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## Invest Now in the South Florida Property Market, Experts Say

Steep price incentives, a lack of new construction and a favorable tax environment all benefit Miami and Fort Lauderdale buyers

BY ANNE MACHALINSKI

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Fort Lauderdale aerial view  
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After a slow year in the South Florida property market, dominated by an oversupply of luxury inventory and the retreat of Latin American buyers due to the strong dollar, 2018 represents the perfect time for interested parties to buy a luxury condo in Miami or Fort Lauderdale, experts say.

That's because of what Jay Parker, CEO of Douglas Elliman's Florida brokerage, called a "perfect storm": softened prices, and developers and sellers willing to offer 10% to 20% price reductions; a lack of new construction, which will allow the current oversupply to get absorbed; a U.S. tax reform bill that could mean huge savings for people willing to relocate to this income tax-free state; and an aging U.S. population that wants luxury living and nice weather for their retirement.

"We're seeing increased sales velocity and a longer-term commitment to South Florida from our buyers," Mr. Parker said, noting that this is a shift from the investor-driven buyer of a few years' back.

"The luxury markets in most of South Florida will really benefit from these factors over the next 12 month," he added.

Ryan Shear, principal for Property Markets Group's South Florida market agreed. "I literally don't think there will be a better time to invest in the Florida property market than right now," he said.

#### **Lack of new building and favorable tax environment to result in price increases**

While experts expect that Miami prices for luxury properties will remain flat in 2018 because of the oversupply that needs to get worked through, which will lead developers and sellers to offer price incentives to move both new and resale properties, some market factors could lead to price increases soon after. The first is the lack of new construction currently taking place.

According to Craig Studnicky, principal at RelatedISG International Realty, there were very few new construction starts in 2016 and 2017, and almost none projected for 2018. "The future pipeline for luxury projects in South Florida is almost zilch right now," he said, "and that lack of new supply is going to hit everyone."

For buyers who do want new, they need to act now and purchase in a project that's either recently closed or is scheduled to close soon, Mr. Studnicky said. Otherwise, they should plan on either picking up a resale unit or waiting until 2021 or 2022 for anything else to hit the market.

"The condos that are under construction now, which are beautiful, have tremendous value," he said.

In these new builds on the market today, buyers can likely negotiate hard and go for price incentives that wouldn't have been possible even a few months ago, and will disappear once some of the oversupply has been absorbed, Mr. Studnicky said.

That's because after remaining firm on pricing for much of 2016 and 2017, what he called "developer fatigue" has finally set in, where they want to sell what they have left, move on and start new projects. "There's no question that it's a buyer's market in South Florida," he said.

Mr. Shear agreed, noting that he turned down buyers who wanted a 10% discount not so long ago, but today, he'd take that deal "all day long."

While he hasn't seen anything close to the 35% discounts of 2009, he said he has regularly seen 20% discounts and other incentives on the table to make a deal.

Once these deals are made, he expects oversupply of inventory will be absorbed well before the 24 to 33 months that many predict.

As construction has all but halted and price incentives have become common, the new tax bill offers another reason why Florida, where there are no income taxes, is a good place to invest today.

Now that residents of high tax states such as New York and California can no longer deduct state and local income taxes from their federal taxes, it could mean a significantly lower tax bill if these people relocated to Miami, said Shahab Karmely, the CEO of New York-based KAR Properties, who is currently developing luxury projects in [downtown Miami](#) and [Hallandale Beach](#).

"There's no doubt that Florida will benefit from this tremendously," he said. And as it becomes more popular, the oversupply of units will get absorbed and competition will increase. Price increases should follow.

### **Fort Lauderdale and Boca Raton also present good long-term investment opportunities**

Although new oceanfront properties in Miami Beach and nearby Sunny Isles Beach offer a premier location where buyers can likely get a good price right now, many Americans are looking farther north to Fort Lauderdale and even Boca Raton, where they can get a bigger bang for their buck.



Just 25 miles north of Miami Beach in Fort Lauderdale—a city that PricewaterhouseCoopers ranked sixth among U.S. cities in its “Emerging Trends in Real Estate” [report](#)—Mr. Studnický said buyers can now expect to pay 200% less on a price-per-square-foot basis than they would in Miami for a similar product. Historically, this price differential was always between 25% and 30%, he said.

The perfect example is found in the W hotel-condo projects. While a condo in the South Beach W residences trades at around \$2,500 per square foot, Mr. Studnický said, a unit in the [W Fort Lauderdale](#) goes for about \$800 per square foot.

“The South Beach W is a little bit more upscale and more glamorous,” he said. “But not three times as much.”

“You can still get a deal in Fort Lauderdale,” he added.

Another 15 miles north, Boca Raton offers another market where prices are expected to increase, as demand is currently stronger than supply, said Rob Siemens, the director of marketing for the Siemens Group, which is currently developing the [Akoya Boca West](#) project, scheduled to close toward the end of 2018.

“Boca is ...centrally located, you don’t have the traffic issues of Miami, and the quality of life is better,” Mr. Siemens said, noting that like Fort Lauderdale, Boca is more of a local market that attracts buyers from the Northeast and Midwest rather than Latin American investors.

### **Focus should be on value, not a steal, with eye on long-term appreciation**

While many buyers are eyeing new developments in South Florida, there are also significant deals to be had when purchasing resale units, where there’s a lot of downward pressure on price, or single-family homes, experts say.

For all of these property types, experts note that the best values today can likely be found where there’s the most significant oversupply of inventory to absorb, in places like Sunny Isles Beach and Miami’s downtown Brickell area.

“It’s a different type of product, but a \$600-per-square-foot deal in Brickell could be more interesting from a pure price appreciation standpoint,” Mr. Parker said.

But buyers shouldn't make their decision based on price alone, Mr. Karmely said, noting that they can afford to be choosy and find the project that makes the most sense for them and the one that also represents the best value for their dollar.

"It's good to remember that if you're looking to buy cheap, you don't make good investments," he said.

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