

YOUR NEXT OPPORTUNITY?



12 REAL ESTATE TRENDS AND HOW THEY IMPACT YOUR BUSINESS

BY RICHARD WESTLUND

The market changes quickly. If you look carefully, you can spot the trends, adapt your business and **find success.**

AT A GLANCE

Strong in-migration and job growth will expand Florida's residential market.

Affordability remains a challenge, particularly for first-time buyers.

A strong dollar may hurt global buyers' ability to purchase second homes.

Industrial and self-storage properties may lead the state's commercial markets.

Next year should be filled with promise for Florida Realtors®, though there are a few warning signs as well, say state and national economists and analysts.

Barring unexpected postelection federal policy changes, the state's residential and commercial markets should remain steady in 2017, thanks to the continued inflow of job seekers and retirees.

"Florida is also a top state for job creation, with a favorable tax climate," says Dr. Brad O'Connor, chief economist for Florida Realtors. "Tourism has increased, and the retail, healthcare and construction sectors of our economy remain strong."

Still, the rapid increase in home prices continues to hamper millennials who want to transition from renting. And the strong U.S. dollar may result in low demand from international investors and second-home buyers.

Here are the experts' thoughts on 12 trends that will drive our real estate market in the coming year.



1

RISING HOME PRICES AND AFFORDABILITY. The U.S. homeownership rate fell to 62.9 percent in mid-2016, the lowest since 1965, according to a recent Census Bureau report. Tight credit, a shift toward renting and a limited supply of listings were among the reasons. "One of the biggest hurdles now is affordability," says Mark Vitner, a senior economist at Wells Fargo Securities LLC

in Charlotte, N.C.

O'Connor agrees. It will be difficult to find lower-priced properties in 2017, "with very little inventory under \$200,000 in most major markets," he says.

IMPACT: With home prices rising faster than incomes, it's difficult for buyers to save for a down payment. That deters many millennials and first-time buyers from entering the market.

FLORIDA'S POPULATION GROWTH. In 2017, Florida should add 200,000 to 300,000 residents, including a strong inflow of retirees, says O'Connor.

"Population is the big driver for both residential and commercial real estate," says Gary M. Ralston, commercial broker with Coldwell Banker Commercial Saunders Ralston Dantzer Realty in Lakeland. "In 2015, Florida added more people than California."

To gauge potential growth in the upper-end market, consultant Steve Murray, president of REAL Trends in Castle Rock, Colo., suggests that Florida Realtors pay attention to sales in the state's



2



STEVE MOREIRA,
CCIM Institute and
Magic Properties & Investments
Orlando



ED MILLER,
Colliers International
Tampa



ED REDLICH,
ComReal
Miami



ALAIN FORGET,
RBC Bank
Miami/Fort Lauderdale



ELLIOT EISENBERG,
GraphsandLaughs LLC



NOW YOU KNOW.

In the next few years, the U.S. housing market is expected to grow steadily, as immigration and the aging of Millennials result in the formation of 100,000 to 150,000 new households each year.

YOUR NEXT OPPORTUNITY?

primary feeder markets: the Northeast and the Midwest. If sales of higher-priced homes slow there, it could become difficult for people to sell and buy residences in Florida, he says. However, "A rise in the equity markets can offset this to some extent."

IMPACT: More people equal more homeowners.

3



SELF-STORAGE MAY BE THE HIDDEN GEM. While office, retail, hospitality and industrial development will continue throughout Florida, the low-profile growth leader may be the self-storage segment, says Steve Moreira, president of the CCIM Institute and broker president, Magic Properties & Investments in Orlando.

IMPACT: "Many institutional investors are buying these properties from 'mom-and-pop' owners," says Moreira. "They can use their efficiencies of scale and apply technology to improve operating income and profitability."

BREXIT. While Great Britain's vote to exit the European Union could hurt all categories of real estate in the United Kingdom, "Surprisingly, anticipated effects on the United States and world economies after the dust settles are minimal or nil," says Ed Miller, managing director, principal with Colliers International in Tampa.



IMPACT: Ed Redlich, immediate past president of the Society of Industrial and Office Realtors® (SIOR) Florida and a real estate professional with ComReal Miami, says the breakup might actually mean good news for Florida. "Many investors who have been waiting to buy commercial property assets may look to Florida as a safe and stable market. We might

expect some acquisitions and dispositions over the next few years, thanks to the Brexit shakeup."

5



RETIREES STILL COMING. Florida remains a leading state for Boomer retirees. In fact, Orlando, Tampa and Miami ranked No. 1, No. 2 and No. 4, respectively, in a recent poll of best cities to retire to, nationwide, according to the personal finance website WalletHub.

But many new retirees prefer to rent rather than buy, according to Freddie Mac's latest 55+ Survey of housing plans and perceptions of those born before 1961.

Nationally, more than 5 million say they are likely to rent by 2020.

IMPACT: "When a population this large [may] move into less expensive rental housing, we have to expect it will create significant new pressure on both the supply and cost of affordable rental housing," says David Brickman, executive vice president of Freddie Mac Multifamily.

CANADIAN BUYERS RETURNING.

While Canada traditionally has been Florida's largest cross-border market, the strong dollar has caused some buyers to delay their vacation home purchases. But that could change in 2017, says Alain Forget, VP, head of sales and business development for RBC Bank, Miami/Fort Lauderdale area. "As the Canadian dollar stabilizes around 80 cents to the dollar, the historical average, more of the 11 million boomers in Canada will realize it's time to buy," he predicts.



IMPACT: "With home prices rising in Toronto and Montreal, Florida properties are still a bargain, especially when buyers can use mortgage loans for leverage," according to Forget.

7



SOUTH AMERICAN AND EUROPEAN BUYERS MAY PAUSE. To the south, Brazil and Venezuela are having serious economic problems, says Elliot Eisenberg, chief economist for GraphsandLaughs LLC, an economic consulting firm.

IMPACT: "That weakness has a significant impact on the Florida housing market, reducing foreign demand," says Eisenberg. "The strong dollar also affects demand from Europe."

LAND COST LIMITS NEW CONSTRUCTION.

Single-family and multifamily home construction are rising, but the level will be well below the boom years of a decade ago.

In Florida, a tight land supply greatly limits new-home development in desirable Southern, Central and West Coast markets,



NOW YOU KNOW.

In Florida, both home sales and new residential construction will outpace the national average, says Lawrence Yun, chief economist and senior vice president of research for the National Association of Realtors. "[In 2017,] Florida should see a 4 percent rise in unit sales, with about a 3 percent rise in prices," he adds.