

ISG WORLD®

SUMMER 2020

# MIAMI REPORT™

AN IN-DEPTH ANALYSIS OF SOUTH FLORIDA'S NEW CONDOMINIUM MARKET



MIAMI  
HOMES LIVING

## Welcome to the 2020 Summer Edition of the Miami Report™

ISG World® has been producing and publishing the Miami Report™ for the last ten years. Over that span, we have analyzed and chronicled the growth and evolution of South Florida from a tourist and vacation mecca to an international business and financial center.

We have researched and studied market trends, tracked new developments, watched as new submarkets emerged and new neighborhoods prospered. Our reports have always provided critical and current information on condominium development, sales and the status of that market segment.

In past reports, we have examined the changes in political climates of our neighbors in the Americas. We've also monitored the strength of the U.S. Dollar, and continued to report how these factors have impacted our industry. As you will see, the current report reflects a changing trend in the geographical demographics of our buyers. While we continue to provide our usual in-depth study of the current state-of-the-market, we are now dealing with an unprecedented that is currently having a profound effect on our business, COVID-19. A pandemic that is affecting the entire world.

We have addressed this pandemic and projected the effect of the largest government stimulus package in the history of our country. We looked at the effects of past government packages on recoveries of previous depressions and recessions, and provided expert opinions on how quickly and dramatically we can expect this recovery to take hold.

As you go through the report, there are certain elements that will, no doubt, resonate. We are in a period where new condominium inventory will disappear, and no new buildings will be available for several years. Resales of single-family homes are well into a seller's market, while condominium resales are currently in a buyer's market.

There are also indicators that South Florida has certain characteristics that should help contribute to a strong recovery. Our population continues to grow, making Florida the second fastest growing state in the U.S. Mortgage rates are at an all time low and are projected to stay that way for the foreseeable future. Our state's tax structure is such that businesses and people from high tax states are looking to relocate to our area.

We trust that you will find our report useful for your current and future business plans. We are presently in an environment that is unprecedented and prodigious. We have tried to include and address these issues and look at the prospects for recovery. It is our hope that you find the information useful.

Sincerely,

**ISG**WORLD®

# TABLE OF

Contents

**07**

Featured Story

**17**

New Condo Construction  
Development Summary

**25**

MLS/Resale Market Trends

**35**

Population Demand

**43**

Takeaways

# 20

## Unprecedented Q1 - Q2

*At the outset of Q1 2020, the world began to witness what we now know of as the COVID-19 pandemic. During the first half of 2020, the initial panic, and then greater realization of implications from this pandemic, began to take hold throughout global economies. Economic activity collapsed amid uncertainty and justifiable fear. Real Estate transactional activity seriously contracted not just in South Florida, but throughout the U.S.*

# 20

## Optimism Q3 - Q4

*In the early 2nd half of 2020, the first signs of a rapid economic recovery can be seen throughout select industries, including the real estate market. South Florida real estate transaction activity has impressively rebounded against the backdrop of renewed demand and thin supply. In the following pages, we review the factors driving this rapid recovery for real estate, as well as its implications in particular for the South Florida condominium market.*

# Historic Economic Recovery Comparison

Perspective by Andres Oppenheimer

SoFlo Ahead Webinar | May 12, 2020



## 1929-1938

*(10-year recovery)*

The Great Depression

The Great Depression started in the United States after a major fall in stock prices that began around September 4, 1929, and became worldwide news with the stock market crash of October 29, 1929.



## 2008-2009

*(2-year recovery)*

The Great Recession

Causes of the Great Recession include a combination of vulnerabilities that developed in the financial system.

## International Monetary Fund (IMF) Projections for Global and Country Economic Contractions 2020 / Growth 2021

### Global

2020: -3.0%\* Contraction ▼  
2021: +5.8%\* Growth ▲

### U.S.

2020: -5.9%\* Contraction ▼  
2021: +4.7%\* Growth ▲

### China

2020: -5.9%\* Contraction ▼  
2021: +9.0%\* Growth ▲

China is the largest consumer of exports from South America

Source: IMF (International Monetary Fund)

\*Projected



# 2020

(6-month recovery\*)

## Current Recession

Real economic shock of the disruption of global and domestic supply chains and direct damage to businesses across all industries due to the Covid-19 epidemic.

\*Projected

## Current State-of-Affairs Prospective

“The recovery will come relatively faster, or faster than in the Great Depression of 1929, or in the Financial Recession of 2008.”

Andres Oppenheimer

Emmy award winner and editor and syndicated foreign affairs columnist with *The Miami Herald* and anchor of “Oppenheimer Presenta” on CNN En Español

## Mexico

2020: -6.7%\* Contraction ▼  
2021: +3.0%\* Growth ▲

## Colombia

2020: -2.4%\* Contraction ▼  
2021: +3.7%\* Growth ▲

## Argentina

2020: -5.7%\* Contraction ▼  
2021: +4.4%\* Growth ▲

# FEA TUR ED

Story

*ISG has conducted a 35-year study of condo inventory deliveries, as shown in the following pages. This study reviews the various delivery cycles, and clearly demonstrates that "supply shock" is the reality in the coming years. The seeds of the of the next cycle are in place, but will not come to fruition until after 2025.*

*Over the last 20 years, we have seen federal stimulus become more frequently used in response to shocks to the economy. Just after 9/11, stimulus was deployed to reduce interest rates to near zero. The housing boom that followed over the next several years was powered, in part, by those low rates.*

*The next shock to the economy came in 2008. The building from the previous cycle rose to unsustainable heights, driven by over-lax lending; that contributed to the banking crisis. The government's response to that crisis involved cutting rates to near zero again, but also added the TARP bailout aimed at restoring banks.*

*Amid the current Covid-19 crisis, the government has cut rates to a historic low, but has also instituted a stimulus 14 times greater than that in 2008. Unlike the post-2008 era, these low rates and stimulus are accompanied by a minuscule available inventory of condo units. As such, demand will pressure a continually shrinking supply for new units over the next five years until the new development cycle can replenish supply.*

## 35-year Delivery Analysis Methodology

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ISG's in-house Market Research Division completed an extensive analysis of all condominium units that have been delivered in South Florida from 1990 projected through 2025. The analysis included condominium buildings East of I-95, including the 515 counties. **The total number of condominium residences in the 515 counties is 100,761 units.** Our methodology relied upon the recorded units, which were then culled from county records.

*The following graph summarize our findings.*

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ensive analysis of 515 condominium buildings that  
through 2025. The geographical area for our study  
e beaches, from Coconut Grove to Fort Lauderdale.  
ondo buildings in our study contained a total of  
l TCO & delivery dates in those 515 buildings,

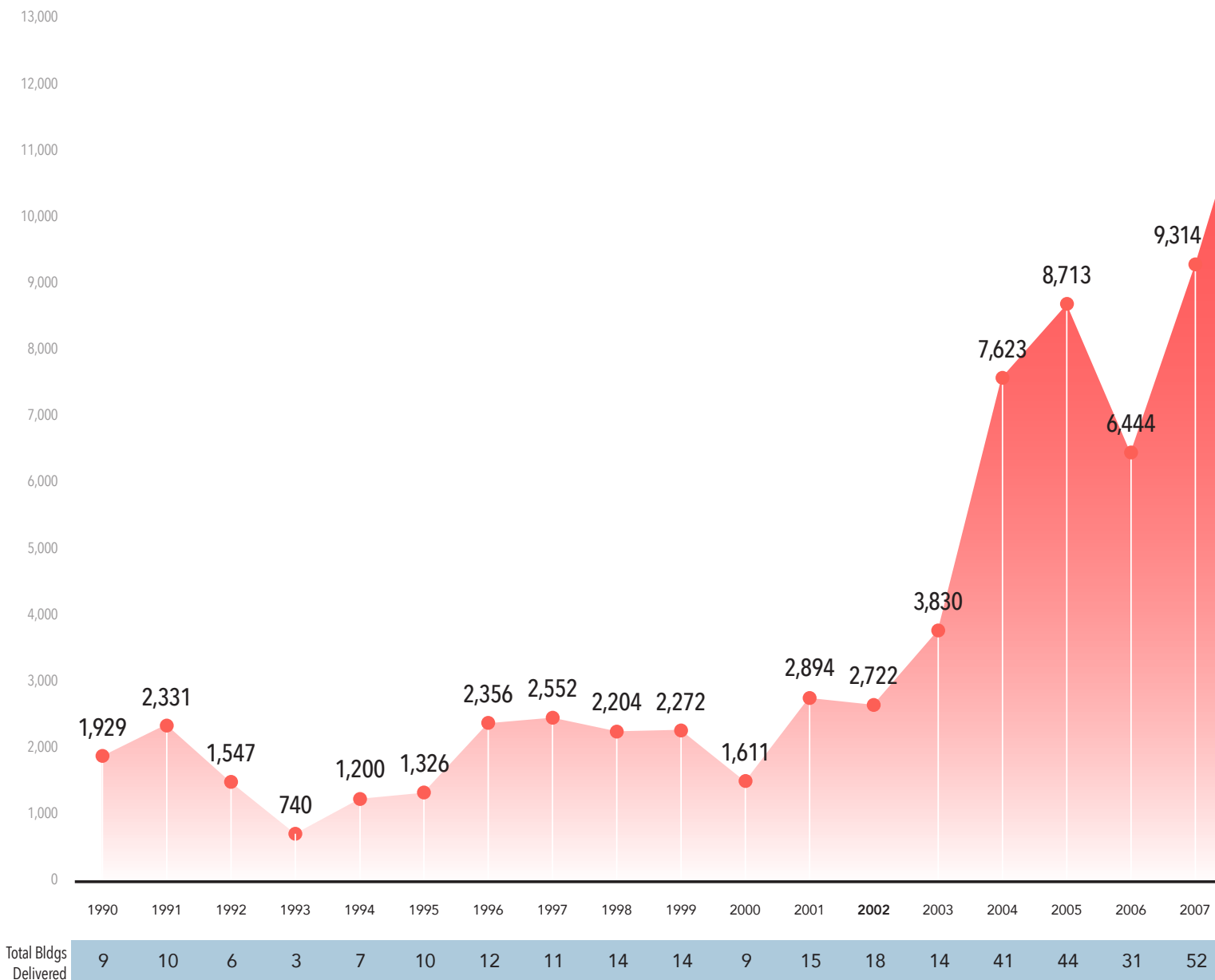
## FEATURED STORY

# 35-Year Delivery Analysis for Traditional New Condos Built Since 1990-2025

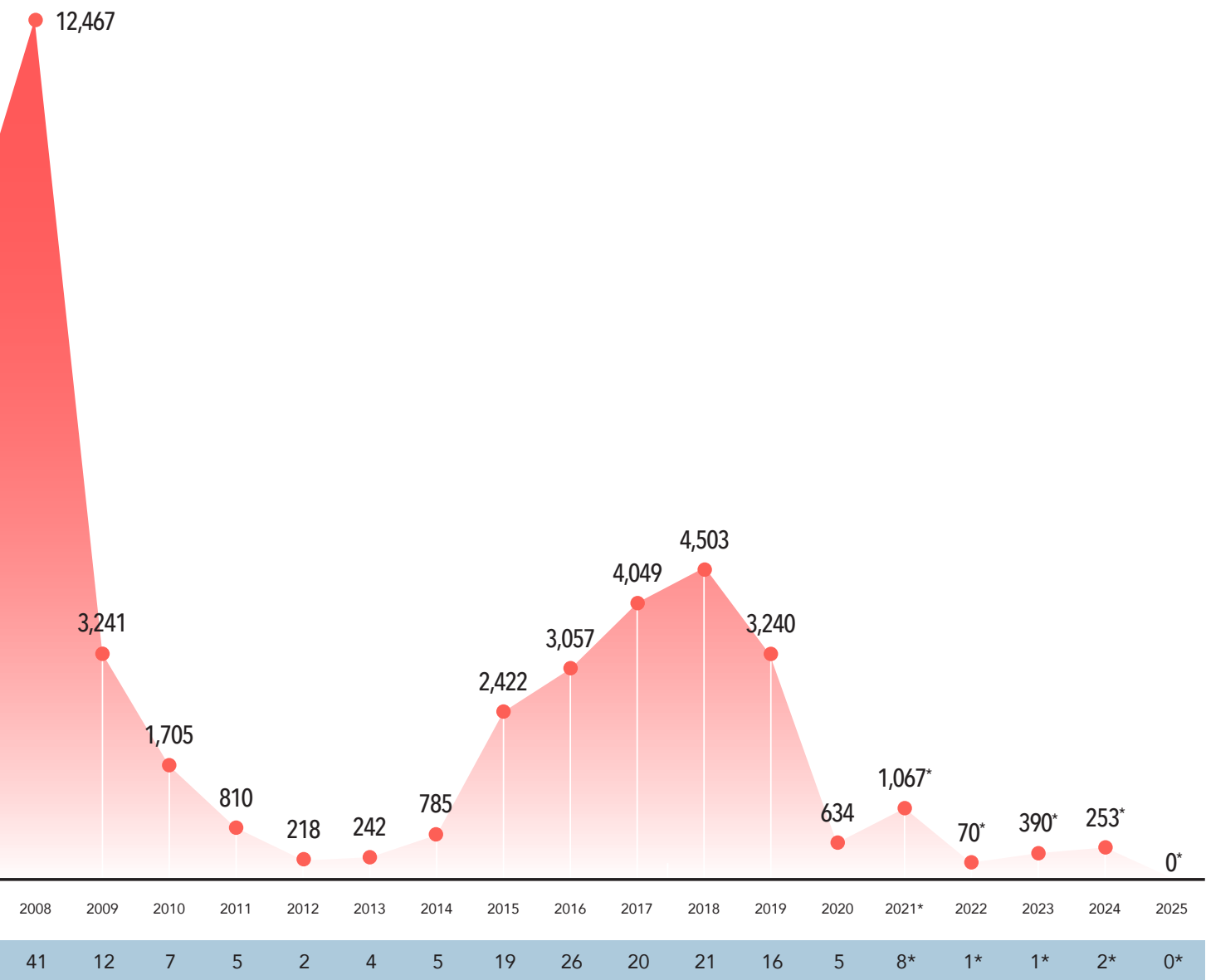
*(all condos East of I-95)*

(Brickell, Biscayne Corridor, Downtown Miami, South Beach, Miami Beach, Surfside, Bal Harbour, Bay Harbor Islands, Sunny Isles Beach, Hallandale Beach, Hollywood Beach, Aventura, North Miami Beach, Coconut Grove, Key Biscayne and Fort Lauderdale)

■ TOTAL UNITS DELIVERED



\*Projected delivery for actual units under construction



# Historic Federal Stimulus Comparison 2001-2020

	Post 9/11 Federal Stimulus	Post 2008 Fed
<b>Rate</b>	U.S. lowered Fed Fund Rate from 5.96% to 1.30% <i>(Jan 2001 vs. Jan 2003)</i>	U.S. lowered Fed Fund Rate from 4.18% to .09% <i>(Jan 2007 vs. Jan 2009)</i>
<b>Stimulus</b>	None	<b>U.S. provided \$2.3 trillion</b> <i>(Toxic Asset Relief Program)</i> major banks and financial institutions

## Federal Stimulus

Fed Fund Rate from  
2009)

## Covid 19 Federal Stimulus 2020

U.S. lowered Fed Fund Rate from  
2.4% to .05% (*Historic all-time low*)  
(Jan 2019 vs. Jun 2020)

**\$475B in TARP**  
(*Troubled Asset Relief Program*) to bail out  
and investment firms

**U.S. provided \$7T**  
(*14x more than 2008 stimulus*)  
+ various financial stimulus programs

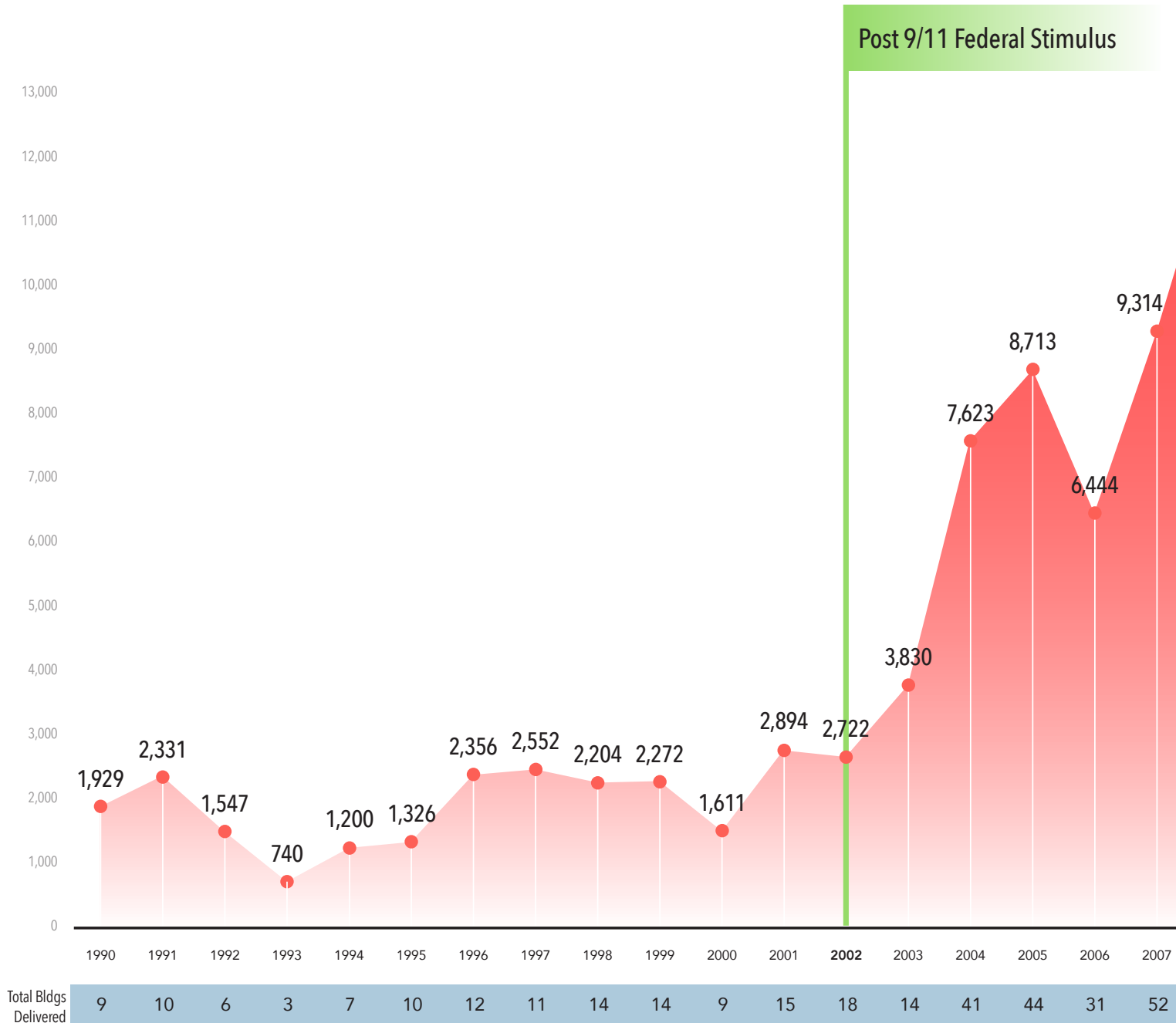
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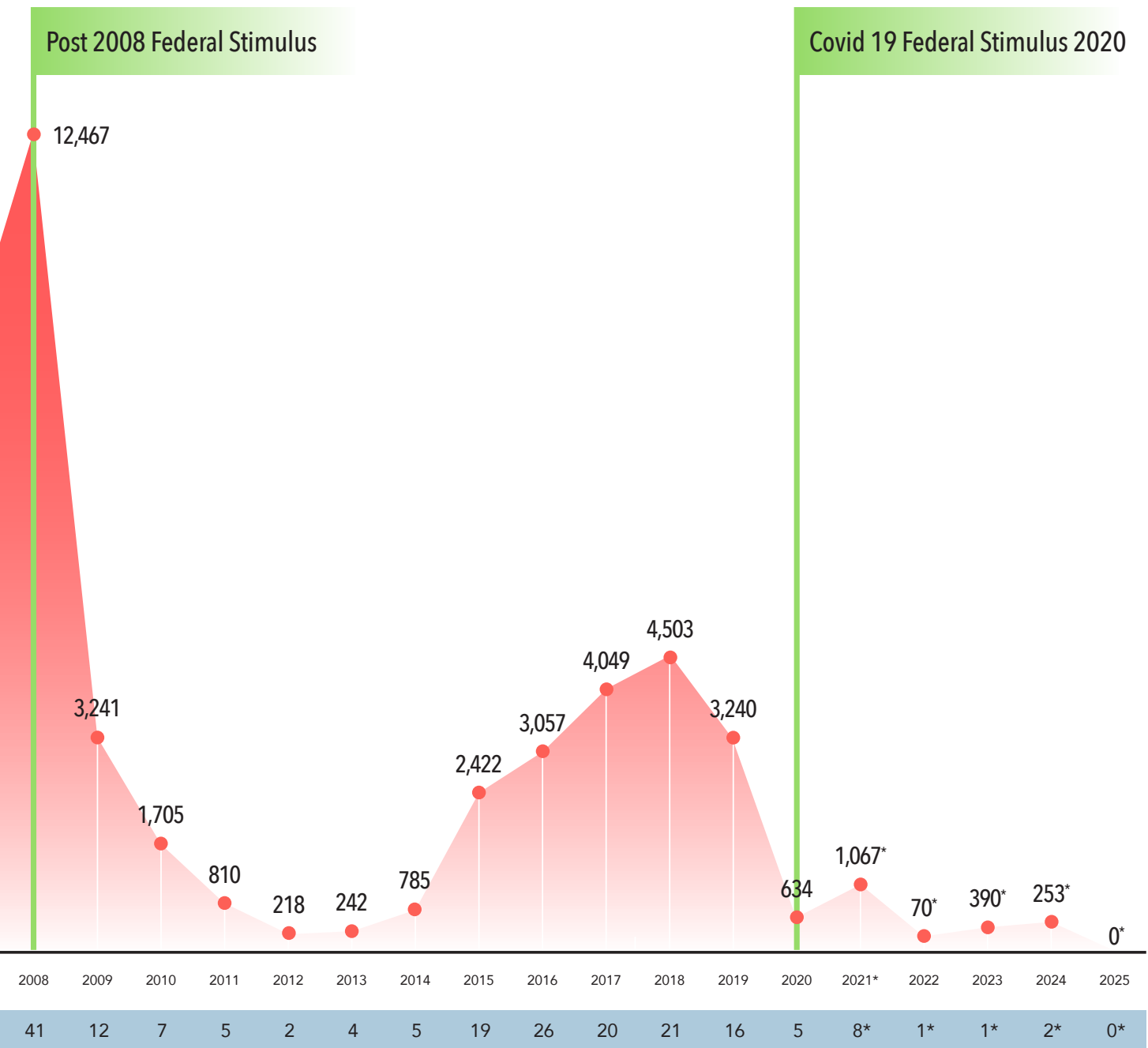
*(all condos East of I-95)*

(Brickell, Biscayne Corridor, Downtown Miami, South Beach, Miami Beach, Surfside, Bal Harbour, Bay Harbor Islands, Sunny Isles Beach, Hallandale Beach, Hollywood Beach, Aventura, North Miami Beach, Coconut Grove, Key Biscayne and Fort Lauderdale)

■ TOTAL UNITS DELIVERED



\*Projected delivery for actual units under construction





# NEW CONDO

Construction  
Development  
Summary

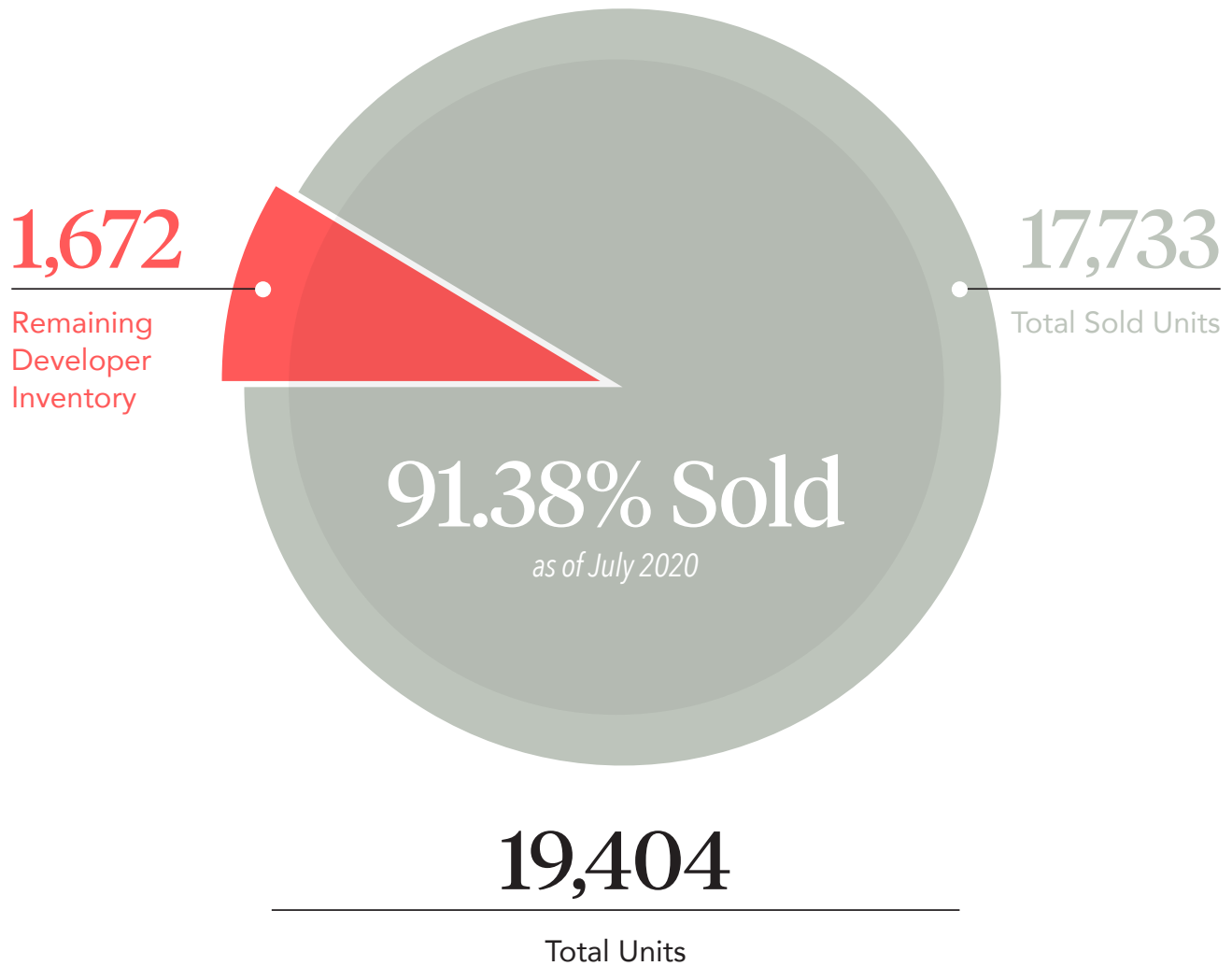
Brickell City Centre  
Photo by Janis Laubergs

## CURRENT CYCLE

# New Construction Condo Summary

Total new construction condo units sold and currently available for sale in Brickell, Biscayne Corridor (Edgewater, Wynwood, Midtown, Design District, Omni), Downtown Miami, the Beaches (South Beach, Miami Beach, Surfside, Bal Harbour, Bay Harbor Islands, Sunny Isles Beach, Hallandale Beach, Hollywood Beach), Aventura, North Miami Beach, Coconut Grove and Key Biscayne since 2012

■ SOLD DEVELOPER UNITS ■ REMAINING DEVELOPER INVENTORY



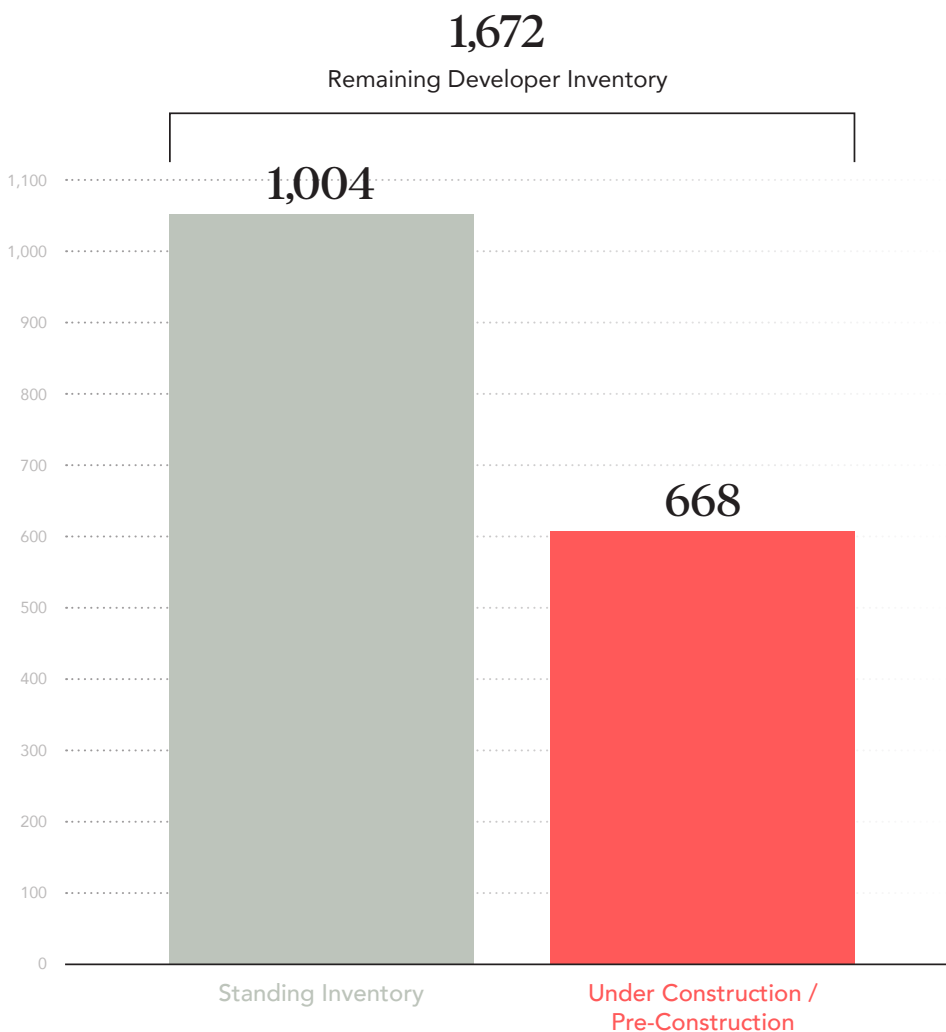
## What is Standing Inventory?

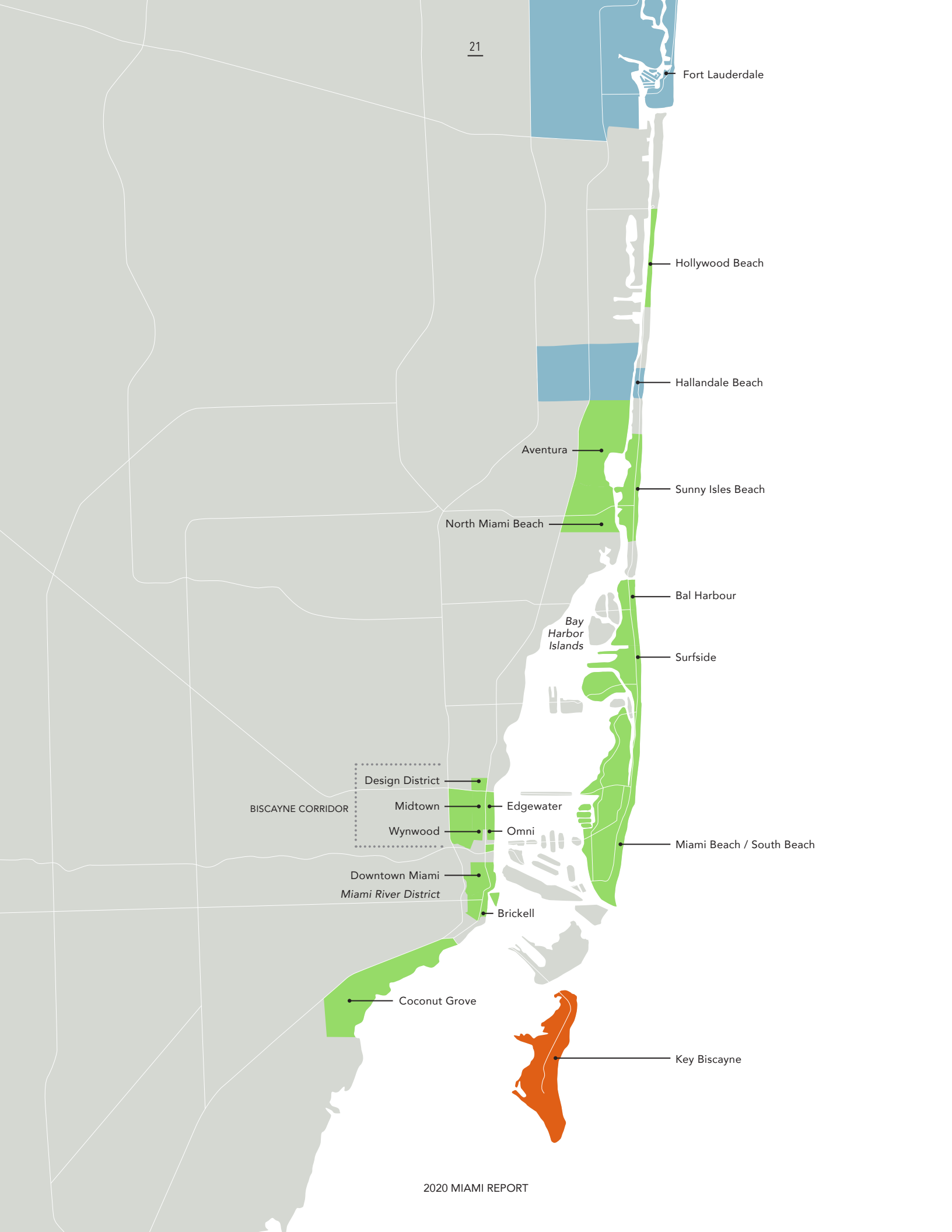
*Developer Inventory where construction has been completed.*

## Inventory Analysis

Standing Inventory vs. Under Construction / Pre-Construction

Coconut Grove to Fort Lauderdale, Traditional New Condos East of I-95





Fort Lauderdale

Hollywood Beach

Hallandale Beach

Aventura

Sunny Isles Beach

North Miami Beach

Bal Harbour

Bay  
Harbor  
Islands

Surfside

Design District

BISCAYNE CORRIDOR

Midtown

Edgewater

Wynwood

Omni

Downtown Miami

Miami River District

Miami Beach / South Beach

Brickell

Coconut Grove

Key Biscayne

## CURRENT CYCLE

# New Construction Condo Development Summary by Submarkets

Total new construction condo units available for sale since 2012

## 50% - 74% SOLD

Hallandale Beach .....67%

## 75% - 99% SOLD

Coconut Grove .....93%

Brickell .....98%

Downtown Miami .....80%

Biscayne Corridor .....96%

Miami Beach/South Beach .....82%

North Miami Beach .....99%

Surfside .....92%

Bay Harbor Islands .....95%

Bal Harbour .....80%

Sunny Isles Beach .....88%

Aventura .....96%

Hollywood Beach .....97%

Fort Lauderdale .....76%

## 100% SOLD

Key Biscayne.....100%

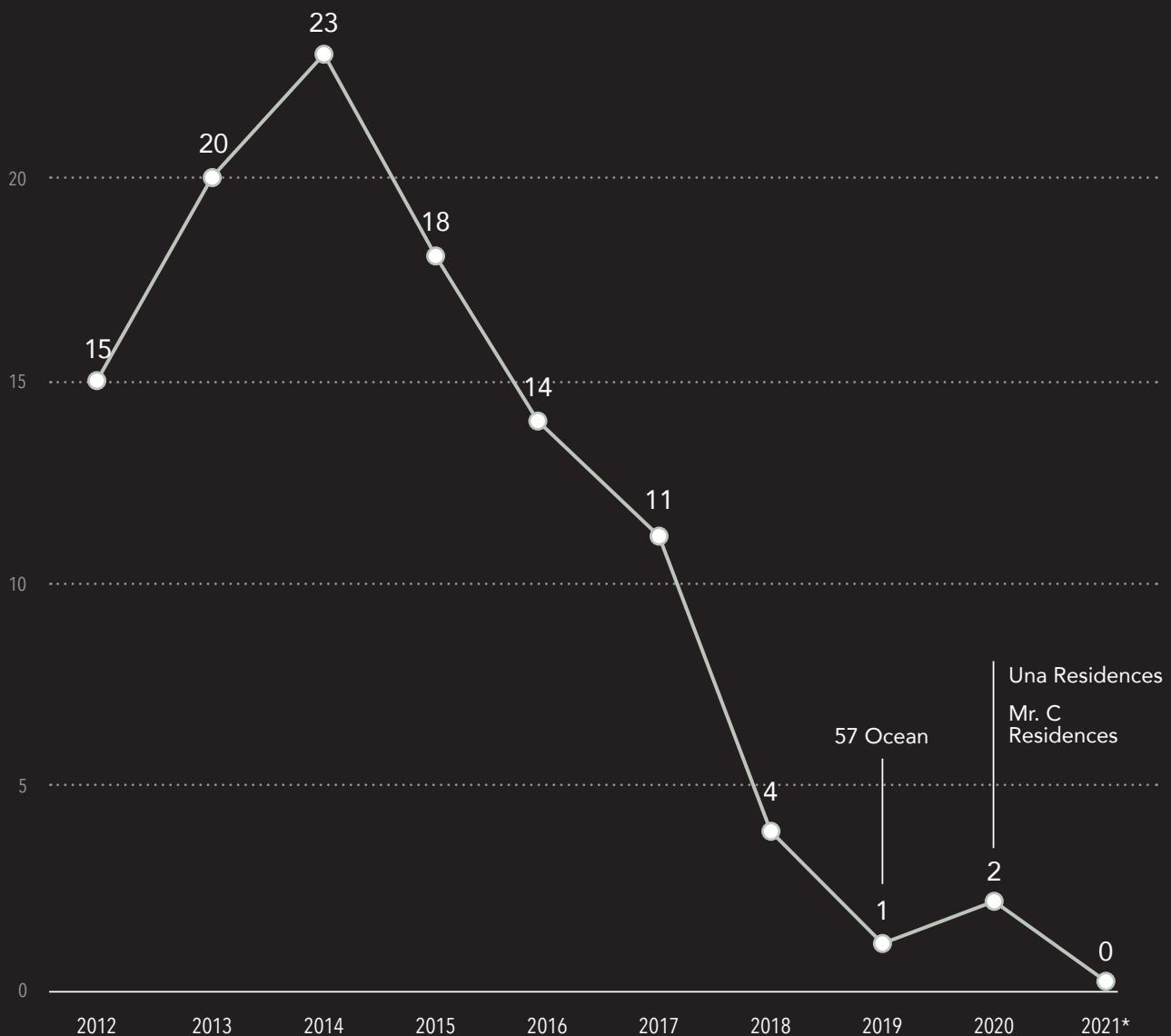
## CURRENT CYCLE

# Condominium Groundbreakings

Total macro new construction groundbreakings by year for traditional condos built since 2012 and East of I-95

Brickell, Biscayne Corridor, Downtown Miami, South Beach, Miami Beach, Surfside, Bal Harbour, Bay Harbor Islands, Sunny Isles Beach, Hallandale Beach, Hollywood Beach, Aventura, North Miami Beach, Coconut Grove, Key Biscayne and Fort Lauderdale). Condo developments with 20 units or less not included.

The number of South Florida condominium groundbreakings has significantly tapered off from when this condo cycle peaked in 2014, indicating a winding down of the current cycle.



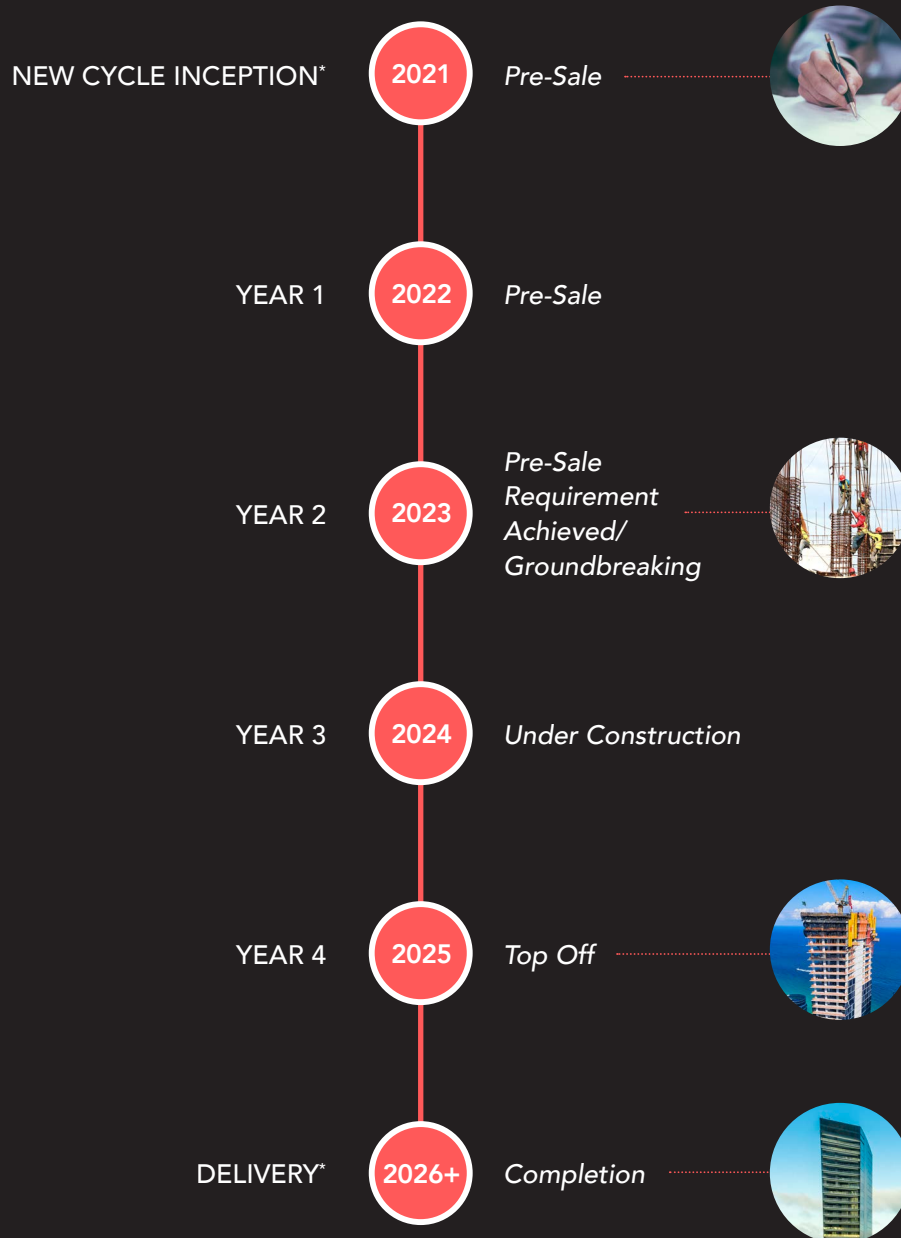
\* Projected

NEXT CYCLE\*

# Miami's Pre-Construction Development Cycle Timeline

Over the past three decades, the typical high-rise condominium's development cycle, from inception to delivery, was a two- to three-year process. Today, real estate developers are building 50- to 100-story luxury residential towers, which easily doubles the development and construction timeline to five or six years.

## Typical high-rise condominium development cycle



\* Projected

# MLS RES ALE

Market Trends



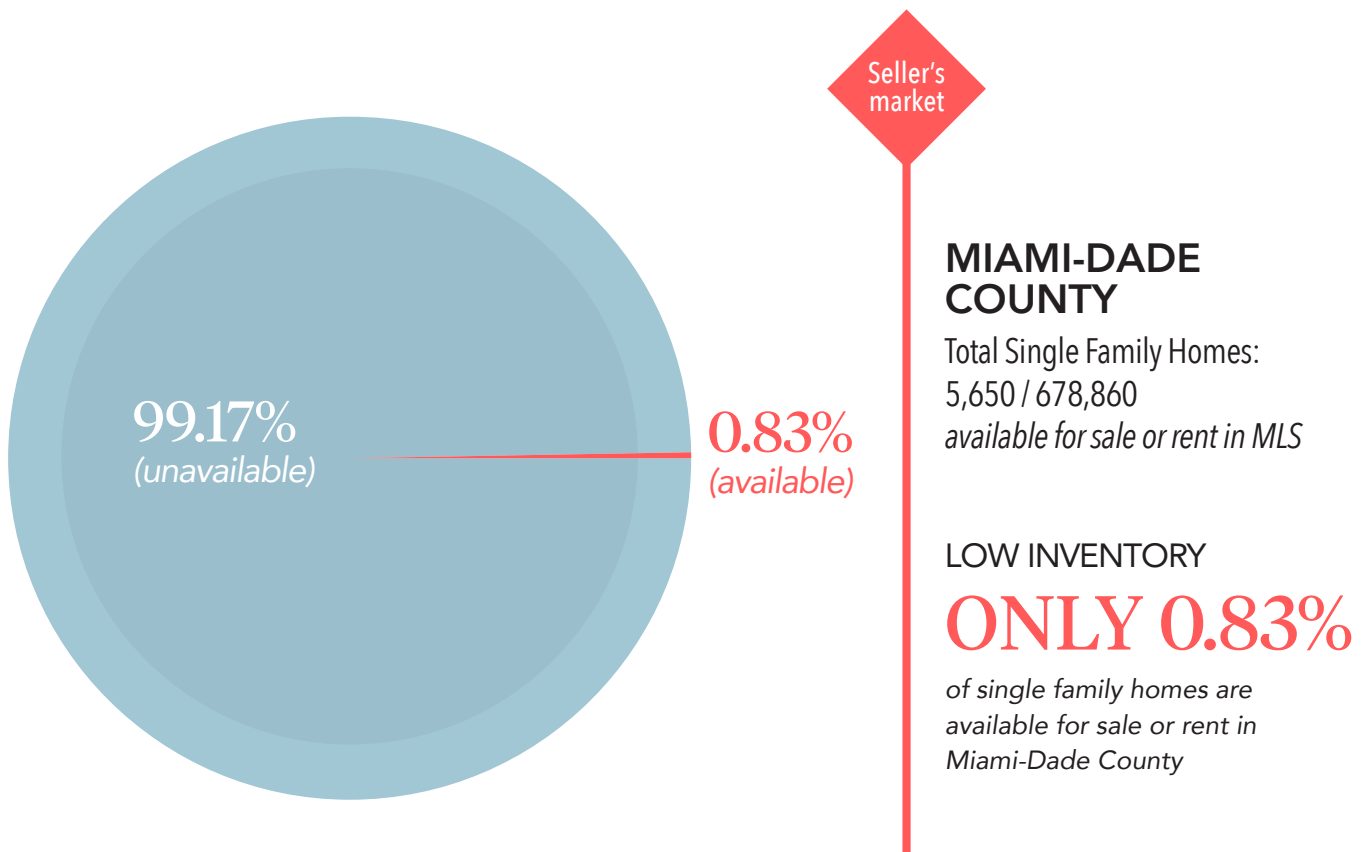
Photo by Mike van den Bos

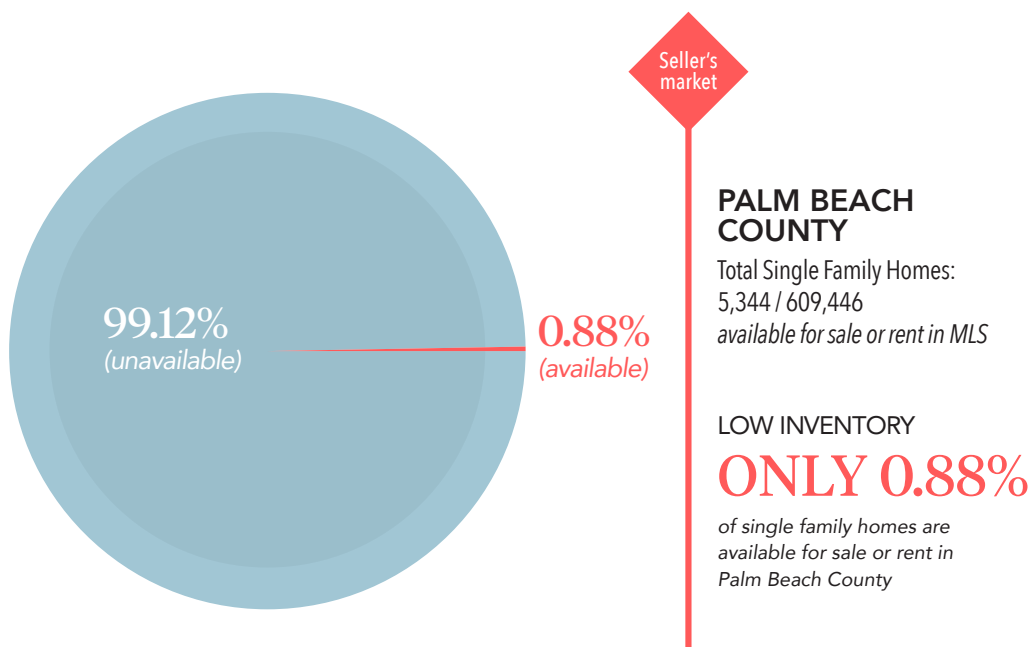
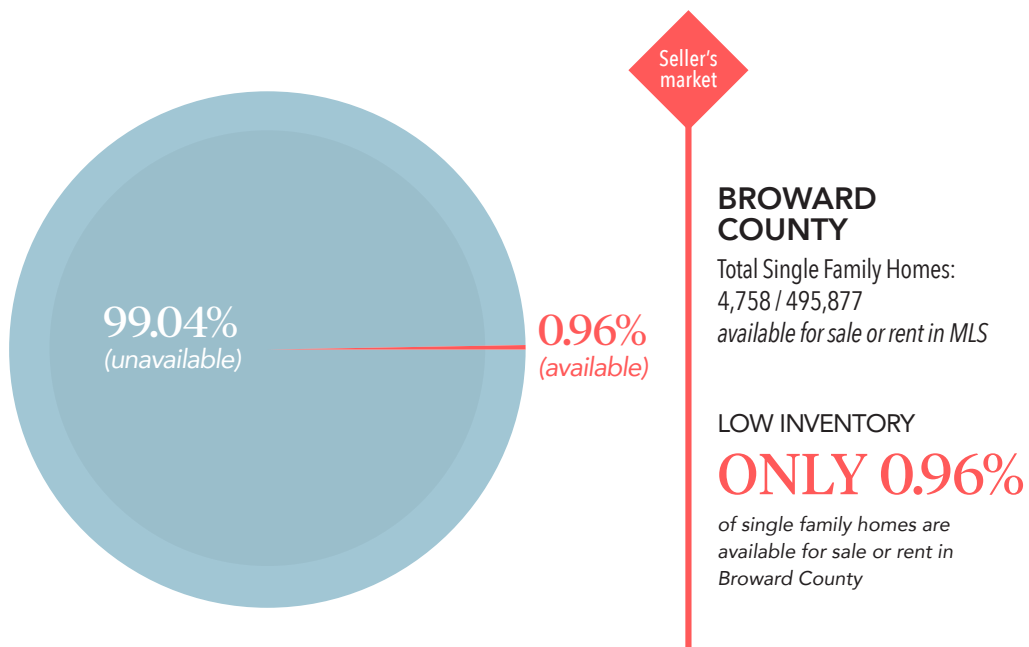
# Miami-Dade, Broward & Palm Beach County Single Family Homes Residential Snapshot

Single Family homes available on the MLS

## What is the Real Estate Rule of Thumb?

10% or more of inventory = *Buyer's market*  
10% or less of inventory = *Seller's market*





# Miami-Dade, Broward & Palm Beach County Total Active Listings & Transaction Analysis: *Single Family Homes*

## SINGLE FAMILY HOMES

ACTIVE LISTINGS		
July 1 <sup>st</sup> 2018 (2 years ago)	July 1 <sup>st</sup> 2019 (1 year ago)	July 1 <sup>st</sup> 2020 (currently active)
<b>19,331</b>	<b>16,889</b> Down 2,442 from 2018	<b>12,934</b> Down 3,955 from 2019

*Declining Supply*

## TRANSACTIONS VELOCITY

Total Velocity: July 1<sup>st</sup>, 2018 – June 30<sup>th</sup>, 2019: 46,371

Total Velocity: July 1<sup>st</sup>, 2019 – June 30<sup>th</sup>, 2020: 47,078

*Increasing Velocity*

Average Yearly Absorption: **46,725 / 3,894 per month**

**Seller's  
market**

# Miami-Dade, Broward & Palm Beach County Total Active Listings & Transaction Analysis: *Condominiums*

## CONDOMINIUMS

ACTIVE LISTINGS		
July 1 <sup>st</sup> 2018 (2 years ago)	July 1 <sup>st</sup> 2019 (1 year ago)	July 1 <sup>st</sup> 2020 (currently active)
<b>27,337</b>	<b>26,764</b> Down 573 from 2018	<b>24,572</b> Down 2,192 from 2019

*Declining Supply*

## TRANSACTIONS VELOCITY

Total Velocity: July 1<sup>st</sup>, 2018 – June 30<sup>th</sup>, 2019: 34,755

Total Velocity: July 1<sup>st</sup>, 2019 – June 30<sup>th</sup>, 2020: 32,029

*Decreasing Velocity*

Average Yearly Absorption: **33,392 / 2,783 per month**

Buyer's  
market

## Condo MLS Resale Market Snapshot for Traditional New Condos Built Since 2012 East of I-95

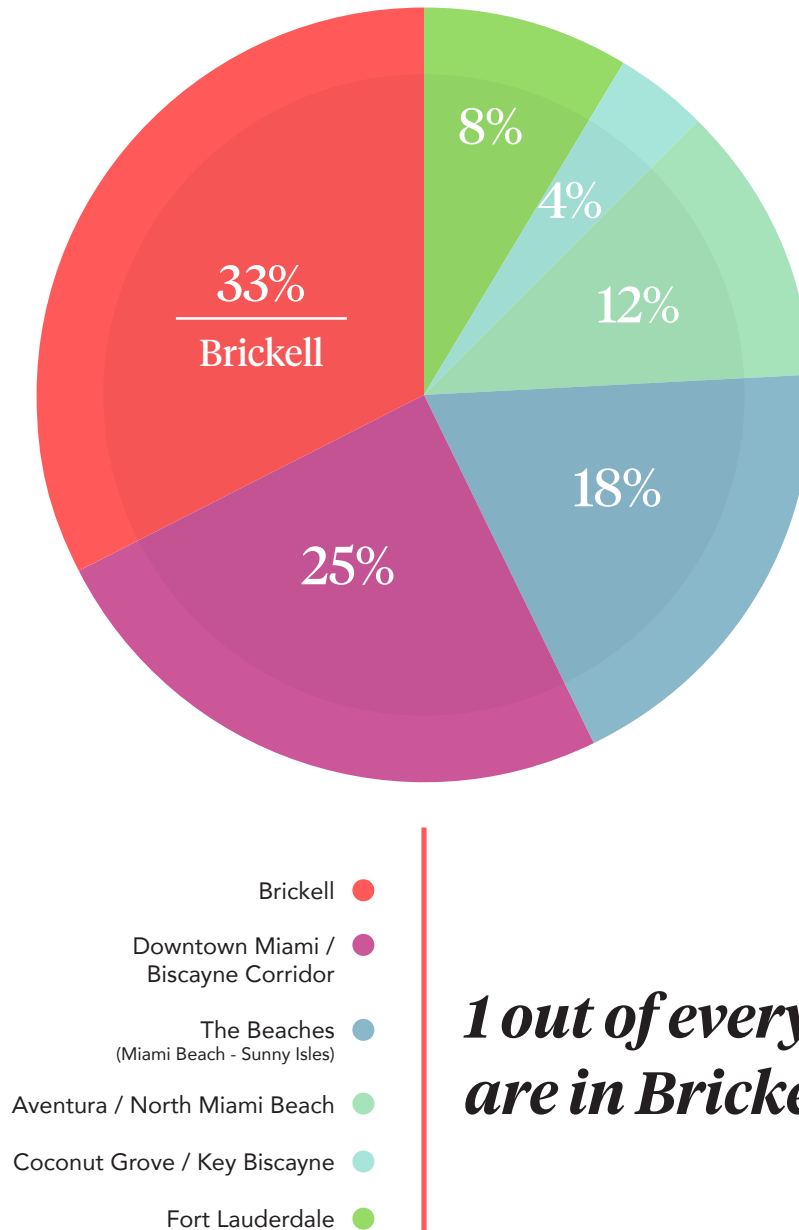
	Total Units Delivered (2012 - 2019)	July 2018		July 2019		July 2020	
		Total Active MLS Listings	% Active	Total Active MLS Listings	% Active	Total Active MLS Listings	% Active
Brickell	5,522	887	16.06%	791	14.32%	707	12.80%
Downtown Miami / Biscayne Corridor	5,232	822	15.71%	734	14.03%	644	12.31%
The Beaches	3,506	711	20.28%	689	19.65%	601	15.10%
Aventura / North Miami Beach	1,442	390	27.05%	344	23.86%	306	21.22%
Coconut Grove / Key Biscayne	503	93	18.49%	81	16.10%	43	8.55%
Fort Lauderdale	1,080	126	11.67%	103	9.54%	132	11.43%
	17,285	3,029	17.52%	2,742	15.86%	2,433	13.64%



# MLS Resale Sales for New Condos Sold Between July 1, 2019 - June 30, 2020

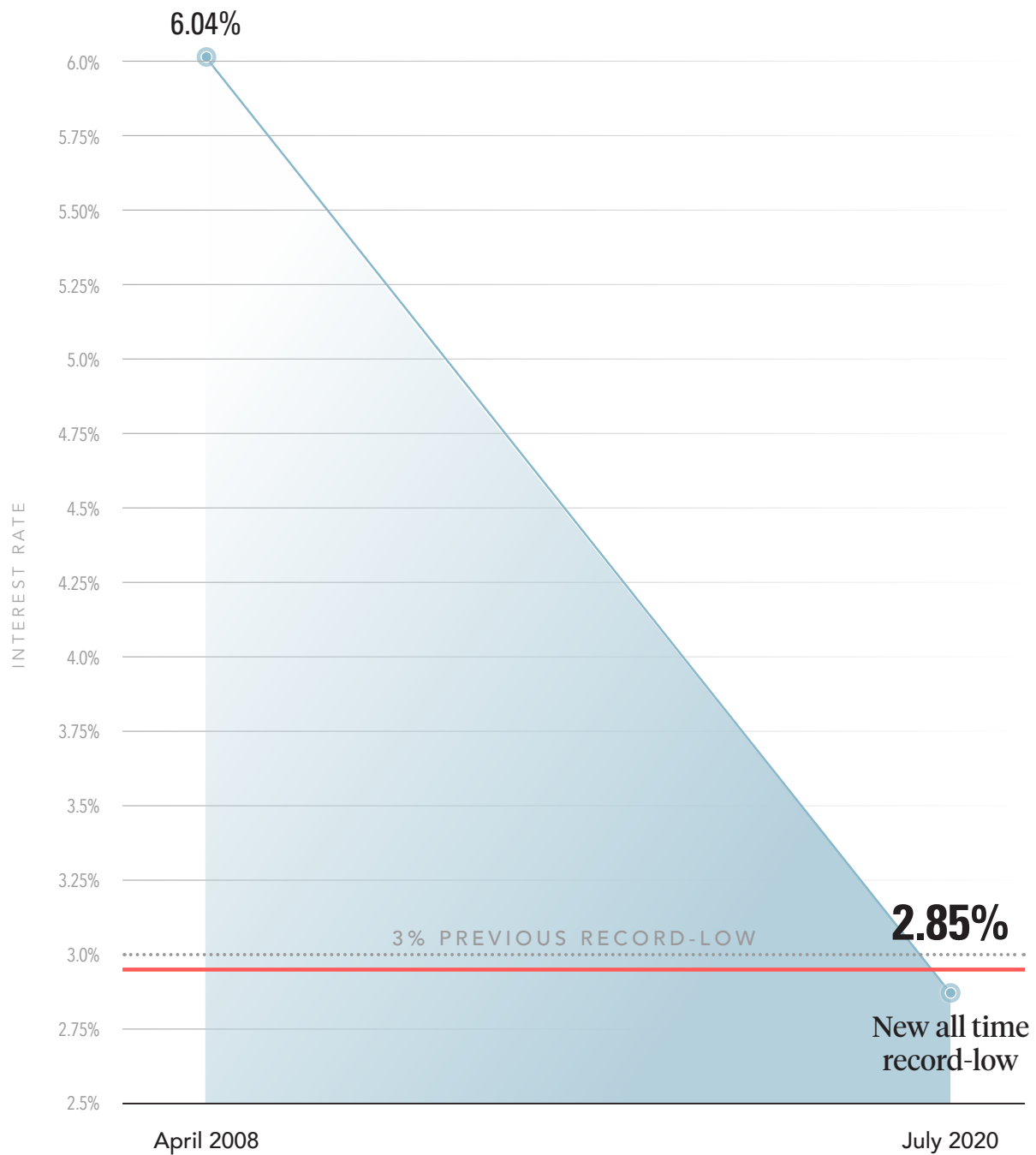
Traditional New Condos Built Since 2012 From Coconut Grove to Fort Lauderdale, East of I-95

% SOLD BY SUBMARKET



***1 out of every 3 sales  
are in Brickell***

## U.S. Annual Mortgage Rates - Average 30-Year Fix 2008 vs. 2020



“Mortgage rates have hit another record low due to declining inflationary pressures, putting many home buyers in the buying mood.”

Sam Khater

*Freddie Mac's Chief Economist*

*June 2020*



# POPULATION

Demand

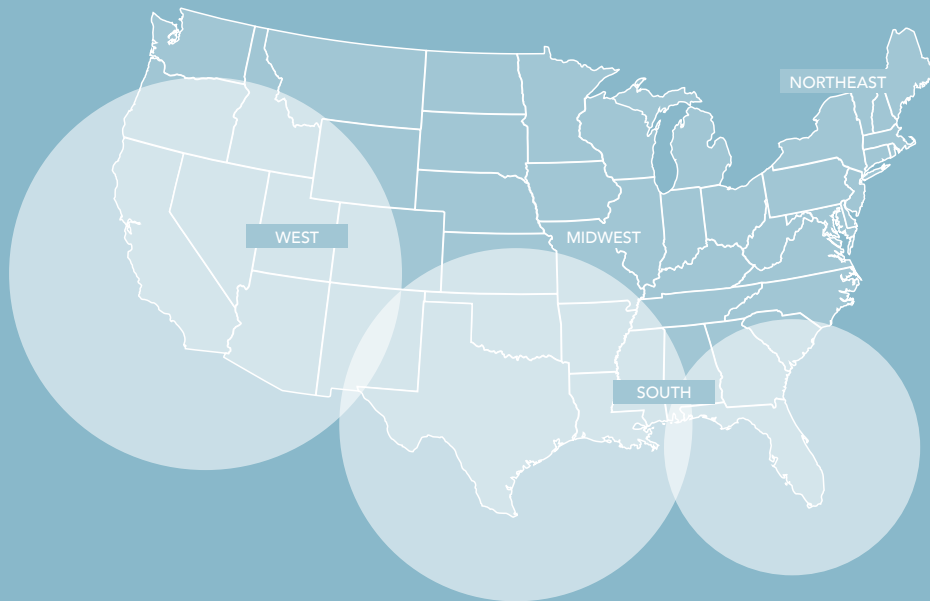
Photo by Todd Trapani

# Regional Population Migration Trend

The U.S. is experiencing a domestic migration trend and population shift from States in the Northeast and Midwest to states in the South like Florida and Texas. According to U.S. Census data, Florida had the highest level of net domestic migration from 2017-2018.

## 1999

● GAINING POPULATION

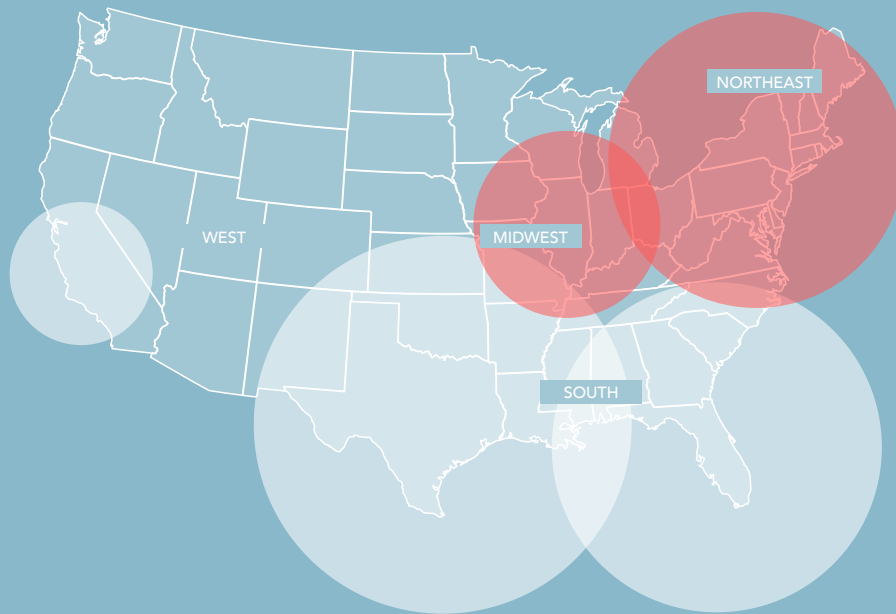


## Fastest Growing State Rankings

1. California .....	1,267 ppl per day
2. Texas .....	909 ppl per day
3. Florida.....	556 ppl per day
5. Arizona.....	304ppl per day
11. Illinois.....	161 ppl per day
14. New Jersey .....	131 ppl per day
17. New York.....	103 ppl per day
19. Connecticut .....	97 ppl per day
50. Massachusetts .....	85 ppl per day

2019

● GAINING POPULATION ● LOSING POPULATION



### Fastest Growing State Rankings

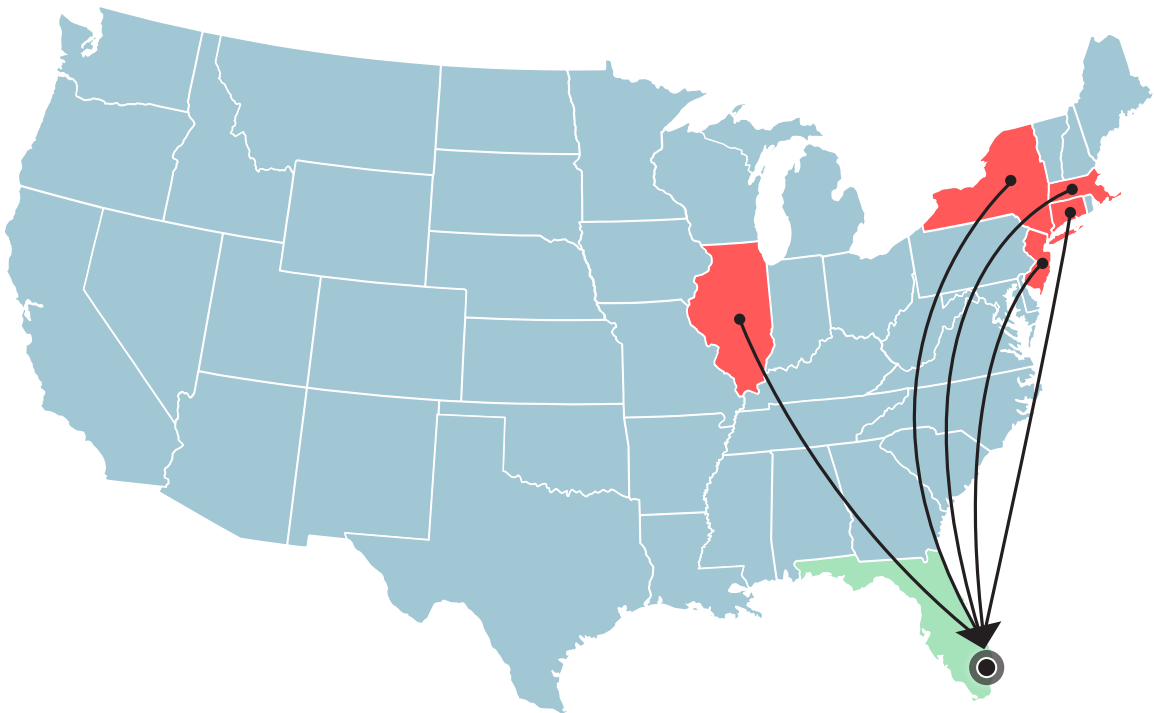
1. Texas .....	1,096 ppl per day
2. Florida.....	950 ppl per day
3. Arizona.....	330 ppl per day
11. California .....	139 ppl per day
43. Connecticut .....	-20 ppl per day
45. Massachusetts .....	-26 ppl per day
48. New Jersey .....	-72 ppl per day
49. Illinois.....	-189 ppl per day
50. New York.....	-242 ppl per day

# Net Migration - Data from Tax Returns

(Tax Payers & Dependents)

## Bloomberg

January 2020



### NEW YORK

1. Florida
2. New Jersey
3. North Carolina

### ILLINOIS

1. Florida
2. Texas
3. Indiana

### NEW JERSEY

1. Florida
2. North Carolina
3. Georgia

### CONNECTICUT

1. Florida
2. Texas
3. North Carolina

### MASSACHUSETTS

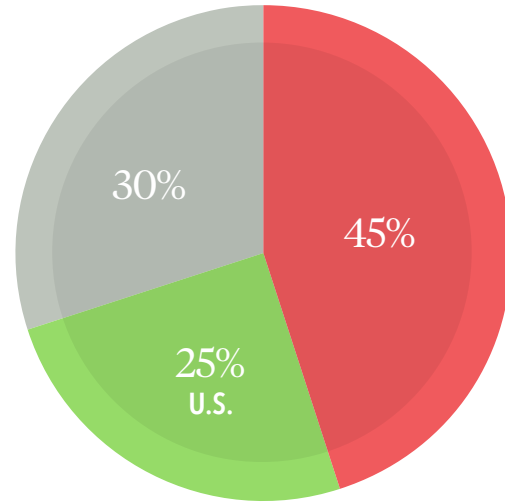
1. Florida
2. Georgia
3. Texas

# Global & Domestic 10-Year MLS Resale Migration Analysis for Single Family Homes & Condos Sold in Miami-Dade, Broward and Palm Beach County

## 10 YEARS AGO

MLS Resales from  
July 1<sup>st</sup>, 2009 - June 30<sup>th</sup>, 2010

Country	% of Sales
Central / South America	45%
Other (Canada, Europe & Asia)	30%
U.S.	25%

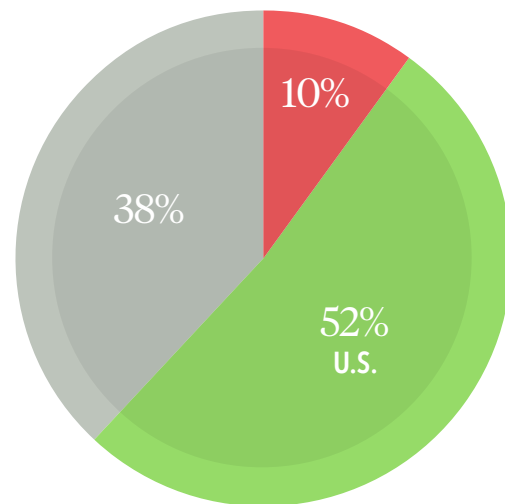


**U.S. more  
than doubles  
in 10 years**

## CURRENT

MLS Resales from  
July 1<sup>st</sup>, 2019 - June 30<sup>th</sup>, 2020

Country	% of Sales
U.S.	52%
Other (Canada, Europe & Asia)	38%
Central / South America	10%

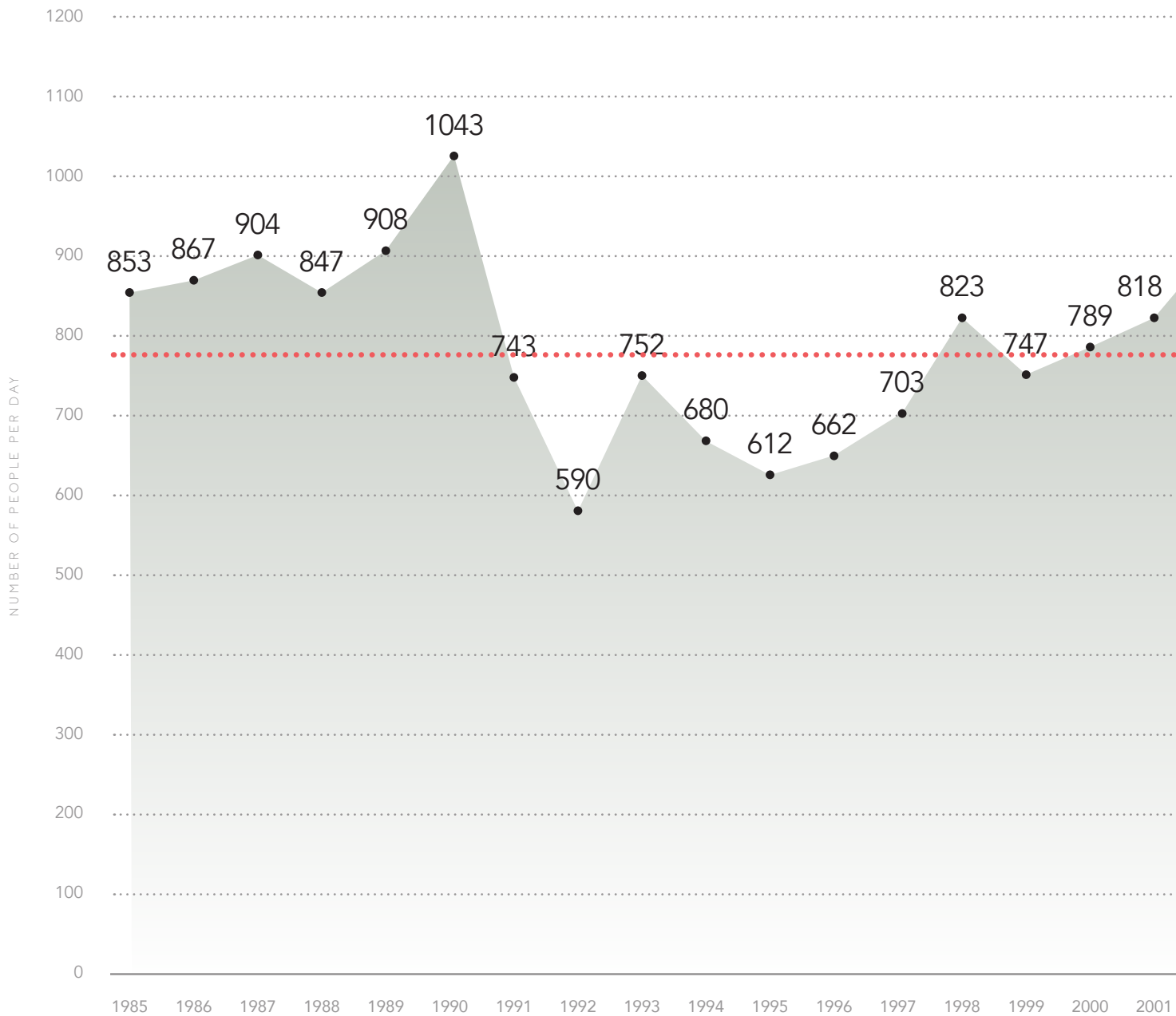


# 35 Years of Florida's Daily Population Growth

Traditional New Condos Built Since 2012 From Coconut Grove to Fort Lauderdale, East of I-95

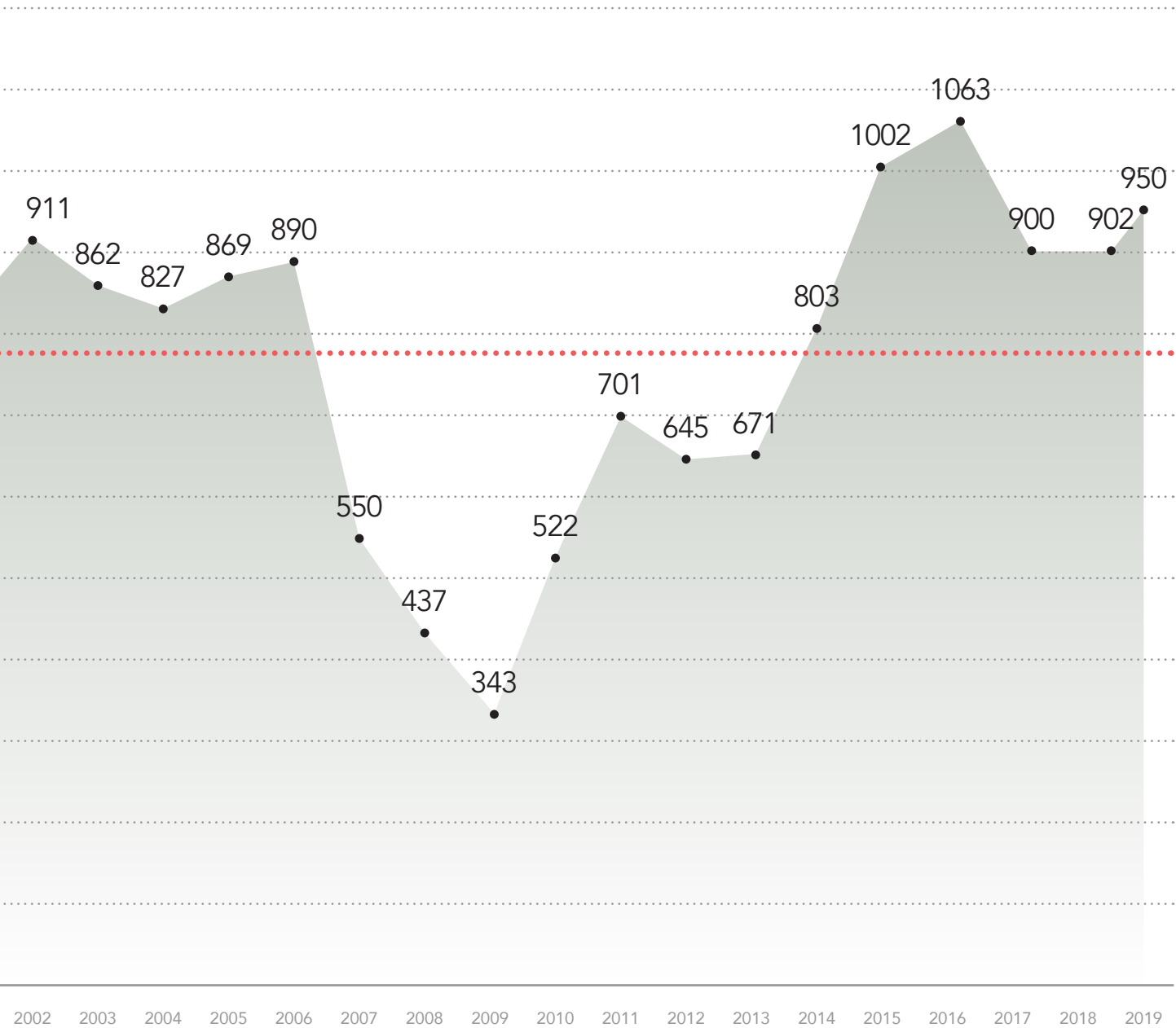
*Florida has consistently been one of the most desirable states in terms of weather and tax climate, maintaining a strong average daily population growth throughout the last couple of decades.*

■ FLORIDA



Sources: U.S. Census Bureau

**777** (people per day)  
 Florida's 35-year average  
 daily population growth



## Miami Report | Takeaways

1.

Projected rapid economic recovery

2.

Declining developer and MLS inventory

3.

Unprecedented lack of future developer supply

4.

All time low mortgage rates

5.

Continued population growth/demand

# ISGWORLD®

For over 27 years, ISG World® has been honored and privileged to work with some of the most respected and talented professionals in the real estate industry, from developers, architects, engineers and designers, to brokers, vendors and of course, our dedicated employees. To engage ISG today is to harness the talent, network and creativity that provides our clients the competitive edge necessary to succeed in the South Florida marketplace.

## 27 Years

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## 110 Developments

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## +\$10 Billion in sales

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## Clients include



# MIAMI

## HOMES LIVING

MiamiHomesLiving.com  
786.285.5984