

Florida Market Insight



Q4 2023

An assessment of current market conditions in Florida's luxury residential sector including a round-up of the latest data and trends.

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A migration magnet



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23%

Florida represented 23% of all foreign purchases in the US in 2022



Cash buyers now account for half of all US\$1 million-plus sales in South-East Florida



Low taxes and the relocation of firms such as Citadel are boosting Miami's reputation as a financial hub



Miami is evolving into the sporting capital of the world driving tourism, infrastructure and new revenue streams

► How finance, sport and art are reinvigorating the Florida property market

The sunshine state is the top destination for overseas buyers purchasing in the US, accounting for 23% of foreign purchases in 2022, according to the National Association of Realtors, with Latin America and Canada the top buyer sources.

In South Florida, foreign driver license exchanges have increased 78% in the year to date compared to the same period in 2022.

All new arrivals in Florida must obtain a driver's license within 30 days of establishing residency, making driver license applications a valuable indicator to track where new arrivals are moving from and to.

Of the out-of-state applicants arriving in South-East Florida during the first half of 2023, 24% were from New York, 10% from New Jersey and 8% from California according to the Miami Association of Realtors. However, feeder states such as Texas, Georgia, Virginia, Maryland, and Ohio are increasing their market share.

CASH IS KING

Cash buyers now account for half of all US\$1 million-plus sales in South-East Florida. Palm Beach's condo and townhouse market boasts the highest proportion, totalling 84% of sales in August 2023, up from 78% in August 2019 according to the Miami Association of Realtors (Fig.1).

A combination of rising mortgage rates – the average US 30-year mortgage rate hit 8% in October 2023 – and sustained migration, in the form of both out-of-state and overseas buyers, many of which are asset and income-rich, explain the uptick.

SPLIT MARKET

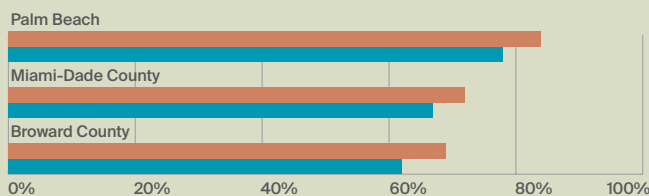
The market is split both in terms of price bands and location. Higher mortgage costs are persuading those with homes priced below US\$1 million to stay put or rent their property, leading to a smaller pool of properties for sale, but easing the pressure on rents within the single-family home market.

Fig 1: The rise of cash buyers

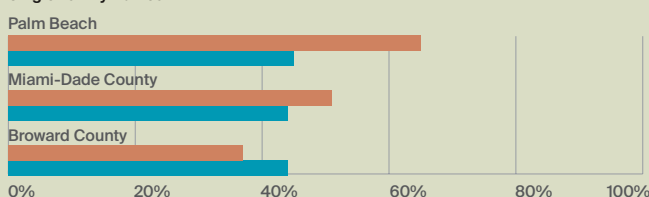
Cash buyers as a % of total purchases

■ AUG 23 ■ AUG 19

Condo/townhouses



Single-family homes

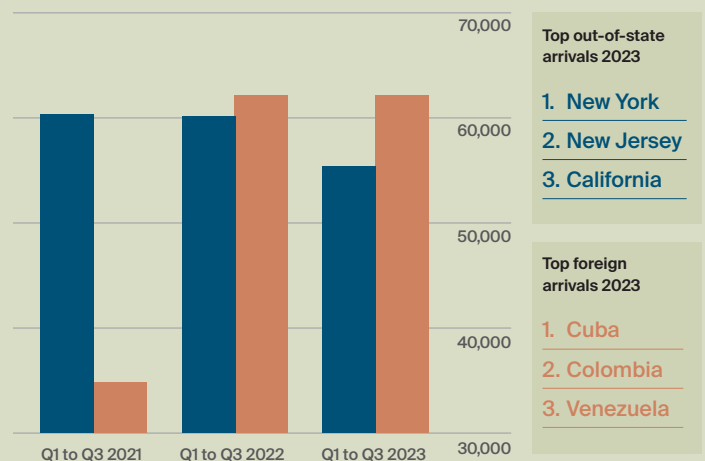


Source: Miami Association of Realtors

Fig 2: South Florida sees foreign arrivals strengthen

Driver license exchanges

■ OUT-OF-STATE ■ FOREIGN



Source: Miami Association of Realtors, The Florida Department of Highway Safety and Motor Vehicles

Above the US\$1 million threshold, supply is less constrained resulting in higher transaction levels. In Miami-Dade County, single-family homes priced at US\$1 million-plus made up 20% of sales in August 2023 (7% in August 2019) and 21% in Palm Beach (7% in August 2019).

The most desirable suburbs such as Palm Beach, recently dubbed “The Hamptons of the South”, are experiencing tight inventory levels, however across the water, West Palm Beach is reinventing itself as a redevelopment hotspot with projects such as Olara Residences, Alba and Mr. C all coming to the market.

Latest data from Miller Samuel shows Broward County, home to Fort Lauderdale having seen the biggest decline in listings in the year to September 2023, down 9% overall (Fig 4).

THE CITADEL EFFECT

At 5.5%, Florida’s low rate of corporate tax has attracted big-name relocations and company expansions across the tech, finance and legal sectors since the pandemic, these include Citadel, Microsoft, Blackstone and Goldman Sachs.

One to watch: South Beach

South Beach, or SoBe as its known locally, is the southern tip of the nine-mile barrier island of Miami Beach, located east of Downtown Miami and close to Biscayne Bay.

Its world-famous beach scene, thriving café culture and Ocean Drive’s renowned art deco architecture are key draws for a new cluster of residents from out-of-state and overseas.

Significant investment in modern offices, upmarket dining establishments, and cultural events, notably the world-renowned Art Basel, held at the nearby Miami Beach Convention Center, are cementing the neighbourhood’s reputation as an aspirational location.

Residences consist of beachfront high-rises and newly-renovated, historic condo buildings. One key new development is Five Park, set to be the tallest luxury building on Miami Beach when completed in Q4 2024.

Comprised of 238 homes across 48 stories offering 360 degree views,



the development will also be home to a three-acre park and Miami Beach’s first residents-only private members club.

Fig 3: Florida’s tax appeal

State taxes

0%

Income tax

0%

Pension income

0%

Inheritance/
estate tax

0%

Capital gains tax

5.5%

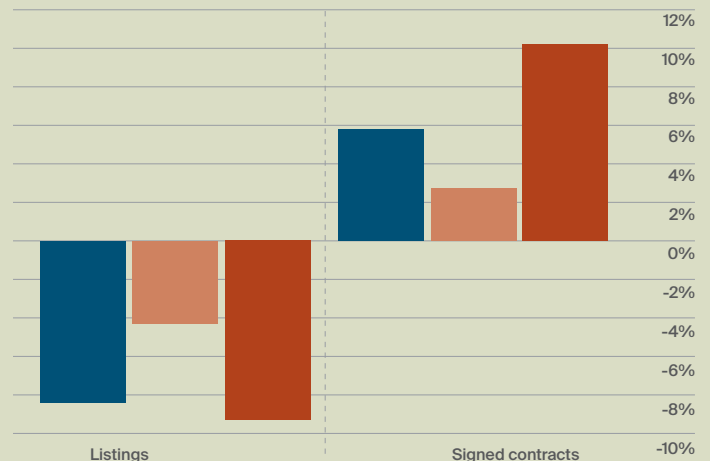
Corporate tax

Source: Florida Department of Revenue

Fig 4: Robust sales but inventory levels remain low

Year-on-year change*

■ PALM BEACH ■ MIAMI-DADE COUNTY ■ BROWARD COUNTY



Source: Miller Samuel Inc
Note: Includes single family homes and condos, *Sept 2023 vs Sept 2022

Citadel, the US\$59 billion hedge fund run by Ken Griffin, announced it would move its headquarters from Chicago to Florida in June 2022, citing lower crime and the sunshine state's lower taxes as key drivers. Jeff Bezos is in hot pursuit, announcing he is also heading to Miami to be closer to Cape Canaveral, the headquarters for his space exploration company, leaving behind his home of 29 years in Seattle.

GLOBAL SPORTING HUB

Miami is increasingly emerging as the sport's capital of the world, a title cemented by Lionel Messi's arrival this summer. Messi's signing for Inter Miami, in part orchestrated by joint owner David Beckham, is the icing on the cake for a city that already hosts a Formula 1 Motor racing circuit, the Miami Open Tennis as well as key basketball and hockey franchises.

Football's governing body, Fifa, has confirmed it is looking to lease offices in Miami's Coral Gables ahead of the 2026 World Cup which will be jointly hosted by the US, Canada and Mexico.

Sports tourism as a revenue stream will become more important to Miami's economy, boosting demand and delivering large-scale infrastructure projects. Residential developments offering best-in-class sporting facilities such as Shell Bay at Hallandale Beach, which includes a Greg Norman-designed Championship Golf Course and a Racquet Club offering four Grand Slam surfaces, are likely to appeal to an expanding group of health and wellbeing conscious buyers.

OUTLOOK

As policymakers around the world are facing growing pressure to raise taxes to plug deficits, Florida's low tax and lifestyle benefits will come into focus.

Revised government data reveals that US households have amassed more savings than previously thought.

The chief economist at Moody's Analytics estimates that more than half of the US\$1.8 trillion in excess savings that remains, is held by the top 10% of households by income bracket. Despite this, Florida like

“At 5.5%, Florida’s low rate of corporate tax has attracted big-name relocations and company expansions across the tech, finance, and legal sectors.”

other global markets faces both economic and climate headwinds. The crises in the Middle East and Ukraine may push oil prices higher, giving greater weight to the 'higher for longer' narrative for interest rates.

Moreover, climate change and rising sea levels pose a challenge to South-East Florida. However, the Miami Forever Climate Ready strategy, is working hard to protect and enhance the waterfront, invest in smart infrastructure and promote adaptive neighbourhoods.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.

Recent Research



The Wealth Report 2023



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