

SOUTH FLORIDA INSIGHT 2019

FROM PRICE PERFORMANCE TO MARKET DRIVERS, THE KNIGHT FRANK AND DOUGLAS ELLIMAN TEAM TAKE THE PULSE OF THE SOUTH FLORIDA PRIME RESIDENTIAL MARKET

HOW DOES THE MARKET DIFFER FROM A YEAR AGO?

A record 45 sales above US\$10m completed in 2018 across Miami-Dade County with buyers from New York, Connecticut and New Jersey a key source of demand according to our US partners, Douglas Elliman.

When the State and Local Tax (SALT) deduction ruling was announced in December 2017, analysts predicted Florida would see a rise in US tax migrants from high tax states such as New York and California. With no income tax, no inheritance/estate tax and favourable corporate tax rates, the latest sales data looks to support the view that South Florida is firmly back in the spotlight for US high net worth individuals.

HOW ARE LUXURY PRICES PERFORMING?

Luxury prices declined by over 45% in peak-to-trough terms during the financial crisis but have since strengthened and now stand 55% above their low in 2011.

2018 saw prime prices shift 3.3% higher although performance across Miami-Dade County was mixed. Areas such as Coconut Grove continue to register price growth whilst more peripheral markets have seen prices soften.

The key indicator that changed in 2018 was 'time on the market' which started to creep up. Sellers adopted optimistic asking prices in 2018 but this only prolonged the time taken to sell, leading some buyers to make lower offers thinking the property was struggling to find a buyer.

WHERE IS DEMAND COMING FROM?

The appeal of owning a US dollar asset, South Florida's easy accessibility, the state's comparatively low property costs and its buoyant tourism industry have underpinned investor and second home interest.

Home to the largest concentration of international banks in the US and given its

extensive business and commercial reach into Latin America, Miami has earned the name of 'Wall Street of the South'. The financial services sector in Miami-Fort Lauderdale-West Palm Beach now employs 635,000 individuals, a figure that has risen 14% in the last five years.

US and European retirees have long favoured South Florida's temperate winters whilst its proximity and safe haven status has attracted Latin American buyers seeking to shelter capital from turbulent markets back home.

The only major city in the US bordered by two national parks, Everglades National Park on the West, and Biscayne National Park on the East – Miami also has strong green credentials.

WHAT IS YOUR OUTLOOK FOR THE MARKET?

South Florida's investment in its infrastructure and world-class facilities has played a crucial role in broadening its appeal to a wider demographic. Miami hosts the world-renowned Art Basel each December and is home to exemplary sports facilities, including nine championship golf courses.

Such amenities along with the upgrading of the region's two main airports – MIA and Fort Lauderdale – which together handle 50 million passengers each year and new funding for flood defences have helped reboot market sentiment.

From the new mixed-use Brickell City Centre (adding c.800 residential units), the expanding submarkets of Downtown and Edgewood, (2,700 units) and the ambitious 27-acre Miami Worldcenter (including 500 residences), new life is being breathed into large sections of the city.

Connectivity is also key. The highspeed Brightline train (soon to be rebranded Virgin Trains USA) has put Miami within a 30-minute train ride of Fort Lauderdale and an hour of West Palm Beach, expanding the city's commuter belt significantly. A new line to Orlando is expected by 2020.



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FIGURE 1

THE MIAMI MARKET IN FIGURES

8.7%

RISE IN HOUSEHOLD NUMBERS* OVER THE NEXT DECADE

34,379

NO. OF MILLIONAIRES IN MIAMI (2019)

3.3%

RISE IN LUXURY PRICES IN 2018

23

THE NUMBER OF AIRPORTS IN EUROPE AND THE MIDDLE EAST WITH DIRECT FLIGHTS TO MIAMI

52,000

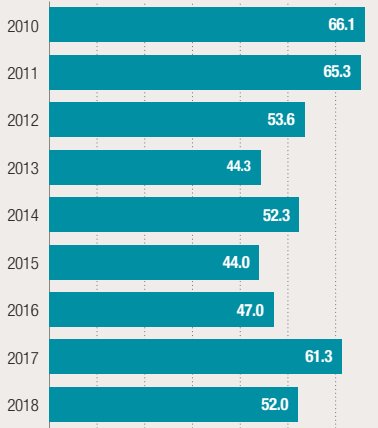
NO. OF EXISTING HOMES IN FLORIDA PURCHASED BY OVERSEAS BUYERS (2018)

* Corresponds to Miami-Fort Lauderdale-West Palm Beach
Source: Oxford Economics, GlobalData WealthInsight, National Association of Realtors, Florida Realtors

MARKET INTELLIGENCE

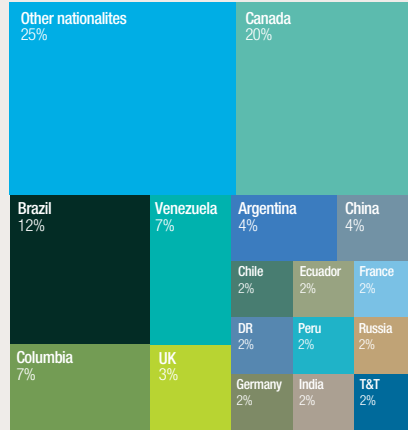
Knight Frank's Research team summarise the latest data, indicators and trends to help buyers and sellers gauge current market conditions across South Florida's prime residential market.

FIGURE 2
FLORIDA: FOREIGN BUYER SALES HOLD FIRM No. of sales ('000's)



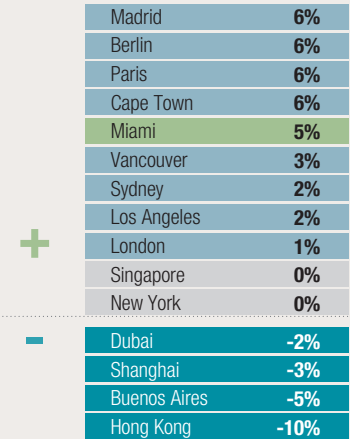
Source: National Association of Realtors, Florida Realtors

FIGURE 3
FLORIDA: CANADIAN BUYERS DOMINATE OVERSEAS SALES 2017



Source: National Association of Realtors, Florida Realtors

FIGURE 4
MIAMI'S PRIME PRICES ARE FORECAST TO OUTPERFORM NEW YORK IN 2019



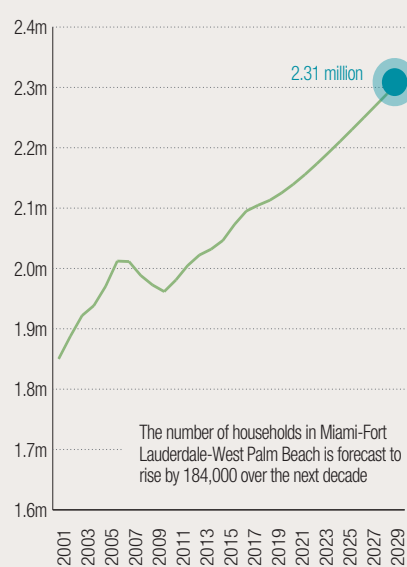
Source: Knight Frank Research

FIGURE 5
MIAMI: WEALTH POPULATION TO RISE 12% BY 2023

	2019	2019-2023 % change
Seattle	90,137	▲ 12.6%
San Francisco	81,630	▲ 12.5%
Las Vegas	38,202	▲ 12.5%
Miami	34,379	▲ 12.1%
Denver	50,261	▲ 10.0%
Los Angeles	144,970	▲ 9.9%
Boston	57,575	▲ 9.8%
Washington	50,643	▲ 9.7%
New York	454,372	▲ 9.7%
Chicago	121,987	▲ 9.1%

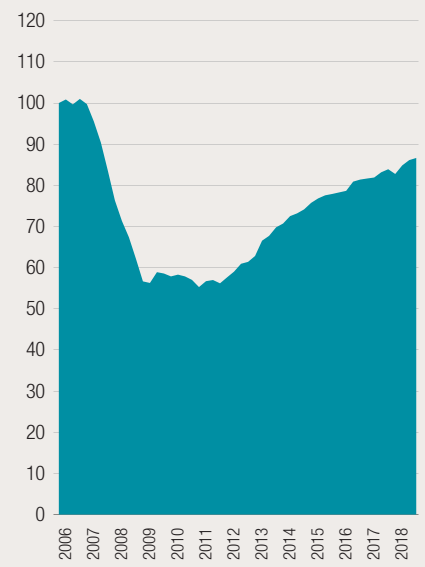
*High-net-worth Individual : Someone with a net worth of over US\$1 million excluding their primary residence Source: GlobalData WealthInsight

FIGURE 6
DEMAND RISING No. of households



Source: Oxford Economics

FIGURE 7
MIAMI LUXURY PRICE INDEX Indexed, 100 = Q1 2006



Source: Oxford Economics

FIGURE 8
THREE THINGS TO CONSIDER



1 Rental potential: Miami attracts 12.6 million overnight guests per annum, of these, 6 million are international visitors.



2 Tax gain: Florida has no state income tax or inheritance tax.



3 Knowledge Economy: Miami has the fourth largest US school district; with five colleges/universities and three law schools.



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The Wealth Report 2018

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Additional data kindly supplied by Michael Light at Douglas Elliman.