

# SOUTH FLORIDA MARKET FOCUS

## INSIDE THIS ISSUE :

|                          |   |
|--------------------------|---|
| Opportunity Targeting    | 1 |
| Major Trends             | 2 |
| Inventory & Price Trends | 3 |
| Key Metrics              | 4 |
| Shadow Rental Market     | 4 |

## Highlights

- Submarket analysis reveals notable variations from Metro and County-level metrics
- Key benchmark factors provide useful insights and monitoring tools that facilitate assessment of timing, pricing and value considerations for acquisition targeting
- Fourth quarter trends reflect notable reductions in listed property inventory despite weak month-over-month sales and price declines along with increasing average days on market.

Focus Real Estate Advisors specializes in Florida/Southeast Florida multifamily residential markets and provides detailed submarket data, trends and analysis based on monthly demand/supply research updates on a subscription basis. Focus maintains a comprehensive database of rental apartment, conversion and new construction condominium projects in the tri-county Southeast Florida area. The firm provides customized acquisition targeting, project and portfolio positioning and performance analyses for investors, financial institutions, and other professionals engaged in real estate acquisition and disposition as well as real estate litigation support services.

## Finding Opportunities amidst Market Turmoil

Many prospective investors are exploring opportunities to capitalize on a severely distressed residential market. Some are focused almost exclusively on the price 'discount' factor as opposed to refocusing on real fundamental housing demand/supply metrics. The widespread abandonment of serious analysis and consideration of demographics, prospective buyers' incomes and housing affordability fundamentals in underwriting residential projects fueled the irrational price escalation and is a primary reason we're in the situation we are today.

While prospective federal government 'bail-out' funds and related measures targeting escalating foreclosures and distressed housing market conditions may influence the level and timing of recovery, there is no substitute for specific, detailed evaluation of submarket conditions and property specific factors in realistically evaluating the prospective timing and potential profitability of an institutional bulk or individual housing investment.

Focus' monthly research and analysis of 36 submarkets comprising the Tri-County Southeast Florida Market (officially - Miami-Fort Lauderdale-Pompano Beach, FL Metropolitan Statistical Area) breaks down each primary segment of the housing market and examines key demand and supply trends. Since the current housing inventory is mostly comprised of used and new resale product, detailed breakdowns including building age segmentation as well as primary product segments (i.e. condo, townhouse and single-family detached) provide essential insights.

Overall residential sales activity across the Metro dropped to new lows in the 4th quarter. Trends in Spring-Summer 2008 that provided signs of a bottom proved false in the wake of another wave of major financial industry crises and broadening recognition of a deepening national economic recession this past Fall.

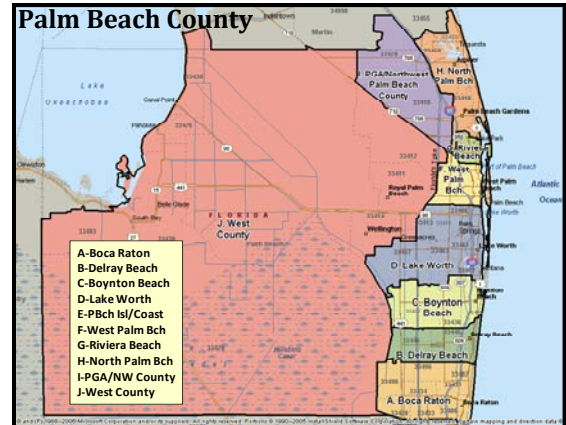


Figure 1. Miami-Dade County Submarket Areas

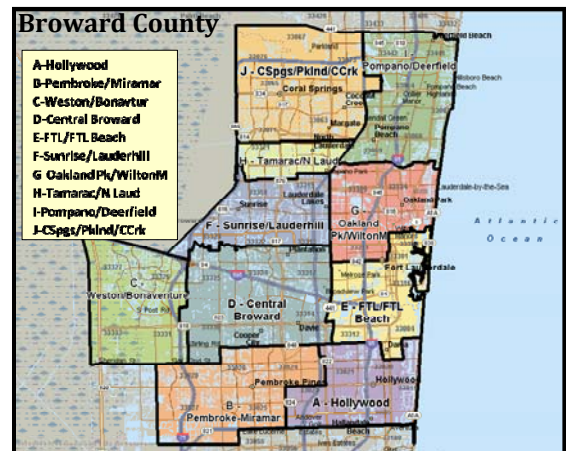


Figure 1. Broward County Submarket Areas

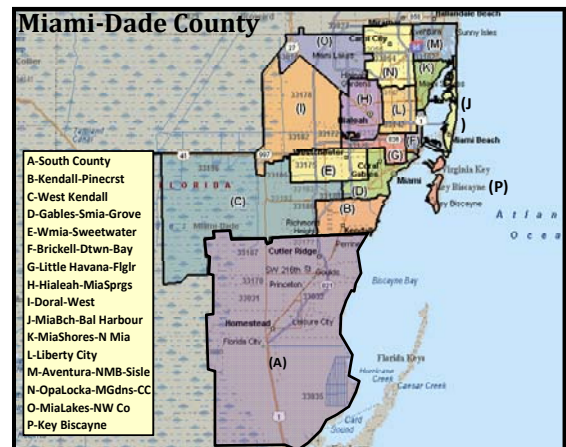


Figure 1. Palm Beach County Submarket Areas

## Major Trends

“One positive sign for Southeast Florida’s housing market in the 4th Quarter was a reduction in surplus inventory with declines in active listings ranging from 4% to 15% for the various housing categories.”

One positive sign for Southeast Florida’s housing market in the 4th Quarter was a reduction in surplus inventory with declines in active listings ranging from 4% to 15% for the various housing categories despite declines in sales activity. This trend reflects a significant number of withdrawn or expired listings of non-distressed properties by property owners who hoped to take advantage of increased values during the price run-up but

are now electing to retain ownership permanently or until some future point in time when market conditions improve.

Overall price changes for listed properties at the county level were mixed in the 4th quarter as illustrated in Figure 4 below. Median list or ‘offering’ prices for condominiums and townhouses declined 1.6% and 5.3% respectively in Miami-Dade and Broward Counties between September and December,

but moved up a modest 0.9% in Palm Beach County. Median offering prices of single-family homes increased 2.4% and 4.9% in Palm Beach Counties while dropping about 2% in Broward.

The decline in sales activity from the 3rd quarter to 4th quarter of 2008 was severe and major housing segments across the board in all three counties had increases in the average number of days on market.

|                   | Condo/TH       |                 |                  | Single-Family  |                 |                  | TOTAL          |   |
|-------------------|----------------|-----------------|------------------|----------------|-----------------|------------------|----------------|---|
|                   | Inventory %Chg | Price(a) \$Chg% | Days on Mkt #Chg | Inventory %Chg | Price(a) \$Chg% | Days On Mkt #Chg | Sales Q4 vs Q3 |   |
| <b>MIAMI-DADE</b> | -8.6% ↓        | -1.6% ↓         | 10 ↑             | -12.9% ↓       | 2.4% ↑          | 14 ↑             | -12.6%         | ↓ |
| <b>BROWARD</b>    | -15.8% ↓       | -5.3% ↓         | 4 ↑              | -12.0% ↓       | -1.9% ↓         | 52 ↑             | -36.0%         | ↓ |
| <b>PALM BEACH</b> | -4.1% ↓        | 0.9% ↑          | 10 ↑             | -5.4% ↓        | 4.9% ↑          | 14 ↑             | -36.1%         | ↓ |

(a) Median Current List Price Change from Sep08 to Dec08  
Source: MLXchange: Focus Real Estate Advisors, LLC

Figure 4. Trend Summary—Selected Benchmark Factors by County

## Inventory

“The inventory of active residential listings at the end of 2008 amounted to over 95,000 units, down about 8.7% from September.”

The inventory of active residential listings at the end of 2008 amounted to over 95,000 units, down about 8.7% from September. Units in buildings under construction expected to close within the

next 3 to 6-months represent an additional 10,000 to 15,000 to the overall ‘for-sale’ inventory. Condominiums and Townhouses account for about 57% of total active residential listings in the tri-county area as of year end. The total numbers of Condo/TH units in inventory in Miami-Dade and Broward County are similar as shown in Figure 5, but the composition of these inventories in terms of product type, age and pricing are very different. For example, new product built since

2004 constitutes approximately 30% of Miami-Dade’s Condo/TH inventory compared to Broward County where only 19% of all listed Condo/TH inventory was

built since 2004. Garden-type product dominates in Broward in contrast to the Miami-Dade Coastal hi-rise environment.

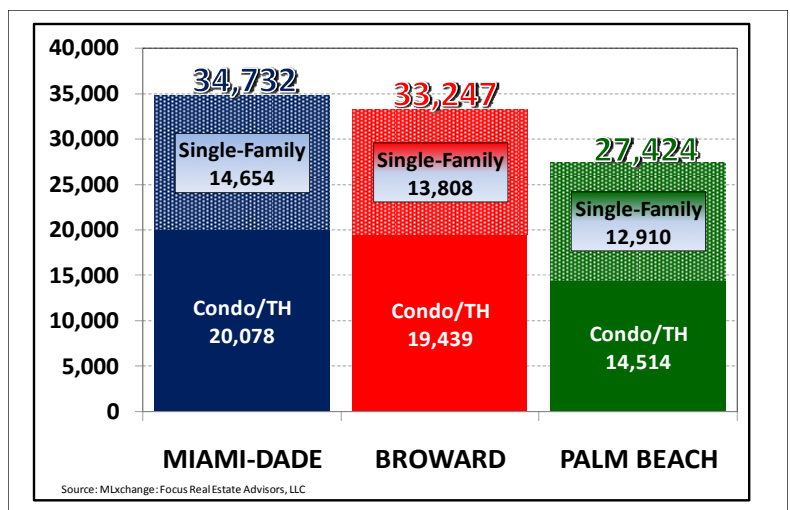


Figure 5. Offering Price Trends by Submarket and Housing Segment

# Submarket Inventories and Price Trends

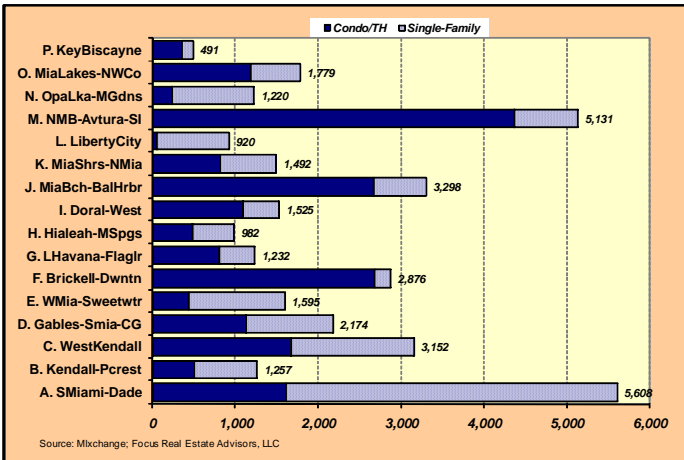


Figure 6. Miami-Dade County Submarket 'For-Sale' Inventory by Type, Dec 2008

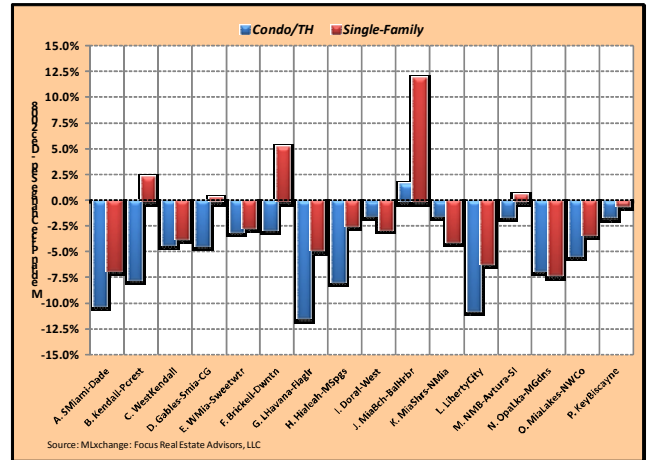


Figure 9. Miami-Dade SubMkt Median List Price Change Sep08 to Dec08

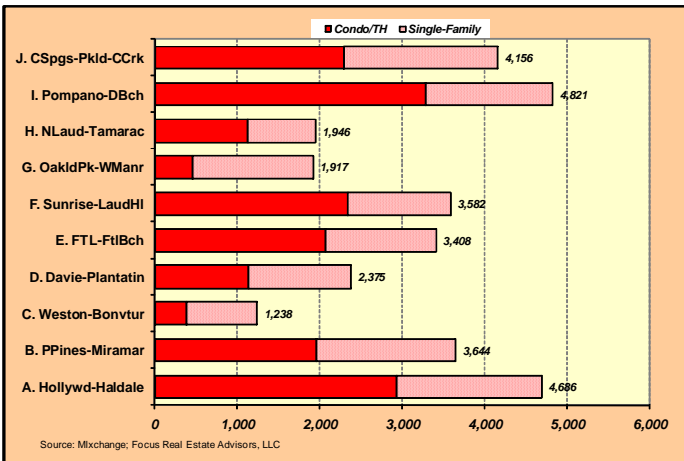


Figure 7. Broward County Submarket 'For-Sale' Inventory by Type, Dec 2008

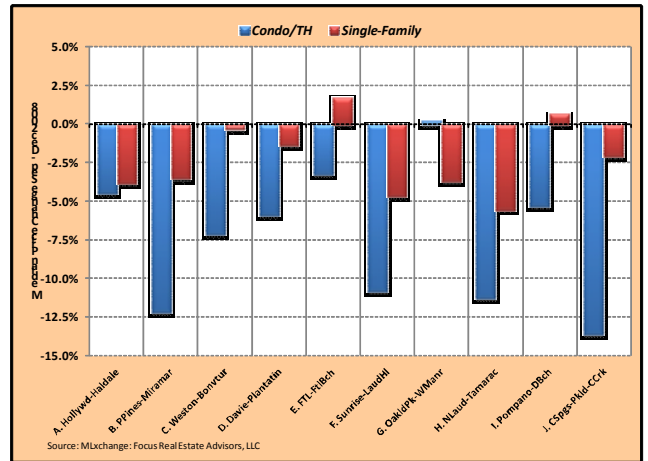


Figure 10. Broward SubMkt Median List Price Change Sep08 to Dec08

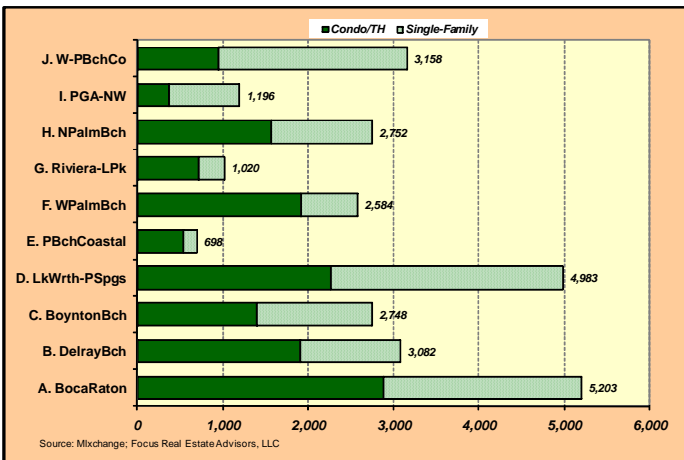


Figure 8. Palm Beach County Submarket 'For-Sale' Inventory by Type, Dec 2008

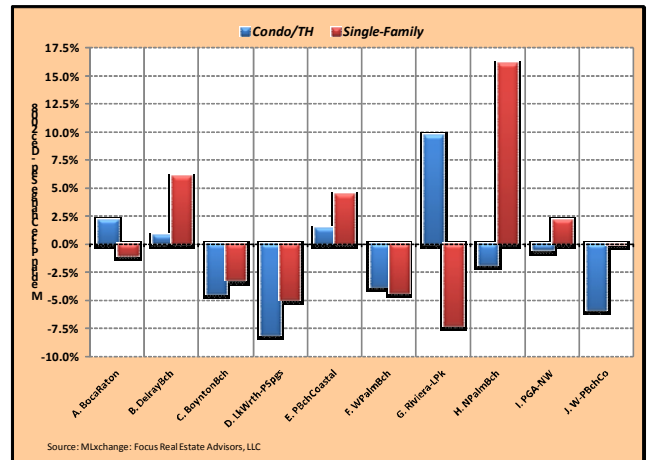


Figure 11. Palm Beach SubMkt Median List Price Change Sep08 to Dec08

Craig A. Werley

1000 Ponce de Leon Boulevard  
Suite 205  
Coral Gables, FL 33134

Phone: 305-441-6438  
Fax: 305-441-6462  
E-mail: cwerley@focusadvisors.net



**Our Mission**

*"To provide investors, lenders, developers and builders market-based information, analysis and advice to maximize profitability in their real estate ventures."*

This publication highlights housing submarket analysis and trends in South Florida. Detailed series of submarket and county level trends by housing type and product segments, project profiles and customized research and analysis are available in subscription or customized client engagement.

Focus Real Estate Advisors, LLC is an independent consulting firm specializing in market research and analysis designed to assist clients in making profitable real estate acquisition, disposition and financing decisions.

**Key Metrics**

Discerning the right time to pull the trigger on a residential real estate investment in the Southeast Florida Market and having a 'reasonable' basis for judging current and potential value from both seller and buyer perspectives comes down to property by property analysis and good submarket/neighborhood demand-supply metrics. This means factoring in submarket area demand profiles, sales volume, and price trends for years prior to the latest market cycle (or "bubble") and closely monitoring changes in key indicators on a short-term basis. This approach is essential in the current market environment with highly uncertain impacts of unique one-time governmental initiatives directed at housing and general economic stabilization.

Some of the key metrics we focus on in monitoring change by submarket and product segments in a volatile market place and to discern 'good value' from a 'great discount' include:

- ➔ Price : Rent Ratios
- ➔ Inventory : Sales Rate Ratios
- ➔ Single-Family : Condo Price Ratio
- ➔ Sales Price : List Price Ratio
- ➔ MF Rental Occupancy/Rates
- ➔ Household Income : Home Price

Frequent review of primary sales volume, price and rental market trends along with these key metrics provide an essential frame of reference for critical acquisition-disposition decision-making in the current environment. While Regional and Metro Area trends provide useful perspectives, market recovery will occur neighborhood by neighborhood with varied timing and with no singular market bottom.

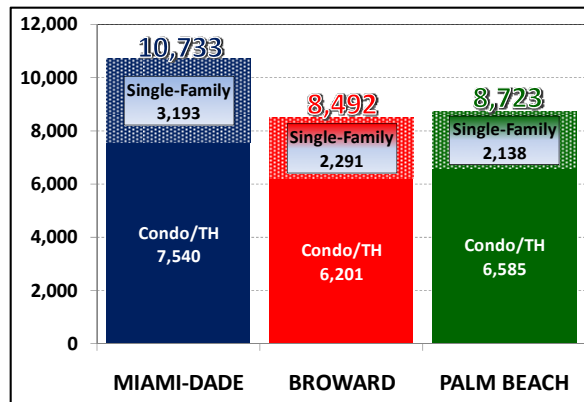


Figure 15. Tri-County Rental Listings by Housing Type, 12/31/08

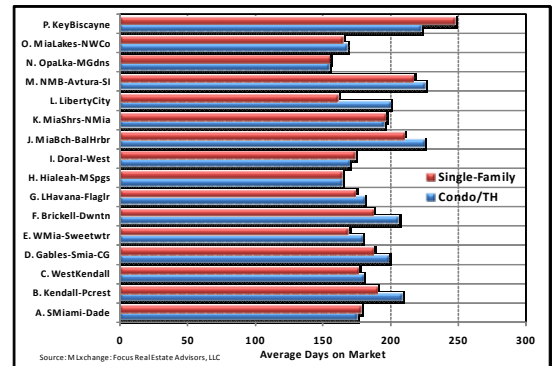


Figure 12. Miami-Dade For-Sale Listings - Avg. Days on Market

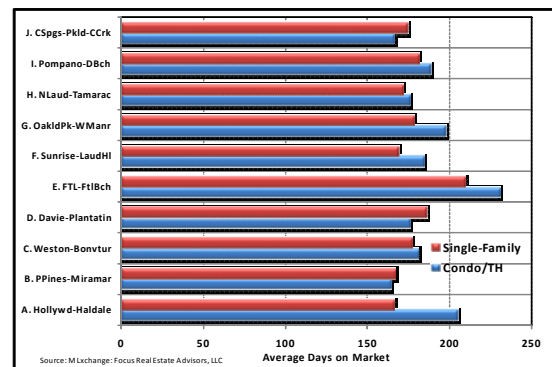


Figure 13. Broward For-Sale Listings - Avg. Days on Market

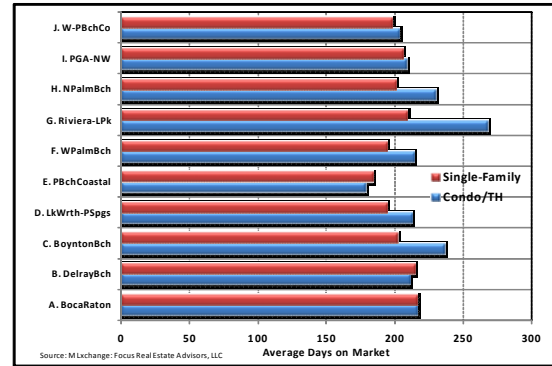


Figure 14. Palm Beach For-Sale Listings - Avg. Days on Market

**Shadow Rental Market**

Condominiums account for over 72% of all rental listings (excluding conventional multifamily rental properties) in the Tri-County area. Overall, the total inventory of properties actively listed 'for-rent' remained relatively level. However, variations in numbers of listings, rental rate change and days on market vary significantly for the counties and their geographic submarkets. Broward saw a nearly 5% reduction in rental listings between September and year-end, while Miami-Dade and Palm Beach experienced small gains. Rents have continued to decline across the three counties with exceptions in a few submarkets. Average days on market climbed to 96-days in Miami-Dade, 89-days in Broward and stood at 165-days in Palm Beach County.