



Miami Real Estate

The Best Time to Invest is Now

Report for Q2

20 23

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Miami's real estate market continues to grow robustly: Great appreciation, exciting new projects and a limited available inventory of existing units. Growing local housing needs along with investors' fierce appetite keep fueling demand relentlessly. Miami's growing cosmopolitan population, cultural mix along with friendly climate all year round have placed it among world-class destinations.

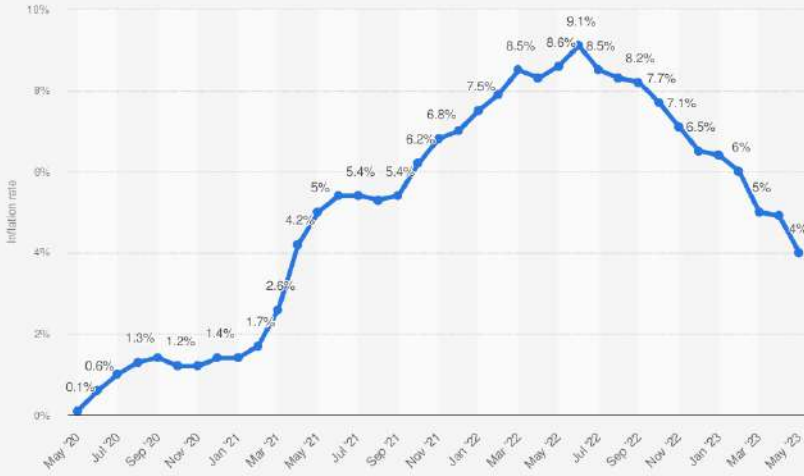
As forecasted in our previous report, we state that interest rates are projected to decrease in the second part of 2023. This would lead to buyers becoming more active, further driving up real estate prices as inventories remain scarce. Given this scenario, we believe that current conditions create an opportunity for individuals and investors to secure favorable deals before the potential surge in demand leads to prices skyrocketing.

Read this report to understand the idea behind the Federal Reserve's policy decisions, how it impacts the real estate market, learn more about Miami's thriving market landscape, and make informed investment decisions now.

US Economy's Impact on Real Estate: Insights and Trends

The Federal Reserve wasn't expected to raise interest rates in the second half of 2023 due to a cooling economy and a decline in inflation from 6.4% in January to 4% in May. The latest data show that inflation is down to 3.1% which is already close to the Fed's target level of 2%. The actions taken by the Federal Reserve are showing positive results. To avoid any harm to our economy and banking sector through high interest rates, it's crucial for the Fed to pivot and start reducing these rates. If we look back, we see that the Fed usually cuts interest rates rapidly. Market participants should stay alert and react quickly to the policy changes.

Monthly inflation rate in the United States



* Source: <https://www.statista.com>

The Federal Reserve's (Fed's) current policy keeps mortgage rates at a fairly high 6.71% as of the end of June. As a result, the financing options for some categories of buyers are limited, holding the demand for real estate from booming. On the supply side, some homeowners are choosing to hold onto their properties rather than putting them up for sale. For instance, if a family owns a home with a fixed mortgage rate of 3-4%, they may be hesitant to sell as they would need to finance a new home at a higher rate of 6-7%. Present conditions do not allow buyers to refinance their loans at lower rates. The current interest rate environment is hindering people from upgrading their living standards, which was a common practice every 7 years. Americans have become accustomed to selling their homes and purchasing new ones. As a result, the inventory, especially in the single-family homes sector, is limited.

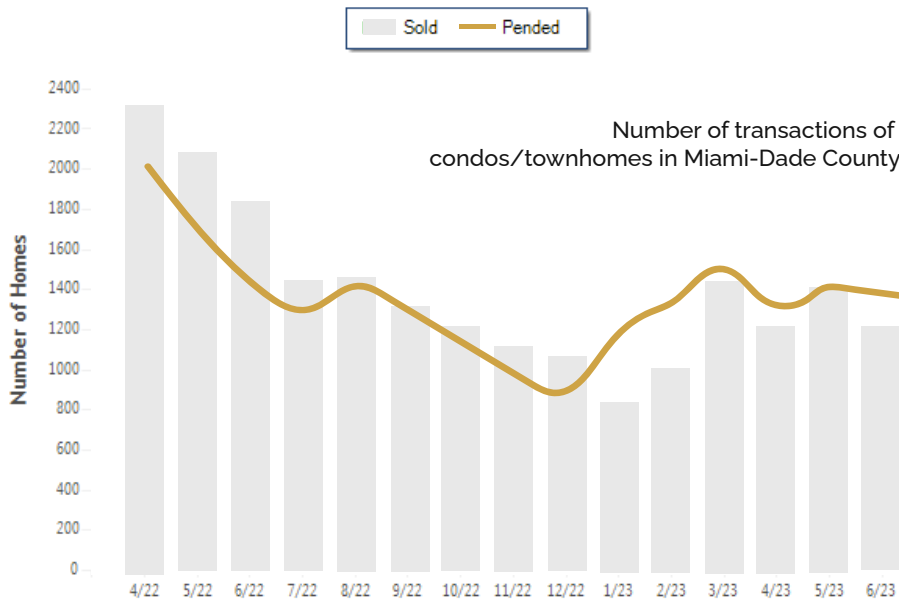
30-Year Fixed Mortgage Rate in the United States



* Source: <https://www.macrotrends.net>

Once the Federal Reserve action leads to a decline in mortgage rates, these previously sidelined buyers will re-enter the market, actively seeking properties. And this is going to push real estate prices even higher. In light of this, Blokhaus suggests that the current environment provides an advantageous opportunity for individuals and investors to secure deals before a potential surge in demand escalates prices. Timing is a crucial factor in real estate, and taking advantage of the current market conditions may provide buyers with a competitive investment edge. By acting now, smart investors can position themselves to benefit from future appreciation, begin to collect rental income immediately, and thereby maximize their returns on investment.

Navigating Miami's Real Estate Market: Key Stats and Performance



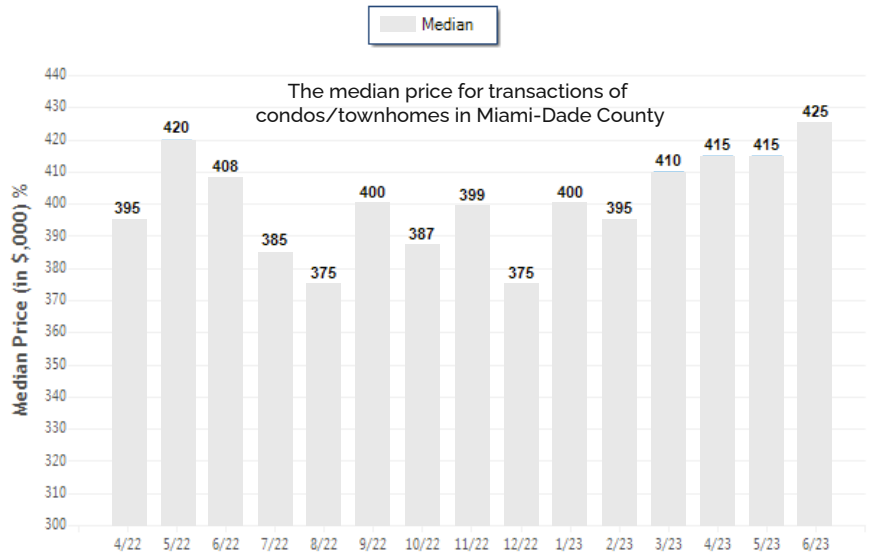
Miami's real estate market is currently experiencing a period of stabilization and growth, according to the experts at Blokhaus. After a slight decline in the early part of the year, the market has rebounded with an increase in closed sales transactions. However, when considering seasonal factors, since March number of active transactions has slowed down a bit giving a good momentum for buyers to jump in and secure real estate.

* This representation is based in whole or in part on data supplied by the Miami Association of Realtors.

Sellers in the market are not inclined to significantly reduce prices. The sales to listing price indicator has remained relatively consistent, averaging around 94%, the same as in 1Q 2023. Additionally, the average number of days on the market has remained steady at approximately 212 days compared to 206 days in the previous quarter. The median transaction price for a condo in Miami Dade County has climbed to \$425,000, surpassing last year's figure. This is a hot market and the temperature will keep rising. Miami has emerged as a highly sought-after location for both international and domestic migration, attracting a great number of people and serving as a lucrative investment haven. The city's elevated living standards, favorable climate, and ongoing infrastructure development have contributed to its reputation as one of the most desirable places to live in the world.



While there are cautious buyers who wait for more favorable financing conditions, they might be missing out on opportunities as other buyers swiftly acquire properties. Even during Miami's low season, sales remain robust. The market seems largely unaffected by buyers deferring transactions due to high mortgage rates, as real estate transactions in Miami are funded by international buyers through substantial cash investments. In May 2023, the percentage of cash sales in Miami-Dade County experienced a modest uptick, reaching 40.9% of all existing home purchases, compared to 37.9% in April 2023.



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Notably, cash transactions accounted for 53.4% of existing condo sales and 24.3% of single-family transactions, reinforcing Miami's appeal to foreign buyers and individuals relocating from higher-priced U.S. markets. The ongoing migration trend in the city continues to drive strong demand for real estate, pushing upward pressure on prices.

Overall, the presence of international cash buyers and sustained migration trends to Florida contribute to the market's resilience and ongoing demand. As a result, it is unlikely that prices are going to decline in the upcoming years. In previous periods, construction of new condos in Miami has been limited due to various factors such as the impact of the Covid pandemic, rising construction costs and increased cost of capital. Hence, the supply of new properties has struggled to meet the growing demand, which is being absorbed at a faster rate than developers can introduce new inventory to the market.

As expected, the Months of Inventory (MOI), which indicates the estimated time it would take to sell the current inventory of property listings, is at consistently low level. Condos have an estimated inventory of around 5-6 months, while single-family homes have an even lower supply with approximately 3-4 months of inventory. In a balanced market, the ideal range generally falls between 9-12 months of inventory, making Miami a seller's market.

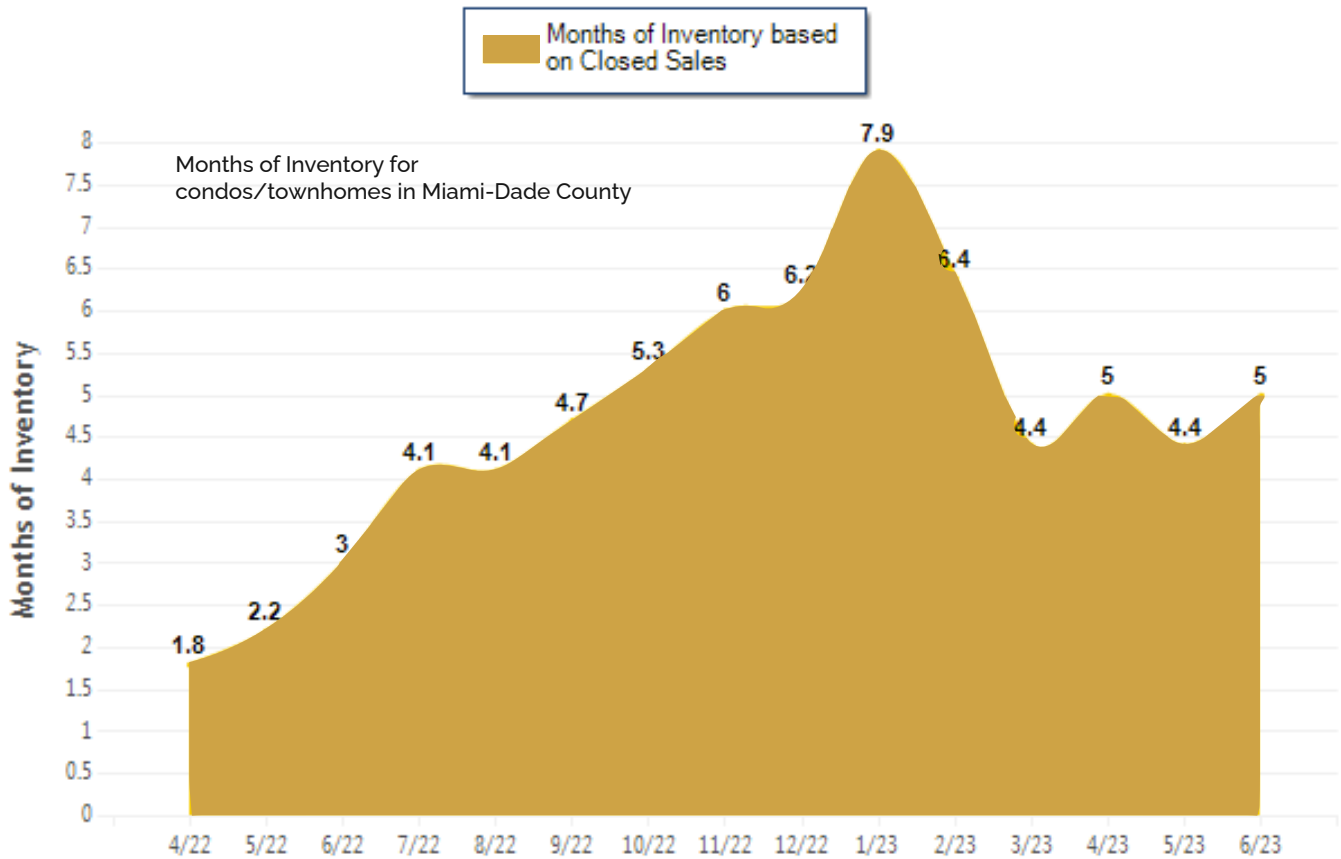
The availability of new inventory remains limited as a substantial portion of ongoing construction projects is scheduled for completion only in 2-3 years. This shortage contributes to the current lack of sources for increasing inventory levels.



In a seller's market, buyers should take 2 key factors into consideration: the need for prompt action and consider the short availability of liquid inventory. Firstly, buyers must act swiftly and decisively when they come across their ideal property to avoid missing out on the opportunity, as competition among buyers is high. Secondly, the most attractive properties tend to sell out quickly. This is also relevant for the booming pre-construction segment in Miami. Waiting for prices to adjust, which is unlikely given the current market conditions, may result in missing out on the best units. Therefore, it is advisable to enter the market without delay and secure a property that holds the potential for significant appreciation in the coming years, offering favorable investment returns.

By taking advantage of the current market conditions and making timely purchases, buyers position themselves for future success and capitalize on the robust demand for real estate in Miami.

At Blokhaus, we believe that seizing the current market conditions is crucial for an optimal real estate strategy. Considering the potential for future home appreciation, it's beneficial to buy property now before prices rise further. If you're financing your purchase and worried about high interest rates, here's a helpful strategy. Purchase the property now, taking advantage of the current market. Then, as interest rates potentially decline in the future, you can refinance a loan at a more favorable rate. This can reduce debt service costs, enhance cash flow, and provide long-term financial flexibility and benefits.



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Neighborhoods

Miami's booming real estate market offers diverse opportunities, with luxury high-end properties in some areas and attractive rental income potential with beachfront condominiums in others. Let's delve into the latest neighborhood trends:

Listing Prices: ↻

While overall dynamics remained relatively stable comparing Q2 with Q1 2023, Brickell Key experienced an increase of nearly 5%, indicating a strong seller's market and potential for appreciation. Conversely, Miami Beach witnessed a decline of approximately 3%. Bal Harbor boasts the highest average listing prices at \$1,922 per square foot (SF), while Hallandale offers the lowest at \$764 per SF.

Sales Prices: ↻

Aligned with the listing prices, sales prices in Brickell Key saw a significant uptick of 13% and Bal Harbor experienced a substantial 35% increase from Q1 to Q2 2023. Edgewater and Downtown, although showing a slight correction of -3.6% and -1.0% respectively, present attractive investment opportunities due to ongoing developments and infrastructure improvements in the area. At Blokhaus, we believe that these areas will show significant growth in sales prices in the upcoming years.

Concessions Ratio (SP/LP): ↔

In general, the market ratio remained steady at around 94%, indicating an average 6% discount on properties. However, properties in Coconut Grove closed with only a 2% discount in Q2 2023 compared to the previous 6% discount in Q1. Edgewater transactions closed with a 6% discount in comparison with the period's 4% discount. As highlighted in the report, Miami's seller's market limits buyers' negotiation power for significant concessions.

Days on Market: ↔

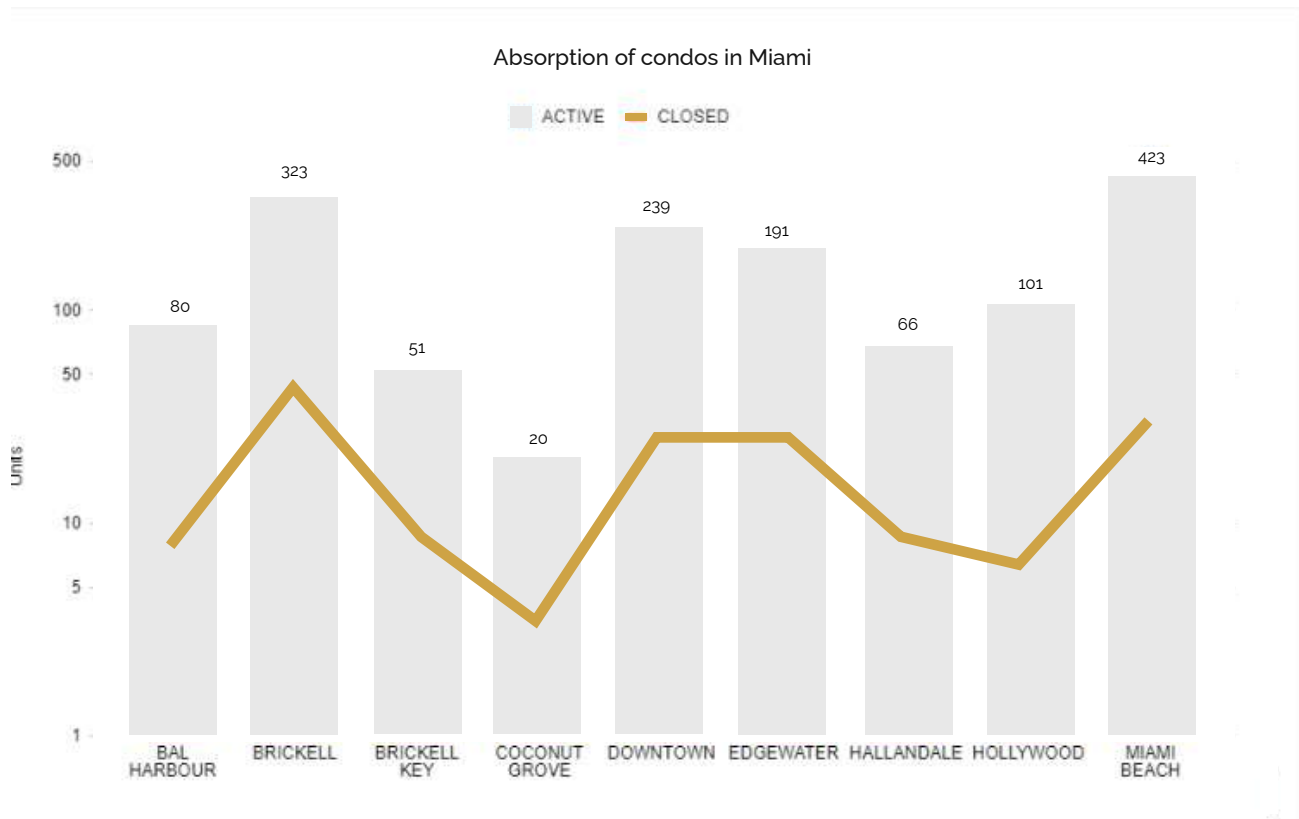
The average number of days a property stays on the market is a strong indicator of housing conditions. Overall, the market remains stable with an average of 210 days to close. Notably, Coconut Grove witnessed a decrease from 143 to 135 days, indicating a stronger seller's market with limited inventory. Conversely, Hollywood and Downtown experienced an increase in the days on market indicator, rising from 285 to 311 and 177 to 201, respectively. These figures suggest that buyers in these areas have more leverage to explore options and select the most suitable properties.

Number of Transactions: ↻

The total number of closed transactions increased by 26% from Q1 to Q2 2023, demonstrating high market confidence. Sunny Isles (+54%), Brickell (+37%), and Edgewater (+24%) experienced the highest growth rates. However, Miami Beach saw a decline of -19%.

Absorption and Inventory: ↓

Analyzing the absorption rate, which represents the average number of sales divided by available properties, can provide insights into the state of the market. A high absorption rate is usually associated with a strong seller's market. Coconut Grove (21.6%), Brickell (17.3%), and Edgewater (16%) lead in absorption rates, indicating strong demand in these areas. Regarding the months of inventory, as outlined in the report, Miami's average stands at 5-6 months, relatively low compared to other markets. Coconut Grove and Coral Gables boast 4 months of inventory, Brickell has 6 months, while Miami Beach and Sunny Isles show an inventory worth 12 months of sales.



At BlokHaus Real Estate + Investments, we understand the importance of thorough analysis and careful decision-making in the current market conditions. With our expertise in investment analysis, we are committed to helping you navigate the Miami real estate market and find the property that aligns with your specific preferences and objectives.

Whether you are seeking a primary residence or looking to make a sound investment in a vacation home, our dedicated team of experts is here to provide personalized solutions tailored to your needs. With a wide range of listings and comprehensive services, we are confident in our ability to assist you in achieving your real estate goals.

We invite you to explore our website and discover the wealth of opportunities available in Miami's thriving real estate market. Contact us today to schedule a consultation and let us guide you on your journey towards a successful investment.

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