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### Commercial Real Estate First Quarter 2013 Highlights

- The vacancy rate in the office market dropped 30 basis points (bps) to 12.9% in the first quarter (Q1:13). The average lease rate for office space dropped to \$28.40/SF from \$28.58 in the first quarter of last year.
- On the demand side, the number of office workers grew 2.7% year-over-year to 227,000 workers.
- The industrial vacancy rate dropped 60 bps to 6.3% in the first quarter compared to a year ago and the first quarter lease rate ticked up to \$8.23/SF from \$8.11/SF in the first quarter of last year.
- Almost 620,000 square feet of industrial space was under construction in the first quarter.
- The retail vacancy rate in shopping centers in Q1:13 increased 20 bps from Q4:12, but was lower than in Q1:12 by 20 bps to 4.3%, while lease rates in Q1:13 increased to \$26.50 from \$25.76 one year ago.
- The vacancy rate for stand-alone retail dropped 30 bps to 3.5% and the first quarter lease rate increased for the eighth consecutive quarter to reach \$31.86 from \$26.06 in the same quarter of 2012.

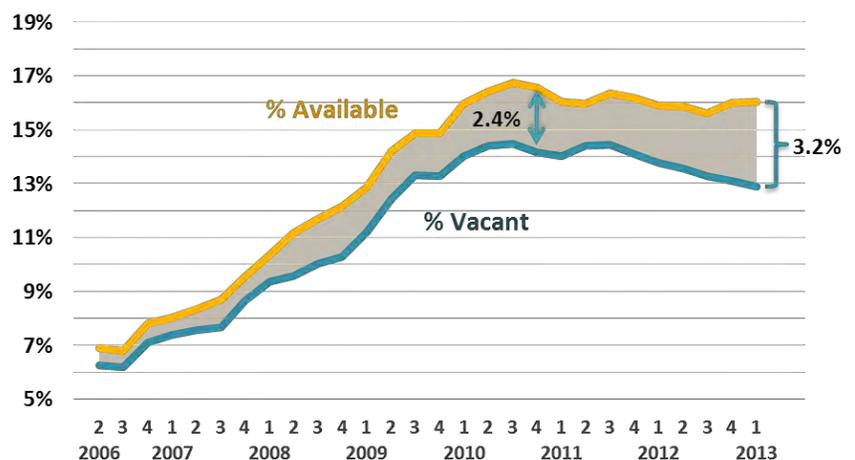
### Commercial Real Estate

**Office Market:** Little movement is apparent in the Miami-Dade Office market. Vacancy rates continued modest but consistent improvements in Q1:13 since the fourth quarter of 2011, while lease rates (excluding concessions) continue with signs of stabilization after three years of negative trend. The average lease in Q1:13 was reported at \$28.40/SF, fluctuating in the last four quarters between \$28.27 (Q2:12) and \$28.46 (Q3:12). The average lease rate in 2010 was \$29.65/SF, and \$28.85 in 2011.

Office vacancy saw its sixth consecutive quarter of decline, falling to 12.9% in the first quarter, down from 13.1% in the fourth quarter and a peak rate of 14.5% in the Q3:11. Gross absorption was 1.3 million square feet in the Q1:13, yet net absorption was just

**Figure 1: Miami-Dade Office Market**

Percent of Space Vacant & Available by Quarter



300,000 SF as additional space became available. As a result, the percent of space available for lease has remained high, at 16% for the second quarter in a row. The office sector continues with very little new construction (161,000 SF in Q1:13), down from 5.1

million square feet in the third quarter of 2007. Just 116,000 SF of new office was delivered in the first quarter. The gap between the percent of space available and the percent vacant continues to grow, to 3.2% in the first quarter of the year as shown in Figure 1. Occupied space is increasingly being listed as available. Possibilities for this increase most likely include tenants indicating they will not be renewing or renewing for very short periods of time, perhaps even month to month, or managers uncertain about their tenants and advertising the space to hedge against losing the tenant. The rising gap between available and vacant space suggests continuing downward pressure on office lease rates and softness in the market.

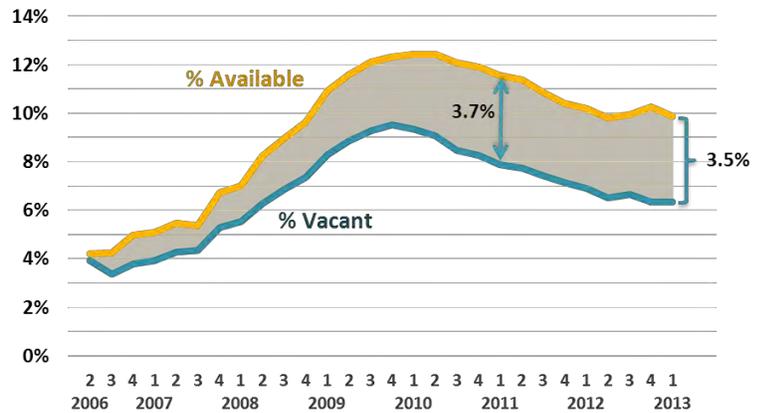
On the demand side, office job growth has continued but slowed consistently over the last several months, down to 1.7% in April compared to last year, with 228,000 employees according to BLS Payroll data. The present level of office workers represents the highest number of office workers since August of 2008.

**Industrial Market:** The industrial market has fared a little better than the office market. The vacancy rate flattened out in the first quarter at 6.3% down a third from its peak in the fourth quarter 2009. The lease rate has hovered just above \$8.00/SF for the last five quarters, increasing from \$8.17 in the fourth quarter to \$8.23 (nnn) in the first. Net absorption shows that the demand side of the market remains strong. After declining in the third quarter last year for the first time in three years, net absorption was nearly 800,000 square feet in the fourth quarter and over 460,000 square feet in the first quarter. 722,000 new square feet of industrial space was added to the market while over 600,000 square feet remain under construction.

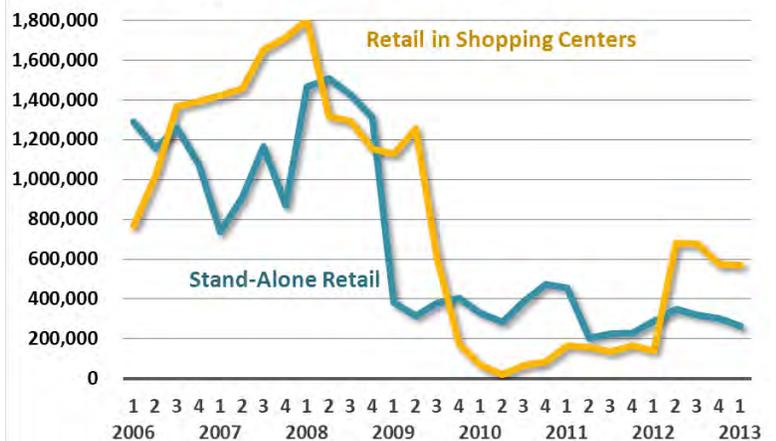
Figure 2 shows the available-to-vacancy rate gap for industrial space is beginning to close in this market, down to 3.5%. Even in the face of significant new construction, the market appears to be tightening

**Retail:** The market for **retail space in shopping centers** has taken a possible brief lull from recent

**Figure 2: Miami-Dade Industrial Market**  
Percent of Space Vacant & Available by Quarter



**Figure 3: Retail Space Under Construction (SF)**



steady improvement. The vacancy rate increased for the first time in over two years, albeit modestly, up 20 basis points to 4.3% in the first quarter of 2013. This still remains among the lowest rates since the third quarter of 2008. Lease rates dropped for the second consecutive quarter after nearly two years of steady gains, to \$26.50/SF. This is 12% higher than the average rate in the first quarter of 2011. Virtually no new space was delivered, and net absorption was negative, nearly 90,000 SF.

Figure 3 shows new retail construction in shopping centers and stand-alone locations. The second quarter of 2012 saw new construction of shopping center space surge to nearly 676,000 SF and, as of the first quarter of this year still totaled nearly 570,000 SF. CitiCentre in the Brickell area accounted for 520,000

SF of that total and will be completed in 2015. The center is reported to be 100% preleased.

The market for **stand-alone retail space** also continues to register significant improvement. The vacancy rate dropped again, to 3.5% in the first quarter. This rate has remained at 3.8% or lower since the first quarter of 2010. At the same time the average

lease rate continues to positive momentum, increasing for the eighth consecutive quarter to \$31.86/SF, 37% above the low of \$23.33/SF set in the first quarter of 2011. Delivery of new space jumped to 282,000 square feet with net absorption of 231,000 square feet. New construction during the quarter totaled 263,000 SF.

### Residential Real Estate First Quarter Highlights

- There were 1,052 single family homes sold in Miami-Dade in April, 18% above the same month last year. The median price was up 25% year-over-year to \$225,000.
- In April there were 1,540 condo sales, up 18% from last year and the median sales price was \$175,000, a 17% increase from a year ago.
- The Case-Shiller Housing Price index for Miami-Dade homes was up 11% year-over-year to 158.
- The housing affordability index dropped 20% year-over-year to 124.3 indicating housing in Miami-Dade is becoming less affordable to the typical family.
- Lis Pendens dropped 6% from Q1:12 to 5,885. REO's were up 19% from a year ago to 3,562.

### Residential Real Estate

**Home Sales:** Seasonally adjusted sales of single family homes in Miami-Dade County rebounded nearly 18% from March to April with 1,052 sales, 15% above the number of sales recorded last April. About 47% of the sales were cash sales. Traditional sales accounted for 60% while REO's or short sales accounted for the remaining 40%. Sales have averaged 998 per month so far in 2013. The median sales price, after stalling in the \$185,000 range for most of 2012, remained at \$225,000 in April, the same as March, and 25% above the median price from April of last year.

**Figure 4: Single-Family Home Market**

*Median Price & Seasonally Adj. Sales*



Data Source: Florida Realtors.

The Florida Realtors Association first began reporting sales and price data on the condominium market in 2005 (mid-bubble). As of the most recent data from April, condo sales totaled 1,540, 18% above April of 2012. Seventy-seven percent (77%) of condo sales were cash sales and 35% of all condo sales were REO's or short sales. The April median sales price was up over 17% from last year at \$175,000. While many homeowners pine for bubble prices to return, the reality is that the housing market has returned very close to normal pre-bubble functioning in terms of price and sales volume and sustainable value appreciation.

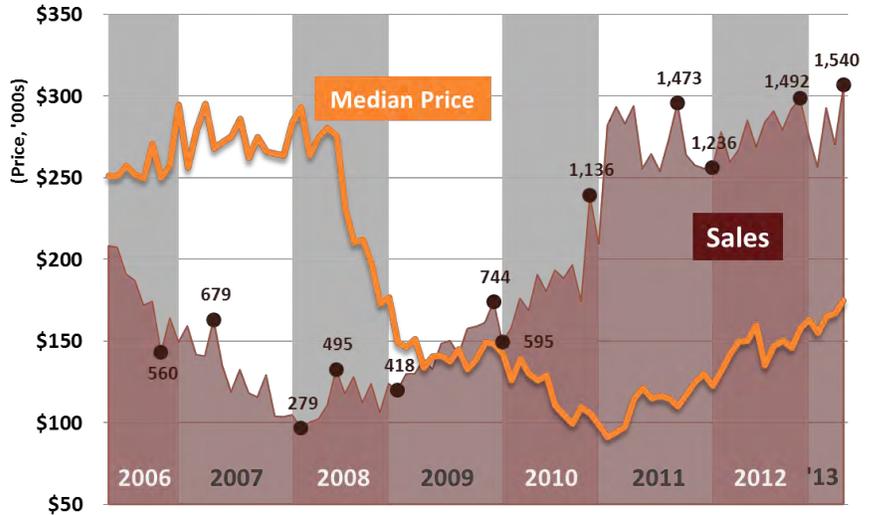
**S & P Case-Shiller Housing Price Index:**

The Case Shiller Index divides the Miami-Fort Lauderdale housing market into 3 tiers by value. The lowest tier, values of less than \$166,000, saw the price index grow in March over 21% above a year earlier to 141.5. The index for the highest tier, homes valued at \$286,000 and above, jumped 9% from a year earlier to 162 in March. This price level places current values in the high tier at about 11% above the trend. The middle tier index increased about 13% from a year ago to 144.2. Values in this middle tier sit about 2% above the historic trend. Overall, the aggregate index for all housing in the market grew 10% from November of last year to 153 and sits about 4% above the long run trend line extended.

While clearly some distress remains in the market as evidenced by the foreclosure and Lis Pendens data, the fundamentals of the South Florida housing

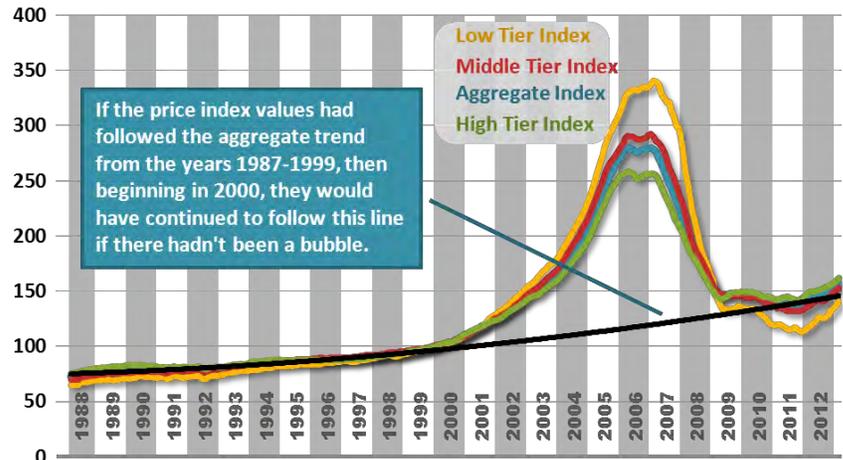
**Figure 5: Condominium Market**

Median Price & Seasonally Adj. Sales



Data Source: Florida Realtors.

**Figure 6: Case-Shiller Index - Deviation from the Long Term Trend\* of Each Housing Price Tier (Through March, 2013)**



\* Long run trend based on data from Jan 1987 through December 1999.  
Data Source: S&P Case-Shiller; R.E.R Economic Policy & Analysis.

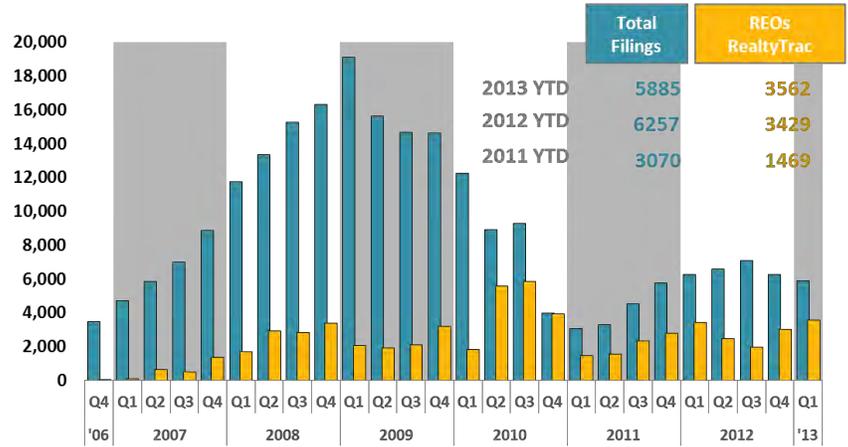
market seem to have recaptured pre-bubble historic levels and activity. <sup>1</sup>All the same, Lis Pendens (initial foreclosure filings) in the first quarter of 2013 were down nearly 6% from the first quarter of last year to 5,885 filings as shown in Figure 7. For the year, 2012

<sup>1</sup> RealtyTrac has changed how foreclosure data is distributed. Therefore monthly data is not currently available. The historic series provided below has been converted to quarterly data.

saw 26,202 Lis Pendens filed in Miami-Dade, about 26 filings per 1,000 homes. 2011 saw a reduction in Lis Pendens due to paperwork issues and the current rate per thousand homes is about 56% higher than in 2011 and about 25% below the rate from 2010. Foreclosure completions (REO's) in the first quarter of this year totaled 3,563, 4% higher than a year ago. There were about 10,837 REO's in 2012, about 33% more than the year before and about 37% fewer than in 2010.

Looking forward it seems likely that filings and foreclosures will remain high since according to a Corelogic study just released nearly 41% of Miami-Dade mortgages are *under water* and an additional 15% have greater than 80% loan-to-value. With this many troubled mortgages combined with the increases in prices, it may be increasingly worthwhile for banks to accelerate forecloses.

**Figure 7: Miami-Dade Foreclosures Filings and REO's (completions)**

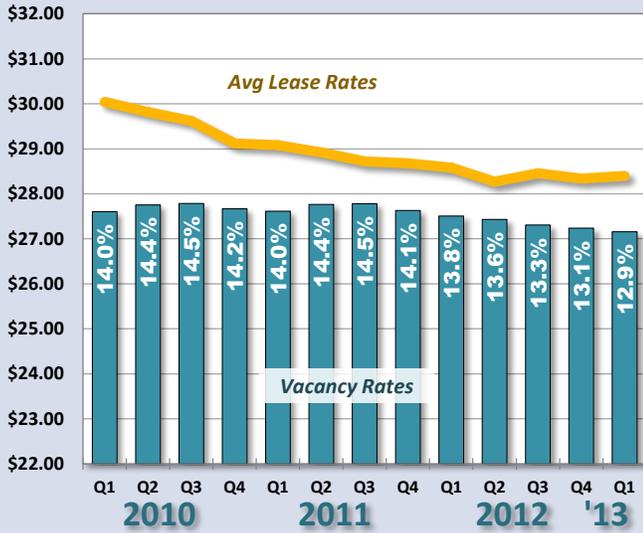


Data Sources: Miami-Dade Clerk of Courts, RealtyTrac.

# Miami-Dade County Commercial Real Estate

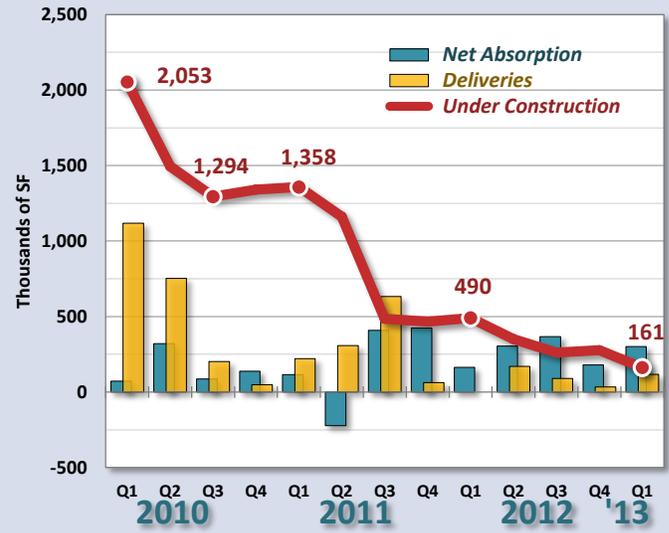


Miami-Dade Office Market Vacancy & Lease Rates



Data Source: Costar

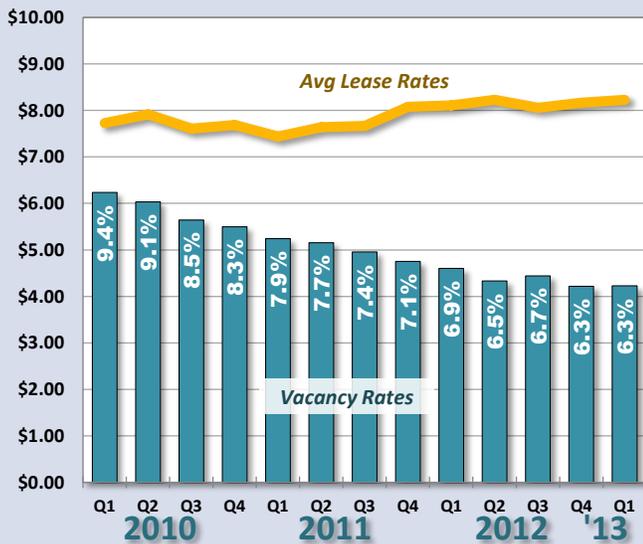
Miami-Dade Office Market Absorptions & Deliveries



Data Source: Costar

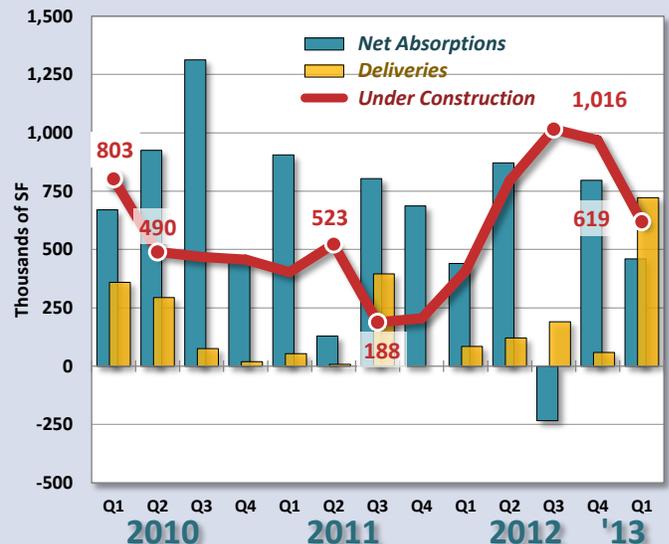
Square Feet (SF) are in '000s		2010	2011	2011			2012				2013
				2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Office Market	Rentable Building Area (SF)	100,888	101,437	101,208	101,731	101,784	101,608	101,731	101,791	101,800	101,900
	Vacancy Rate	14.3%	14.2%	14.4%	14.5%	14.1%	13.8%	13.6%	13.3%	13.1%	12.9%
	Available %	16.4%	16.1%	16.0%	16.4%	16.2%	15.9%	15.9%	15.6%	16.0%	16.0%
	Net Absorption (SF)	154	181	(223)	408	424	163	304	367	179	300
	RBA Deliveries (SF)	530	306	307	632	62	0	170	90	34	116
	Average Lease Rate (/fs)	\$29.65	\$28.85	\$28.92	\$28.72	\$28.68	\$28.58	\$28.27	\$28.46	\$28.34	\$28.40

Miami-Dade Industrial Market Vacancy & Lease Rates



Data Source: Costar

Miami-Dade Industrial Market Absorptions & Deliveries



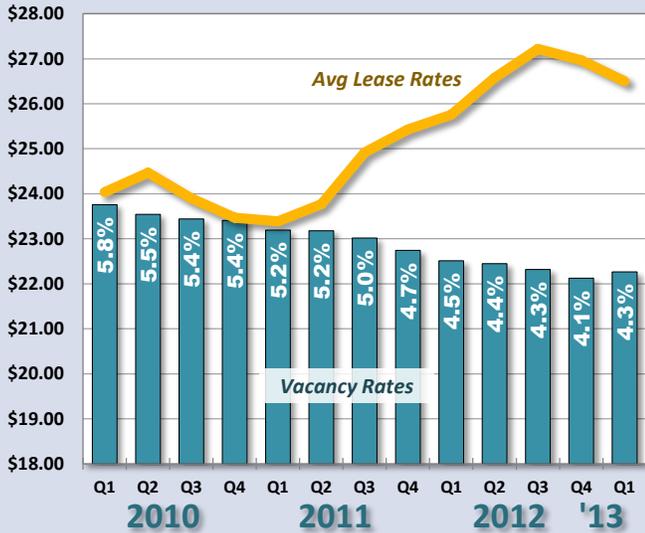
Data Source: Costar

Square Feet (SF) are in '000s		2010	2011	2011			2012				2013
				2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Industrial Market	Rentable Building Area (SF)	240,881	240,679	240,589	240,694	240,641	240,536	240,426	240,601	240,573	241,105
	Vacancy Rate	8.8%	7.5%	7.7%	7.4%	7.1%	6.9%	6.5%	6.7%	6.3%	6.3%
	Available %	12.2%	11.0%	11.4%	10.9%	10.4%	10.2%	9.8%	10.0%	10.3%	9.9%
	Net Absorption (SF)	840	631	129	804	686	440	871	(233)	796	460
	RBA Deliveries (SF)	187	114	8	395	0	85	121	190	59	722
	Average Lease Rate (nnn)	\$7.74	\$7.71	\$7.64	\$7.67	\$8.08	\$8.11	\$8.23	\$8.06	\$8.17	\$8.23

# Miami-Dade County Commercial Real Estate (Cont'd)

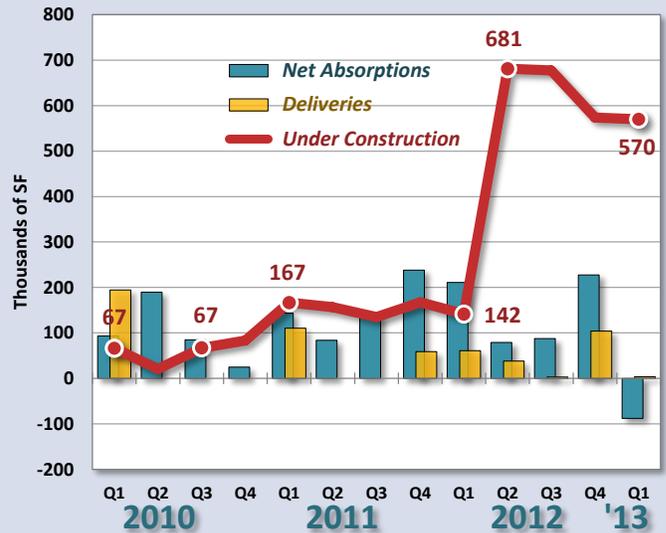


Miami-Dade Retail in Centers - Vacancy & Lease Rates



Data Source: Costar

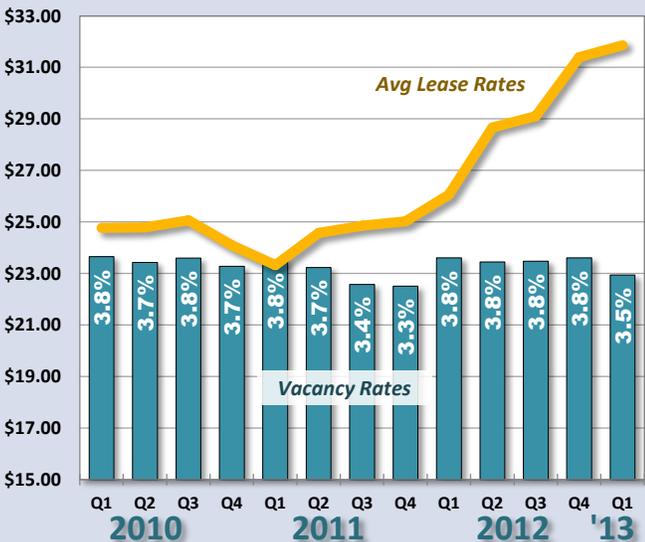
Miami-Dade Retail in Centers - Absorptions & Deliveries



Data Source: Costar

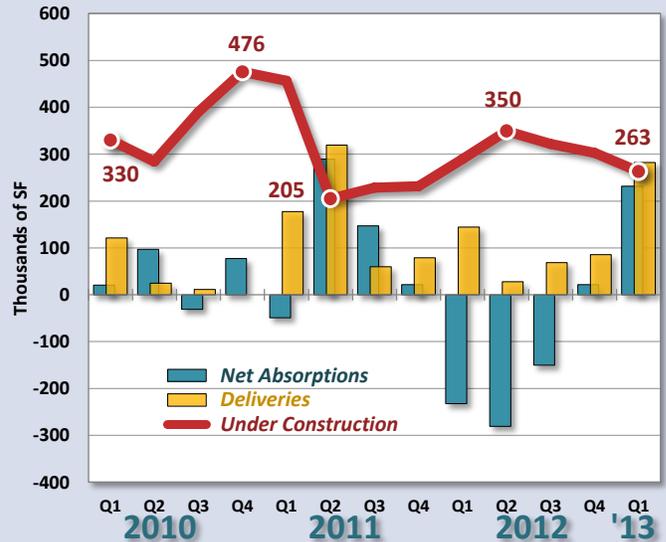
Square Feet (SF) are in '000s		2010	2011	2011			2012				2013
				2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Retail in Centers	Rentable Building Area (SF)	66,242	66,356	66,346	66,377	66,436	66,497	66,535	66,538	66,642	66,646
	Vacancy Rate	5.5%	5.0%	5.2%	5.0%	4.7%	4.5%	4.4%	4.3%	4.1%	4.3%
	Available %	6.5%	6.5%	6.6%	6.5%	6.6%	6.2%	6.0%	5.9%	6.0%	6.0%
	Net Absorption (SF)	98	151	84	138	238	211	79	88	228	(88)
	RBA Deliveries (SF)	49	42	0	0	59	61	38	3	104	4
	Average Lease Rate (nnn)	\$23.97	\$24.38	\$23.77	\$24.92	\$25.43	\$25.76	\$26.58	\$27.22	\$26.97	\$26.50

Miami-Dade Retail Not in Ctrs - Vacancy & Lease Rates



Data Source: Costar

Miami-Dade Retail Not in Ctrs - Absorptions & Deliveries



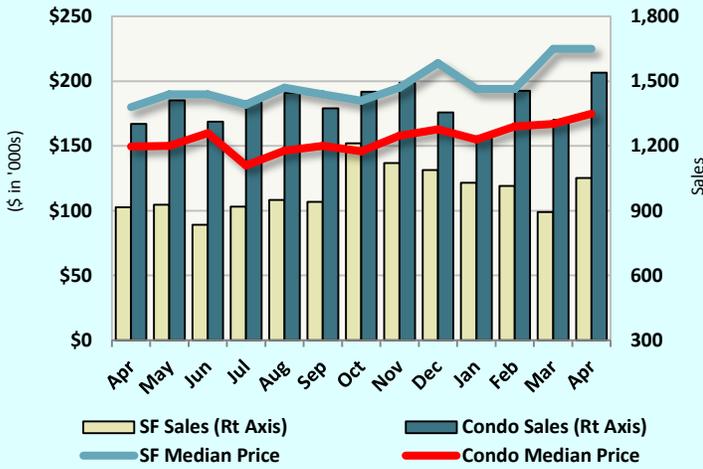
Data Source: Costar

Square Feet (SF) are in '000s		2010	2011	2011			2012				2013
				2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Retail Not in Ctrs	Rentable Building Area (SF)	60,422	60,600	60,670	60,638	60,644	60,708	60,374	60,224	60,284	60,339
	Vacancy Rate	3.8%	3.5%	3.7%	3.4%	3.3%	3.8%	3.8%	3.8%	3.8%	3.5%
	Available %	4.9%	4.8%	4.8%	4.8%	4.6%	4.7%	4.8%	5.2%	5.1%	5.0%
	Net Absorption (SF)	41	102	289	147	22	(232)	(281)	(150)	22	231
	RBA Deliveries (SF)	39	159	319	60	79	145	28	69	86	282
	Average Lease Rate (nnn)	\$24.68	\$24.45	\$24.58	\$24.86	\$25.03	\$26.06	\$28.67	\$29.11	\$31.40	\$31.86

# Miami-Dade County Housing Market

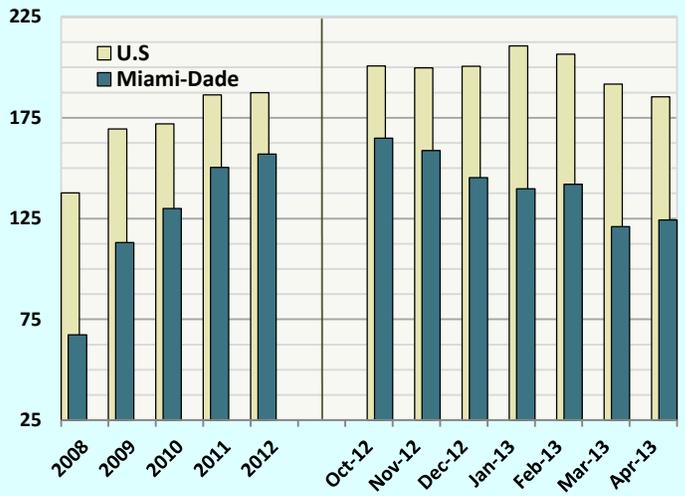


## Existing Homes Sales: Seasonally Adjusted Sales and Median Price



Data Source: Florida Realtors.

## Housing Affordability Index\*



Data Source: National Association of Realtors, EDIT.

## Miami-Dade Existing Home Sales

	Apr-13	% Chg from Mar-13	% Chg from Apr-12
Single Family Sales	1,052	17.6%	14.7%
Med. Sales Price	\$225,000	0.0%	25.0%
Condo Sales	1,540	16.5%	18.2%
Med. Sales Price	\$175,000	4.8%	17.1%

Data Source: FloridaRealtors.org

## Housing Affordability\* (based on Single Family Home Sales)

	Apr-13 (p)	% Chg from Mar-13 (p)	% Chg from Apr-12
Miami-Dade County			
Affordability Index	124.3	2.7%	-19.9%
US			
Affordability Index	185.3	-3.3%	-3.6%

Data Source: National Association of Realtors; EDIT.

\* The index is a ratio of monthly median income over the P & I payment on a 30 yr fixed rate mortgage. A higher index means more affordable.

## Housing Price Indices & Comparisons (2000=100)

Case-Shiller*	Mar-13	% Chg from Feb-13	% Chg from Mar-12
<b>Miami MSA</b>			
Low Tier (< \$166,079)	141.5	3.4%	21.2%
Middle Tier	153.0	1.5%	12.6%
High Tier (> \$286,061)	162.4	1.3%	9.0%
<b>Aggregate Index</b>	<b>158.0</b>	<b>1.7%</b>	<b>10.7%</b>
US 20 City Composite Index	151.7	1.1%	10.9%
<b>Federal Housing Finance Agency**</b>	<b>2013:1Q</b>	<b>% Chg from 2012:4Q</b>	<b>% Chg from 2012:1Q</b>
Miami HPI	163.1	0.5%	7.4%
Broward HPI	153.6	2.8%	5.8%
Florida HPI	140.3	1.0%	4.0%

\* Existing homes paired sales, seasonally adjusted.

\*\* All transactions quarterly index, not seasonally adjusted.

Data Source: Standard & Poors; Federal Housing Finance Agency

## Miami-Dade Foreclosures & Filings (Not seasonally adjusted)

	2013:1Q	% Chg from 2012:4Q	% Chg from 2012:1Q
REO Foreclosures	3,562	18.5%	3.9%
Lis Pendens	5,885	-6.1%	-5.9%

Data Sources: Miami-Dade Clerk of Courts, RealtyTrac.

## 30-Year Fixed Mortgage Rates

	Apr-13	Mar-13	Chg from Apr-12
Miami-Dade	3.63	3.85	-0.50
US	3.79	3.86	-0.42

Data Source: HSH Associates, Inc.

## Building Permits (Units)

	Apr-13	% Chg from Mar-13	% Chg from Apr-12
<b>Miami-Dade County</b>			
3 Mo. Trailing Avg	1,014	47.4%	259.0%
US			
Units (000s)	77.5	13.1%	27.8%

Data Source: US Census Bureau.

**Note: All numbers are seasonally adjusted unless otherwise indicated.**

For additional information visit our website at:

<http://www.miamidade.gov/oedit/economic.asp>

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