

Miami-Dade Housing Market Assessment, 2009

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Overview

- Over-supply of housing units is an important legacy of the 2004-2007 residential construction boom.
- Lax federal and state regulatory oversight and “financial innovations” resulted in unsustainable mortgages, foreclosures and collapsing prices.
- Recovery in housing sector likely to be weak and protracted
 - easy mortgage credit terms won’t return anytime soon (although interest rates will remain low),
 - it will take time to absorb excess inventory,
 - traditional demand drivers will be dominant market forces.

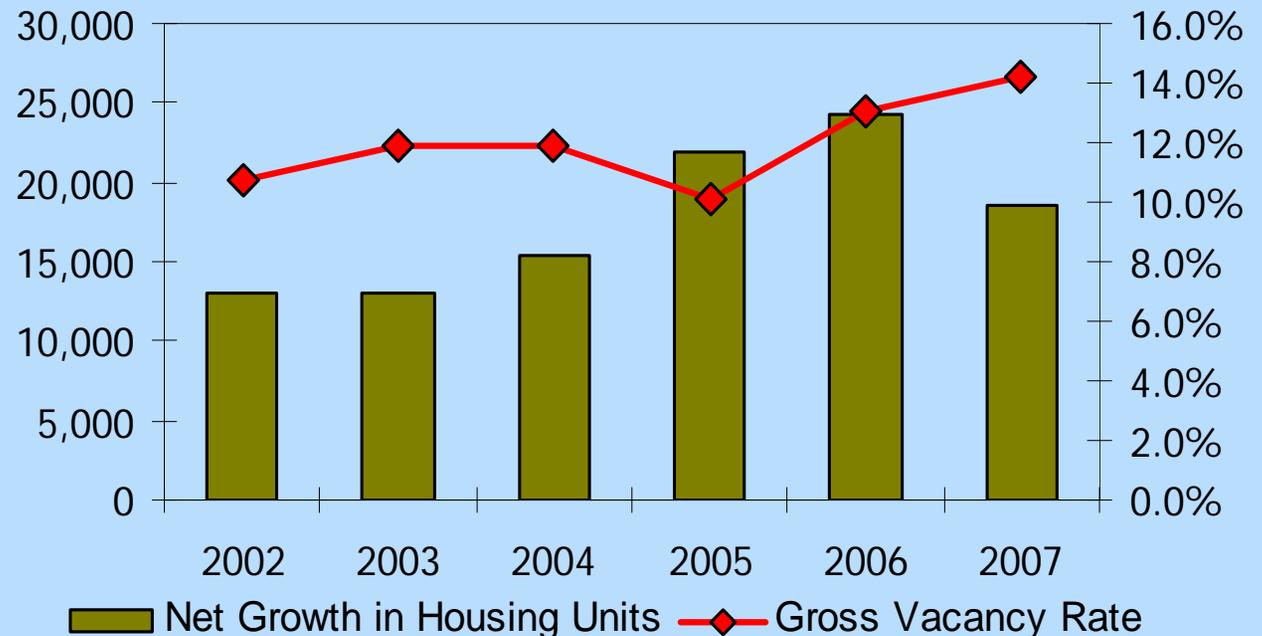
The Emergence of Over-Supply

- The construction boom from 2004 to 2007, brought 80,055 additional housing units online, while the total number of vacant units rose by 32,629 over the same period.
- Total vacant units reached 138,409 in 2007 – up 47% from vacant units in 2002.
- The total or gross vacancy rate in 2007 was 14.2% compared to 10.7% in 2002.
- The number of vacant units available for sale or rent rose to 49,074 by 2007 and reached 5.1% of the total housing stock. For sale or rent vacancy was 31,358 in 2002 (3.6% of total).

The Emergence of Over-Supply

Gross Vacancy Rate and Net Growth in Housing Units

- *Construction surge in 2005 through early 2007 results in sharp increase in vacancy rates in 2006 and 2007.*



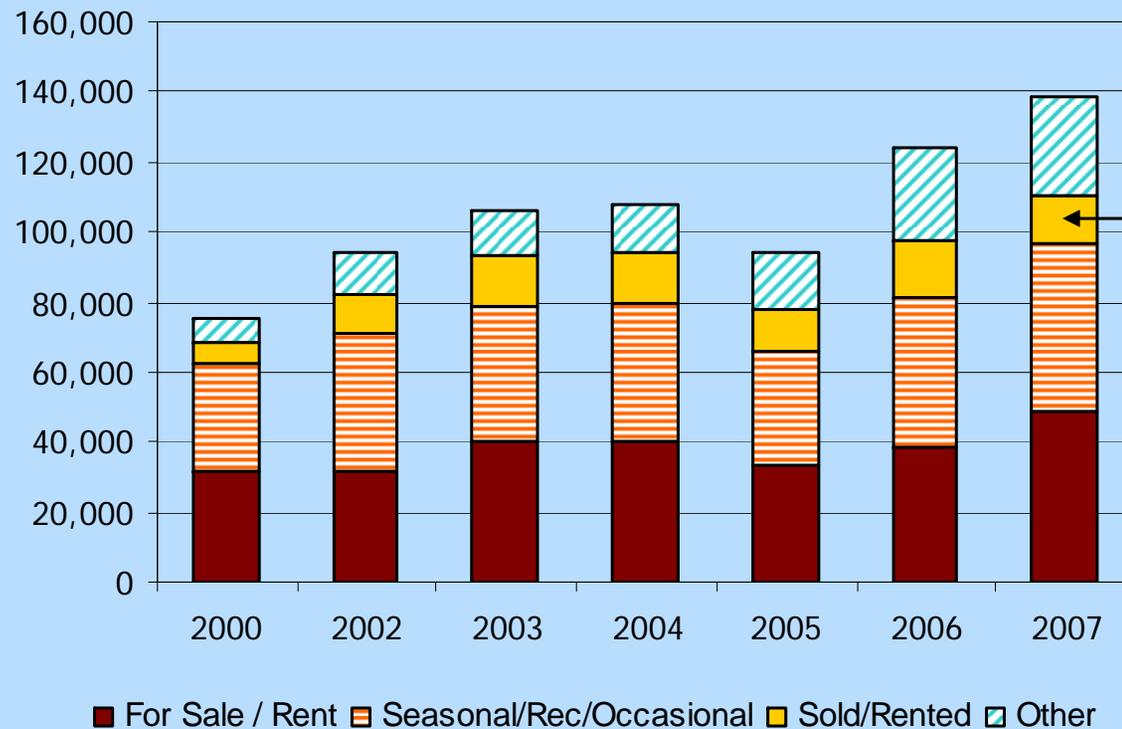
Data Source: American Community Survey, various issues. U.S. Census Bureau

The Emergence of Over-Supply

From 2002 to 2007

- Units vacant and available for sale or rent rose by 56%.
- Vacant units for seasonal, recreational and occasional use rose by 22%
- Other vacant units (not available for sale or rent or not for seasonal or occasional use or not in transition) rose by 127%
- Sold or rented units but not yet occupied rose by 15%

Composition of Vacant Units



Units in transition from vacant to occupied.

Data Source: American Community Survey, various issues. U.S. Census Bureau

The Emergence of Over-Supply

Miami-Dade County Vacant Residential Units

		2002 ACS		2005 ACS		2006 ACS		2007 ACS	
		Number	Rate	Number	Rate	Number	Rate	Number	Rate
Housing Units	Total	878,448	100.0%	928,715	100.0%	953,031	100.0%	971,608	100.0%
	Occupied	784,063	89.3%	834,800	89.9%	828,794	87.0%	833,199	85.8%
	Vacant / Vacancy Rate	94,385	10.7%	93,915	10.1%	124,237	13.0%	138,409	14.2%
Vacant Housing Units	Total	94,385	10.7%	93,915	10.1%	124,237	13.0%	138,409	14.2%
	For rent	25,658	2.9%	22,093	2.4%	20,581	2.2%	28,924	3.0%
	For sale only	5,700	0.6%	10,980	1.2%	18,088	1.9%	20,150	2.1%
	For sale and/or rent	31,358	3.6%	33,073	3.6%	38,669	4.1%	49,074	5.1%
	Rented or sold but not occupied	11,621	1.3%	11,873	1.3%	15,867	1.7%	13,409	1.4%
	For seasonal, recreational or occasional use	39,261	4.5%	33,108	3.6%	42,636	4.5%	48,037	4.9%
	For migrant workers	0	0.0%	132	0.0%	387	0.0%	238	0.0%
	Other vacant	12,145	1.4%	15,729	1.7%	26,678	2.8%	27,651	2.8%

Source: Data compiled by Miami-Dade Planning and Zoning Dept, Research Division from U.S. Census, American Community Survey, various issues.

Note: "Rate" refers to value as percent of total housing units.

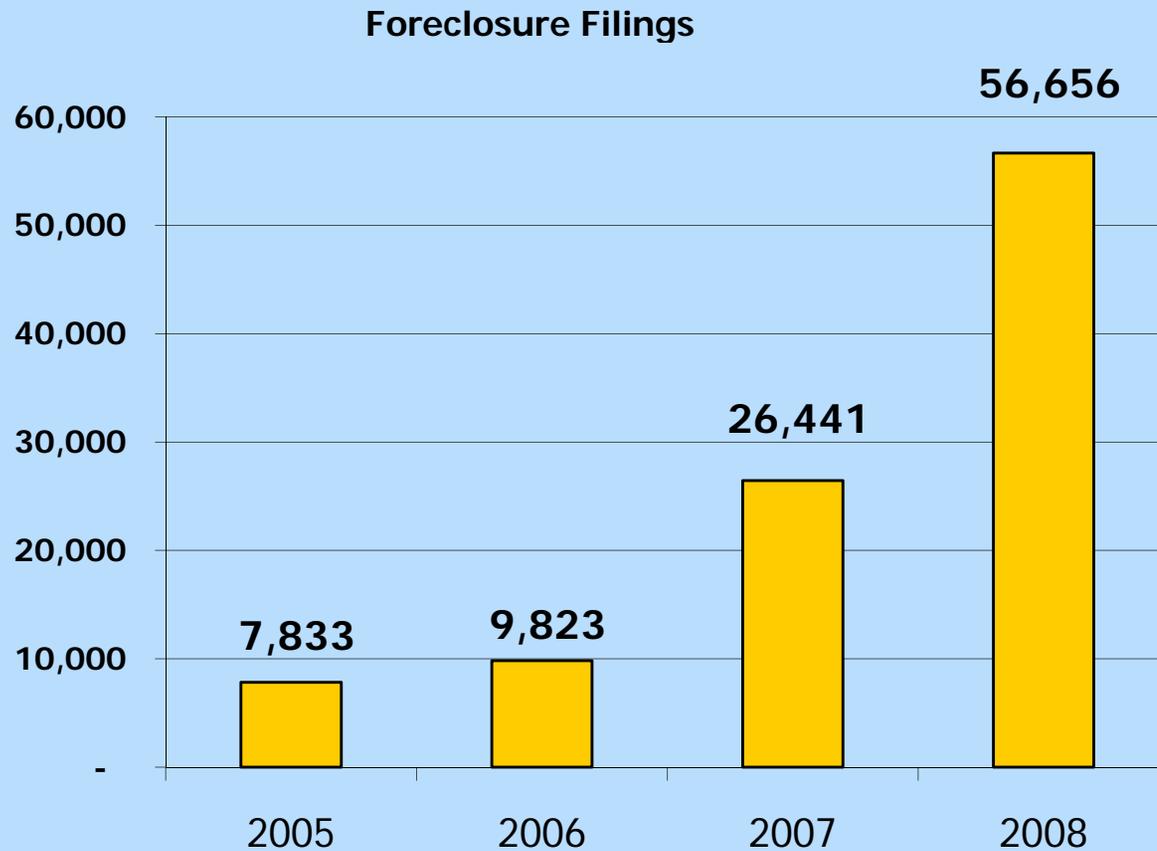
Unwinding of the Housing Bubble

- Abundance of liquidity and new mortgage products fueled demand for homeownership, leading to rapid property appreciation and speculation that proved unsustainable.
- Rampant foreclosures and collapse in property values emerged in 2008, and will continue well into 2009 without significant government intervention.

Foreclosures Leading Fall in Prices

- Initiations of foreclosure proceedings in Miami-Dade rose sharply in 2006 and 2007 as sales of existing homes and prices fell sharply. Over 55,700 properties entered the foreclosure process in 2008.
- 8,800 Miami-Dade properties are estimated to have been repossessed by lenders in 2008.
- Foreclosure activity is overwhelming capacity of County courts – the foreclosure process from initiation to sale is taking an average of 12 months and increasing.
- 5,981 properties were in some stage of the foreclosure process in November – 6.3 properties per 1000 occupied housing units.
- Large wave of Option Adjustable Rate Mortgages and Interest Only Mortgages are set to recast beginning in 4th Quarter of 2009, and through 2011.

Foreclosure Filings in Miami-Dade County Court



Source: Miami-Dade Clerk of Courts

Homestead vs. Non-Homestead

The Proportion of Homestead Exempt Properties Among Foreclosed Homes From November 2007 to August 2008

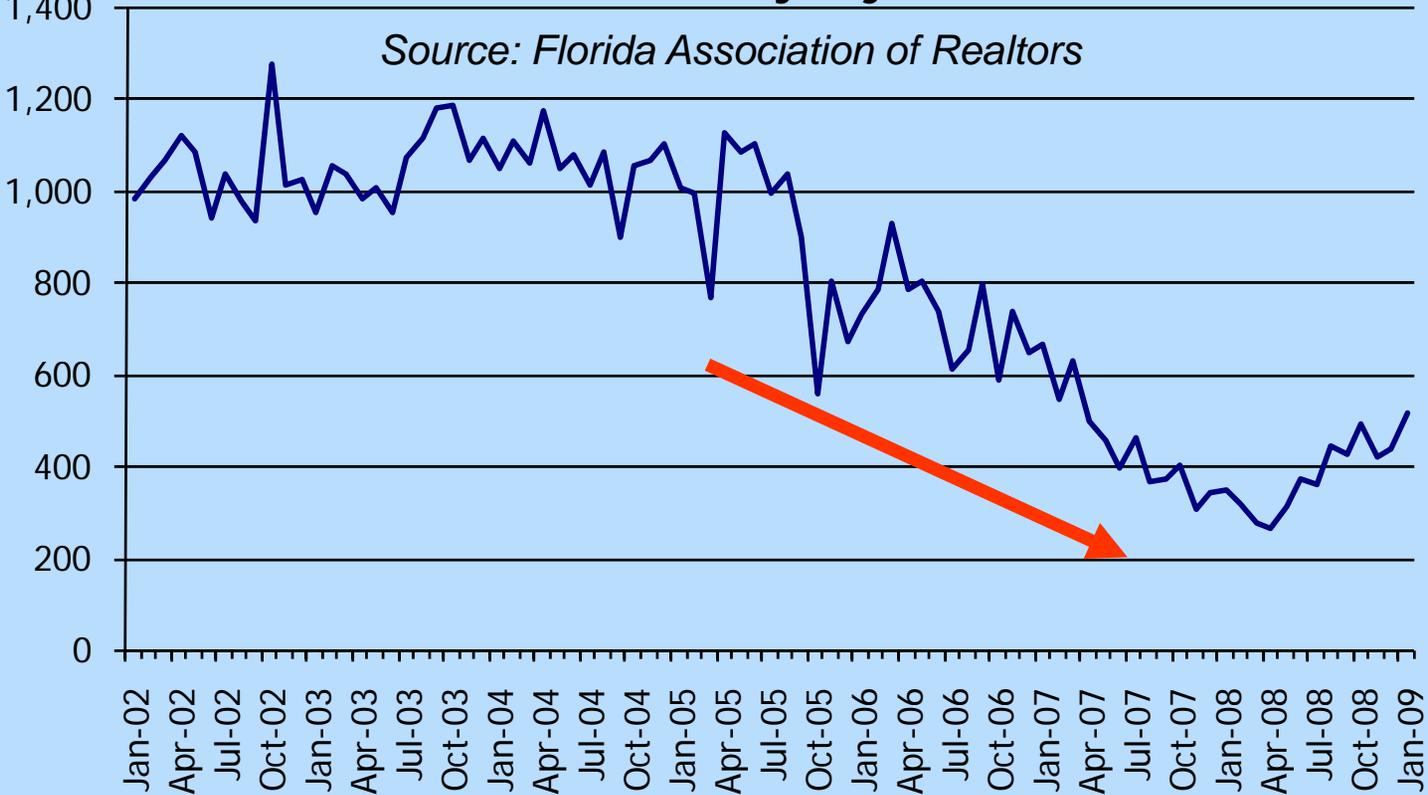
Geographic Area	Property Type	Foreclosures	Homestead Exempted	Percent Exempt	Geographic Area	Property Type	Foreclosures	Homestead Exempted	Percent Exempt
Countywide	All Foreclosures	6,394	1,359	21.3%	Dictrict 7	All Foreclosures	434	46	10.6%
	Condominium	1,909	316	16.6%		Condominium	242	16	6.6%
	Single Family	4,485	1,043	23.3%		Single Family	192	30	15.6%
Dictrict 1	All Foreclosures	376	123	32.7%	Dictrict 8	All Foreclosures	739	171	23.1%
	Condominium	38	13	34.2%		Condominium	62	9	14.5%
	Single Family	338	110	32.5%		Single Family	677	162	23.9%
Dictrict 2	All Foreclosures	413	93	22.5%	Dictrict 9	All Foreclosures	1,067	275	25.8%
	Condominium	21	3	14.3%		Condominium	136	33	24.3%
	Single Family	392	90	23.0%		Single Family	931	242	26.0%
Dictrict 3	All Foreclosures	448	66	14.7%	Dictrict 10	All Foreclosures	394	86	21.8%
	Condominium	82	17	20.7%		Condominium	131	35	26.7%
	Single Family	366	49	13.4%		Single Family	263	51	19.4%
Dictrict 4	All Foreclosures	607	85	14.0%	Dictrict 11	All Foreclosures	569	135	23.7%
	Condominium	474	58	12.2%		Condominium	125	26	20.8%
	Single Family	133	27	20.3%		Single Family	444	109	24.5%
Dictrict 5	All Foreclosures	355	34	9.6%	Dictrict 12	All Foreclosures	351	89	25.4%
	Condominium	221	21	9.5%		Condominium	171	40	23.4%
	Single Family	134	13	9.7%		Single Family	180	49	27.2%
Dictrict 6	All Foreclosures	303	62	20.5%	Dictrict 13	All Foreclosures	338	94	27.8%
	Condominium	82	11	13.4%		Condominium	124	34	27.4%
	Single Family	221	51	23.1%		Single Family	214	60	28.0%

Data Sources: Realtytrac, Inc., Irvine, CA and Miami-Dade Property Appraiser.

Analysis Prepared by Research Section, Miami-Dade Planning and Zoning Department.

Single Family Home Sales – Miami-Dade Realtor Monthly Transactions

Miami-Dade Existing Single Family Home Sales
Units, Seasonally Adjusted



Large increases to the housing stock occurred while existing home sales were diminishing. Recent uptick in sales are mostly distressed sales.

Transaction Prices, Single Family Homes – Miami-Dade

Miami-Dade Median Price of Existing Single Family Homes Sold Through Realtors

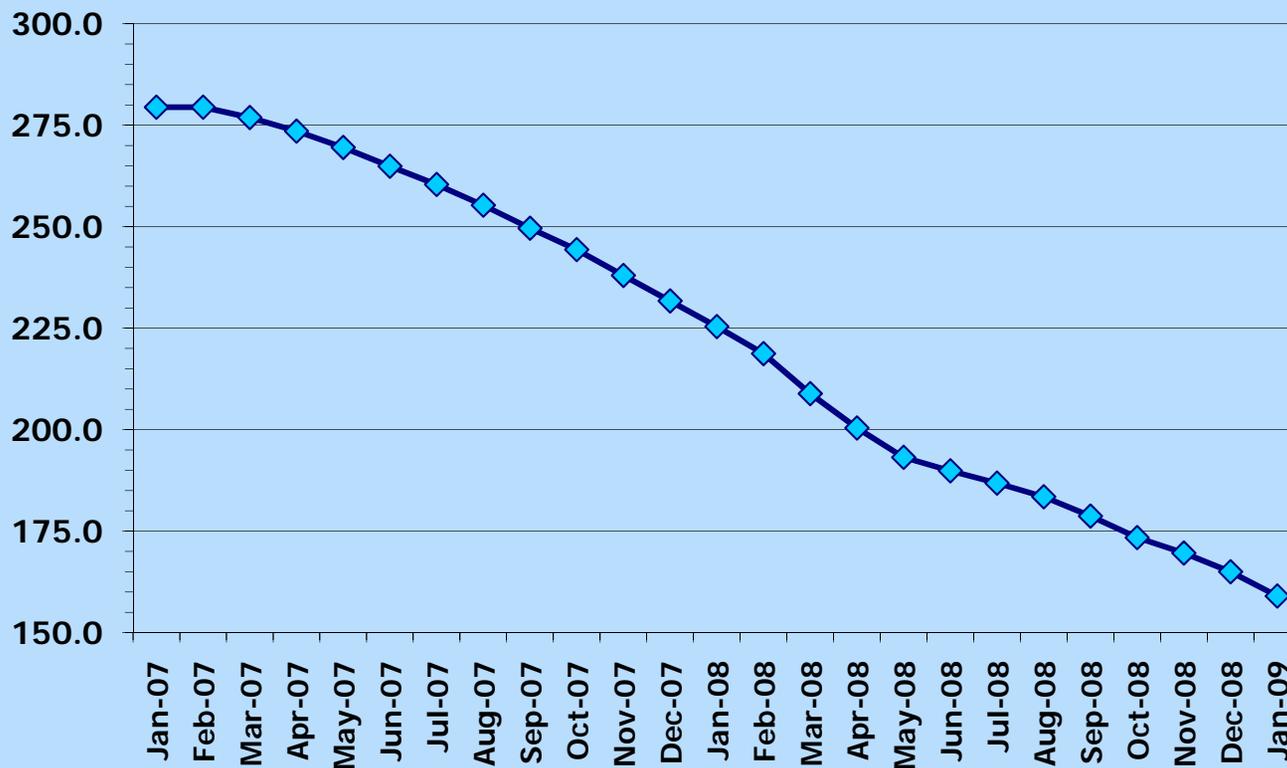


Source: Florida Association of Realtors

February median price = \$196K. Last time prices below \$200K was March 2003.

House Prices – Case/Shiller Index

Case-Shiller Home Price Index: Miami-Dade, Broward,
Palm Beach Metro Area
Jan 2000 = 100

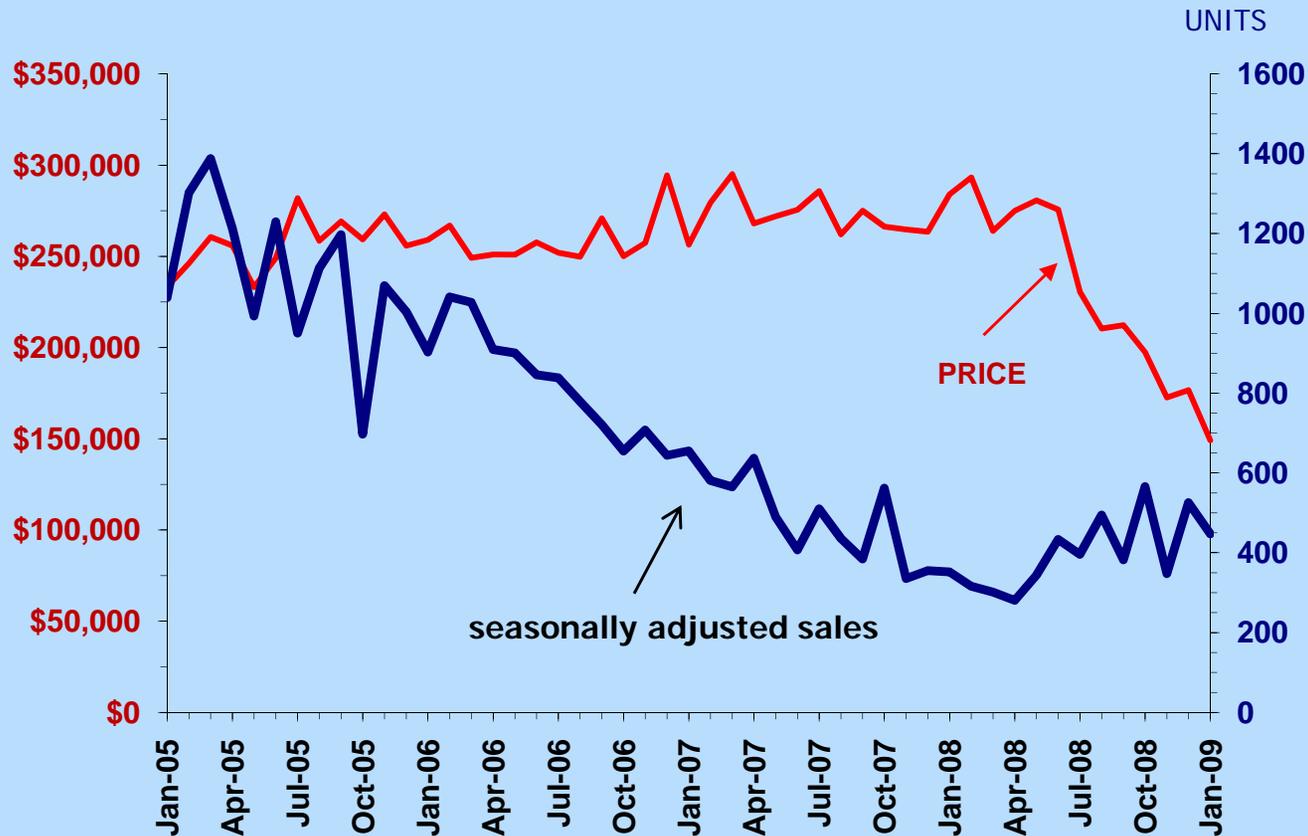


Tri-county area SF home prices are down 29% from Jan 2007 and down 43% from their Dec 2006 peak levels.

Source: Standard and Poors

Condo Home Median Price and Sales

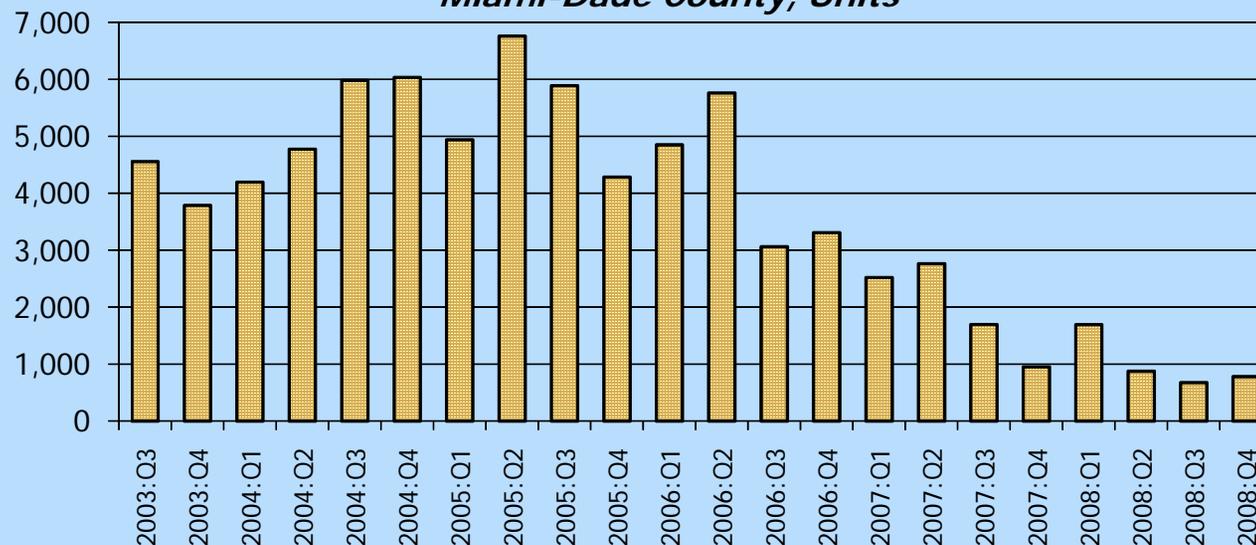
Condo Sales (Right) and Median Price (Left)



Source: Florida Association of Realtors

Building Permit Activity Near Zero

Residential Construction Authorized by Permits
Miami-Dade County, Units



Source: U.S. Census, Residential Units Authorized by Permit

	2005:Q1	2005:Q2	2005:Q3	2005:Q4	2006:Q1	2006:Q2	2006:Q3	2006:Q4
Permits	4,940	6,759	5,888	4,285	4,849	5,759	3,062	3,308
	2007:Q1	2007:Q2	2007:Q3	2007:Q4	2008:Q1	2008:Q2	2008:Q3	2008:Q4
Permits	2,521	2,763	1,695	952	1,693	876	676	781
	2005	2006	2007	2008				
Permits	21,872	16,978	7,931	4,026				

Outlook for 2009

- Distressed sales (foreclosed units and short sales) are likely to keep prices low well into 2009.
- Negative equity from the sharp drop in prices is also holding back sales.
- It will take several months of strong sales to bring vacancy rates to levels consistent with a more balanced residential real estate market.
- New construction activity unlikely to return to healthy levels before 2010.
- Employment growth, real wage appreciation and net migration will be the dominant factors affecting the local housing sector. Credit conditions will become less of a constraining factor by summer.

Employment declines will adversely affect housing demand.

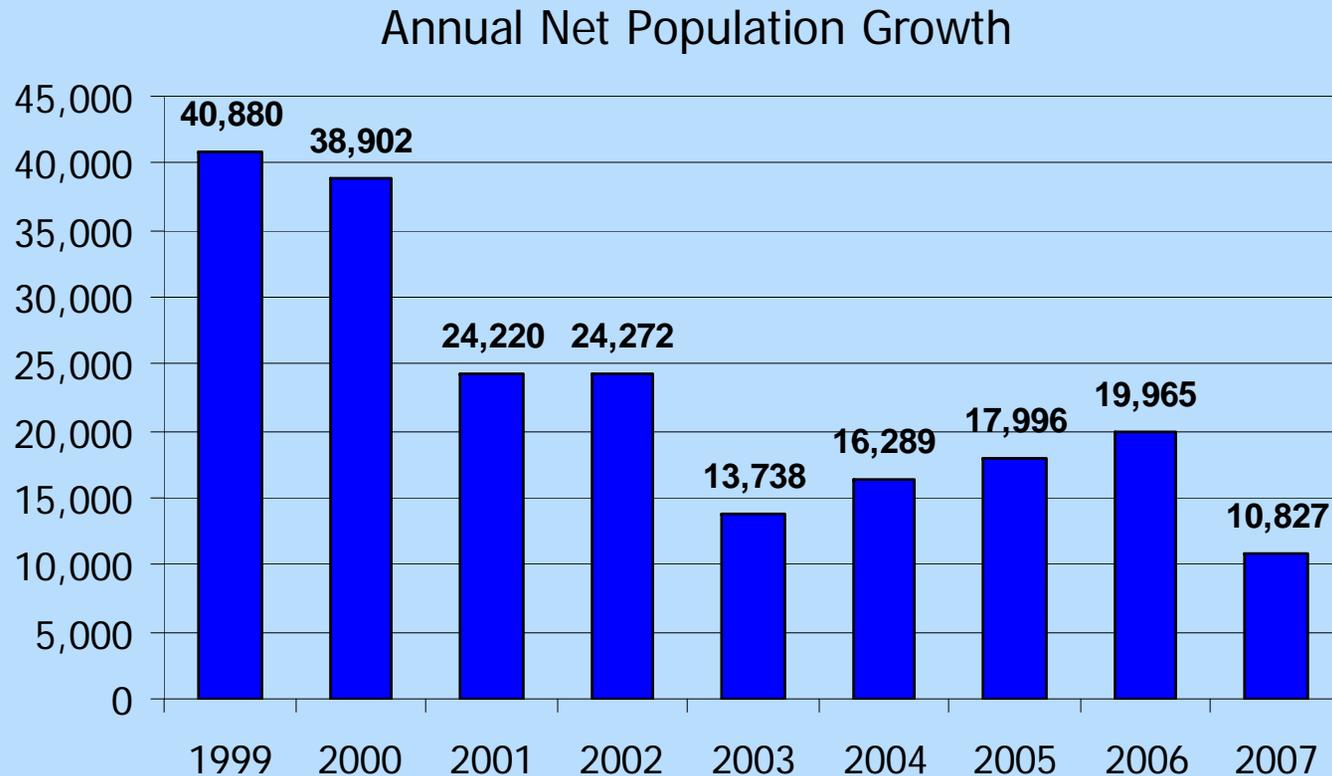
- Sharp declines in payroll employment since start of 2008 (26,000 seasonally adjusted decline through Nov. and 28,000 without seasonal adjustment).
- More job losses are expected.

Miami-Dade Total Nonfarm Employment
Thousands of Jobs, Seasonally Adjusted



Source: Florida Agency for Workforce Innovation

County Population Growth Decelerating



Source: U.S. Census Bureau

Population growth in 2008 was probably on par with 2007 or lower, and acceleration in 2009 unlikely. Marked acceleration in population growth in 2010 may occur with changes in federal immigration policies and/or more favorable economic and labor market conditions. The population figures shown here are Census Bureau estimates.

Growth in Average Compensation Not Keeping Pace with Local Inflation

Annual Percent Growth in Purchasing Power of Average Compensation to Workers



Sources: Compensation, U.S. Bureau of Economic Analysis; CPI, Bureau of Labor Statistics. * 2008 is OEDC estimate

Weak labor market conditions in 2009 (rising unemployment) should limit increases in wages, although moderating price inflation is likely to allow for some modest increase in inflation adjusted average compensation.

Recovery in Housing Market Will be Slow

- In 2008 the housing market largely drove the path of the economy.
- In 2009-2010, the path of the economy (job and income growth, credit availability,...) will drive conditions in the housing market.
- Economic recovery led by fiscal stimulus will lead to improved conditions in the housing market, but with a lagged effect.