 56% year over year, compared to national listings which increased 16% year over year.

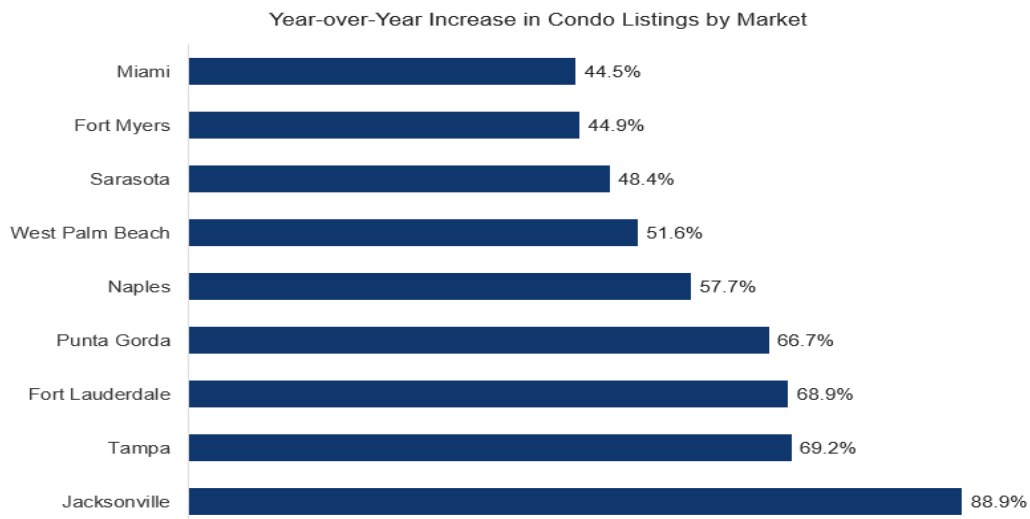
The rise in listings is correlated to the uncertainty in the condo market regarding assessments but is not indicative of a distress scenario given the trends in the wider housing market.



Source: John Burns Research and Consulting, Redfin

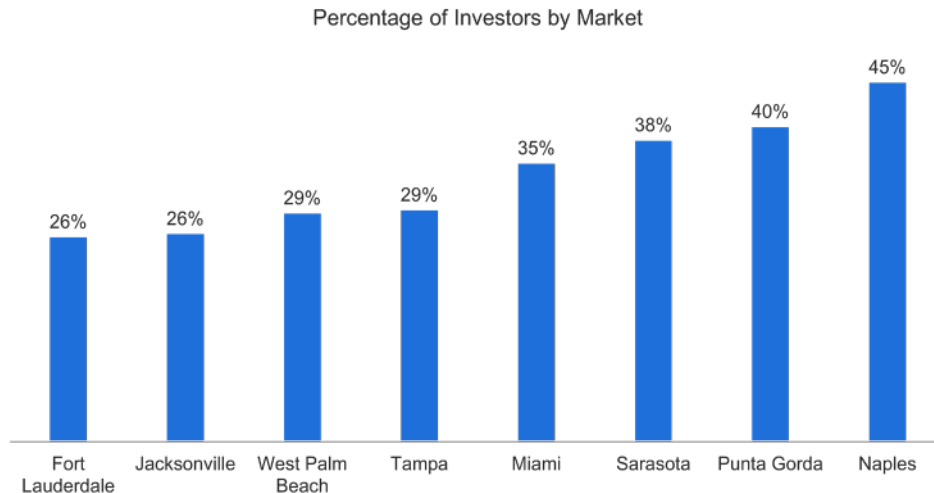
Regional Variances

The rise in 30+ year-old condo listings is uneven within the state of Florida. Miami-Dade, which has one of the highest inventories of 30+ year old condos saw an increase of listings of 45% YOY, compared to Fort Lauderdale, where listings increased nearly 70% YOY. While Jacksonville and Punta Gorda MSAs saw record-high increases YOY, they are both relatively small condo markets.



Source: John Burns Research and Consulting, Redfin

The regional variance within the state of Florida is likely indicative of the types of owners in each market. Miami has a relatively large share of investors (35%) compared to markets like Fort Lauderdale (26%) and Jacksonville (26%). The presence of investors, who have been buying condo units, has helped Miami's condo market more than others. However, investor activity has slowed in the near term due to legal challenges.



Source: John Burns Research and Consulting, Redfin

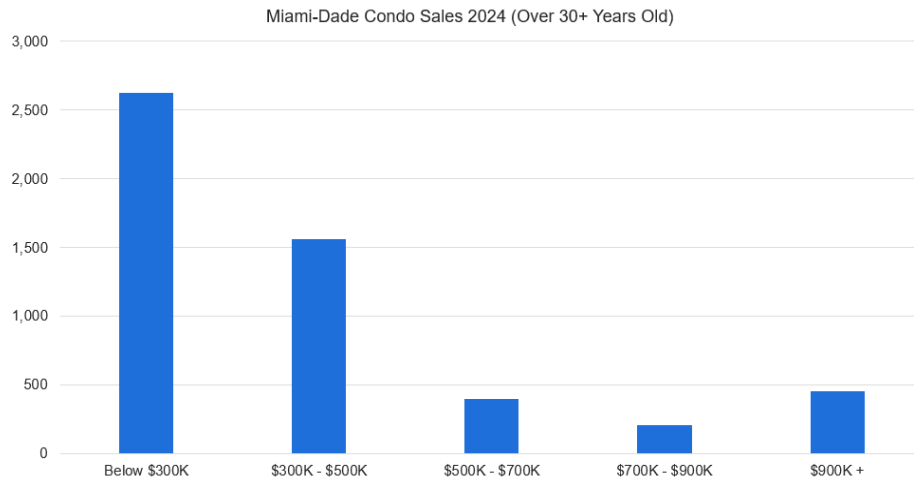
Investor Activity

Investors and developers are starting to assess the viability of purchasing all the units in a condo building to essentially own the land and redevelop the asset. Their plans have been put on hold recently with the pending court decision on Biscayne 21, a 13-story residential condo with 192 units built in 1964 and located along the water in Edgewater, Miami. A developer, Two Roads Development, acquired all but eight units in the building, taking over the condo association and voting to change its governing documents to tear down the building. The building would need massive repairs to bring to code, and those repairs would equal large per-unit assessments. 95% of the unit owners opted to sell to the developer. The remaining owners filed a lawsuit against the developer, and while the developer won initially, an appeals court overturned the ruling. Nearly all other large developers are waiting on the sidelines to watch the outcome of the Biscayne 21 lawsuit.

For some condo buildings, the renovations and ensuing assessments will be so large, owners may not be able to afford the fees. The only option would be to sell the unit, and if the developers are not willing to take the legal risk, owners will have no other options. The units would not sell to a non-investment buyer as the purchaser would not be able to secure a mortgage on a building that doesn't meet codes.

The Affordability Concern

Many residents of older Florida condos are price-constrained and cannot afford the potential large assessments stemming from the Senate Bill 4-D. In fact, older condo units fill a distinct affordable niche in many Florida markets – in Miami-Dade County, half of all condo units sold in 2024 were priced below \$300K, highlighting one of the few options for buyers in this price segment.



Source: John Burns Research and Consulting, Redfin

While the state needs more attainably-priced homes, the existing older condominiums, especially those that need massive repairs and remediation, do not present a viable solution for affordable housing.

It is likely the state government may extend the deadline of December 31st 2024, they will not change the need for repairs. The threat of looming assessments has resulted in skyrocketing listings in older condos throughout the state. Currently the buyer pool is thin, as primary buyers cannot secure mortgage on buildings that aren't assessed to code, and investors are waiting on the sidelines for a court ruling regarding Biscayne 21. The looming deadline for condo repairs should be a serious concern for owners, developers and government in Florida. While older condos do provide housing affordability, living in unsafe structures is not a good option for any resident.