Real Estate Market Report, 2014:Q4

Miami-Dade County

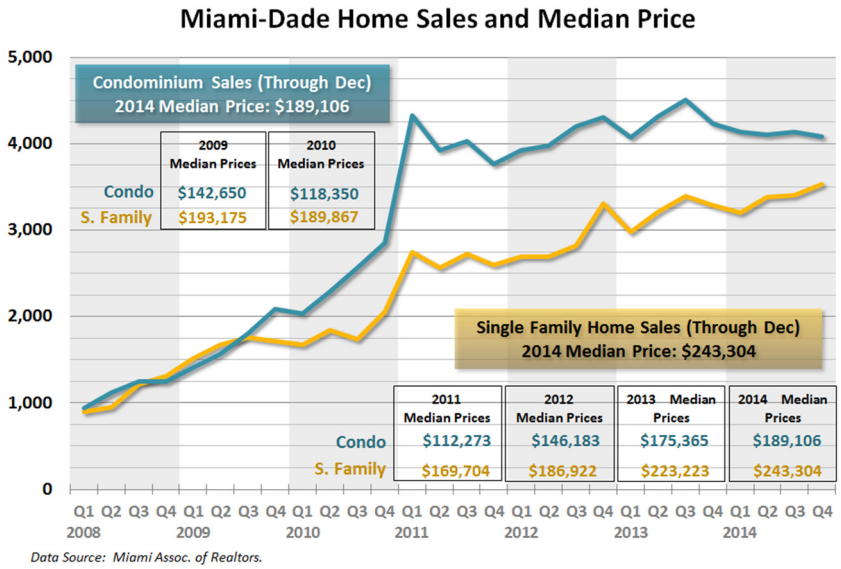
Department of Regulatory & Economic Resources Dept., Research & Economic Analysis

Residential Real Estate 4th Quarter 2014 Highlights

- Sales of existing single family home in the 4th quarter topped 3,500 sales, an increase of nearly 8 percent over the 4th quarter of 2013. The median sales price in the 4th quarter was up more than 6 percent from the previous year to $246,700.
- Sales of condos and townhouses in 2014:Q4 declined over 3 percent from the 4th quarter of 2013 but still reached nearly 4,100. The median sales price was up almost 9 percent to $190,000 in the quarter.
- The Case-Shiller Aggregate Home Price index in 2014:Q4 increased 9 percent from the 4th quarter 2013.
- Miami-Dade foreclosures were down 52 percent over the 4th quarter of last year while *lis pendens* dropped 35 percent over the same period.

Residential Real Estate

Single-Family Home Sales: 2014 sales of existing single-family homes began with a noticeable dip. Sales growth then bounced back in the 2nd quarter and ended the year with a healthy fourth quarter. Seasonally adjusted 2014 4th quarter sales were nearly 8 percent greater than the same quarter the previous year according to data from the Miami Association of Realtors. There were 3,532 sales in the quarter.



Data Source: Miami Assoc. of Realtors.

The median price of existing single family homes sold in the 4th quarter increased 6 percent, reaching $246,700. This is the slowest year-over-year growth rate since the housing market began recovering in the 1st quarter of 2012.

Florida Realtors reported that cash sales remained very important to the single family market though they are declining as a share of total sales. In the final quarter of 2014, 41 percent of all closed sales were cash sales compared to 45 percent in the 4th quarter of the prior year.

Traditional, arms-length, sales between voluntary buyers and sellers accounted for 62 percent of all 4th quarter sales in 2014 – the same share as the 4th quarter of 2013 (62 percent). The median sales price of units in traditional transactions was $300,000, 22 percent higher than the overall median.

Non-traditional sales (i.e., foreclosures and short sales) continued to limit the growth of prices in the single-family market. Foreclosure/REO sales, when the bank takes ownership of a property at the end of the foreclosure process, accounted for 27 percent of all sales in the 4th quarter. A year ago foreclosure sales were actually lower, 20 percent, though they remain far below the peak levels in 2008 and 2009 when single family foreclosure sales reached 60 percent. The median sales price of these properties in 2014:Q4 was $165,000, which is 55 percent of the median for a traditional sale.

The number of short sales, when the bank and property owner agree to sell for less than the existing mortgage value, accounted for the remaining 11 percent of all single family home sales in the 4th quarter of 2014. Short sales, as a share of all sales, have fallen significantly from the final quarter of 2013 when they represented 18 percent of all sales. The median sales price for short sale transactions was $193,500, 65 percent of the traditional sale.

Condo & Townhouse Sales: Data for the 4th quarter of 2014 shows that sales, after seasonal adjustment, totaled 4,080, down -1 percent from the previous quarter and down -3 percent from 4th quarter 2013 sales. The median sales price for all condominium/townhouse transactions was $190,000, representing a 9 percent increase over last year's 4th quarter median sales price. Cash sales continue to dominate this segment of the housing market, accounting for 67 percent of all condo and townhouse sales in 2014, but down 5 percent from the same quarter last year. According to the Miami Association of Realtors, approximately 82 percent of foreign buyers purchase properties all cash. This high ratio of cash sales in Miami-Dade, at about twice the national average, could indicate the continued appeal of the local market to these buyers.

Miami-Dade Single Family Home Sales by Type, Q4:2014

	Sales Type					
	Traditional		Foreclosure/REO		Short Sales	
	Number	Percent	Number	Percent	Number	Percent
Closed Sales	2,140	62%	912	27%	374	11%
Median Sales Price	$300,000		$165,000		$193,500	

Data Source: Florida REALTORS®

Miami-Dade Condo and Townhouse Sales by Type, Q4: 2014

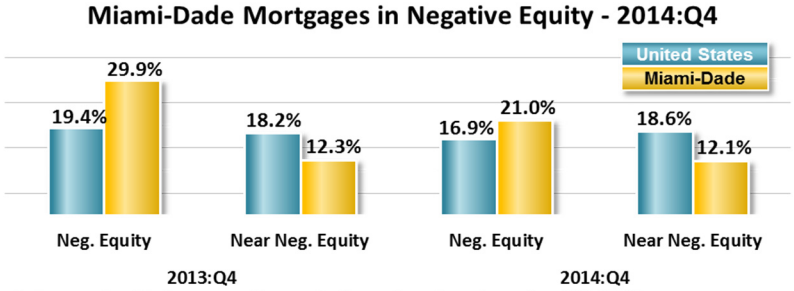
	Sales Type					
	Traditional		Foreclosure/REO		Short Sales	
	Number	Percent	Number	Percent	Number	Percent
Closed Sales	2,775	70%	996	25%	210	5%
Median Sales Price	$245,000		$119,000		$130,250	

Data Source: Florida REALTORS®

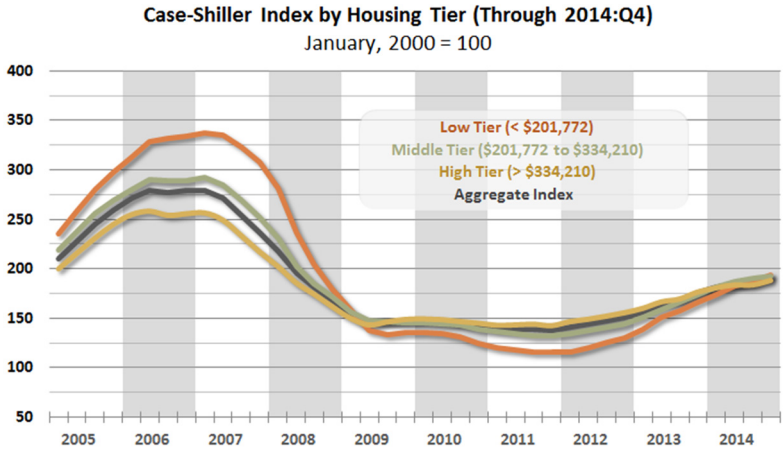
Traditional sales continue to account for the greatest share of the total condo and townhouse sales, 70 percent in 2014:Q4. The median transaction price for traditional sales was $245,000 in that quarter. Foreclosure/REO's accounted for 25 percent of all condo/townhouse sales in the 4th quarter with a median sales price less than half that of a traditional sale, at $119,000. REO's were 23 percent of all sales in 2013:Q4. Short sales in the condo/townhouse market accounted for 5 percent of all sales in the 4th quarter of 2014 compared to 13 percent in the 4th quarter of the prior year. The 2014:Q4 median price of short sales was $130,250, 53 percent of the traditional sales median.

The S&P Case-Shiller Housing Price Index: The Case Shiller (CS) Index compares the sales of the same single family homes over time in order to estimate price changes in the housing stock independent of changes in the size or amenities of new construction. The CS Index provides a more accurate estimate of the changes in values of the existing housing stock over time compared to the median transaction price available from current sales.

The CS Index separates the Miami-Fort Lauderdale existing single-family residential market into three value tiers. The lowest tier, values of less than $202,000, saw the price index grow in 2014:Q4 by 16.5 percent above a year earlier to 194.2. This means that a home in this value range is worth almost double (94.2 percent more) than in the base date of January 2000. Home values in the low tier have experienced the greatest volatility over the recession and recovery cycle. In the 4th quarter of 2014 the typical single family home in Miami-Dade's lowest tier was worth 68 percent more than at the recession low point in 2011:Q3. The single family home market for the top 2 tiers in South Florida has still experienced year-over-year growth in values but has slowed substantially. The index for the highest tier, homes valued at $334,000 and above, increased over 6.6 percent in 2014:Q4 from a year earlier to 188.4. The middle tier index, values between $202,000 and $334,000, had grown 10.6 percent from the 4th quarter of 2013 to 192.7. Overall, the aggregate index in the 4th quarter of 2014 for all single family homes in the market grew 8.8 percent from the same quarter of the previous year to 191.4.



* A property with "near negative equity" has a loan-to-value ratio of 80-100%.
Data Source: Zillow.com.

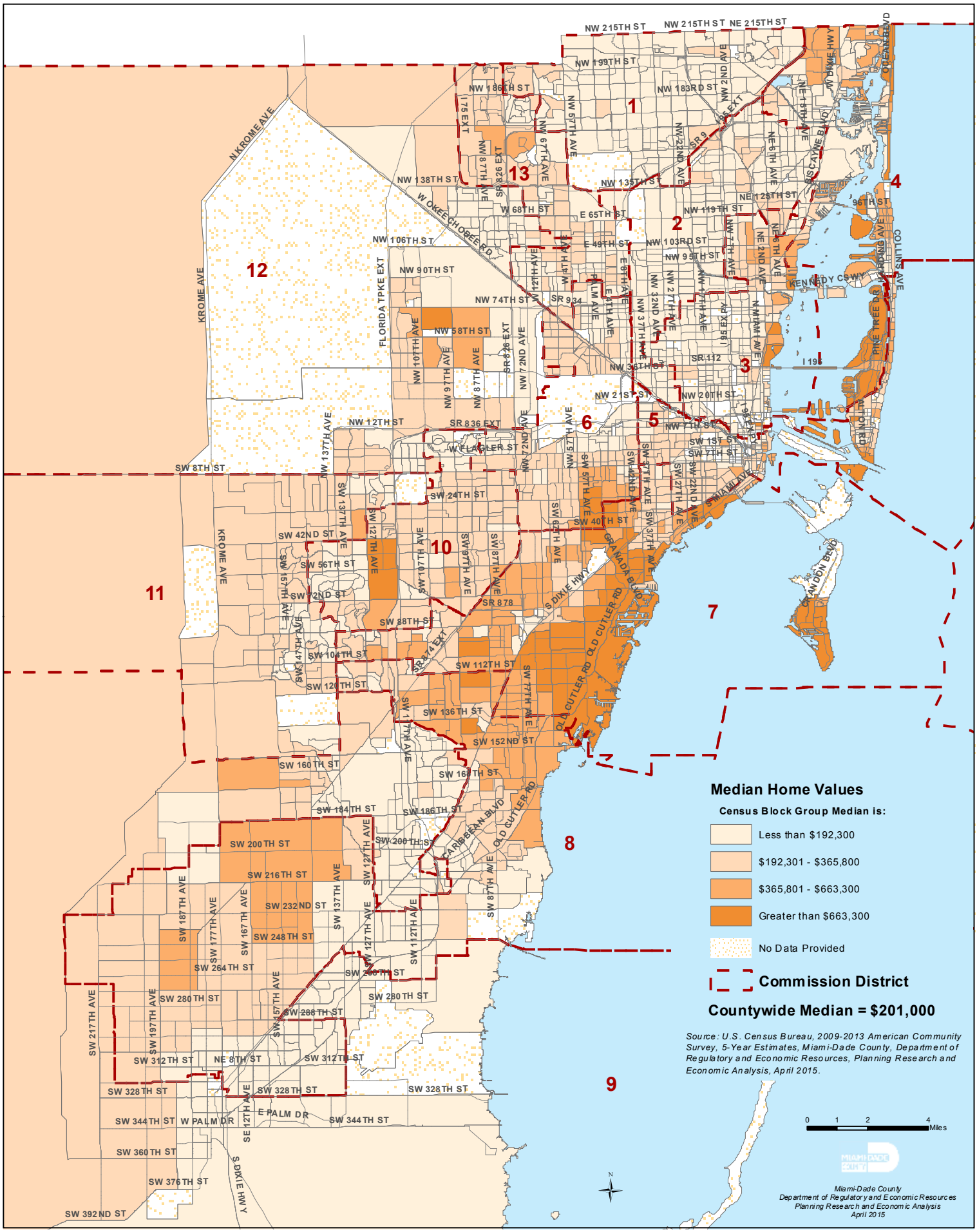


Data Source: S&P Case-Shiller, R.E.R Research & Economic Analysis.
Note: The tier values update with each data release. The values shown here are for December, 2014.

Housing unit values for small geographic areas (census tracts and block groups) are estimated in the U.S. Census Bureau's *American Community Survey*. The map on page 4 shows the self-reported median home values by census block groups.

Foreclosures: Home sales data indicate that foreclosures and short sales represent a significant constraint on value appreciation on the housing market, although the trends in REOs and *lis pendens* indicate that the South Florida housing market continues to strengthen. Lis pendens (initial foreclosure filings) in 2014 were down over 44 percent from the year before to 9,324 filings, a rate of 9 filings per 1,000 homes. In 2013 there were 16,704 lis pendens filed in Miami-Dade, or about 17 filings per 1,000 homes. Foreclosure completions (REO's) lag behind foreclosure filings. In 2014 REOs reached 8,938 for the year, 36 percent lower than in 2013. While the annual foreclosure rate decreased in 2014 (9 REO's per 1,000 homes versus 14 per 1,000

Median Home Values

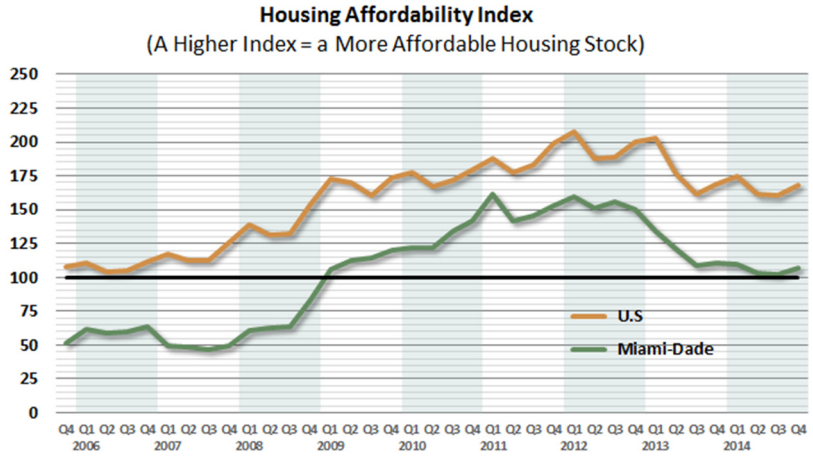


in 2013), the decline accelerated in the final six months of 2014 when the filings were more than 57 percent less than the first two quarters.

Zillow Real Estate Research estimates that in 2014:Q4, 21 percent of Miami-Dade mortgages were greater than the home's market value (underwater), down from 40 percent in the 4th quarter of 2012. The average negative equity value for those underwater homes in 2014:Q4 was $94,656 per home. In the quarter an additional 12 percent were in the 80 to 100 percent loan-to-value ratio. This put Miami-Dade just above the bottom 20 percent of large counties nationally, a significant improvement over 2013:Q4 figures when Miami-Dade was in the lowest 10 percent of counties.

The map on the page 6 shows, by zip code, the percent of homes that were underwater in 2014:Q4.

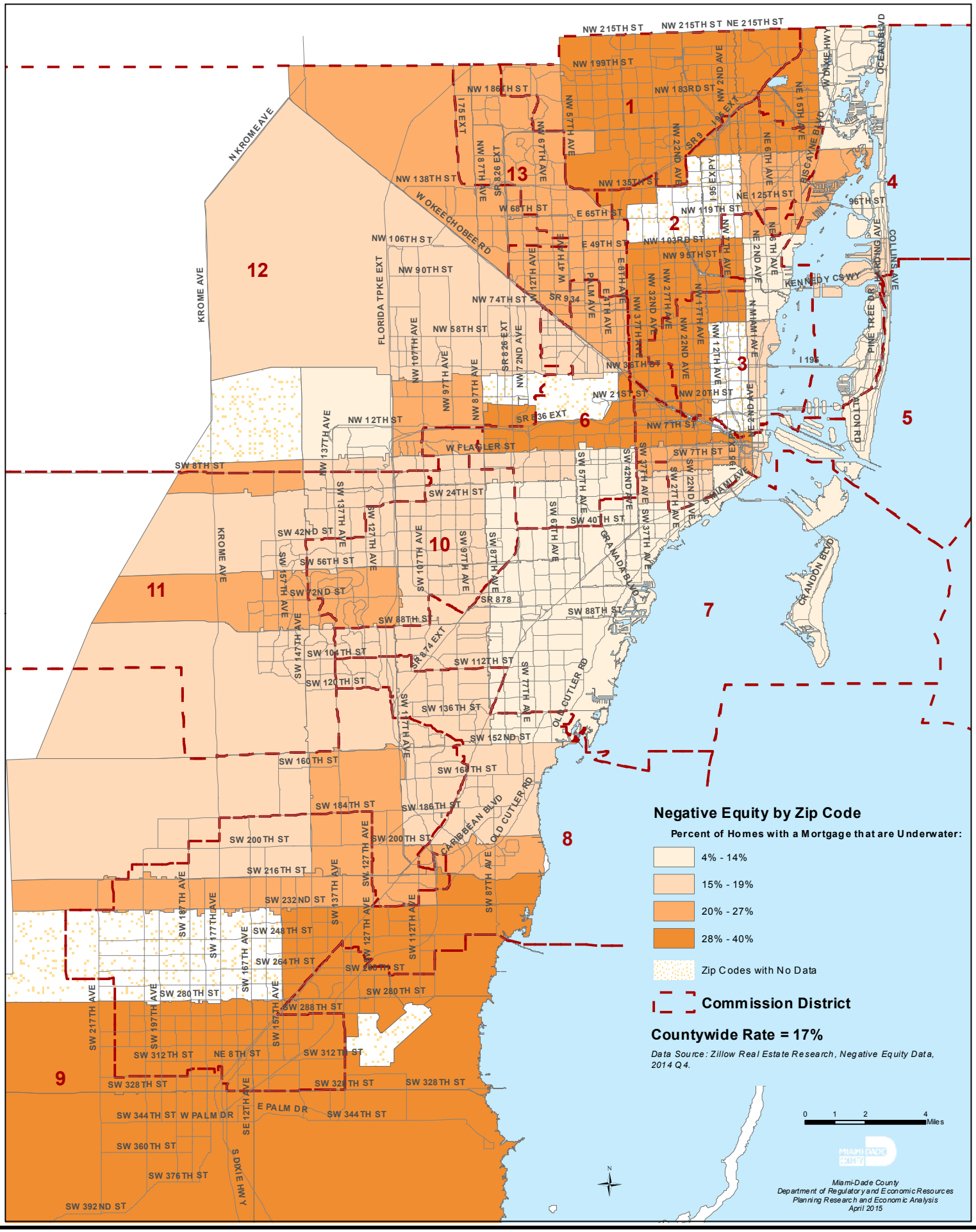
Housing Affordability: The National Association of Realtors (NAR) publishes a "Housing Affordability Index" that estimates whether a "typical family" (one earning the median income) could qualify for a mortgage loan for a "typical home" (one valued at the median price). The formula factors in the income of a typical family relative to the typical cost of a home mortgage (including price and interest rate). Thus, an index equal to 100 means the typical family has exactly enough income to qualify for a mortgage on the typical home. An index greater than 100 means the family has more than enough income to qualify for a mortgage on the median priced home. The index rises when homes become more affordable. Using local data and the same methodology, an index has been calculated for Miami-Dade County. From the third quarter of 2007 to the third quarter of 2012, affordability increased as home prices and interest rates steadily



Data Source: National Association of Realtors; RER Planning Research and Economic Analysis.

declined. This can be seen by a fairly steady rise in the index value over that time period for both the U.S. and Miami-Dade. Since the 1st quarter of 2012, increases in housing prices and interest rates with flat to small decreases in household income has made homeownership less affordable for many residents. In 2012, the one-year average affordability index for the Miami-Dade was 154.3 but by 2014 that number declined to 105.3. Nationally the trend has been the same, however, home ownership has been consistently more affordable. The average national index averaged 196.1 for all of 2012 and dropped to an annual average of 166.2 in 2014.

Percent of Homes with Negative Equity (Underwater)

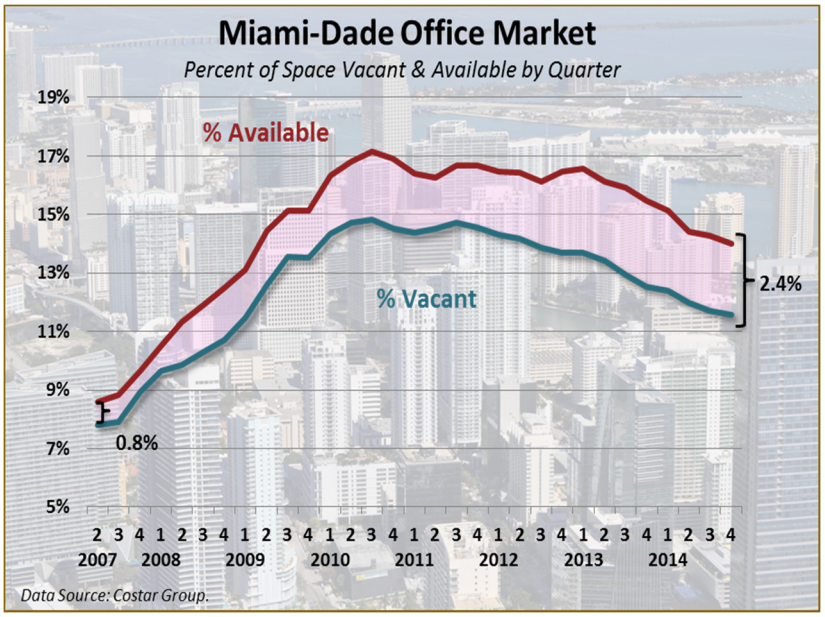


Commercial Real Estate Fourth Quarter 2014 Highlights

- The office market vacancy rate dropped 98 basis points (bps) to 11.6 percent in the 4th quarter (2014:Q4) from a year earlier. The average lease rate for office space in 2014:Q4 increased slightly to $28.64/SF from $29.13 in the 4th quarter of last year.
- The industrial vacancy rate fell 43 bps to 5.7 percent in the 4th quarter compared to a year ago and lease rates in 2014:Q4 were up 11 percent to $9.11/SF from $8.21/SF in the 4th quarter of last year.
- The stock of industrial space in Miami-Dade continued to grow with almost 1.2 million square feet of new industrial space under construction in 2014:Q4.
- Retail vacancy rates in shopping centers in 2014:Q4 declined from a year earlier to 3.7 percent and lease rates increased in the 4th quarter 5.7 percent to $26.74 from $24.71 one year ago, with 720,000 SF of new space was under construction in the 4th quarter.
- The vacancy rate for stand-alone retail dropped 50 bps from the 4th quarter of 2013 to 3.2 percent at the end of 2014 and lease rates in 2014:Q4 increased over 10 percent to $37.51 from $34.03 in

Office: Conditions in the office market slowly continue to improve. Lease rates (excluding concessions) increased about 2 percent from the 3rd to the 4th quarter of 2013 after more than 2 years of little change. By 2014:Q4, the average lease rate rose another 2 percent to $29.64 per square foot.

Vacancy rates continued to decline in the 4th quarter to 11.6 percent from 15 percent at the 2011 peak. The percent of office space available for lease declined as well to 14 percent in the 4th quarter from the peak of 17 percent in the 3rd quarter of 2010. The percentage of space that is vacant and available for lease has been declining but there remains a significant amount of office space that, although occupied, is being

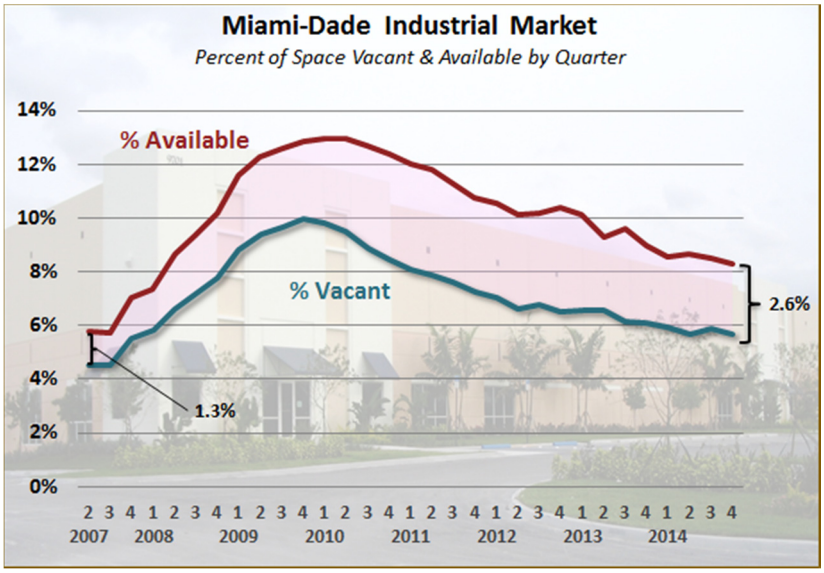


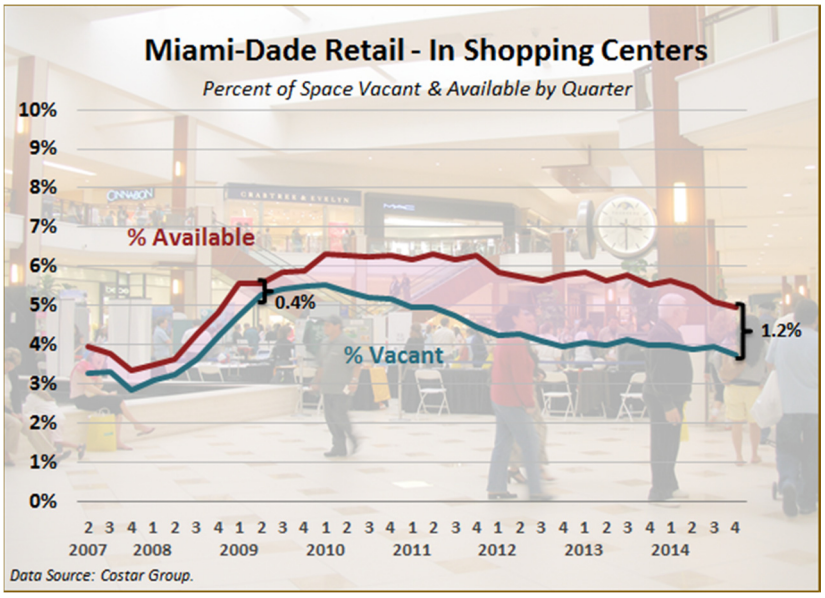
marketed as available for rent. This gap between space available-for-lease and vacant can be considered a risk gap. Not wanting to be caught with a lot of vacant space in a soft market, property owners aggressively market occupied space to prospective new tenants. On the demand side, tenants may hold off renewing leases as their needs change with economic conditions or they look for

more favorable lease terms. These actions by owners and tenants increase this spread when market conditions are soft and decrease the spread as the market tightens. In 2014:Q4 the gap between available and vacant office space in Miami-Dade was 2.4 percent, down from a peak of 3 percent in the 3rd quarter of 2013. This suggest a market that is growing tighter.

Despite the improvements in vacancy rates and lease terms, construction of office space has not yet shown similar improvement. Office construction peaked at 5.2 million square feet in 2007:Q3 and declined to 205,000 square feet by 2013:Q1. By 2014:Q4 construction activity had recovered to 604,000 square feet.

Industrial: Industrial lease rates are up nearly 25 percent from the bottom of the market in the 1st quarter of 2011 to $9.11 per square foot in the 4th quarter of 2014. This occurred despite the delivery of approximately 1.8 million square feet of new space each of the last two years. The vacancy rate in industrial space has declined since the peak in 2009:Q4 at 10 percent down to 5.7 percent in 2014:Q4. The percentage of space available for lease dropped over that same time frame from 12.8 percent to 8.3 percent. The "risk gap" between the available space and vacant space has declined from 4 percent, most recently in 2012:Q4, to 2.6 percent in 2014:Q4 signaling a tightening market despite the construction activity.

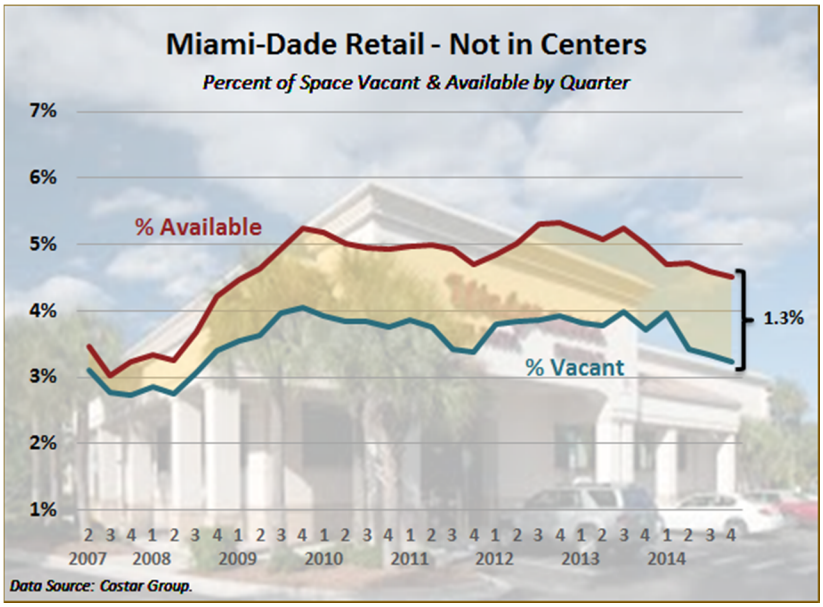




Industrial square footage under construction fell from 2.8 million square feet in 2006:Q3 to 188,300 SF in 2011:Q3. Since then, however, local construction of industrial space has rebounded significantly with the 4th quarter of 2014 finishing with nearly 1.2 million square feet still under construction.

Retail: Lease rates in shopping centers bottomed out in 2011:Q1 at $23.41per square foot before growing rapidly through 2012:Q3, up

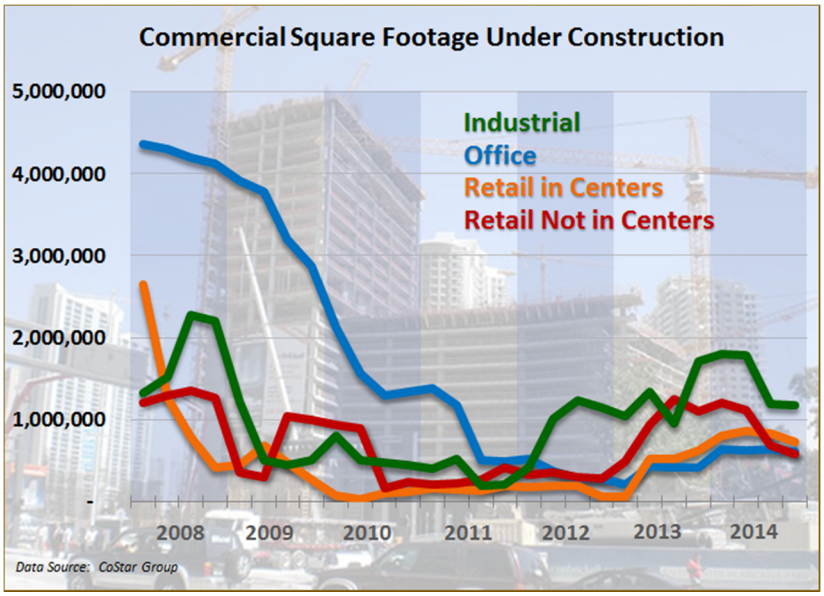
16 percent to $27.20. Following a soft 2013, lease rates did recover modestly by the 4th quarter of 2014 to $26.74 per square foot. These wild swings in lease rates occurred despite very little new space delivered to the market and despite a somewhat steady improvement in vacancies. The vacancy rate peaked at 5.5 percent in 2010:Q1 and then dropped to 3.9 percent by 2012:Q4 where it has essentially remained throughout 2014.



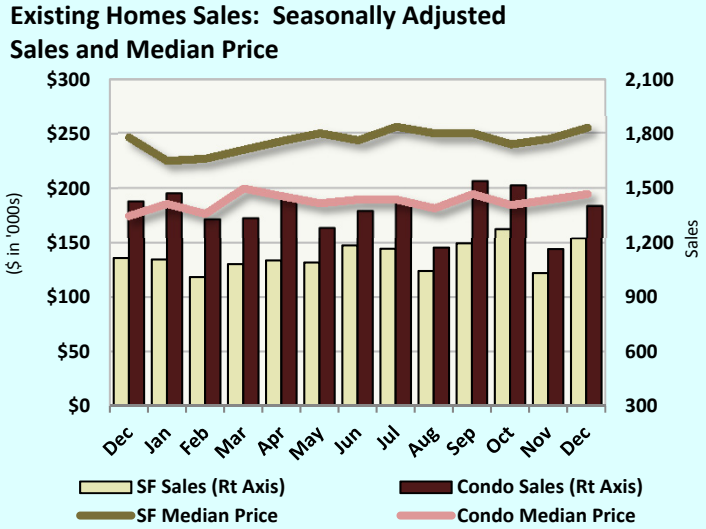
Lease rates for stand-alone retail (not in shopping centers) dropped to $23.24 per square foot by 2011:Q1 and then rebounded rapidly, increasing 56 percent to $37.51 per square foot by 2014:Q4. The vacancy rate peaked in 2009:Q3 at 4 percent where it remained until 2014:Q1. Since then it dropped to 3.2 percent by 2014:Q4.

Both retail categories will experience significant new space being delivered to the market over the next year and this may limit the ability of lease rates to continue to rise as fast as they have been.

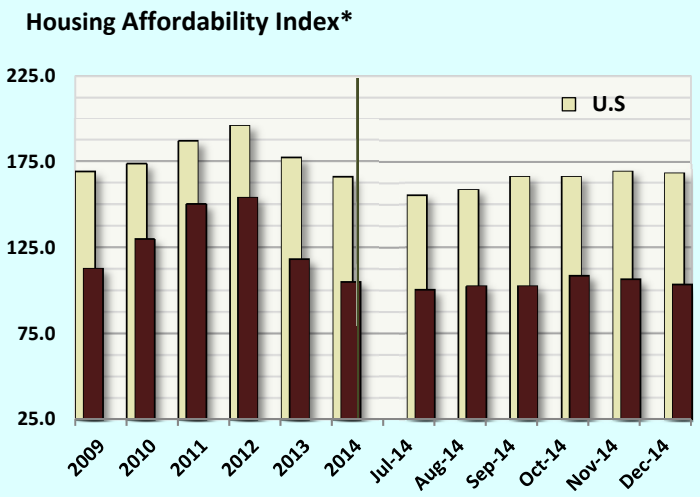
Construction of shopping center space peaked at 2.7 million square feet in the 1st quarter 2008. 2010 to 2012 saw only nominal shopping center construction. New construction then picked up again in 2013 and by 2014:Q2, nearly 870,000 square feet were under construction. Construction of stand-alone retail space peaked at 1.3 million square feet in the 3rd quarter of 2008, with very little construction from 2010 to the end of 2012. Construction then reached 1.2 million square feet by 2014:Q1 before dropping off to 580,000 square feet in the 4th quarter of 2014.



Miami-Dade County Housing Market



Data Source: Florida Realtors.



Miami-Dade Existing Home Sales

	2014:Q4	% Change from 2014:Q3	% Change from 2013:Q4
Single Family Sales	3,532	3.7%	7.5%
Med. Sales Price	$246,667	-2.1%	5.9%
Condo Sales	4,080	-1.2%	-3.5%
Med. Sales Price	$189,926	0.5%	8.5%

Data Source: FloridaRealtors.org

Housing Price Indices & Comparisons (2000=100)

Case-Shiller*	2014:Q4	% Change from 2014:Q3	% Change from 2013:Q4
Miami MSA			
Low Tier (< $201,772)	194.2	3.5%	16.5%
Middle Tier	192.7	1.4%	10.6%
High Tier (> $334,210)	188.4	2.5%	6.6%
Aggregate Index	**191.4**	**2.9%**	**8.8%**
US 20 City Composite Index	172.8	0.8%	4.3%

Federal Housing Finance Agency**	2014:4Q	% Change from 2014:3Q	% Change from 2013:4Q
Miami HPI	202.7	2.7%	12.2%
Broward HPI	190.0	2.1%	9.1%
Florida HPI	165.7	2.0%	9.1%

** 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)

	2014:Q4	% Change from 2014:Q3	% Change from 2013:Q4
REO Foreclosures	1,347	-53.9%	-58.4%
Lis Pendens	2,285	-3.3%	9.5%

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

Housing Affordability* (based on Single Family Home Sales)

	2014:Q4	% Change from 2014:Q3	% Change from 2013:Q4
Miami-Dade County			
Affordability Index	106.4	4.2%	-3.6%
US			
Affordability Index	168.1	4.9%	-0.3%

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.

30-Year Fixed Mortgage Rates

	2014:Q4	2014:Q3	Chg from 2013:Q4
Miami-Dade	4.05	4.22	-0.29
US	4.09	4.21	-0.31

Data Source: HSH Associates, Inc.

Building Permits (Units)

	2014:Q4	% Change from 2014:Q3	% Change from 2013:Q4
Miami-Dade County			
3 Mo. Trailing Avg	670	15.8%	-15.1%
US			
Units (000s)	85.8	-7.5%	2.2%

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/business/economic-development.asp

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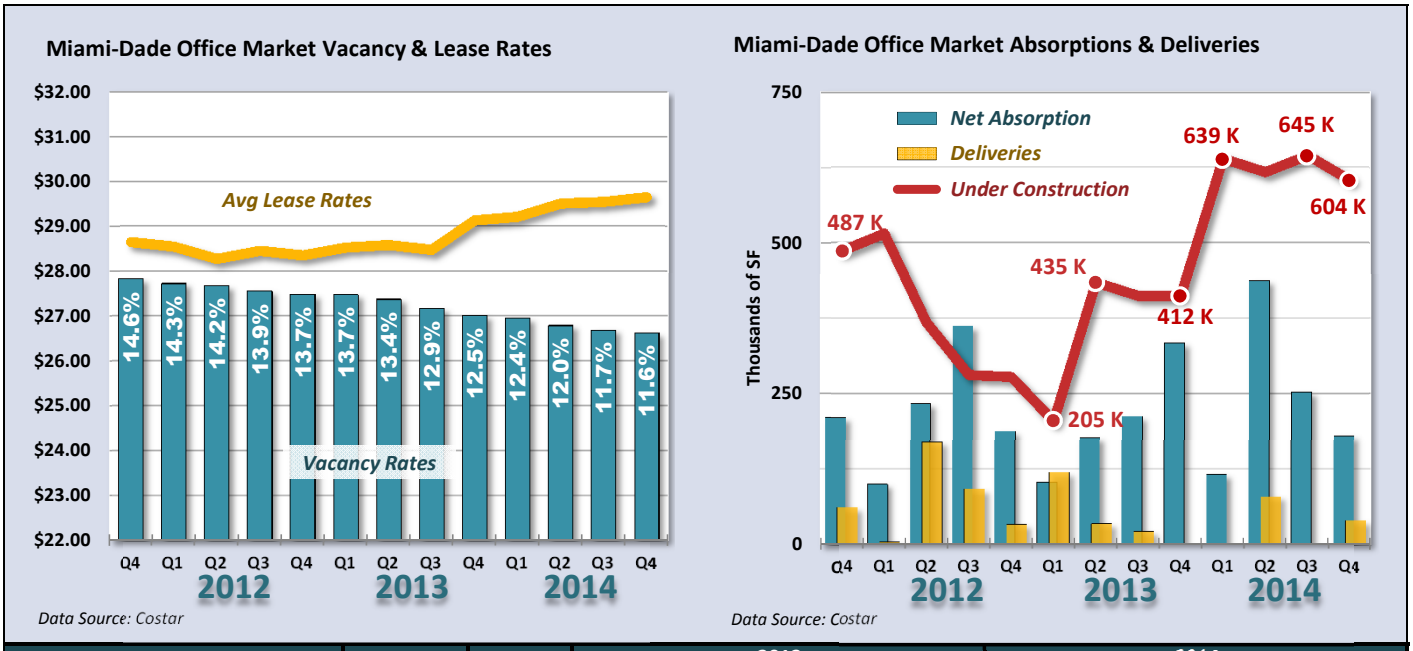
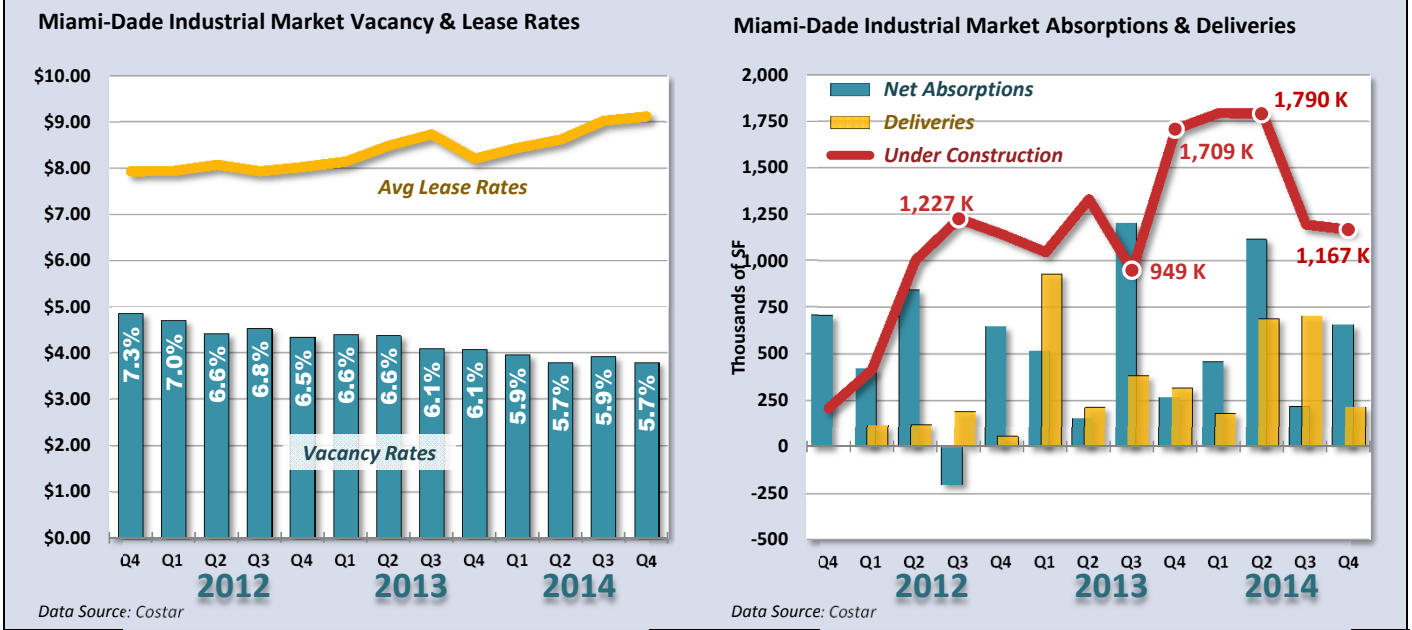
Miami-Dade County Commercial Real Estate

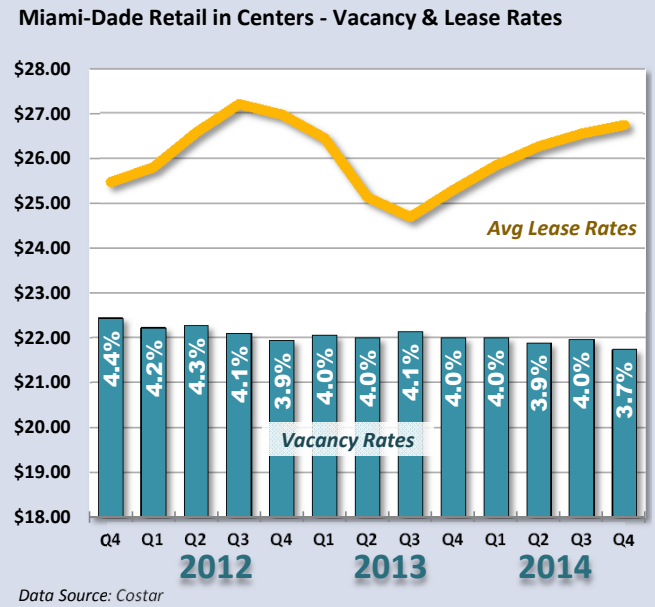


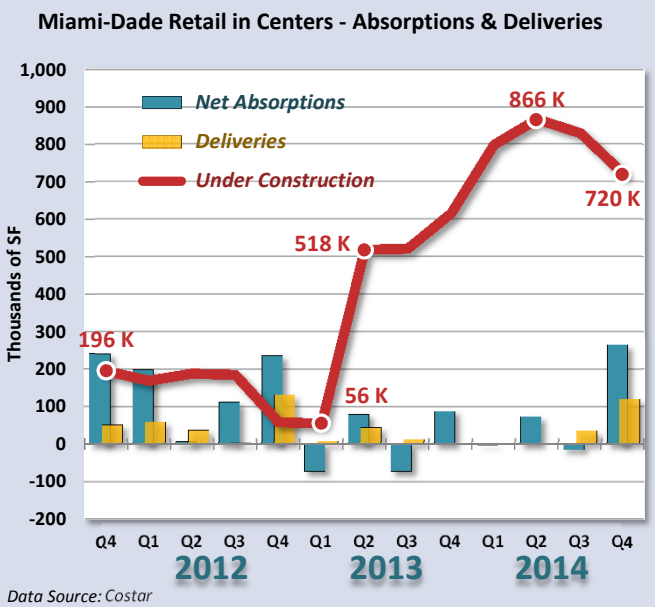
	Square Feet (SF) are in '000s	2011	2012	2013				2014			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Office	Rentable Building Area (SF)	100,051	100,344	100,513	100,436	100,095	100,031	99,997	100,027	100,027	100,040
	Vacancy Rate	14.5%	14.0%	13.7%	13.4%	12.9%	12.5%	12.4%	12.0%	11.7%	11.6%
	Available %	16.5%	16.4%	16.6%	16.1%	15.9%	15.5%	15.1%	14.4%	14.3%	14.0%
	Net Absorption (SF)	584	887	104	178	214	335	117	438	253	180
	RBA Deliveries (SF)	1,223	302	120	35	23	0	0	80	0	41
	Average Lease Rate (/fs)	$28.84	$28.41	$28.53	$28.59	$28.48	$29.13	$29.21	$29.50	$29.54	$29.64



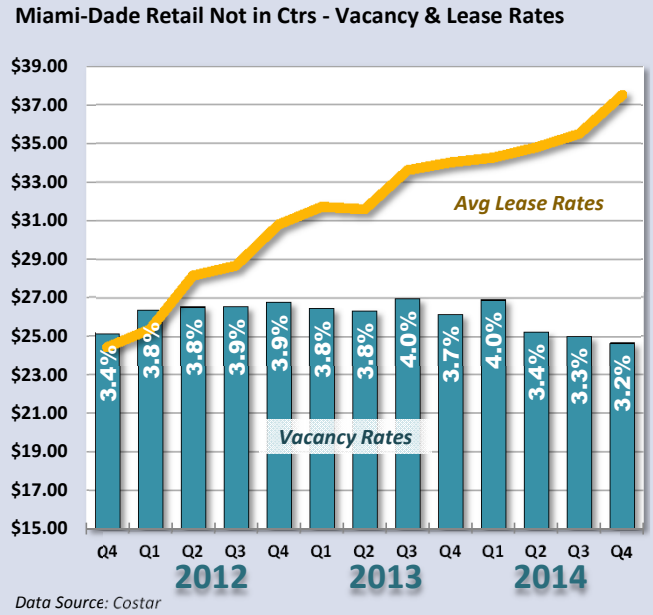
	Square Feet (SF) are in '000s	2011	2012	2013				2014			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Industrial	Rentable Building Area (SF)	227,591	227,493	228,322	228,411	228,672	228,906	228,932	229,548	230,249	230,465
	Vacancy Rate	7.7%	6.7%	6.6%	6.6%	6.1%	6.1%	5.9%	5.7%	5.9%	5.7%
	Available %	11.5%	10.3%	10.1%	9.3%	9.6%	8.9%	8.6%	8.7%	8.5%	8.3%
	Net Absorption (SF)	2,611	1,717	518	154	1,204	269	460	1,115	218	657
	RBA Deliveries (SF)	451	486	929	214	382	319	180	689	706	217
	Average Lease Rate (nnn)	$7.58	$8.00	$8.15	$8.49	$8.73	$8.21	$8.44	$8.62	$9.02	$9.11

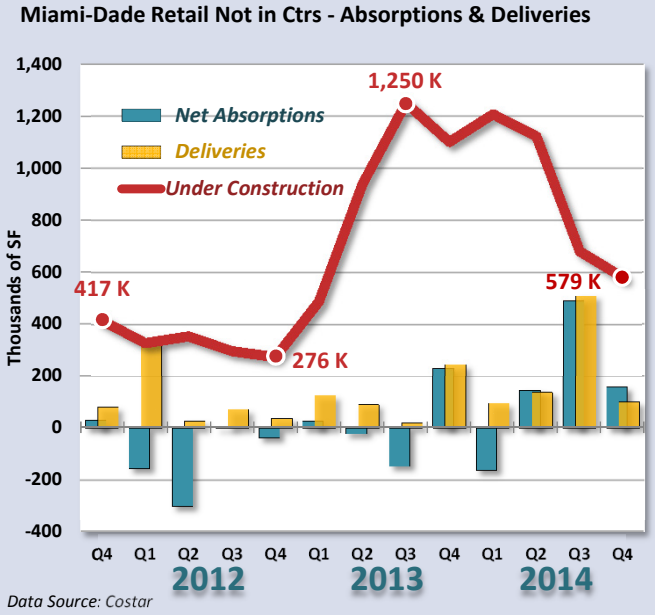
Miami-Dade County Commercial Real Estate (Cont'd)





	Square Feet (SF) are in '000s	2011	2012	2013				2014			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Retail Centers	Rentable Building Area (SF)	66,108	66,307	66,421	66,472	66,485	66,485	66,485	66,485	66,522	66,644
	Vacancy Rate	4.8%	4.1%	4.0%	4.0%	4.1%	4.0%	4.0%	3.9%	4.0%	3.7%
	Available %	6.2%	5.8%	5.8%	5.6%	5.8%	5.5%	5.6%	5.4%	5.1%	5.0%
	Net Absorption (SF)	671	558	(72)	80	(72)	89	(1)	74	(14)	265
	RBA Deliveries (SF)	191	235	10	45	13	0	0	0	37	121
	Average Lease Rate (nnn)	$24.41	$26.64	$26.45	$25.14	$24.71	$25.31	$25.85	$26.27	$26.55	$26.74





	Square Feet (SF) are in '000s	2011	2012	2013				2014			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Retail Not-Ctrs	Rentable Building Area (SF)	57,640	57,498	57,398	57,350	57,321	57,408	57,388	57,207	57,674	57,769
	Vacancy Rate	3.6%	3.9%	3.8%	3.8%	4.0%	3.7%	4.0%	3.4%	3.3%	3.2%
	Available %	4.9%	5.1%	5.2%	5.1%	5.2%	5.0%	4.7%	4.7%	4.6%	4.5%
	Net Absorption (SF)	179	(491)	27	(22)	(147)	233	(161)	144	492	158
	RBA Deliveries (SF)	389	458	125	90	20	247	96	136	511	101
	Average Lease Rate (nnn)	$24.11	$28.27	$31.73	$31.60	$33.62	$34.03	$34.27	$34.81	$35.51	$37.51