36 Years
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Broad surge of optimism fuels Miami-Dade residential real estate

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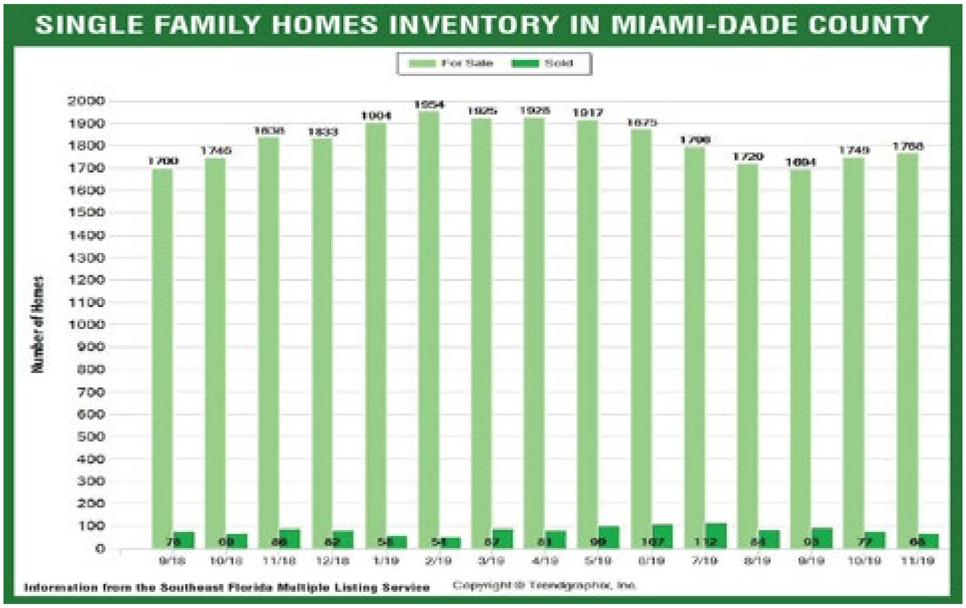

Leaders of Miami-Dade's residential real estate companies are optimistic about 2020, and much of their optimism is driven by a surge of newcomers – some of them with deep pockets – fleeing tax problems or other situations.

"Not a week goes by that we don't see buyers escaping high-tax states," said Ron Shuffield, president & CEO of Berkshire Hathaway HomeServices EWM Realty. "It takes time for people to make plans and sell their homes up North, so this is probably just the beginning."

The trend began with buyers from the Northeast "and now we're starting to see buyers from Texas and Nevada," he said. About 950 people move to Florida every day, and 30% of them head for Miami-Dade and Broward, he added.

In the past quarter, inventory of residences was up 3.8% and sales 3%, he said. "Both numbers are great. We're beginning to see things balance. We're still not where we need to be, but we're going in the right direction.

"We've been building so many condo buildings, but now there are fewer starts," he said. "We're renting more houses than selling, and those are telling numbers; for the past three months, sales were 42% of the totals, and rentals 58%. These are new people relocating and waiting to see what's going to happen."

International buyers "are still nervous," Mr. Shuffield said, and what's going on in their home countries affects their need or desire to invest here.

"The good news is that sellers are being more realistic and reducing their prices. Proper pricing sells homes very quickly.

"There's a whole mood of optimism and a lot of money flowing through what is a strong local economy. It's not lethargic, not tired, and in fact is a lot more positive than it has been. With the Super Bowl this year, the eyes of the country are on Miami."

"Certainly 2019 was better than 2018. Supply in the $1 million-and-up market is being absorbed, and there are no new projects of magnitude being launched," said Edgardo Defortuna, president and CEO of Fortune International Group.

"A number of projects are on the sidelines and we are watching the situation carefully. We're more disciplined now, and it's a more mature market. You don't see many foreclosures anymore. We learned our lesson."

Fortune International Group is also seeing an influx of new residents. "We're seeing significant interest from New York, California, Maryland, Virginia and other states that have tax issues," he continued. "South America has been soft, but Brazil and Argentina got a little better. Mexico was strong for Miami in 2018, and that will continue into 2020.

"I'm optimistic," Mr, Defortuna said. "We're a great value when compared to other major cities. We all wish it was better; we've been spoiled. But the overarching thing is that the world's still in love with Miami."

"We started seeing people from the Northeast, and now it's from the Midwest and California," said Nancy Klock Corey, regional vice president at Coldwell Banker.

Californians pay high taxes, and the last few years have brought wildfires and earthquakes, she said. There have also been schoolteacher strikes and other problems that make Miami attractive.

"In general, the Miami markets, especially the condo market, have been better than people anticipated," she said. "The luxury market has been excellent in December, which is typically a slow time. That bodes well for the season and for 2020."

Sometimes the market is hard to read, because there's a large number of discretionary sellers who are interested in testing the market but don't necessarily need to sell, she said. Some are thinking of getting rid of a second or third home, but there's no urgency about it. In the same way, the number of website searches can be deceiving because to analyze them, the broker would have to know whether a prospect was looking to buy or sell a home. “There’s a surge in people looking from Russia and Brazil, but we don’t know why they’re looking. You really don’t know until they pull the trigger.”

Miami’s appeal will endure in part because it is physically safer than many foreign countries, and the government and laws are more stable, she said.

As always, the inventory will fluctuate as the needs of buyers and sellers change, she said. “I’m fascinated by Generation Y and Generation Z,” she said. “They have more information at their disposal than any generation before them. It used to be said that they, and millennials, wanted micro-units and smaller houses, but now we’re seeing a segment that’s driving the market for larger homes. We have to listen to these generations. Whatever they want will drive the market, the way it happened with the baby boomers.”

“Nearly half – 40% – of our traffic is now coming from the Northeast,” said Philip Gutman, president of Brown, Harris, Stevens. “Two things have helped: the taxes and the fact that the weather turned for the worse early in the season.”

It’s also a matter of timing, he said. “The first year the new tax law passed, people were just waiting; they wanted to see how things were going to shake out. There were a lot of unknowns. But now they have learned the truth,” which is motivating a lot of tax-burdened owners to make a move. “We look like a bargain compared to properties in the Northeast.”

Mr. Gutman said there’s been significant interest in buyers from Mexico and South America. “We may end up getting a surge from Colombia and Argentina. I expect South America will come back strong, because Miami is a good investment for their funds. It all depends on what’s happening in their countries.”

“2020 will ring in a solid real estate market,” said Mike Pappas, president and CEO of The Keyes Company, via email. “Prices will continue to rise at a mid-single digit appreciation rate. Sales will be consistent with 2019. The strength in the market is being driven by our 50-year low unemployment, interest rates less than 4%, and the millennials in their prime buying years. The strong dollar, trade wars and global slowing are giving us some headwinds.

“Homeowners are staying in their homes longer; therefore, we have seen the overall single- family home inventory drop by 10% this past year. It is a tale of two cities – with the under $500,000 single home inventory tight as a drum, with only a 3-month supply – compared to the $1 million-and-higher luxury single family market sitting at a 19-month supply,” he said.

“As a county, [where] more sales are made in the vertical neighborhoods (condos) than in single- family homes, this trend will continue. There is currently a 12-month supply of condo inventory, but it also has dropped by 6%. Condominium financing has loosened, and that will open up more opportunities in 2020."

Properties updated and in good showing condition are in big demand, while dated older stock remains on the market longer. The Keyes Co. has a program that will renovate and fix up the home with no upfront cost to the seller – paid at the time of closing, he said.

"Artificial Intelligence, smart homes, post-close services, facilitating cable, internet and security and increased social media are all growing trends."

Mr. Pappas said the upcoming elections won't impact the real estate industry much. "A study was done by Zelman and Associates which analyzed the last 10 elections. They determined that the economy impacted real estate, but not the election."