



South Florida Real Estate Forecast
Mid-Year 2022 Forecast
July 29, 2021
Anthony M. Graziano, CRE





Red Shirt Moment

Rock the Market

- Where are we ?
- Where are we going ?
- Future Economy vs. Future of Florida Economy?



Macro Forces

Community Good
versus Individual
Good

Wealth Rebellion

Uprising of Labor /
Changes in
Workforce

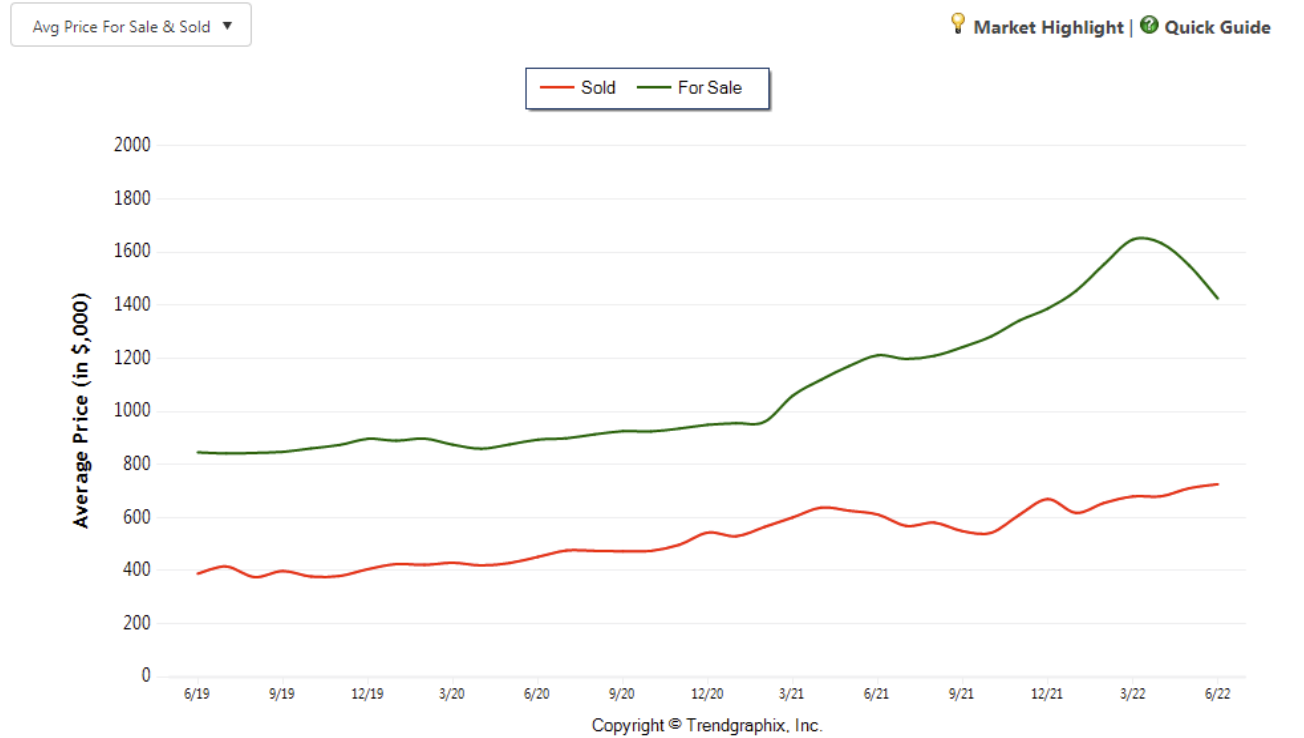
Social Unease /
Social Equity

Climate Change
Action – (2050 is
not ½ century
away anymore)

Majority of society
today did not live
through 1970's
inflation

Where are we ?

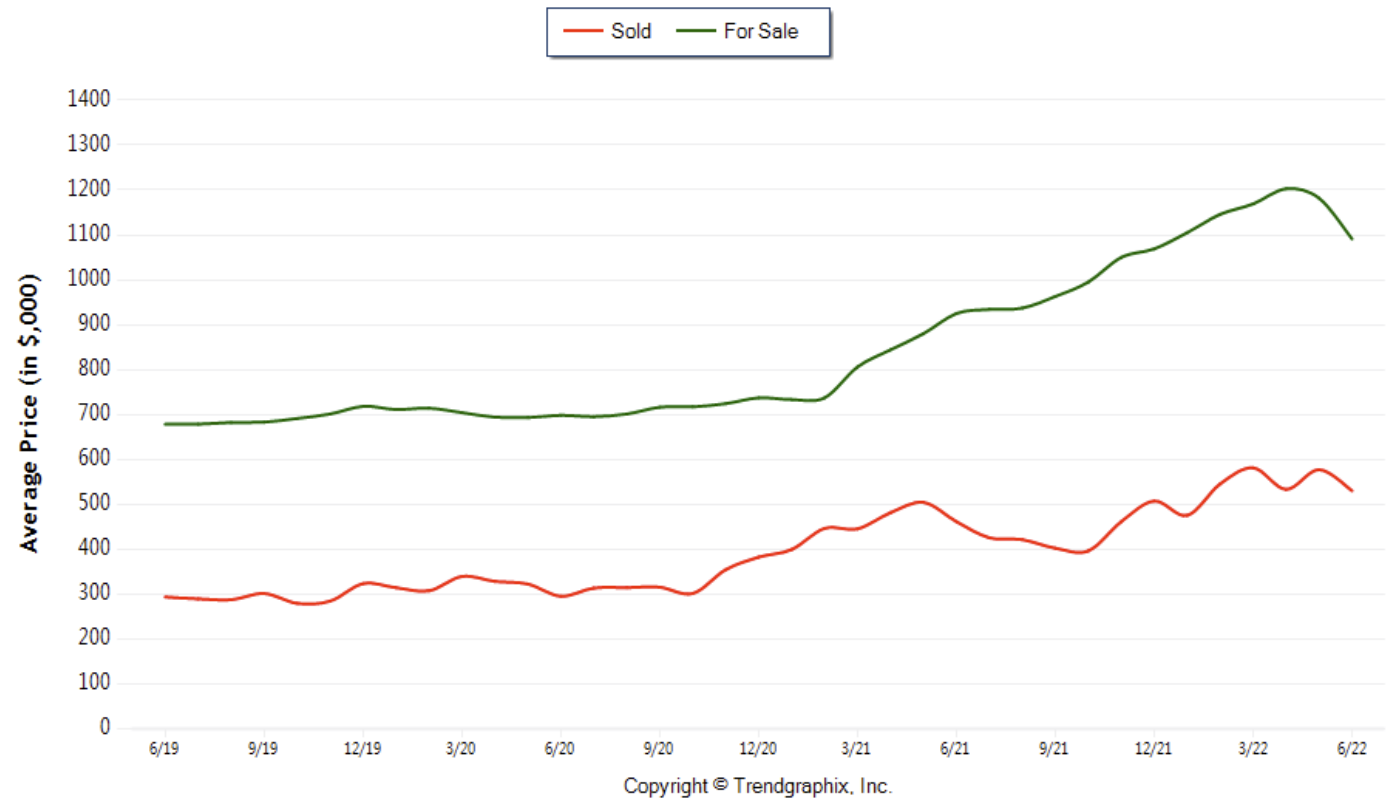
Single-Family 2019-Present



	Curnt vs. Prev Month			Curnt vs. Same Month 1 Yr Ago			Curnt vs. Same Qtr 1 Yr Ago			Curnt vs. Same Month 3 Yrs Ago		
	Jun. 22	May. 22	% Change	Jun. 22	Jun. 21	% Change	Apr. 22 to Jun. 22	Apr. 21 to Jun. 21	% Change	Jun. 22	Jun. 19	% Change
Avg. Active Price	1426	1550	-8% ▼	1426	1212	17.7% ▲	1523	1166	30.6% ▲	1426	846	68.6% ▲
Avg. Sold Price	726	711	2.1% ▲	726	612	18.6% ▲	704	625	12.6% ▲	726	389	86.6% ▲

Where are we ?

Condo 2019-Present



	Curnt vs. Prev Month			Curnt vs. Same Month 1 Yr Ago			Curnt vs. Same Qtr 1 Yr Ago			Curnt vs. Same Month 3 Yrs Ago		
	Jun. 22	May. 22	% Change	Jun. 22	Jun. 21	% Change	Apr. 22 to Jun. 22	Apr. 21 to Jun. 21	% Change	Jun. 22	Jun. 19	% Change
Avg. Active Price	1091	1182	-7.7% ▼	1091	925	17.9% ▲	1153	880	31% ▲	1091	678	60.9% ▲
Avg. Sold Price	530	577	-8.1% ▼	530	461	15% ▲	547	481	13.7% ▲	530	293	80.9% ▲

Why do real estate values change?

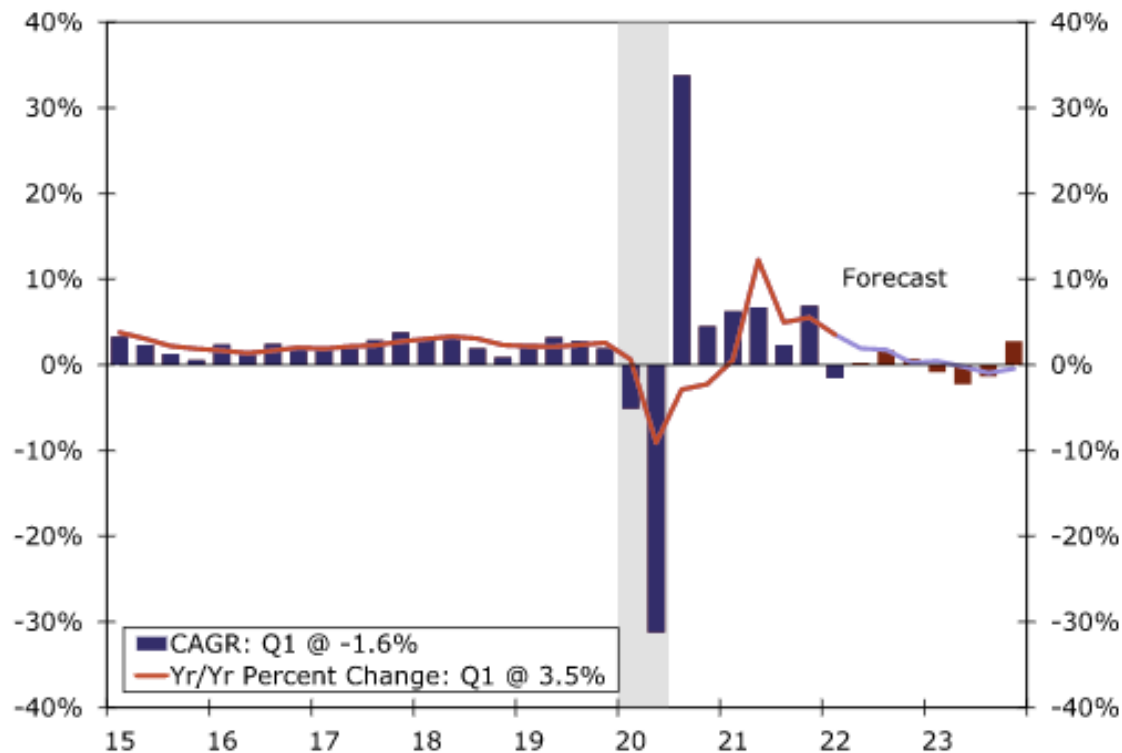
- Changes in Physical Supply
- Changes in Physical Demand
 - Shifts in business sectors / business growth
 - Shifts in employment base
- Changes in supply of money (debt/equity)
- Changes in Relative Yield (Risk) within capital markets (ie – cost of money)
- Changes in Tax Policy (Federal / State)
- Changes in future expectations
- Changes in Macro Forces



National Economic Overview



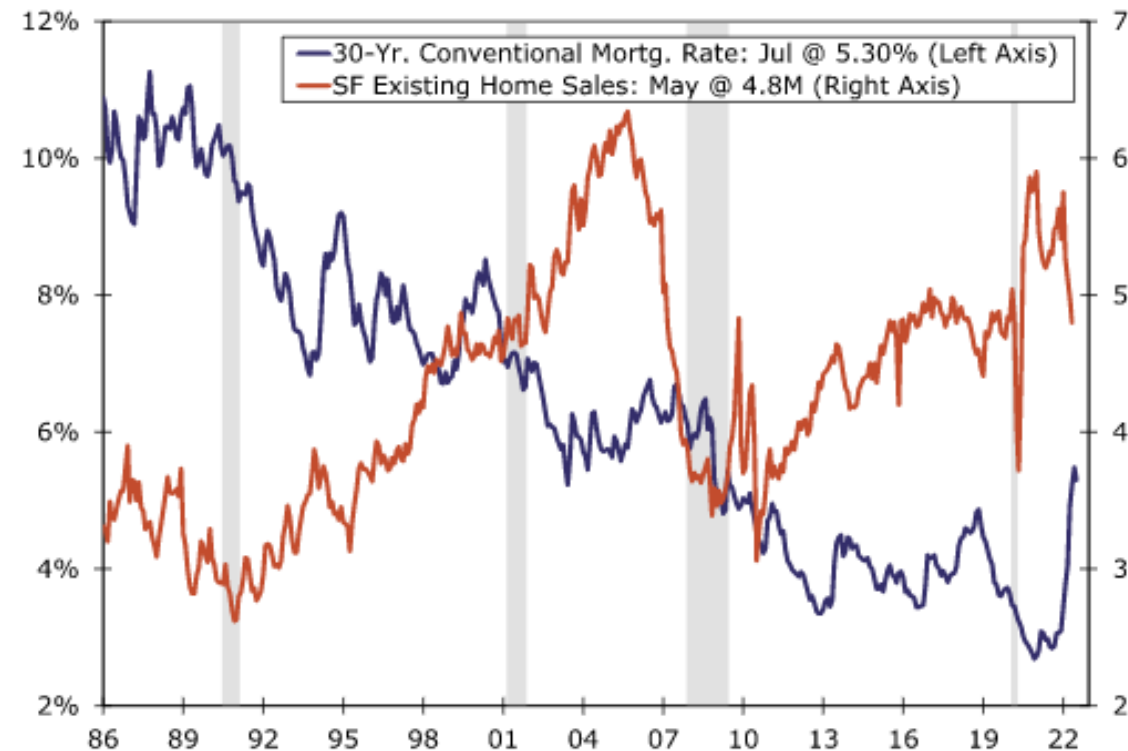
U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics

Mortgage Rate vs. Existing Single-Family Home Sales

SAAR, Millions

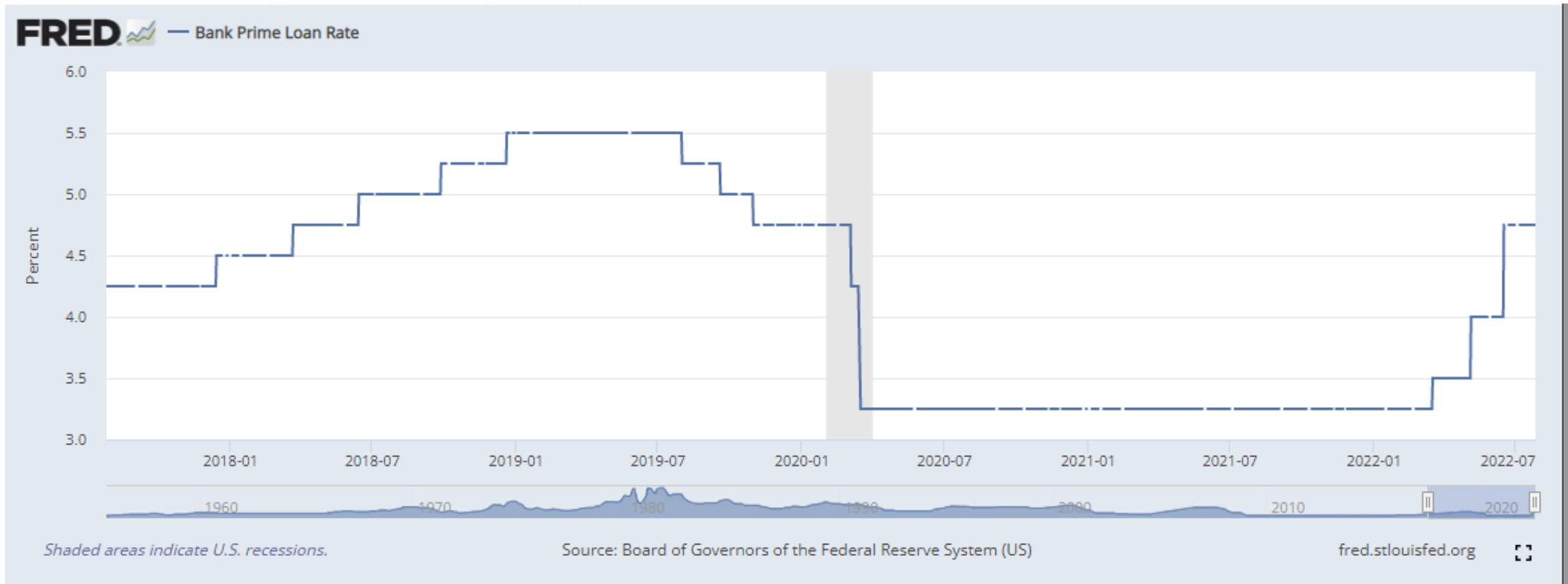


Source: NAR, Freddie Mac and Wells Fargo Economics

National Economic Overview



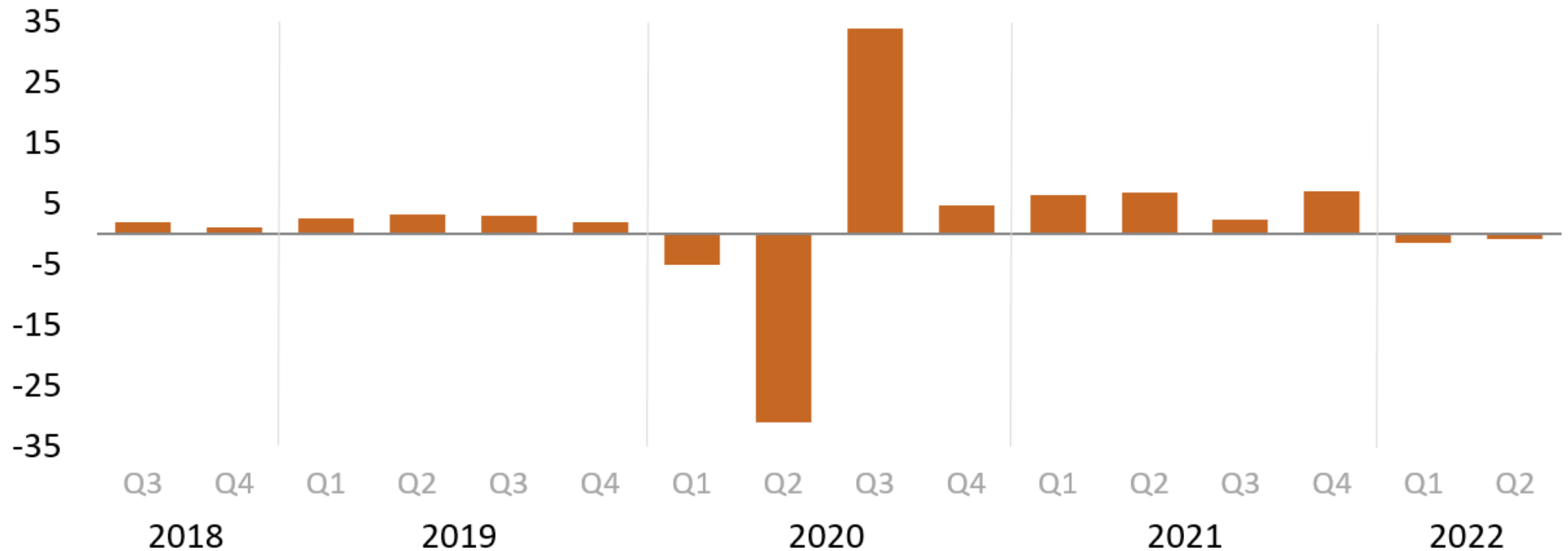
- Balancing on the Razor's Edge of December 2019



National Economic Overview



Real GDP: Percent change from preceding quarter



U.S. Bureau of Economic Analysis

Seasonally adjusted at annual rates

LEGISLATION ENACTED TO COMBAT THE CORONAVIRUS PANDEMIC



Cost of COVID-19 Relief Provided So Far

(Consolidated Appropriations Act and Response Supplemental Appropriations Act, Families First Coronavirus Response Act, CARES Act, FFP and Healthcare Enhancement Act, and Consolidated Appropriations Act of 2021)

Cost of American Rescue Plan

Total Cost of COVID-19 Relief

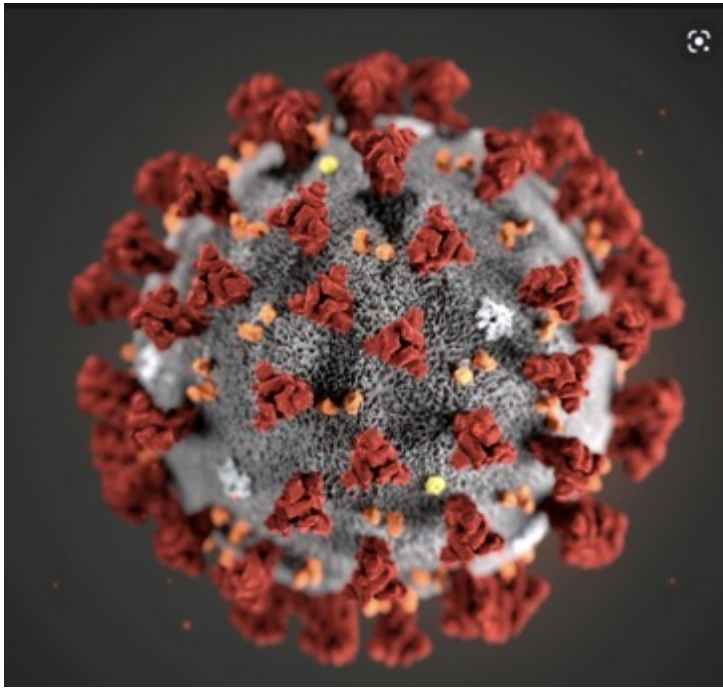
Support for Small Businesses	\$909 Billion	\$59 Billion	\$968 Billion
Economic Stimulus Payments	\$456 Billion	\$411 Billion	\$867 Billion
Expanded Unemployment Compensation	\$561 Billion	\$203 Billion	\$764 Billion
Public Health and Related Spending	\$483 Billion	\$174 Billion	\$657 Billion
Tax Incentives	\$390 Billion	\$176 Billion	\$566 Billion
Direct Aid to Governments	\$150 Billion	\$362 Billion	\$512 Billion
Educational Support	\$112 Billion	\$170 Billion	\$282 Billion
Other	\$418 Billion	\$301 Billion	\$719 Billion
Total Cost →	\$3,479 Billion	\$1,856 Billion	\$5,335 Billion



Learn more at pgpf.org/coronavirus

Stimulus Retracted

Florida X-Factors



Why is Florida Different?



- Florida Myths that will NOT be sustainable
 - Everyone is moving to Florida, so national stats don't matter.
 - National Direction will matter because the banks are national.
 - Construction slow-down will hit Florida GDP; IRR estimates 10% - 15% of FL GDP is in construction
 - Moving requires a feasible exit – when external markets strong; that DRIVES demand for lifestyle move
 - Interest rates won't matter because of our high % of cash buyers
 - Cash buyers parked their money in residential when alternative yields were low.
 - When outside yields abound – cash buyers will use their cash elsewhere.
 - There is limited inventory in all markets – less than 2 months supply!!
 - Denominator problem masks this myth in reality
 - This EXTENDS out run – but it will correct swiftly
 - Values won't decline because Land Values and Construction costs so high
 - This may create a new floor – but 2022 will be a reprice on precisely these two factors. Watch these!!

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What doesn't Florida have?

Water Shortages

Wildfires

High Taxes

150 Year-Old Infrastructure

High Crime

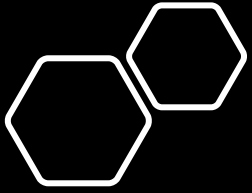
Failing Schools

Hurricanes looking pretty safe...



2023 Residential Thesis Predictions

- Florida will continue to attract wealth from U.S. and Abroad
- Ergo, Florida's deceleration will be slower than U.S.
- Prices will reset in 2022; new construction will slow
- Rental rates level off in 2023 as inventory rises
- Capital will seek higher returns, drawing away from residential
- Unemployment back to 5% - 6% (reverting to long-term mean)
- By 2023 – pricing will have normalized; volume will be down 20-30% from 2021
- You will reminisce about 2021 for the rest of your career
- Still many good years ahead... just slower



Mantra

- Timing isn't everything...it's the ONLY thing
- You can still Rock the Market in 2023– but volume will be at 8 instead of 11





- IRR Viewpoint
- IRR Datapoint™
- Trendgraphix / Miami MLS