

# **22<sup>nd</sup> Annual International Real Estate Congress**

## **State of the Florida \South Florida Market**

**Biltmore Hotel and Resort**

**Coral Gables, FL**

**October 31<sup>th</sup>, 2016**

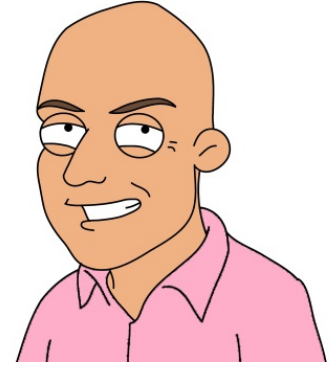
**Integra Realty Resources (IRR) –Miami | Palm Beach**



About  
us



# Anthony Graziano, MAI, CRE



- Senior Managing Director of Integra Realty Resources – Miami/Palm Beach
- Chairman of the Board; Integra Realty Resources, Inc.
- University of Miami, Coral Gables, Florida 1988-1992
- New York University Real Estate Institute, New York, New York 1993-1996
- Member: Economic Roundtable – Miami Beacon Council (2012-present)
- Advisory Board Member: Urban Land Institute-South Florida
- Board of Director: Integra Realty Resources, Inc. (2011-present)
- Board Member: Builders Association of South Florida (BASF)
- 25 Years investment advisory/market studies/appraisals/expert witness experience

# Introduction

- Real Estate Market Then and Now
- Florida Residential Sales
- Demographics
- Target Market
- Key Takeaways



# Where have we been and where are we now?

- 2009 (23,000 units in inventory)
- 2010-2012 The Latin America Invasion
- “Cash is King”
- 2012 | Inventory gone – New construction
- 2013-2015 | The Run-up
- 2015-2016 | Foreign Currency Collapse, volatility, - When will the foreign UHNWI come back in force?



# Monthly Townhouse & Condo Sales <sup>(1)</sup>

State/ Metropolitan Statistical Area	Townhouses and Condos			
	Closed Sales	Y/Y % Chg.	Median Sale Price	Y/Y % Chg.
State of Florida	9,484	3.3%	\$160,000	6.7%
Miami-Fort Lauderdale-Pompano Beach MSA (Broward, Miami-Dade, and Palm Beach Counties)	3,785	-1.3%	\$169,000	8.3%
Tampa-St. Petersburg-Clearwater MSA (Hernando, Hillsborough, Pasco, and Pinellas Counties)	1,438	9.9%	\$133,000	6.8%
Orlando-Kissimmee-Sanford MSA (Lake, Orange, Osceola, and Seminole Counties)	854	4.9%	\$130,000	13.3%
North Port-Bradenton-Sarasota MSA (Manatee and Sarasota Counties)	499	11.4%	\$190,000	0.0%
Cape Coral-Fort Myers MSA (Lee County)	463	-4.1%	\$163,799	-3.6%
Jacksonville MSA (Baker, Clay Duval, Nassau, and St. Johns Counties)	414	3.2%	\$138,950	6.1%
Naples-Marcos Island MSA (Collier County)	368	-6.8%	\$237,000	-0.8%
Deltona-Daytona Beach-Ormond Beach MSA (Volusia County)	276	12.7%	\$175,000	12.1%
Palm Bay-Melbourne-Titusville MSA (Brevard County)	258	10.7%	\$154,000	16.7%
Port St. Lucie MSA (Martin and St. Lucie Counties)	188	0.0%	\$143,750	4.9%
Crestview-Fort Walton Beach-Destin MSA (Okaloosa and Walton Counties)	157	12.1%	\$315,000	10.4%
Panama City-Lynn Haven-Panama City Beach MSA (Bay County)	142	24.6%	\$225,500	16.5%
Lakeland-Winter Haven MSA (Polk County)	105	36.4%	\$101,000	9.2%

(1) As of August 2016  
Source: Florida REALTORS

# Monthly Residential Sales<sup>(1)</sup>

State/ Metropolitan Statistical Area	Single Family Homes & Townhouse Condos		Single Family Homes			Townhouses and Condos			
	TOTAL Sales	Closed Sales	Y/Y % Chg.	Median Sale Price	Y/Y % Chg.	Closed Sales	Y/Y % Chg.	Median Sale Price	Y/Y % Chg.
State of Florida	34,554	25,070	8.2%	\$225,000	12.6%	9,484	3.3%	\$160,000	6.7%
Miami-Fort Lauderdale-Pompano Beach MSA (Broward, Miami-Dade, and Palm Beach Counties)	8,365	4,580	9.8%	\$315,000	8.6%	3,785	-1.3%	\$169,000	8.3%
Tampa-St. Petersburg-Clearwater MSA (Hernando, Hillsborough, Pasco, and Pinellas Counties)	5,778	4,340	7.7%	\$209,000	19.4%	1,438	9.9%	\$133,000	6.8%
Orlando-Kissimmee-Sanford MSA (Lake, Orange, Osceola, and Seminole Counties)	4,004	3,150	5.5%	\$229,000	13.4%	854	4.9%	\$130,000	13.3%
Jacksonville MSA (Baker, Clay Duval, Nassau, and St. Johns Counties)	2,608	2,194	10.4%	\$220,000	12.8%	414	3.2%	\$138,950	6.1%
North Port-Bradenton-Sarasota MSA (Manatee and Sarasota Counties)	1,739	1,240	-1.7%	\$262,950	5.2%	499	11.4%	\$190,000	0.0%
Cape Coral-Fort Myers MSA (Lee County)	1,567	1,104	9.3%	\$225,000	11.3%	463	-4.1%	\$163,799	-3.6%
Deltona-Daytona Beach-Ormond Beach MSA (Volusia County)	1,373	1,097	7.2%	\$175,900	15.7%	276	12.7%	\$175,000	12.1%
Palm Bay-Melbourne-Titusville MSA (Brevard County)	1,137	879	1.5%	\$195,000	14.7%	258	10.7%	\$154,000	16.7%
Port St. Lucie MSA (Martin and St. Lucie Counties)	876	688	2.8%	\$205,000	13.9%	188	0.0%	\$143,750	4.9%
Lakeland-Winter Haven MSA (Polk County)	991	886	19.9%	\$169,900	14.0%	105	36.4%	\$101,000	9.2%
Naples-Marcos Island MSA (Collier County)	772	404	2.3%	\$390,000	-3.7%	368	-6.8%	\$237,000	-0.8%

(1) As of August 2016  
Source: Florida REALTORS

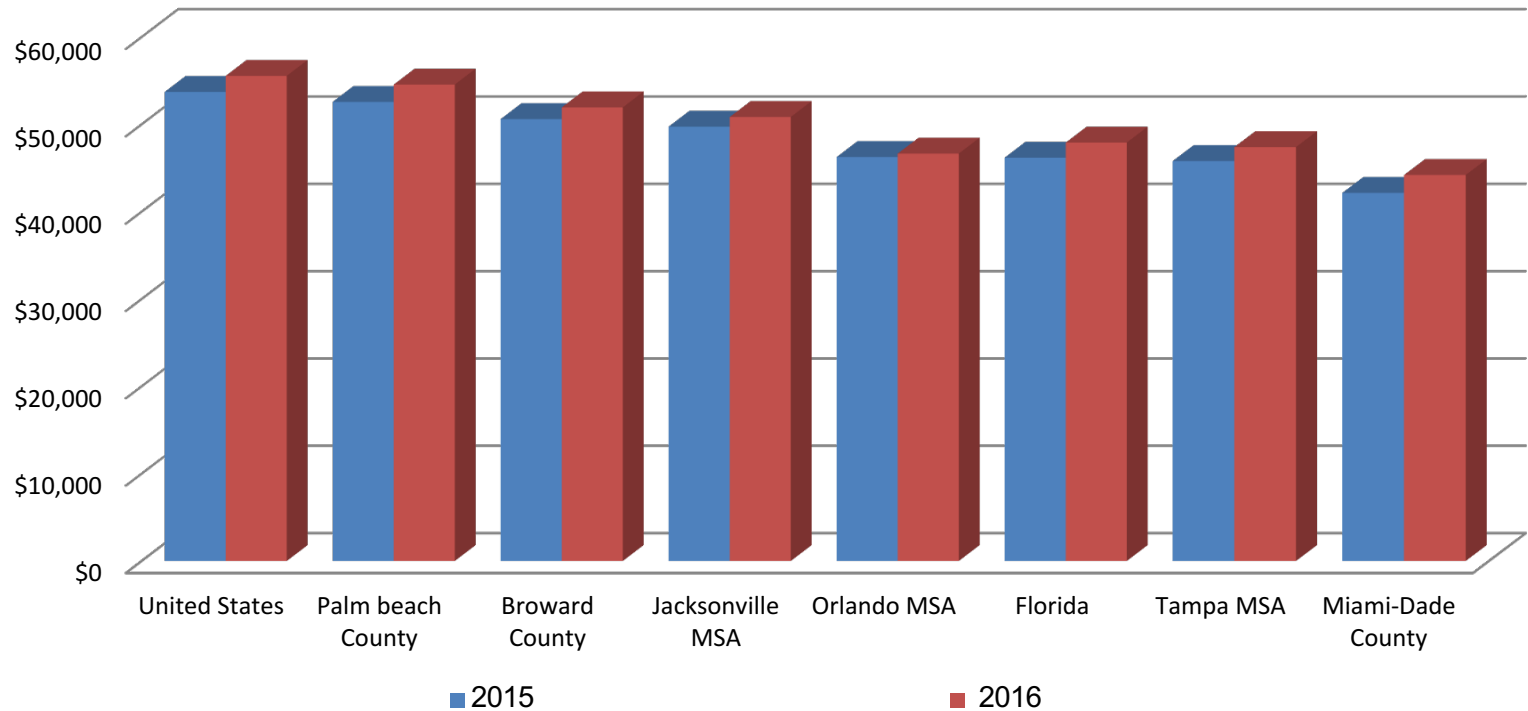
**MSA's shown above make up 85% of total monthly residential sales in Florida**

# Population Trends

Country / State / Metropolitan Statistical Area	Population			Compound Ann. % Chng	
	2010 Census	2015 Est.	2020 Est.	2010 - 2015	2015 - 2020
United States	308,745,538	<b>319,459,991</b>	330,689,365	0.7%	0.7%
Florida	18,801,310	<b>19,897,507</b>	21,068,301	1.1%	1.2%
Tampa- St. Petersburg-Clearwater MSA	2,783,243	<b>2,919,219</b>	3,074,526	1.0%	1.0%
Miami-Dade County	2,496,435	<b>2,666,776</b>	2,842,074	1.3%	1.3%
Orlando-Kissimmee-Sanford MSA	2,134,411	<b>2,328,788</b>	2,510,715	1.8%	1.5%
Broward County	1,748,066	<b>1,865,787</b>	1,987,382	1.3%	1.3%
Jacksonville MSA	1,345,596	<b>1,417,070</b>	1,495,480	1.0%	1.1%
Palm Beach County	1,320,134	<b>1,393,604</b>	1,474,381	1.1%	1.1%
North Port-Bradenton-Sarasota MSA	702,281	<b>747,155</b>	794,040	1.2%	1.2%
Cape Coral-Fort Myers MSA	618,754	<b>678,670</b>	734,292	1.9%	1.6%
Lakeland-Winter Haven MSA	602,095	<b>632,797</b>	667,551	1.0%	1.1%
Palm Bay-Melbourne-Titusville MSA	543,376	<b>557,673</b>	578,872	0.5%	0.7%
Deltona-Daytona Beach-Destin MSA	494,593	<b>507,338</b>	526,430	0.5%	0.7%
Pensacola-Ferry Pass-Brent MSA	448,991	<b>474,195</b>	501,721	1.1%	1.1%
Port St. Lucie MSA	424,107	<b>443,894</b>	467,017	0.9%	1.0%
Tallahassee MSA	367,413	<b>375,925</b>	388,316	0.5%	0.7%
Ocala MSA	331,298	<b>341,632</b>	355,823	0.6%	0.8%
Naples-Marco Island MSA	321,520	<b>348,231</b>	374,163	1.6%	1.4%
Gainesville MSA	264,275	<b>272,295</b>	283,473	0.6%	0.8%
Crestview-Fort Walton Beach-Destin MSA	180,822	<b>198,858</b>	215,474	1.9%	1.6%
Panama City-Lynn Haven-Panama City Beach MSA	168,852	<b>177,118</b>	186,624	1.0%	1.1%
Punta Gorda MSA	159,978	<b>168,197</b>	177,490	1.0%	1.1%
Sebastian-Vero Beach	138,028	<b>143,799</b>	150,814	0.8%	1.0%
Palm Coast	95,696	<b>101,668</b>	107,987	1.2%	1.2%

Source: Claritas

# Median Household Income (2015-2016)



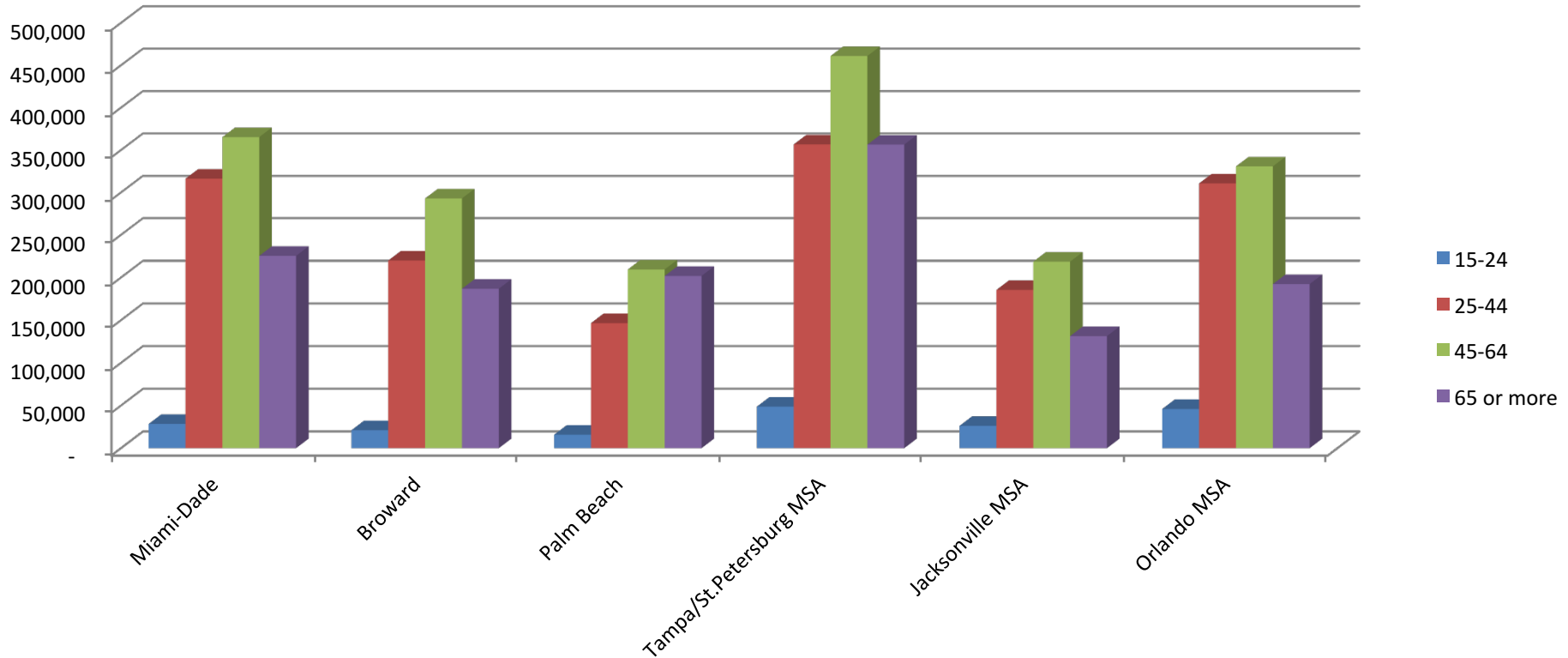
## Median Household Income | 2015-2016

	2015	2016
United States	\$53,706	\$55,551
Palm Beach County	\$52,569	\$54,551
Broward County	\$50,597	\$51,939
Jacksonville MSA	\$49,738	\$50,841
Orlando MSA	\$46,254	\$46,652
Florida	\$46,183	\$47,912
Tampa MSA	\$45,791	\$47,393
<b>Miami-Dade County</b>	<b>\$42,148</b>	<b>\$44,198</b>

Source: Claritas



# Age of Householder (2016)

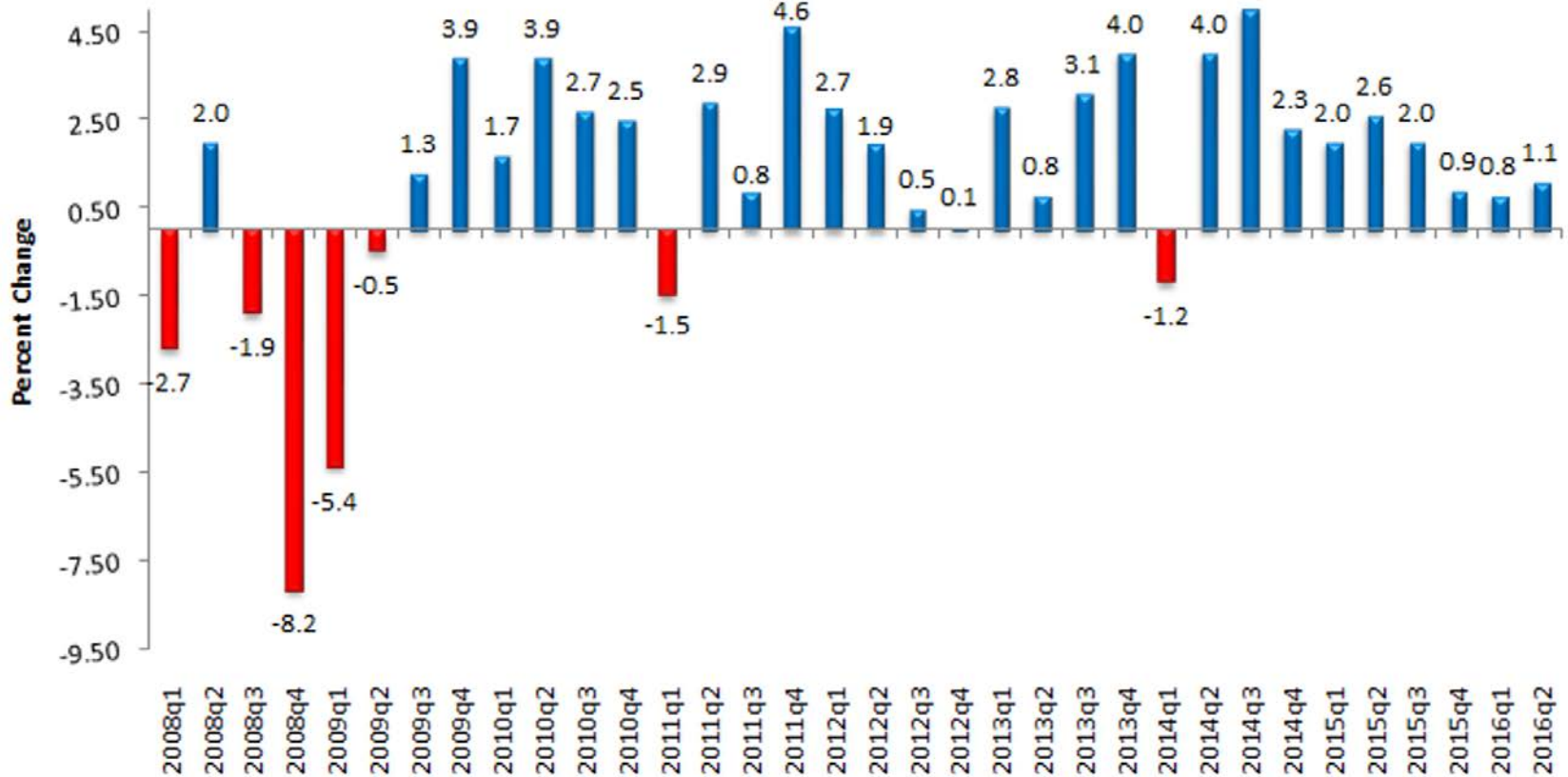


Jurisdiction	15-24	% of State	25-44	% of State	45-64	% of State	65 or more	% of State
Florida	311,242	-	2,270,069	-	2,968,314	-	2,356,106	-
Miami-Dade	28,427	9%	316,265	14%	365,227	12%	225,368	10%
Broward	21,043	7%	219,922	10%	292,940	10%	186,826	8%
Palm Beach	15,794	5%	146,568	6%	209,421	7%	201,831	9%
Tampa/St. Petersburg MSA	48,686	16%	356,647	16%	460,935	16%	356,420	15%
Jacksonville MSA	26,206	8%	185,435	8%	218,554	7%	131,345	6%
Orlando MSA	45,966	15%	310,680	14%	330,709	11%	192,306	8%

Source: Estimates and projections by Shimberg Center for Housing Studies, based on 2000 and 2010 U.S. Census data and population projections by the Bureau of Economic and Business Research, University of Florida.

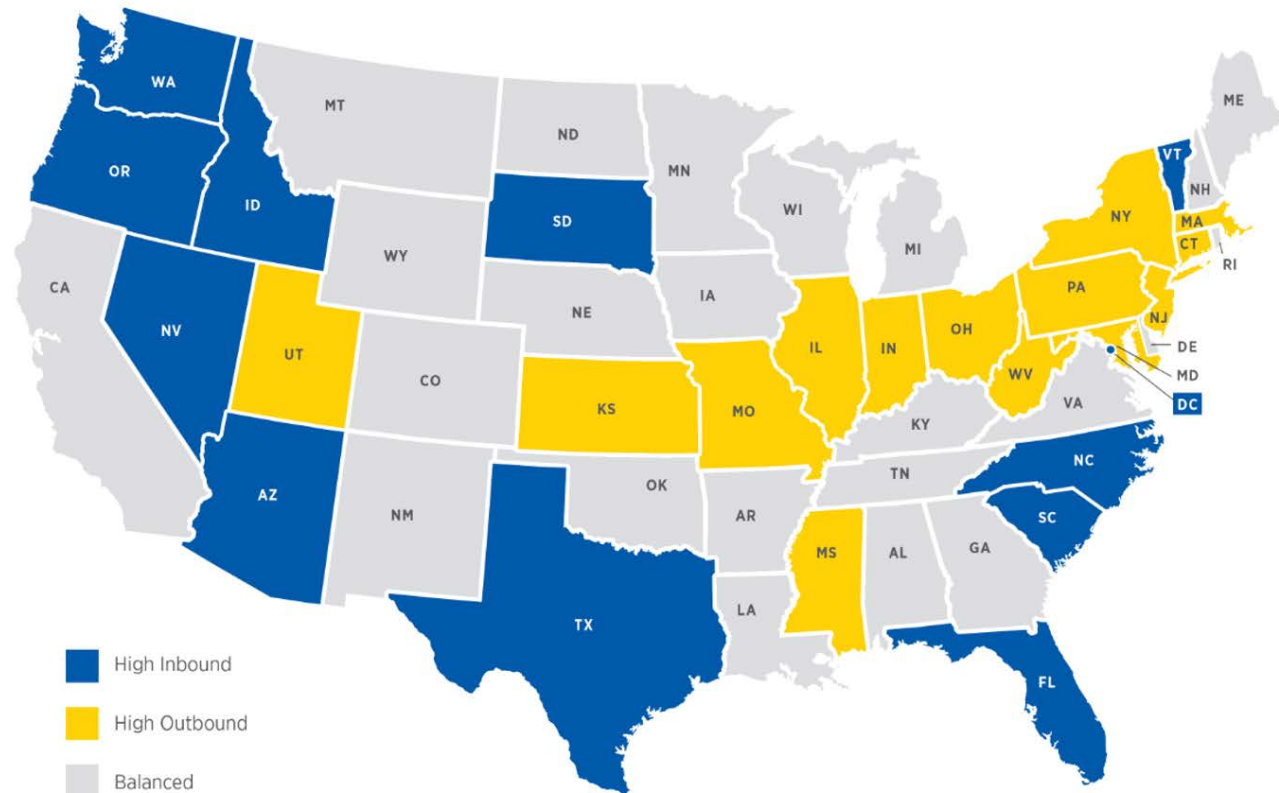
# Gross Domestic Product

## US Economy Quarterly GDP Change



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

# Migration



SOURCE: United Van Lines

# Macro Economics 101

- Federal Reserve wants to raise rates, but cannot (yet)
  - US economy fragile, could tip
  - World economies already over-buying US Treasuries driving long-yield down;
  - raising Fed target (short term) could make it worse; strengthening dollar-currency; weakening US economy – yield curve inverts
  - Not enough core inflation to “slow”
  - Could stall nascent housing market

# Housing Market still weak

- Under producing housing for 6+ years by 40%
- Most production is multi-family; single family recovery has been left out
- Changes in employment driving housing needs to urban\CBD locations – harder to quickly meet demand in phases
- 2017 will be a good year for housing so long as borrowing rates remain reasonable (<50 bp)

# Financing Market more challenging

- The Rise of the Mezzanine (shadow equity) participant
- Regulatory controls on High Volatility CRE (HV-CRE) into effect Jan 1, 2015
- Banks backing away from Development Deals
- Will limit new development outside of strongest equity sponsors, or over-leveraged shadow mezzanine debt.

# Punishing Global Currency

- Euro zone is messy into 2017; favors in-migration (Germany; London)
- China GDP slowing; hurts South American exports, could help US imports if not for strong dollar.
- All US Exports get more expensive, in-bound foreign real estate purchasing is also expensive.
- Japan is the sleeper; Middle East will diversify;

# UHNWI Behavior

(\$30 Million+ Assets excluding Primary Residence)

- Ultra High Net Worth Individual (UHNWI)
  - Exchanges Liquidity into US Dollars
  - Seeks Security
  - Slows fixed asset purchases that are not income producing
  - Awaits future stability OR down market
  - Tax Driven decision-making (estate or current income)



# Almost There

- Presidential Election 2016
  - Do we believe in a Global Economy?
    - Jobs and Repatriation
  - Uncertainty on tax policy (income; depreciation; estate; 1031 Exchanges)
  - Will U.S. Growth deliver us from evil?
  - The Win-Win for Florida
- Long Run
  - The U.S. wins in long-term global economic terms; it's a rigged game
  - Low/No income tax states win in the near term

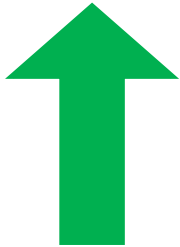
# Condo Market Predictions

- Lack of UHNWI buyers slowing momentum
  - Strong domestic; weak international
  - Favors Southwest FL; Palm Beach; to a lesser extent Tampa and Orlando
- Changes to Estate Tax favors real estate for domestic buyers; changes to entire tax code favors a recession (ala 1986)
- Currency and Global Economic weakness means international market will be a dribble for 24+ months
- Florida can outpace NYC; and California – and probably will this decade
- Recession 2019; short lived

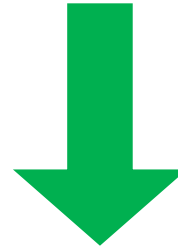
# Second Home



Domestic Out-of-State



Foreign Buyers




# Overall Housing Stats

(Q3-2016 Condo and SF)




OVERALL MARKET STATISTICS, 3Q 2016*					
Dade	# Transactions	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM
3Q 2016	740	\$1,266,637	2421	\$523	119
3Q 2015	780	\$1,274,817	2500	\$510	116
3Q 2014	863	\$1,340,643	2640	\$508	117
% Change	-5%	-1%	-3%	3%	2%
Broward	# Transactions	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM
3Q 2016	1136	\$606,759	2541	\$239	115
3Q 2015	1161	\$599,768	2628	\$228	76
3Q 2014	1063	\$566,013	2529	\$224	75
% Change	-2%	1%	-3%	5%	51%
<i>*Selected markets identified by One Sotheby's and IRR Miami.</i>					

# Single Family Resales

SINGLE-FAMILY MARKET STATISTICS, 3Q 2016							
<b>Dade Waterfront</b>							
(All)	# Transactions	Avg. Price	Median Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	33	\$5,499,767	\$4,300,000	5302	\$1,037	122	
3Q 2015	67	\$3,471,613	\$2,030,000	4202	\$826	167	
% Change	-51%	58%	112%	26%	26%	-27%	
<b>Broward Waterfront</b>							
(All)	# Transactions	Avg. Price	Median Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	359	\$830,339	\$530,000	3056	\$272	157	
3Q 2015	396	\$801,770	\$577,500	3054	\$263	81	
% Change	-9%	4%	-8%	0%	3%	93%	
<b>Dade Non-Waterfront</b>							
(All)	# Transactions	Avg. Price	Median Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	353	\$1,168,381	\$770,000	3055	\$382	97	
3Q 2015	431	\$1,058,431	\$802,859	2879	\$368	92	
% Change	-18%	10%	-4%	6%	4%	5%	
<b>Broward Non-Waterfront</b>							
(All)	# Transactions	Avg. Price	Median Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	694	\$475,254	\$395,000	2371	\$200	87	
3Q 2015	719	\$464,100	\$392,175	2436	\$191	71	
% Change	-3%	2%	1%	-3%	5%	23%	


# Luxury Single Family Resales

(Top 50% Median – Select Markets)

LUXURY SINGLE-FAMILY MARKET STATISTICS, 3Q 2016*					
					
<b>Dade Waterfront</b>					
(Luxury)	# Transactions	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM
3Q 2016	15	\$9,956,687	7350	\$1,355	136
3Q 2015	33	\$5,979,167	5699	\$1,049	198
% Change	-55%	67%	29%	29%	-31%
<b>Broward Waterfront</b>					
(Luxury)	# Transactions	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM
3Q 2016	179	\$1,310,008	4011	\$327	176
3Q 2015	198	\$1,221,493	3872	\$315	112
% Change	-10%	7%	4%	4%	57%
<b>Dade Non-Waterfront</b>					
(Luxury)	# Transactions	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM
3Q 2016	181	\$1,762,027	3917	\$450	100
3Q 2015	215	\$1,589,540	3679	\$432	100
% Change	-16%	11%	6%	4%	0%
<b>Broward Non-Waterfront</b>					
(Luxury)	# Transactions	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM
3Q 2016	346	\$665,107	3002	\$222	102
3Q 2015	359	\$647,849	3045	\$213	83
% Change	-4%	3%	-1%	4%	23%
*Defined as the top 50% of transactions for each category by price.					

# Condominium Market

(Select Representative Projects)

CONDOMINIUM MARKET STATISTICS, 3Q 2016*							
Dade Waterfront							
	# Transactions	% of Sample	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	226	1.5%	\$1,269,811	1777	\$715	116	
3Q 2015	291	1.9%	\$1,331,106	1702	\$782	147	
% Change	-22%		-5%	4%	-9%	-21%	
Broward Waterfront							
	# Transactions	% of Sample	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	83	2.7%	\$739,286	1737	\$426	168	
3Q 2015	131	4.3%	\$996,192	1935	\$515	159	
% Change	-37%		-26%	-10%	-17%	6%	
Dade Non-Waterfront							
	# Transactions	% of Sample	Avg. Price	Avg. Living Area	Avg. Price PSF	Avg. DOM	
3Q 2016	128	1.5%	\$440,653	1066	\$414	183	
3Q 2015	199	2.3%	\$527,693	1181	\$447	117	
% Change	-36%		-16%	-10%	-7%	57%	
<p><i>*Some changes were made to the sample set and data sourcing, most notably in Broward County. These resulted in recalculations that particularly affected the # of sales in 2015 as they aimed to capture non-MLS sales.</i></p>							

# Condominium Market

## DOWNTOWN MIAMI

Figure 2  
Current Greater Downtown Miami Condo Pipeline – Q2 2016



Submarket	Complete	Under Construction	Contracts	Reservations	Proposed	Totals
A & E	0	596	0	298	1,758	2,652
Brickell	2,218	3,346	406	0	4,952	10,922
CBD	0	864	0	0	6,040	6,904
Edgewater	561	2,283	473	375	2,183	5,875
Midtown	0	410	0	0	195	605
Wynwood	11	0	0	0	478	489
<b>Q2 2016</b>	<b>2,790</b>	<b>7,499</b>	<b>879</b>	<b>673</b>	<b>15,606</b>	<b>27,447</b>
<b>YE 2015</b>	<b>1,889</b>	<b>7,308</b>	<b>1,874</b>	<b>207</b>	<b>17,615</b>	<b>28,893</b>
<b>YE 2014</b>	<b>1,044</b>	<b>6,019</b>	<b>2,070</b>	<b>1,598</b>	<b>12,543</b>	<b>23,274</b>

- 4,090 completed this cycle
- 6,200 U/C - <500 more by YE
- 1,300 Units delivered in Q3-2016
- Auberge (298) pulled back reservations

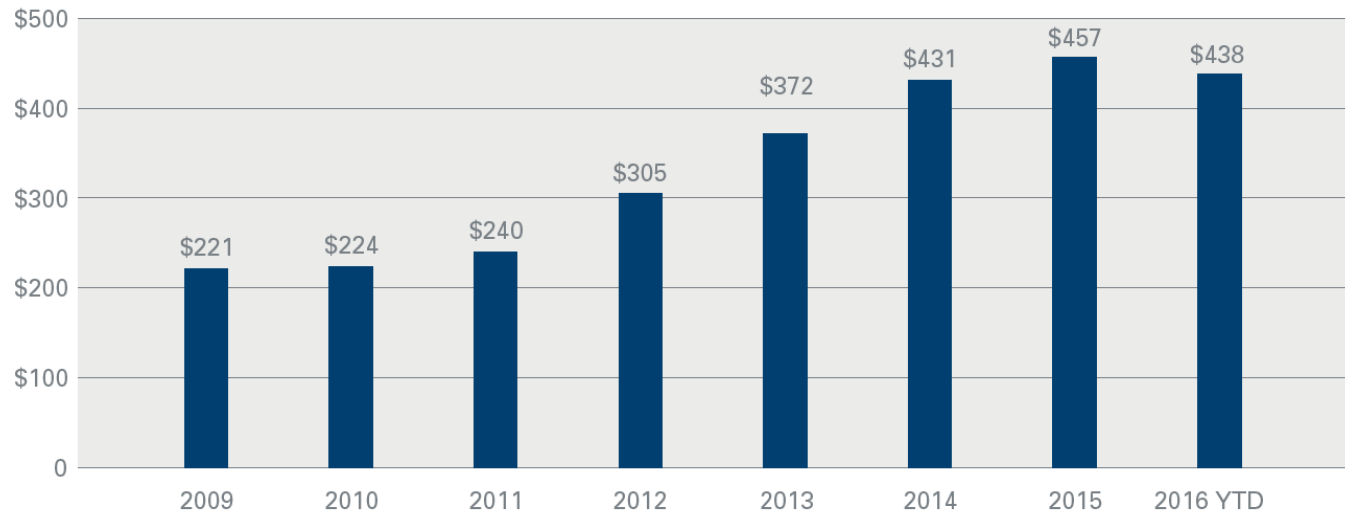


# Condominium Market

## DOWNTOWN MIAMI

Figure 5

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



- Pricing below replacement cost
- Inventory up – rental changes likely to affect pricing
- End 2016 down -8.00% on pricing
- Transaction volume down 20%+/-

# Condominium Market

## DOWNTOWN MIAMI

Greater Downtown Miami Condo Listings (Built 2001+) by Month (Zip codes: 33127,33128,33129,33130,33131,33132,33136,33137)					
Date	For Sale	New Listing	Sold	Pended	
May-14	1918	387	144	155	
Jun-14	1926	351	146	146	
Jul-14	1939	345	132	120	
Aug-14	1932	340	118	155	
Sep-14	1931	356	135	147	1099
Oct-14	2006	410	131	140	
Nov-14	2078	342	114	104	
Dec-14	2152	357	124	99	
Jan-15	2127	399	109	136	
Feb-15	2146	408	106	153	
Mar-15	2264	499	140	143	
Apr-15	2428	518	112	155	
May-15	2481	413	152	139	
Jun-15	2539	452	133	124	
Jul-15	2568	438	130	144	
Aug-15	2546	410	126	128	
Sep-15	2619	465	136	139	1060
Oct-15	2726	511	128	108	
Nov-15	2792	396	104	109	
Dec-15	2747	346	126	100	
Jan-16	2859	536	90	84	
Feb-16	2976	528	83	123	
Mar-16	2980	431	111	121	
Apr-16	3045	469	95	110	
May-16	3041	412	88	136	
Jun-16	3057	454	120	100	
Jul-16	3032	374	92	86	
Aug-16	2990	396	105	114	
Sep-16	3064	434	80	79	776

Source: Trendgraphix, compiled by Integra Realty Resources, Inc.

# Land / A&D Climate

## DOWNTOWN MIAMI

- Land Owners in for a longer hold; can they?
- So far, no major re-trade on land pricing (yet)
- Some softness emerging on construction costs, but not enough to drive feasibility.
- Equity doing more due diligence
- More mezzanine construction deals, more private equity looks
- Development returns not sufficient for capital and timing risks.
- Harder to get projects going in 2017 without strong equity (>50% developer equity)

# Key Takeaways - Forecast

## Early 2016

- IRR Predicted “Choppy Waters”
- IRR Predicted not all projects would survive; but market would not over-supply
- IRR Predicted 5%-10% downward change in condo values
- IRR expected SF values to remain stable
- IRR predicted no crash of downtown or regional condo market (“soft landing”)

## Q3-2016

- Choppy Waters will calm to end 2017
- U/C Pipeline is burning off; remaining pipeline delivers 3,000 units per year (2017-2018)
- -8% YOY; and -6% YTD
- Pricing up 3%-5% (26% waterfront Dade) – inventory up; # closings down.
- Still no crash;
  - Landing gear down



# Key Takeaways - Forecast

- Employment Market falters – picks back up Q1 2017
- GDP resumes post-election; economy expands in 2017
  - Monetary policy moves the needle; global economy retrenches
  - U.S. Tax Policy matters in 2017
  - U.S. Monetary Policy matters in 2017
- Rental Market goes with the economy; Class A projects take most of 2017 to stabilize; rents soften county-wide (thankfully).
- Rent Softening causes continued (but minor) declines in investment-condo market (-5% - 10%); but pricing does not go below \$375 - \$400 and rebounds by end 2017/early 2018.
- Nominal new construction in 2017
- Single Family stabilizes; luxury pricing retreats 5%-10%
  - Requires interest rate moderation
  - Requires job market stabilization
  - Assumes no destabilization in lending arena
- Strong end to 2017 and into 2018
- 1-2 Large (400+ unit) for-sale projects start in early 2018

