



Miami Real Estate

20 Report 23 for Q3

Seize the Moment for Opportunity

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Q3 2023 REPORT

Miami's real estate market remains robust despite prevailing high interest rates. Home prices are steadily rising, and inventory remains limited. What sets Miami apart from the national market is the strong demand driven by a growing population and a significant portion of cash transactions, unaffected by the current high mortgage rates.

It's still a strong sellers' market, but compared to the previous months, sellers are now more open for negotiation and accepting higher discounts, creating a window of opportunity for real estate investors.

Buying with cash offers a unique advantage – hassle-free property acquisition poised for future appreciation. Financing buyers can also capitalize on attractive property values now, with potential refinancing at lower mortgage rates when anticipated interest rate reduction occurs in 2024.

Current market conditions also present a great opportunity for sellers who made investments during the thriving pandemic years. They can now liquidate with substantial gains on their investment, thanks to significant property appreciation.

Read the full report to gain insights into market dynamics and discover how to capitalize on this stage of the market to maximize your real estate investments.



20 | Report
23 | for Q3



How Inflation and Mortgage Rates Affect Local Real Estate

Inflation

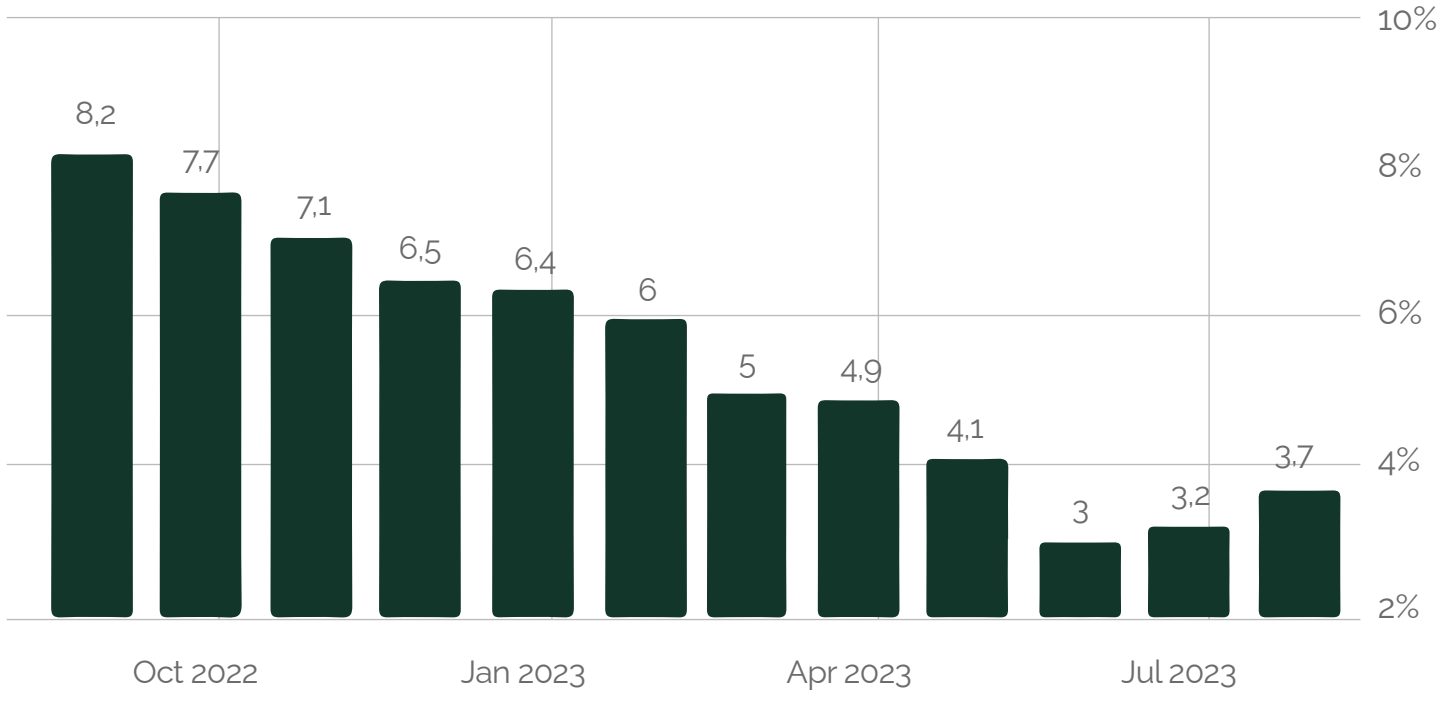
US annual inflation climbed for the second consecutive month, reaching 3.7% in August, exceeding market expectations of 3.6%. Factors contributing to this increase include rising oil prices over the past two months.

It's important to note that while there has been a slight surge, inflation has significantly decreased from its peak of 9.1% last summer. Prior to July, it had consistently dropped for 12 consecutive months. The Federal Reserve's target for inflation is 2%, and there is growing optimism that they can achieve this without triggering a recession, a scenario economists refer to as a "soft landing." Yet, the unemployment rate stands at a relatively low 3.8%, and the Federal Reserve's policies haven't resulted in decreased economic activity or the expected cooling of inflation. On the contrary, the stock market has exhibited positive performance throughout 2023, signaling that markets continue to surge and are boosted to grow further.

In our previous reports, we anticipated a reduction in interest rates by the Fed in the latter part of 2023, which did not happen as expected because economic policy changes often exhibit a certain lag in reaction time. However, the overall pattern remains the same. When interest rates eventually decrease, and some experts predict it is likely to happen in the middle of 2024, it will serve as a strong signal for market participants to take action. Buyers, in particular, will become active as lower mortgage rates make property purchases more attractive. This anticipated rate drop is expected to spur buyer activity and drive up real estate prices. With limited inventory growth, prices are unlikely to decline and will continue to rise. On the supply side, sellers who currently hold their properties and are benefiting from low mortgage rates may be inclined to explore selling and buying a new property. This is because they can sell their current property at a premium and then refinance at mortgage rates that are relatively lower than what is available today. With these factors in play, the present moment is an excellent opportunity for real estate investments.

Prices haven't dropped despite high interest rates, and they are unlikely to drop; instead, they may increase when interest rates decline. Real estate stands as one of the best investments to hedge against inflation and build wealth. While many potential buyers continue to wait, savvy investors have the opportunity to negotiate favorable terms with sellers and acquire excellent properties that are poised to appreciate over time.

Inflation rate



Source: <https://tradingeconomics.com/united-states/inflation-cpi>

Mortgage rates

Mortgage rates are closely tied to inflation, a metric that the Fed has been working to bring to the 2% target. The significant increase in mortgage rates has put pressure on affordability and led to a slowdown in home sales. However, home prices have not seen significant declines and in many states, the prices are on the rise. Given the shortage of homes available for sale, it's unlikely that home values will decrease.

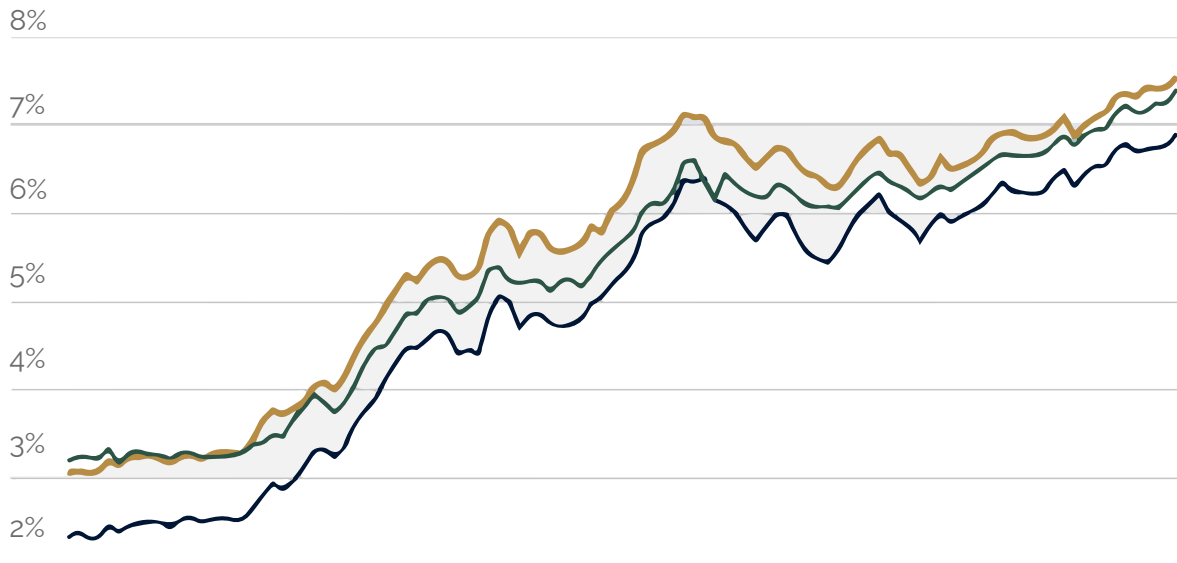
The national median family income for 2023 is \$96,300, as reported by the U.S. Department of Housing and Urban Development. In July 2023, the median price of an existing home sold was \$406,700, according to the National Association of Realtors. Based on a 20% down payment and a mortgage rate of 7.42%, the monthly payment comes out to \$2,257, which accounts for 28% of the typical family's monthly income.

Comparatively, a year ago, the median family income was \$90,000, the median home price was \$399,200, and the average mortgage rate stood at 5.63%. Back then, buying the typical home required 25% of a family's monthly income.

Last year, Fannie Mae raised the limits for FHA loans, which has become especially relevant in a high-inflation environment where properties are becoming more expensive. With the limit previously set at \$550,000 and now increased to \$726,000, more individuals have the opportunity to afford properties with just a 3.5% down payment. This adjustment in loan limits has widened the possibilities for aspiring homeowners and supported demand for real estate.

Mortgage rates

The national average for 30-year mortgages was **7.55 %** as of Sept. 27.



September 2021-September 2023.

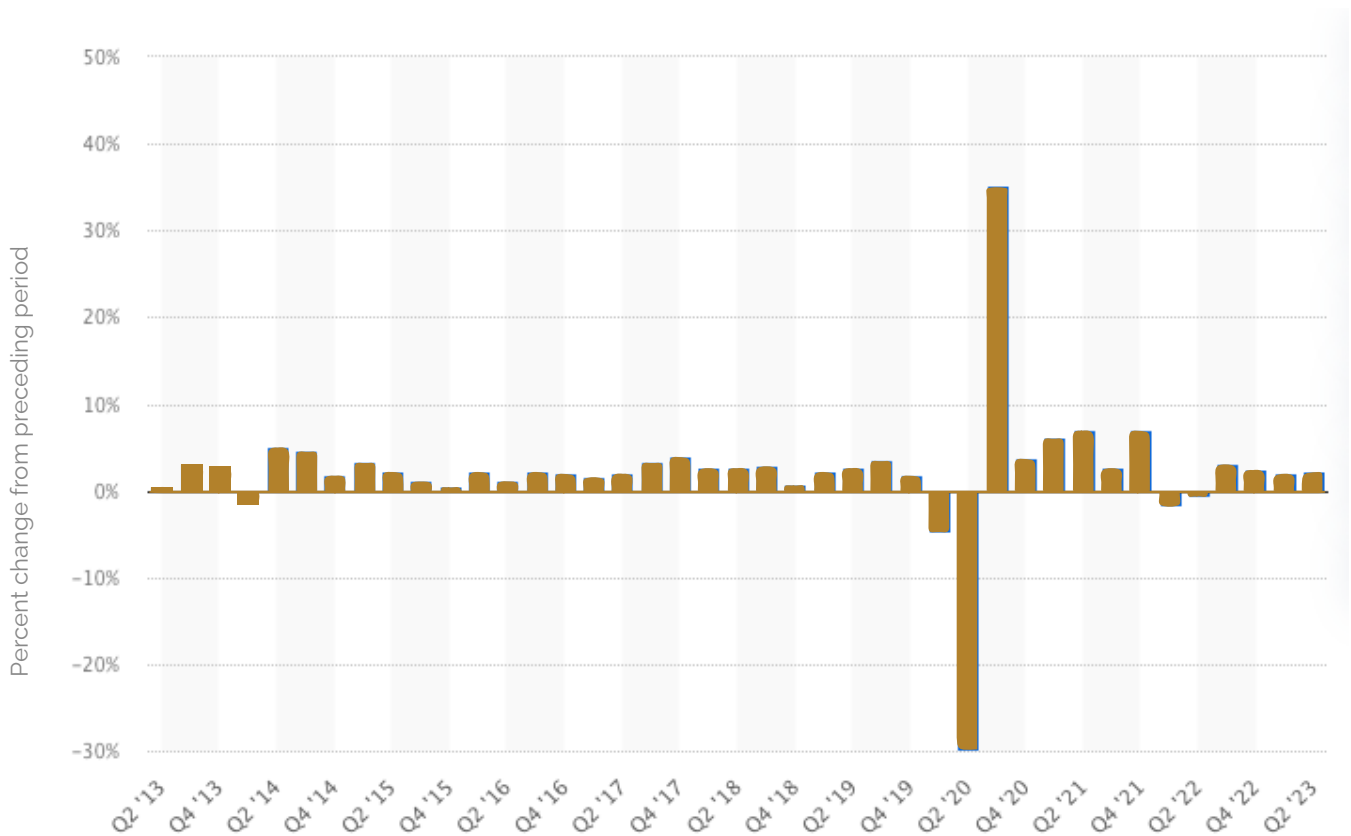
● 30-year mortgage ● 15-year mortgage ● Jumbo mortgage

Source: <https://www.bankrate.com/mortgages/analysis/>

Economists had anticipated a decline in mortgage rates by the end of 2023 as the Fed's rate hikes concluded. However, the robust performance of the U.S. economy has introduced an element of uncertainty to these expectations.



US GDP Chart



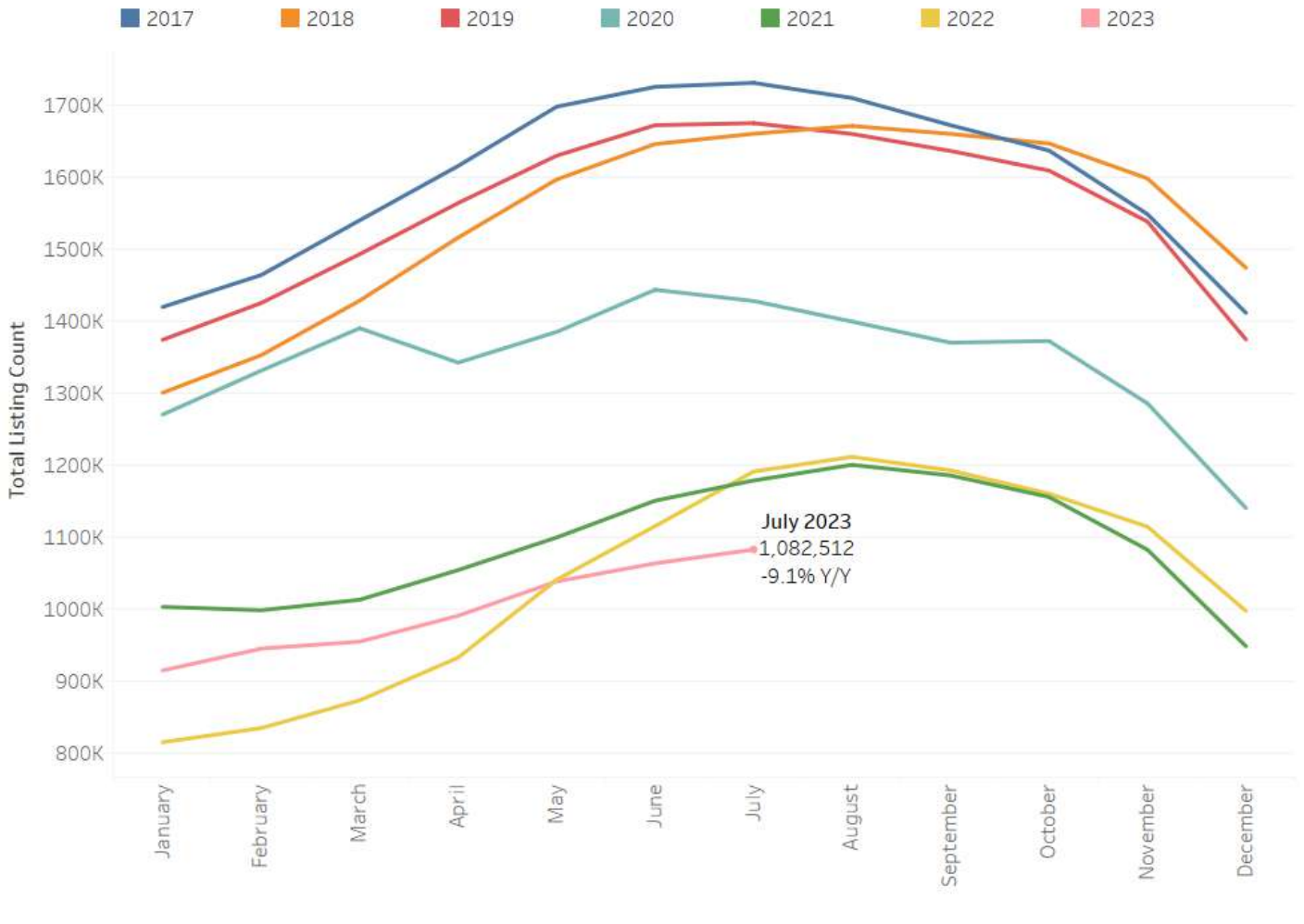
US GDP has experienced continuous growth for 4 consecutive quarters. Previously, there were concerns about the economy potentially sliding into a recession, but the sentiment has shifted, and optimism is on the rise. However, does economic growth necessarily mean that housing prices will drop? It might not be the case.

The challenge lies in the fact that, in recent years, construction of new homes has lagged behind the demand, resulting in a shortage of supply. This shortage can't be quickly replenished for a few reasons. Construction companies are grappling with elevated costs for construction materials due to inflation and previous disruptions in the supply chain. Additionally, higher interest rates have led to increased debt costs. As a result, limited inventory will continue to dictate price levels. Even if economic activity were to decrease, real estate prices are likely to continue their upward trajectory.

The following graph illustrates the state of inventory levels in the real estate market with a high emphasis on how today we are experiencing the lowest level of inventory for 7 years.

Total Listing Count

Down 9.1% Y/Y in July 2023



Source: <https://www.realtor.com/research/july-2023-data/>

There's currently an insufficient amount of housing inventory to meet the demand. In fact, inventory levels are now 49.2% below typical pre-pandemic levels. This inventory shortage is expected to persist or worsen as we move into the winter. As long as there is a shortage in the market, prices will persistently remain stable or continue to rise.



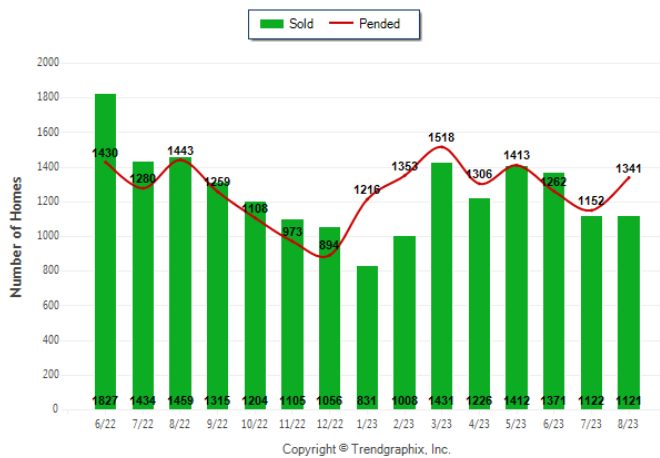
Miami Real Estate Market: Trends and Expectations

Despite all the constraints previously described, Miami's real estate market remains resilient and hot. There is a strong appetite for real estate and people are relentlessly looking for properties to buy. Even as mortgage rates reached a 20-year high, it did not deter buyers. The market's strength is fueled by high demand, driven by a significant proportion of cash buyers and a growing population. Simultaneously, a shortage of supply persists affecting real estate prices.

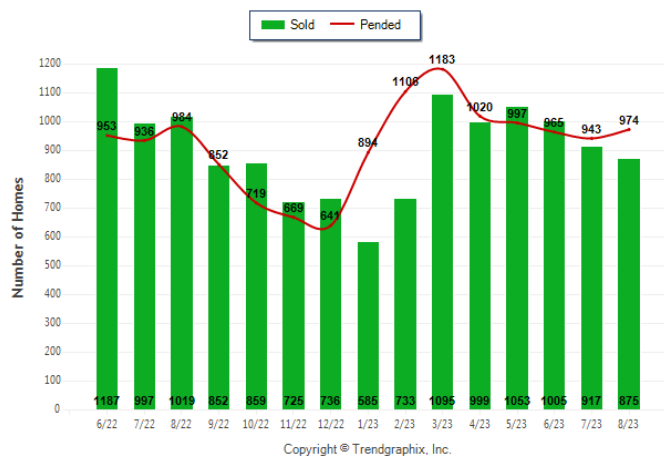
Cash transactions represented 39.6% of closed sales in Miami, compared to a lower figure of 26% for cash sales in the entire United States, as reported by the latest statistics from the National Association of Realtors (NAR).

This high percentage of cash transactions in Miami is largely due to the city's popularity among foreign buyers, who often prefer to pay in cash. Additionally, some people from more expensive U.S. markets are choosing to relocate and invest in Miami's properties often with proceeds from prior real estate investments. Notably, cash sales were responsible for 50.2% of all existing condo sales in Miami and 26.4% of single-family home transactions in the whole Miami area.

Condo Transactions



Single Family Home Transactions



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

As of the end of Q3 2023, a key limitation to further market growth is the shortage of new property listings, affecting both single-family homes and condos.

Although some prospective buyers may consider waiting for lower interest rates, the limited availability of homes for sale suggests that prices are unlikely to decrease. With mortgage rates expected to trend lower in 2024, strong competition among buyers is anticipated.

In Q3 2023, the median prices for single-family homes in Miami-Dade County continued their upward trajectory, rising by 10.8% year-over-year. The median price increased from \$570,000 to \$631,670, marking the 140th consecutive month of price increases. Existing condo median prices also saw a substantial year-over-year increase of 10.5%, reaching \$420,000, up from \$380,000.

These price trends underscore that Miami remains a strong seller's market, driven by robust demand and leading to consistent appreciation. In the United States, Miami ranks 4th in annual home price appreciation, according to the US CoreLogic S&P Case-Shiller Index.

There is a notable decline in sales volume when comparing 2023 with 2022. However, it's important to highlight that in 2022, Miami-Dade County real estate market achieved exceptional success, representing an outlier year. During that period, a total of 31,627 homes and 19,377 condos were sold, making it the second-highest sales volume in Miami's history. Given this context, it's apparent that the market is now returning to its more typical dynamics in 2023.



We have a strong belief that this is the perfect time to list property for sale when looking to get a top dollar especially if property was acquired between 2019-2021. We have observed appreciation of 150-175% over this period.

If you are considering selling your property but undecided on the next venture that can outperform the current market, reach out to Blokhaus and with our expertise we will guide you towards the next



Exploring Luxury Miami Neighborhoods

Miami's vibrant real estate market presents a range of opportunities, featuring luxury properties in thriving Central Business Districts such as Edgewater, Brickell, and Downtown in addition to high-end beachfront condominiums situated in sought-after locations like Bal Harbor, Miami Beach and Sunny Isles.

In these dynamic markets, certain buildings provide robust rental income from both short-term and/or long-term rental income. Additionally, there are promising properties poised for substantial appreciation. These opportunities are fueled by the area's growth, increasing resident popularity, improved infrastructure development, and rising tourist traffic.

Our analysis indicates that this is the perfect timing to invest in luxury condominiums after a detailed review of the following indicators:

- Listing prices per SF
- Sales prices per SF
- Discount percentage over listing price (Sales price/Listing price)
- Days on market
- Total inventory of active, pending and closed listings
- Best wealth-building alternatives in the market.



The market is signaling a strong demand for properties and it's not just a temporary trend caused by the pandemic. Favorable tax conditions, a pleasant climate, and welcoming business environment keep people looking at Miami as a dream place to live and invest. A significant number of wealthy Americans have relocated to Miami with their families, opting to sell their properties in other states and purchase homes of similar or better quality while elevating their standard of living. Simultaneously, international investors from Latin America and other countries are actively seeking a secure haven in Miami to safeguard their capital against inflation, political instability and/or currency devaluation in their home countries. The strength of the US dollar and the opportunities in Miami real estate market make it an attractive option for investors.

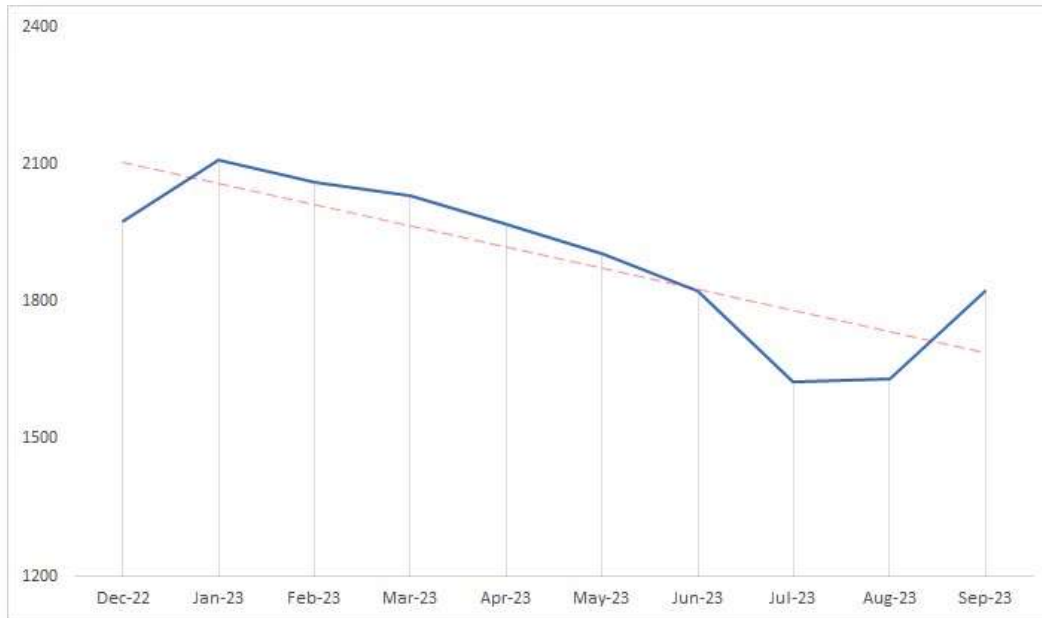
The rental market in Miami continues to exhibit strength, attracting both residents and tourists in search of long-term and/or short-term rentals. However, it's important to acknowledge that there may be shifts in the rental market following the pandemic. As remote work policies are withdrawn, some individuals may opt to return to their home states for work, potentially impacting the rental demand. Furthermore, the effects of inflation made the cost of living in Miami higher, and tourists are becoming more cost-conscious. These factors could influence overall rental market dynamics.

In this environment, it becomes crucial to carefully identify areas poised for future growth and find properties that will appreciate, maintain stable rental demand, and generate cash flow for savvy investors. Blokhaus's experienced team has deep local expertise and can help you navigate this ever-evolving and aggressive real estate market, and assist you in selecting the ideal property to maximize your returns.



Inventory

One major issue impacting Miami's housing market is the shortage of available properties

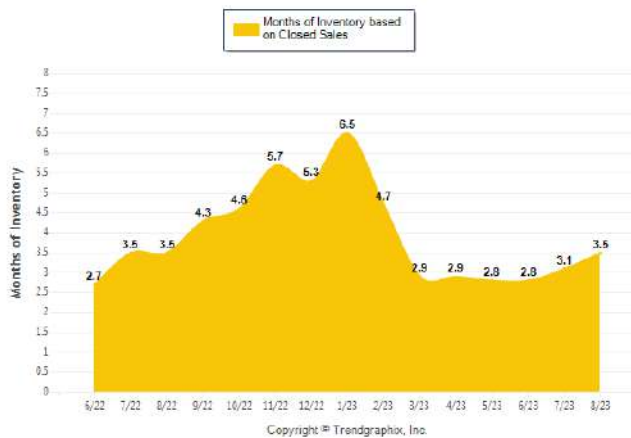


Curated representation of luxury condos in Miami area

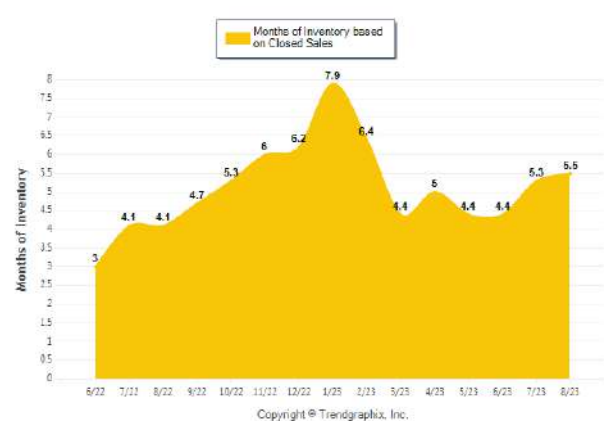
Luxury Miami condominium segment shows a significant reduction of 13.6% in active listings since the beginning of 2023. We anticipate that in Q4, the inventory will become even more limited.

Existing inventory for single family homes is 3.5 to 3.7 months and for condominiums is around 5.5 to 5.8 months. The market is still far from being balanced; where both buyers and sellers have equal influence and supply typically falls within the range of 7 to 12 months.

Condo Inventory



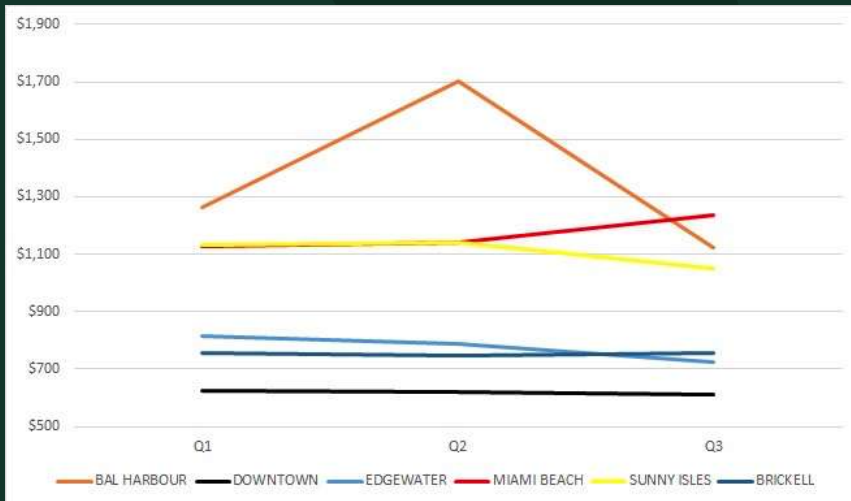
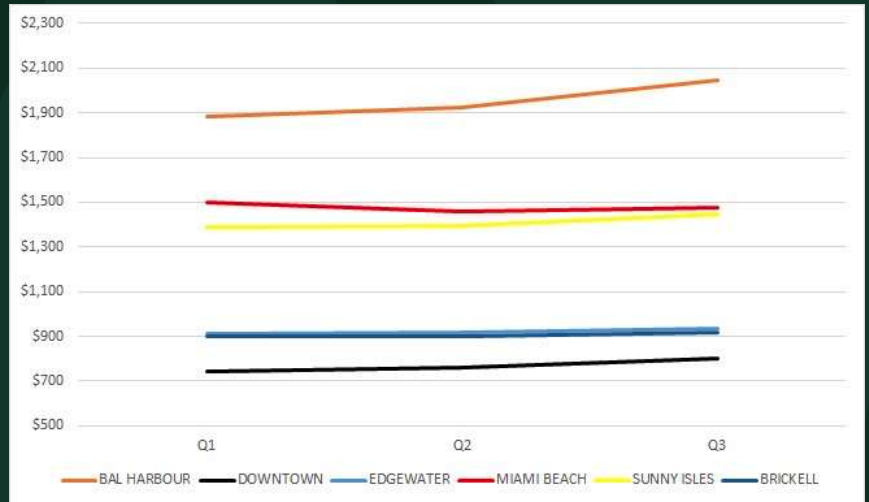
Single Family Home Inventory



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

Listing Price per Sq Ft

Listing prices remain steady or on the rise. High-end neighborhoods like Bal Harbour boast luxury buildings, like St. Regis & Oceana, with listing prices exceeding \$3,000 per square foot. Brickell, Downtown and Edgewater hold potential for further price growth, driven by numerous high-end pre-construction projects that are scheduled for delivery in the coming years that are being sold at high price per square foot.

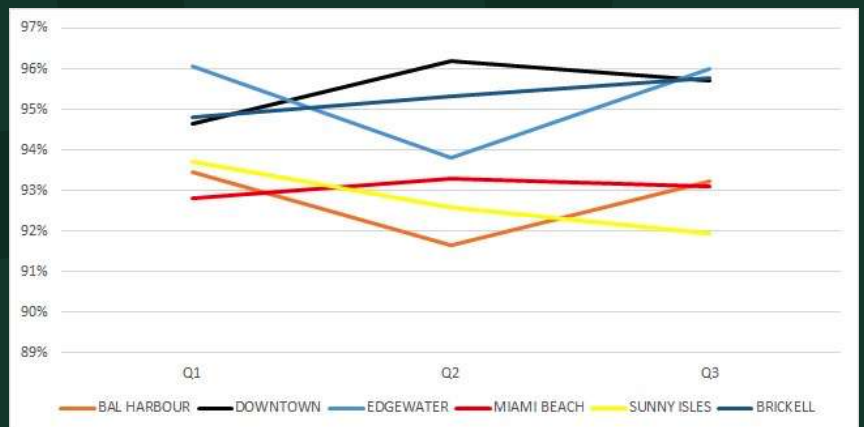


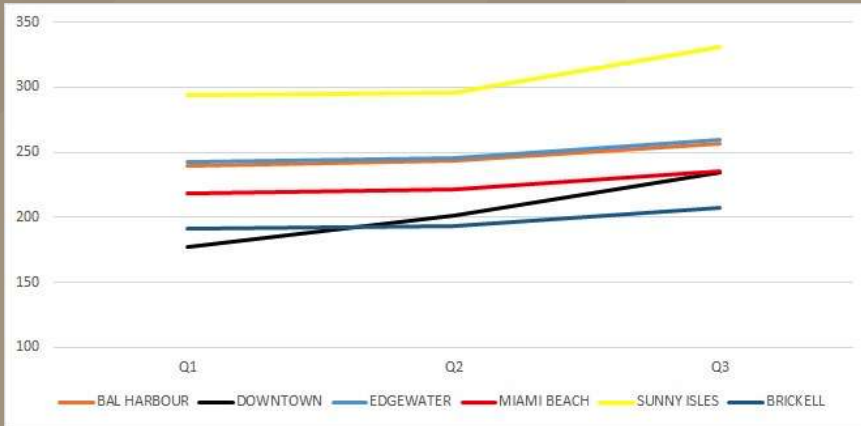
Sales Price per Sq Ft

In Brickell, Downtown, and Edgewater remained stable or experienced slight declines. Transactions in Sunny Isles have seen a decrease, while in contrast, Miami Beach properties have witnessed an increase in closing values. Bal Harbor exhibits some volatility, primarily driven by the sales of high-end units that can significantly influence the overall market dynamics.

Sales price / Listing price

Properties in Bal Harbour, Miami Beach and Sunny Isles show discounts between 7-8%. Downtown, Edgewater and Brickell show less room for negotiation with around 4%. Our analysis shows that around 25% of transactions in Miami included a pierce discount.



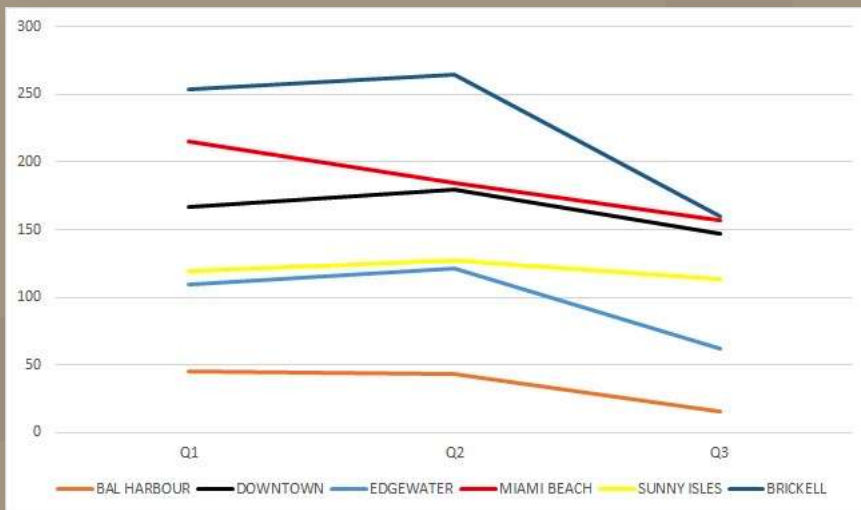
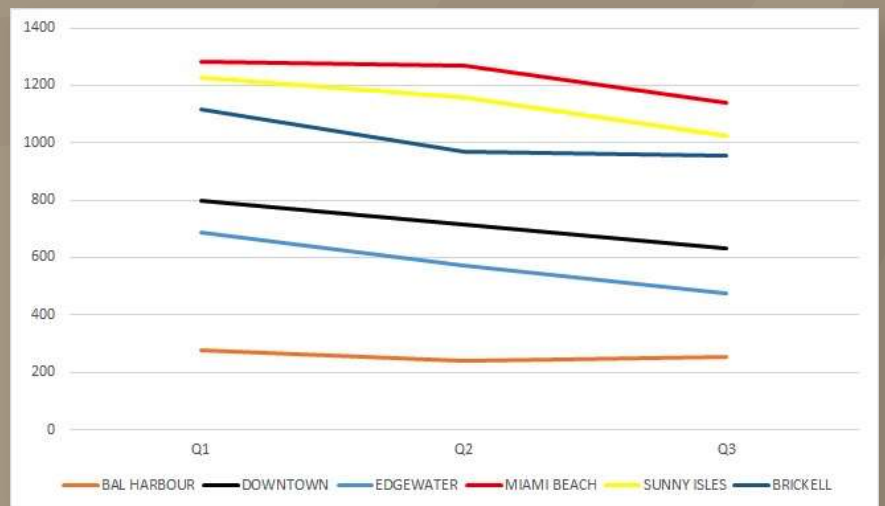


Days on market

Overall days on market are increasing across town. Sunny isles shows the highest number of with staggering 300+ days. Followed by Edgewater and Bal Harbour with over 250 days, then Miami Beach and Downtown with 230 days and with Brickell is a fastest moving area with a little over 200 days

Active Listings

The trend shows that across town the available inventory of condos for sale is declining with the exception of Bal Harbour and Brickell that show a relatively stable number of listings. This pattern illustrates an opportunity for new listings to gain appeal on the market.

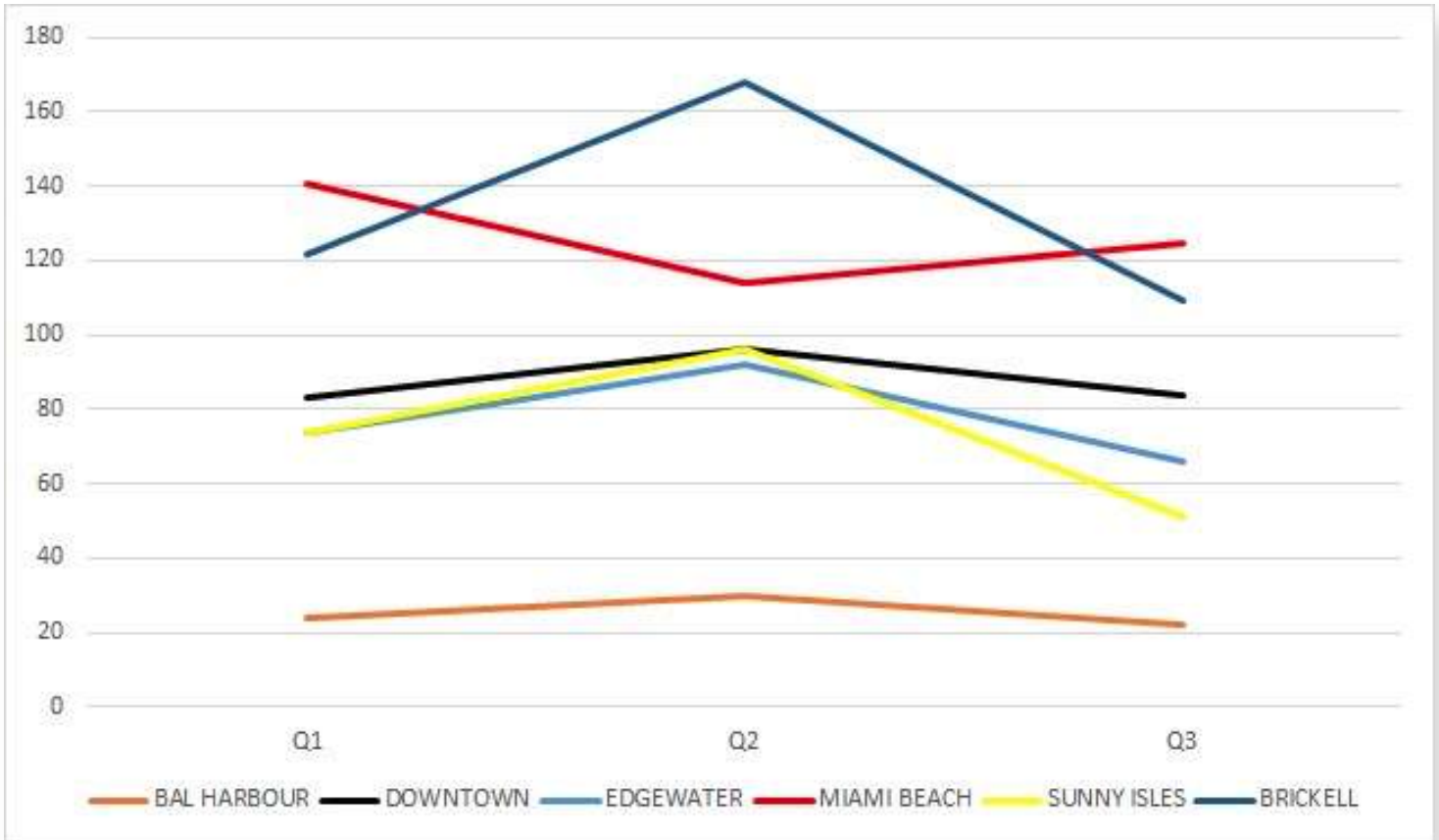


Under contract

There is a notable decline of activity of properties going under contract from Q2 to Q3 especially in Brickell, Miami Beach, Downtown and Edgewater. Contract activity for both Bal Harbour and Sunny Isles is congruent with current availability.

Closed Transactions

A notable increment in closed transactions for Q3 occurred in Miami Beach while the trend for the rest of the town shows a slowdown and decrease in sales volume with a big emphasis on Brickell and Sunny Isles. The pattern is consistent with current supply.



Your Next Move with Blokhaus

At BlokHaus Real Estate + Investments, we emphasize the importance of in-depth market analysis and have a profound knowledge of all market constraints that affect educated investment decisions.

Once you have finished reading our report you will concur with our assessment to support a strong seller's market that offers the best opportunity to sell property for TOP Dollar and a great window of opportunity to keep investing in key neighborhoods throughout Miami, the TRI-County and overall in the State of Florida.

We offer a 360 degree solution to cover all aspects of smart Real Estate Investments including, legal strategy, leverage to maximize investment and potential returns, accounting advice and most importantly, we have the pulse of the market and can provide sound advice on the best time to BUY and / or SELL. This is only possible after 20 years of extensive experience of Broker Principal Juan Alvarez, MSIRE - MSF, who is at the helm of all investments and possesses a restless work ethic to make sure all investments are optimal and all relationships bonded are long lasting throughout wealth and value creation.

Blokhaus offers property management services through [Integrity Income Management](#), a sister company created to manage both long and short term rentals and ensures that all investments are profitable and well kept.

We have also pioneered the concept of Real Estate Tokenization through BRET (Blokhaus Real Estate Tokenization) another sister company created for digital syndication of funds for acquisition of large assets and real estate development.

Speaking about the future of Real Estate investments, Blokhaus is your best option when looking for a reputable real estate broker highly skilled to offer successful and long lasting relationships.

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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