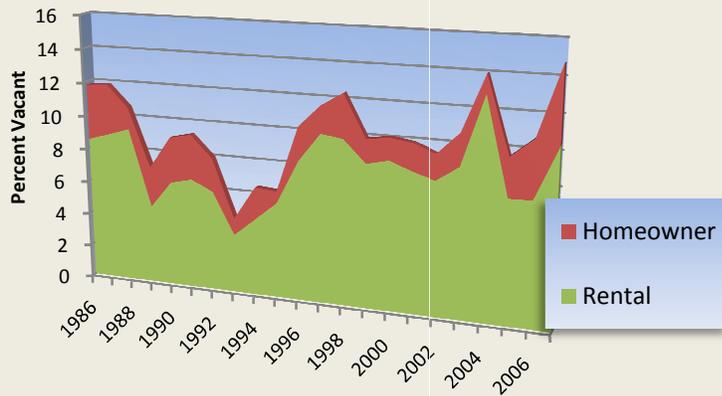


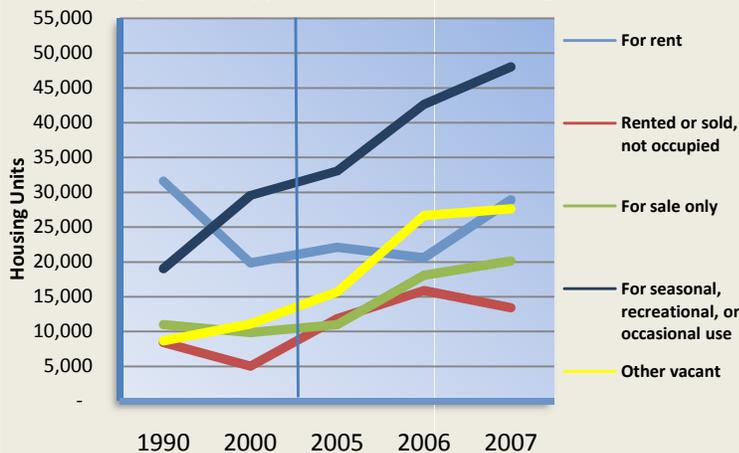
Market Implications of Vacancies

Figure 1: Vacancy by Tenure



Source: U.S. Census Bureau, Housing Vacancy Survey 1986 - 2007. Prepared by the Miami-Dade Dept of Planning and Zoning Research Section.

Figure 2: Types of Vacant Housing Units



Source: U.S. Census Bureau, Decennial Census 1990 and 2000. U.S. Census Bureau, American Community Survey 2005, 2006, 2007. Prepared by the Miami-Dade Dept of Planning and Zoning Research Section.

This is a critical time in the housing market because trends that may have otherwise been significant in their own right become magnified in their importance due to the overall market conditions in the financial industry as a result of the mortgage crisis.

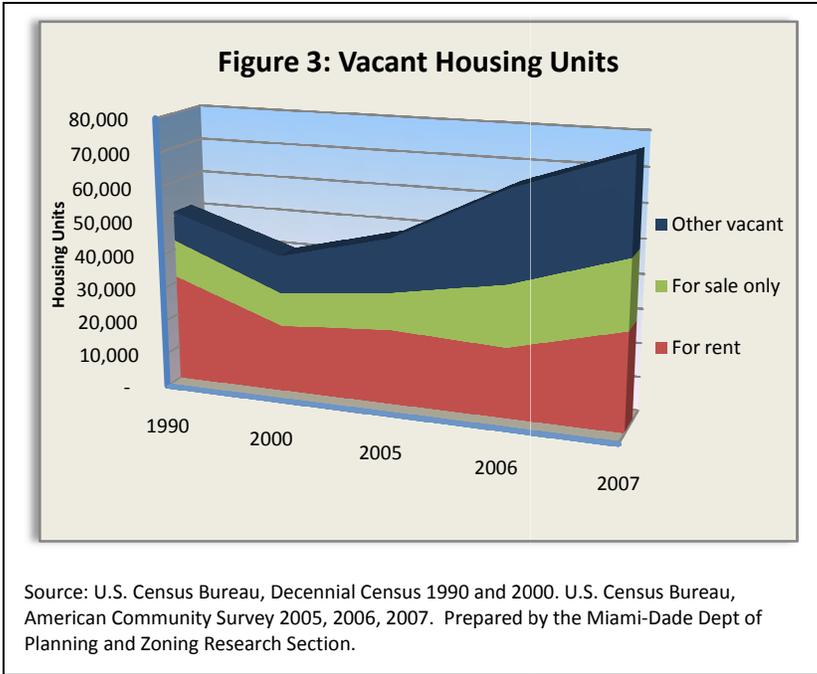
Miami-Dade County has seen substantial changes in vacancy rates over the last few years. Not only has the overall vacancy rate climbed considerably since 2000, but also the relative breakdown of vacant units has changed as well. Figure 1 shows vacancy by tenure. Not surprisingly, the vacancy rate among rental units is much higher than among homeowner units. Over the last twenty two years the rental vacancy rate has averaged 7.8 percent compared to 2.1 percent for homeowner units. What is more noteworthy is that the rate has surged to 14.8 percent in 2007, the highest rate over the last 22 years. The average for rentals has increased to 9.5 percent over the last four years, a 22 percent increase over the 22-year trend. Over the last four years the number for homeowner units increased to 2.8 percent, a 33 percent bump above the 22 year number.

The market has also experienced a shift in the types of vacant units. The Census Bureau reports vacancies by five categories. These include units exclusively for rent, exclusively for sale, units already rented or

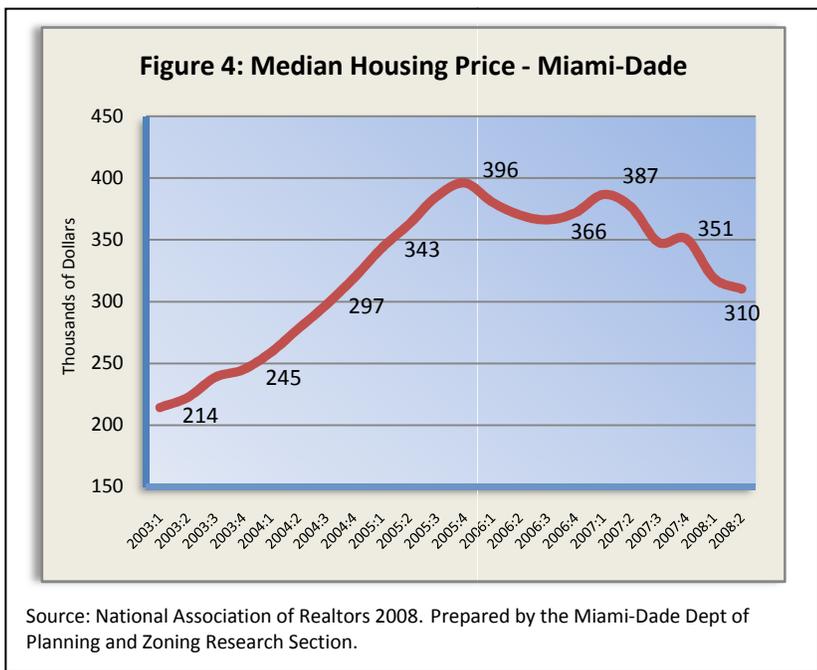
sold but not yet occupied, units that are for seasonal recreational or occasional use (including among other types, units for 'snow-birds' as well as units owned by foreign investors as vacation homes), and other vacant units classified as such because they do not fit into any of the previous categories. Figure 2 shows the changes in these categories since 1990. From 1990 through 2007 the number of seasonal vacant units climbed from 19,062 units in 1990 to 48,037 units in 2007. Some care needs to be exercised in reviewing this overall trend as the decennial

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census counts of 1990 and 2000 were recorded on April 1st when more seasonal residents are likely to be still living in South Florida while the American Community Survey (ACS) is conducted throughout the year and hence these numbers would include months when seasonal residents would likely be elsewhere. However, just looking at the period of the ACS data, 2005 until 2007, the number of seasonal vacant units climbed from 33,108 units to 48,037, an increase of 45 percent. This category includes classic northern “snow-birds” as well as foreign buyers who may well have been drawn into the market by a confluence of falling housing prices, as will be discussed below, and a weakening dollar. As a consequence this foreign investment is occurring for occasional personal use as well as investment purposes.



The data also shows that vacant units for rent or sale both increased from 2005 to 2007, from 22,093 units to 28,924 units for rent (an increase of 31 percent), and from 10,980 units to 20,150 units for sale (an increase of 84 percent). However, the most dramatic increase came from those units classified as other vacant. They increased from 8,679 units in 1990 to 27,651 units in 2007, an amazing increase of 219 percent. According to the Census Bureau, “other vacant” are units that do not fall into any of the other categories, which, in today’s market would include among other things, properties in various stages of foreclosure, abandoned by the owner upside down in



an adjustable mortgage, or with renters displaced as a result of rental properties being foreclosed. Figure 3 illustrates that while vacant units for rent and sale have grown significantly since the year 2000, other vacant properties have grown quite dramatically as a percent of the total non-seasonal vacant units, accounting for only 14.5 percent of the total in 1990, 24.2 percent of the total in 2000 and 30.6 percent of the total in 2007.

This increase in vacancies will have a direct impact on the price of housing. Figure 4 shows median home prices since the first quarter of 2003. The price reached a peak of \$396,000 in the fourth quarter of 2005

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and dropped precipitously since then. The median price as of the second quarter of 2008 had reached \$310,000, a 19.3 percent decrease. While some of this decline may be accounted for by over-building, most of the drop is surely attributable to the turmoil in the mortgage industry. However, as the number of vacant units has soared, the implication for the ability of the market to bounce back is apparent, especially, since thousands of “other vacant” units will be coming onto the market. In addition, since a share of the vacant housing classified as seasonal is investment properties, it is likely that over time, some of these will find their way into the rental and home sale market as well. The combination of these impacts creates a bleak outlook for short and even medium term market recovery.

Table 1: Vacancy Rates - Miami-Dade County

Year	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Rental	8.5	8.9	9.3	4.7	6.3	6.6	6	3.5	4.6	5.7	8.3
Homeowner	3.3	3	1.3	2.4	2.7	2.7	2	1	1.9	0.7	2
Total	11.8	11.9	10.6	7.1	9	9.3	8	4.5	6.5	6.4	10.3
Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Rental	10	9.8	8.5	8.8	8.3	7.9	8.8	12.9	7.3	7.3	10.4
Homeowner	1.6	2.6	1.4	1.3	1.6	1.5	1.9	1.1	2.3	3.4	4.4
Total	11.6	12.4	9.9	10.1	9.9	9.4	10.7	14	9.6	10.7	14.8

Source: U.S. Census Bureau, Housing Vacancy Survey 1986 - 2007. Prepared by the Miami-Dade Dept of Planning and Zoning Research Section.

Table 2: Vacant Housing by Type

Miami-Dade County, FL	1990 Census	2000 Census	2005 Estimate	2006 Estimate	2007 Estimate
Total:	78,933	75,504	93,915	124,237	138,409
For rent	31,611	19,866	22,093	20,581	28,924
Rented or sold, not occupied	8,383	5,022	11,873	15,867	13,409
For sale only	11,007	9,855	10,980	18,088	20,150
For seasonal, recreational, or occasional use	19,062	29,587	33,108	42,636	48,037
For migrant workers	191	59	132	387	238
Other vacant	8,679	11,115	15,729	26,678	27,651

Source: U.S. Census Bureau, Decennial Census 1990 and 2000. U.S. Census Bureau, American Community Survey 2005, 2006, 2007. Prepared by the Miami-Dade Dept of Planning and Zoning Research Section.

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Table 3: Non-Seasonal Vacancy Rates

	1990	2000	2005	2006	2007
Total Housing Units:	771,288	852,278	928,715	953,031	971,608
Total Non-Seasonal Vacant:	59,871	45,917	60,807	81,601	90,372
For rent	31,611	19,866	22,093	20,581	28,924
For sale only	11,007	9,855	10,980	18,088	20,150
Other vacant	8,679	11,115	15,729	26,678	27,651
'Non-Seasonal' Vacancy Rate	7.8%	5.4%	6.5%	8.6%	9.3%
For rent (% of Non-Seasonal Vacant)	52.8%	43.3%	36.3%	25.2%	32.0%
For sale only (% of Non-Seasonal Vacant)	18.4%	21.5%	18.1%	22.2%	22.3%
Other vacant (%of Non-Seasonal Vacant)	14.5%	24.2%	25.9%	32.7%	30.6%

Source: U.S. Census Bureau, Decennial Census 1990 and 2000. U.S. Census Bureau, American Community Survey 2005, 2006, 2007.

Prepared by the Miami-Dade Dept of Planning and Zoning Research Section.