

# **CMB: THE MISSING MIDDLE**

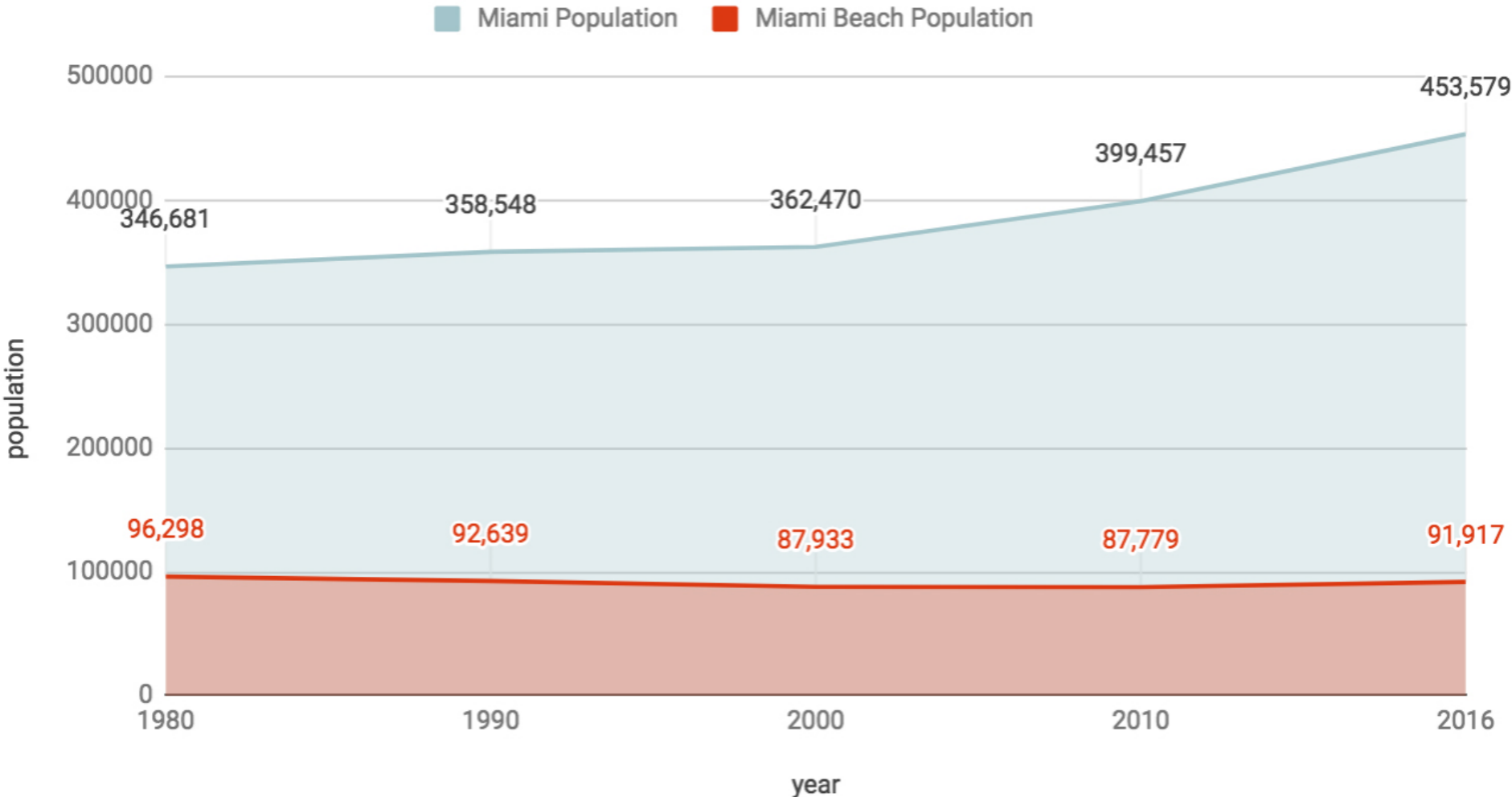
**WHAT IS HAPPENING TO OUR RESIDENTIAL MARKET?  
IS CMB A RESIDENT FRIENDLY CITY?**

# POPULATION GROWTH TRENDS:

## MIAMI-DADE, CITY OF MIAMI, MIAMI BEACH

	Miami Beach	Miami	Miami-Dade
% population change, 1980 - 2016	<b>-4.55%</b>	<b>+30.83%</b>	<b>+66.87%</b>

Miami vs. Miami Beach Population: 1980 - 2016



Source: US decennial census for 1980-2010, 2016 is an estimate.

# **CMB: DECREASE IN FULL TIME RESIDENTS & MULTI FAMILY INVENTORY**

**RESIDENTS ARE BEING DISPLACED BY 2ND AND 3RD HOME BUYERS AND BY THE LOSS OF MULTI FAMILY INVENTORY.**

**THE DECREASE IN MULTI FAMILY INVENTORY IS OCCURRING DURING A PERIOD OF INCREASED RENTAL DEMAND.**

## **HOW MANY HOUSEHOLDS IS CMB LOSING?**

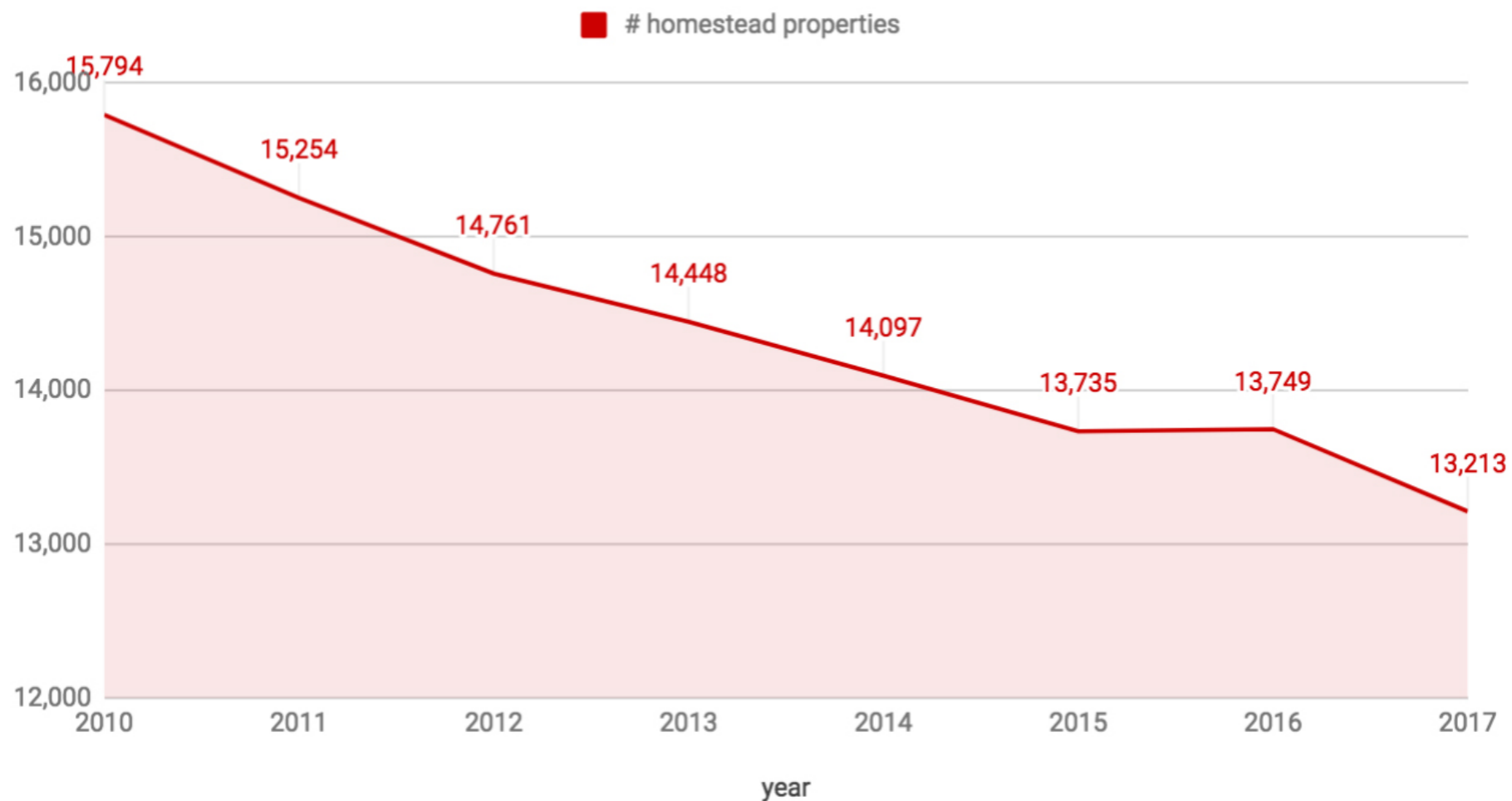
# A. DECREASE IN HOMESTEAD RESIDENCES

**% Change in Homestead Properties, 2010 - 2017: -16.34%**

# Homestead designated households lost, 2010 - 2017: 2,581

## FULL TIME RESIDENTS HOMESTEAD THEIR PROPERTIES

# Homestead Properties, CMB: 2010 - 2017



# B. DECREASE IN MULTIFAMILY INVENTORY

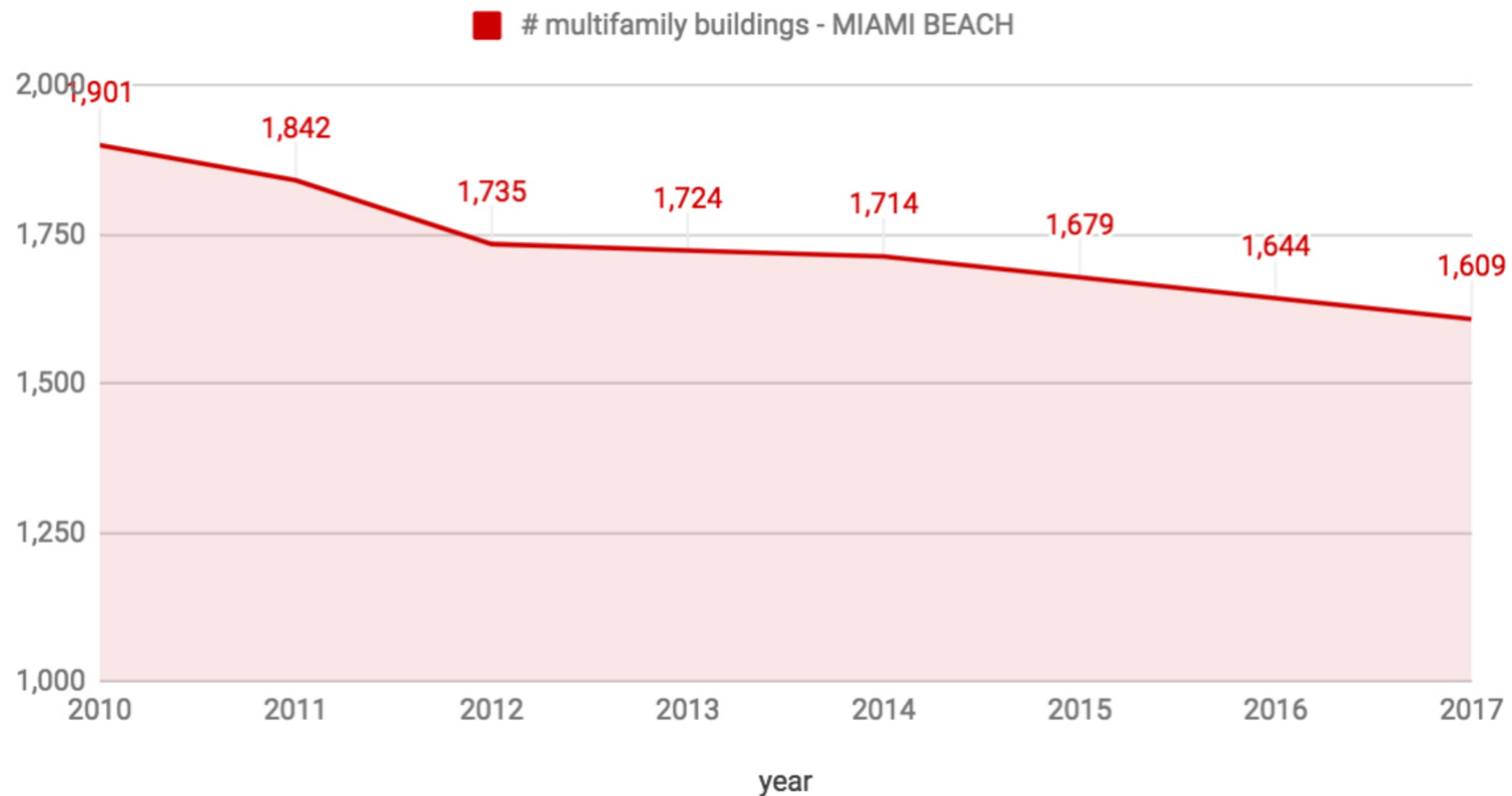
**% Change in Multifamily Buildings, 2010 - 2017: -15.36%**

# Multifamily buildings lost, 2010 - 2017: 292

The Miami Beach Planning Department uses an average of 11.5 units per building.

**SOME RENTERS ARE CHOOSING TO LEAVE THE BEACH, OTHERS ARE BEING FORCED**

# Multi Buildings, CMB: 2010 - 2017



Source: Miami-Dade County Property Appraiser, U.S. Census Bureau, 2010 Census.

# **MIAMI-BEACH RENTERS ARE AMONG THE MOST COST BURDENED IN THE NATION**

**DURING THIS PERIOD OF INCREASED RENTAL DEMAND, MIAMI BEACH HAS BEEN DECREASING RENTAL STOCK.**

**THE CITY HAS NOT BUILT ANY NEW STOCK FOR FOR MILLENNIALS, THE LARGEST GROWING MARKET.**

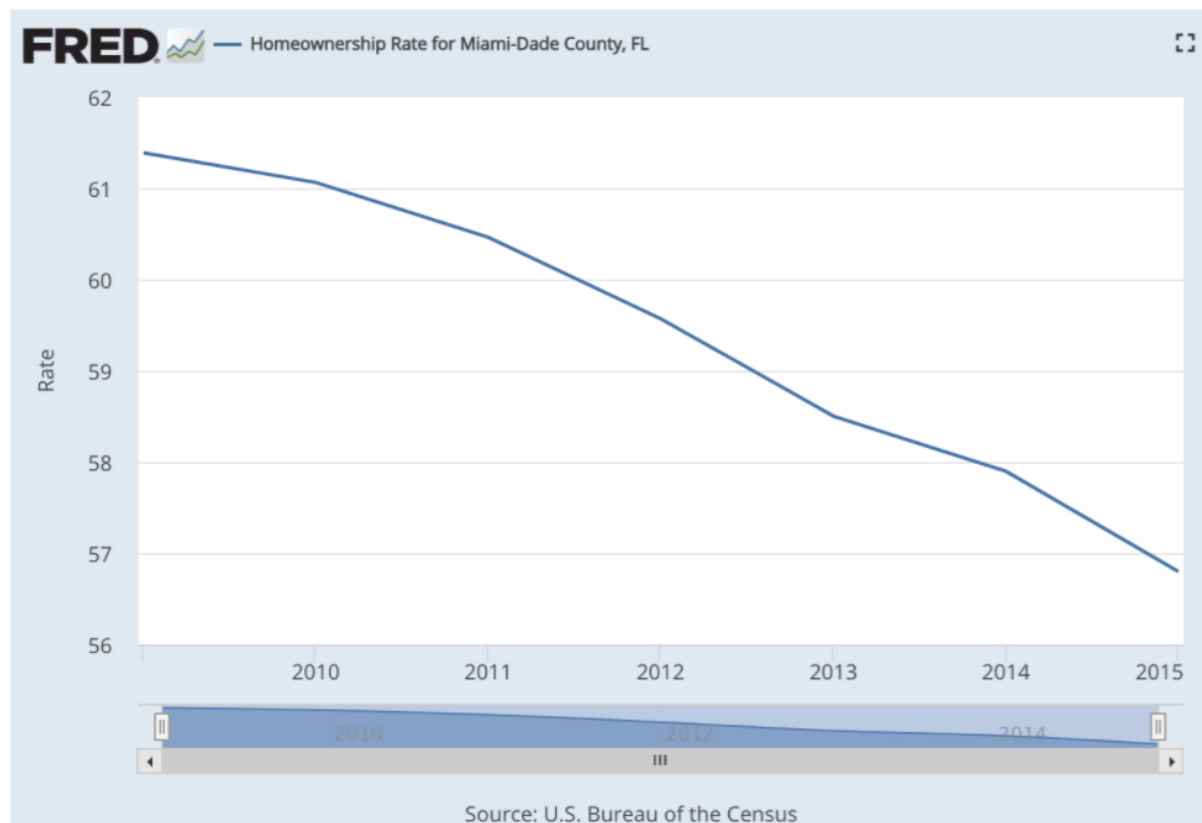
**JUST HOW COST BURDENED ARE MIDDLE CLASS  
RESIDENTS AND ARE WE SURPRISED THEY ARE LEAVING?**

# MIAMI-DADE COUNTY HAS A STEADILY DECREASING RATE OF HOMEOWNERSHIP

## THIS IS A NATIONWIDE TREND

**THERE IS DEMAND FOR MORE RENTAL INVENTORY, YET THE CITY IS PROVIDING LESS.**

2009 Miami-Dade homeownership rate: 61.4%  
2015 Miami-Dade homeownership rate: 56.8%



## MIAMI BEACH

**58.8% of renters pay more than 30% of their gross salary in rent.**

**49.6% pay more than 35% of their gross salary in rent.**

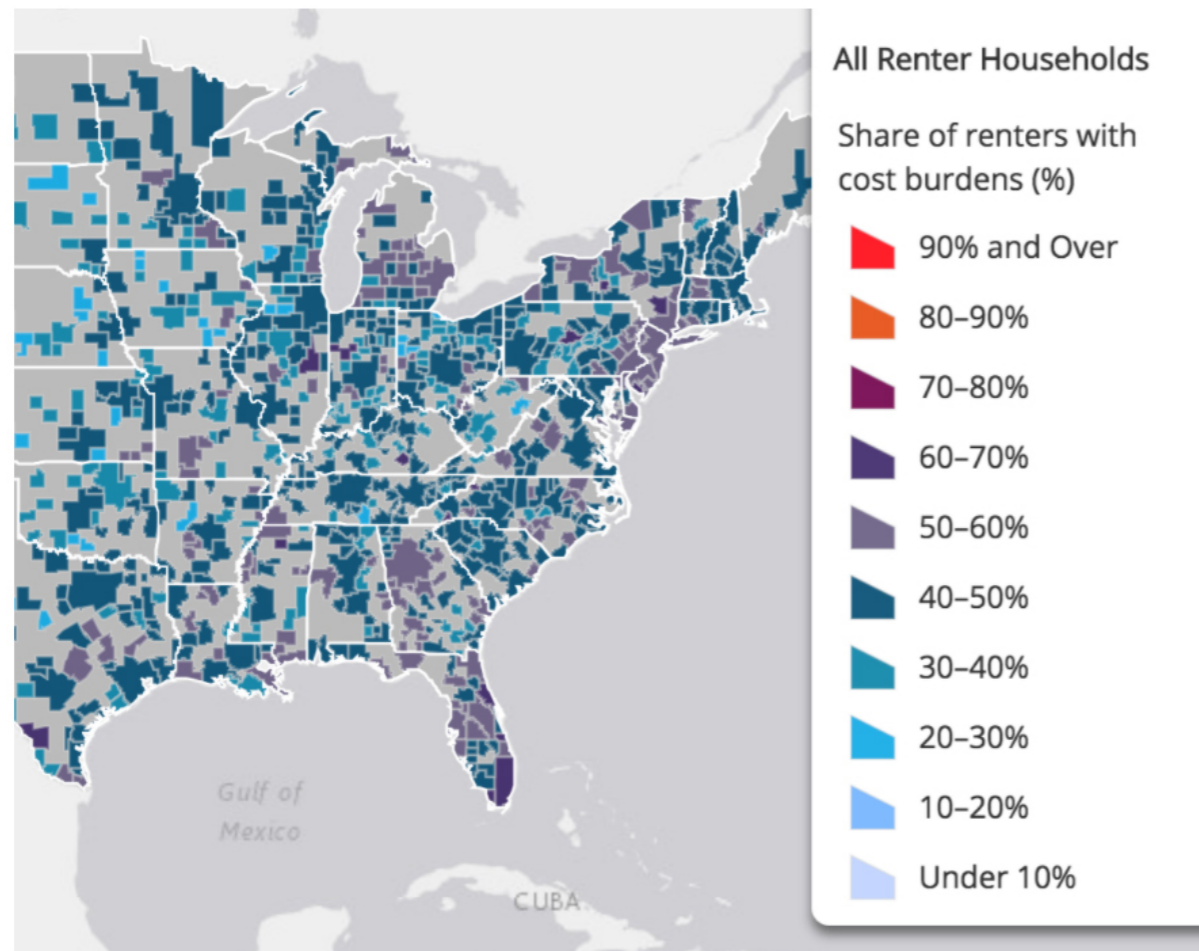
This makes CMB renters cost burdened, and it makes the city unattractive to middle class residents.

# THE MIAMI METRO AREA HAS THE MOST COST BURDENED RENTERS IN THE NATION

THIS IS A KNOWN ISSUE THAT HAS RECEIVED A LOT OF NATIONAL PRESS COVERAGE

There is a massive shortage of rental inventory that is accessible to the local, working population. As the city loses multi family inventory, new expensive condo buildings are built.

**BUILDINGS REPLACED BY EXPENSIVE CONDOS WITH LARGE UNITS, REDUCING DENSITY**



## MIAMI BEACH

No new multifamily buildings have been added in approximately 40 years.

The % of subsidized housing is constant. There are 4,688 designated units.

The % of high-end housing is growing.

Total supply is shrinking.

**The middle is getting squeezed.**



# **CMB HAS BECOME DEPENDENT ON TOURISM & TOURIST DOLLARS**

**HOTEL ROOM COUNT HAS GONE UP AT THE EXPENSE OF MULTIFAMILY.  
CMB IS FLOURISHING AS A TOURIST DESTINATION WHILE LOSING FULL TIME RESIDENTS**

**HAVE WE CREATED A REGULATORY AND ZONING  
ENVIRONMENT IN WHICH HOTELS ARE BEST USE OF  
PROPERTIES?**

# 2011-2017: CMB HOTEL ROOM INVENTORY WENT UP 122%

% Change in Multifamily Buildings, 2011 - 2017: **-12.6%**

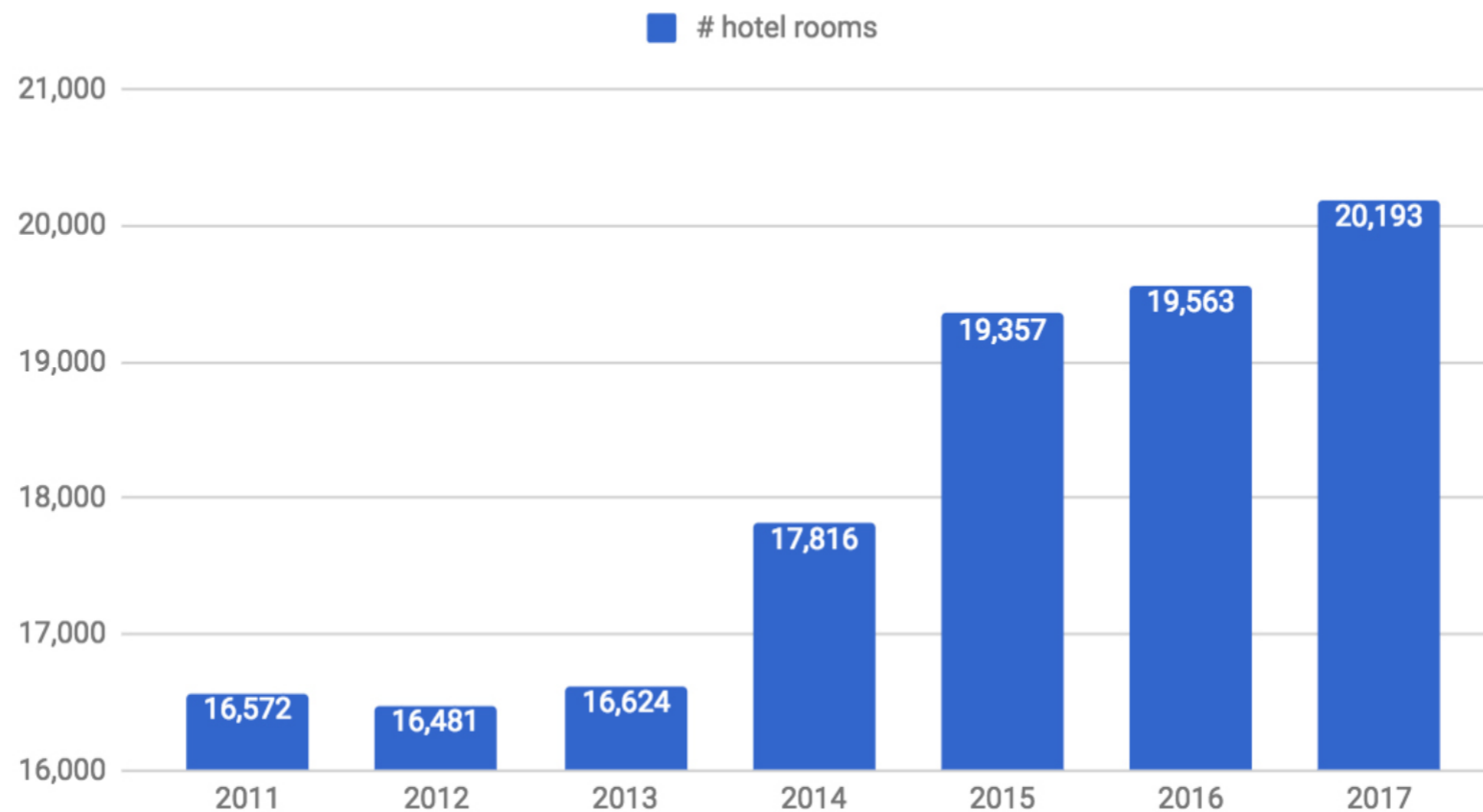
# Multifamily buildings lost, 2011 - 2017: 233

The Miami Beach Planning Department uses an average of 11.5 units per building.

Average household size of renter occupied unit: 1.97

**IMPLIED LOSS OF APARTMENTS: 2,680 | IMPLIED LOSS OF RESIDENTS: 5,280**

CMB Hotel Room Inventory



# MIAMI CONTINUES TO ATTRACT VISITORS

**Miami ranks only behind NYC for incoming international visitors.**

According to Euromonitor's recently released Top 100 City Destination Ranking study, Miami is the second most visited city in the Americas, ranking behind only NYC.

The study counts only international arrivals that spend more than 24 hours in their destination city, and does not count domestic arrivals. Miami ranked 2nd in the Americas and 20th in the world.

**CITY DEVELOPMENT HAS BEEN INCREASINGLY GEARED AROUND THESE VISITORS.**



# **NEW CONSTRUCTION HAS CLEARLY BEEN BUILT FOR SECOND AND THIRD HOME BUYERS.**

**RESTRICTIVE REGULATION HAS FORCED THE MARKET INTO OVERDEVELOPMENT OF NEW, UBER LUXURY PROPERTIES.**

**OLDER PROPERTIES ARE NOT COMPETITIVE WITH NEW CONSTRUCTION IN SURROUNDING CITIES.**

**CAN CMB HANDLE THE STRESSES AND SHOCKS OF A  
SPECULATIVE, OUTSIDE-MONEY DEPENDENT MARKET?**

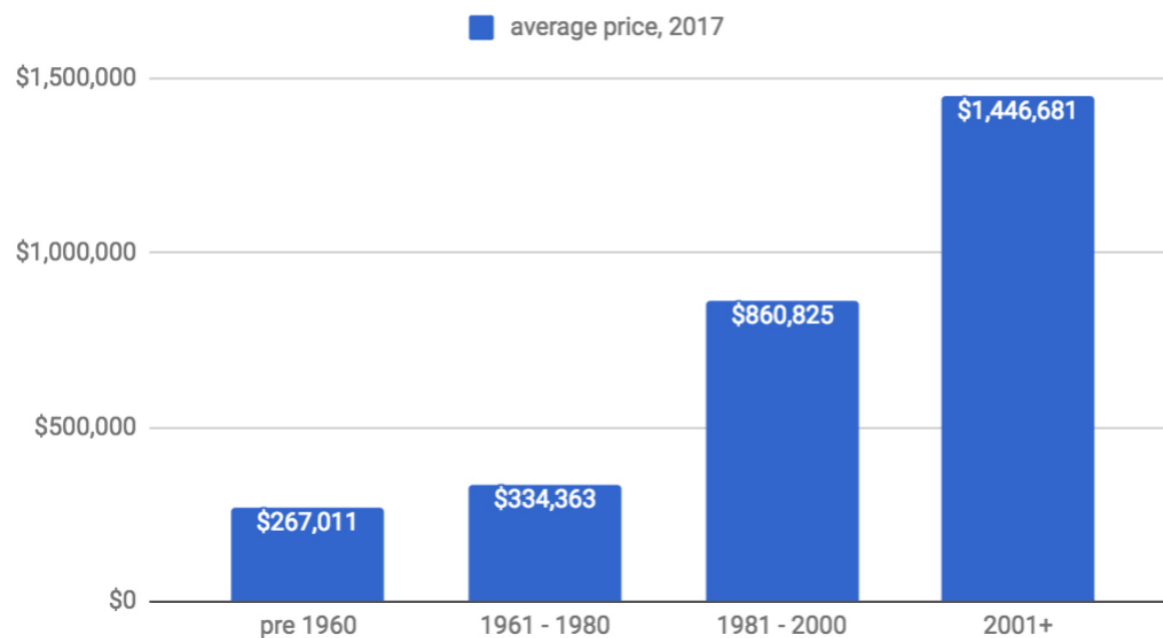
# RESALE PRICING SHOWS: NEW CONSTRUCTION TARGETS OUTSIDE MONEY

2017 CMB SALE SNAPSHOT: 1,796 CONDOS SOLD.

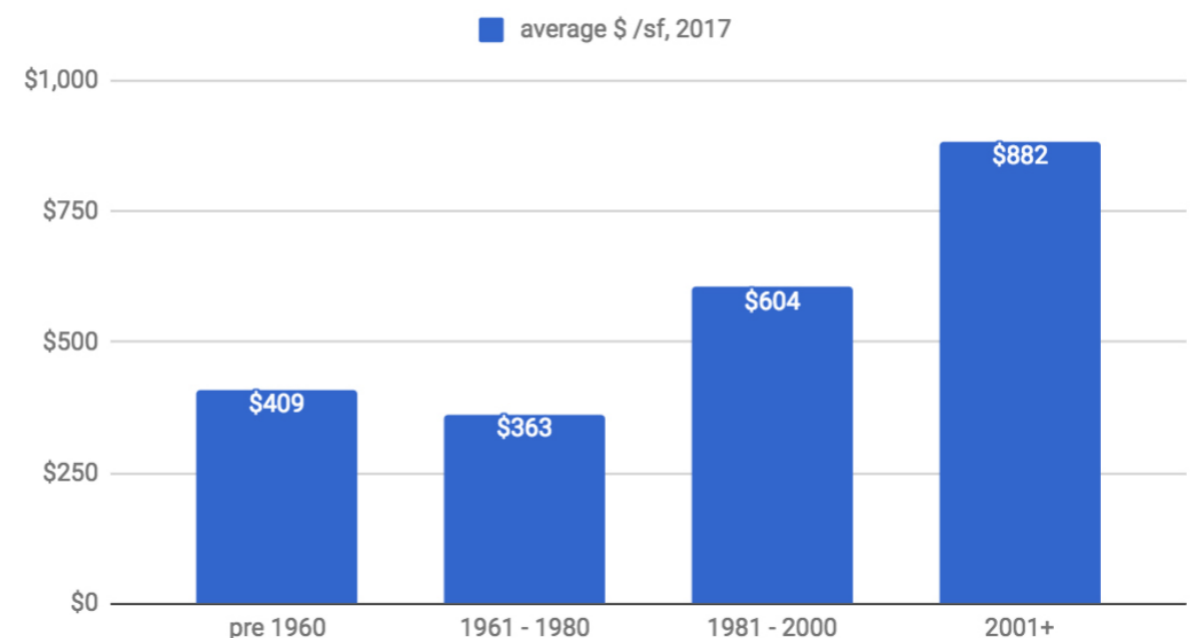
<p><b>Built pre 1960</b> 464 sold = 25.8% of market</p> <p><b>Avg price: \$267,001</b> <b>Median price: \$212,000</b></p>	<p><b>Built 1961 - 1980</b> 723 sold = 40.3% of market</p> <p>Avg price: \$334,363 Median price: \$280,000</p>
<p><b>Built 1981 - 2000</b> 254 sold = 14.1% of market</p> <p>Avg price: \$860,825 Median price: \$664,950</p>	<p><b>Built 2001 +</b> 379 sold = 21.1% of market</p> <p><b>Avg price: \$1,446,681</b> <b>Median price: \$795,000</b></p>

**2017 RESALE PRICING SHOWS THAT CMB BUYERS PAY MUCH MORE FOR UNITS IN NEW BUILDINGS THAN IN OLD.**

CMB Condos Sold, 2017: avg price by year built



CMB Condos Sold, 2017: avg \$ / SF by year built



# TOTAL HOUSING INVENTORY IS TRENDING DOWN

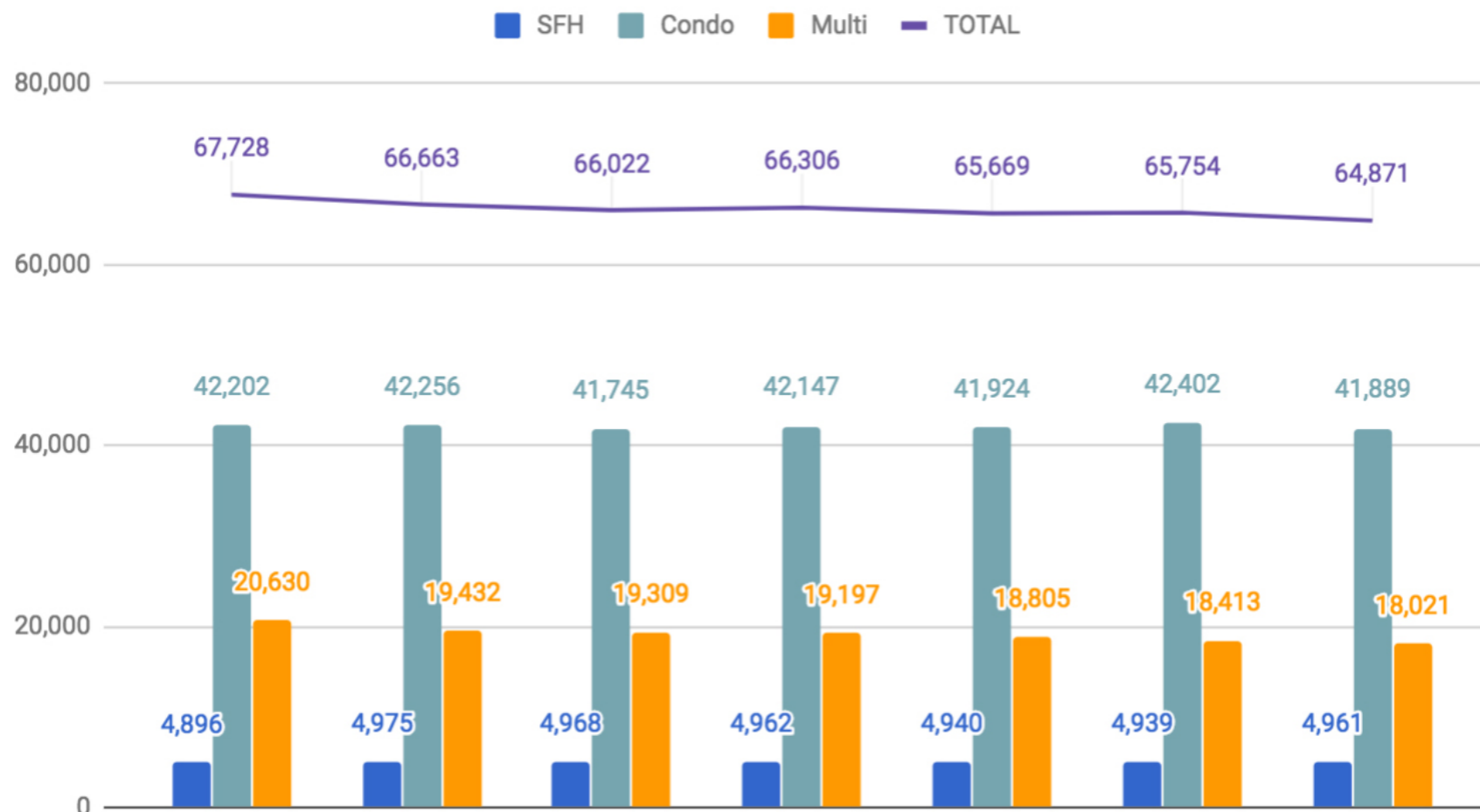
## EXISTING STOCK HAS BEEN REPLACED BY HIGH-END INVENTORY AND HOTEL ROOMS.

Newer inventory is priced orders of magnitude higher than what the local population can afford.

Post 2000 inventory was built with wealthy second and third home buyers in mind, as there is no local support at new construction prices. Subsidized units remain at 4,688.

This means that CMB is losing housing that is accessible to middle class residents.

CMB Housing Stock: 2011 - 2017



# **NORTH BEACH: NO NEW RENTAL INVENTORY BUILT IN THE PAST 40 YEARS.**

**OLD PRODUCTS ARE UNDESIRABLE IN THIS MARKET AS THEY LACKS BASIC AMENITIES.**

**CAN WE EXPECT RENTERS TO PAY MORE FOR LESS, WHEN  
NEIGHBORING CITIES CAN OFFER NEW, AMENITY RICH  
PRODUCTS?**

# NORTH BEACH DEMOGRAPHICS

## PROJECTED GROWTH IN FAMILIES, MILLENNIALS AND BABY BOOMERS

### 2015 census data for North Beach

Population: 24,534 people → 2020: 25,468

Total households: 2015: 11,657 → 2020: 12,115

**NORTH BEACH MEDIAN HOUSEHOLD INCOME: 2015: \$40,775**

Combined Annual Income	Maximum Monthly Rent
\$50,000	\$1,250
\$60,000	\$1,500
\$70,000	\$1,750
\$80,000	\$2,000
\$90,000	\$2,250
\$100,000	\$2,500
\$110,000	\$2,750
\$120,000	\$3,000
\$130,000	\$3,250
\$140,000	\$3,500
\$150,000	\$3,750

### Projected growth in millennial & boomer populations:

Increases in 25 - 34, 55 - 64 & 65 - age groups.

Millennials and retiring boomers are being drawn off the beach by new, well priced inventory in Miami.

Over 50% of accessible inventory in North Beach was built before 1960. Millennials and retiring boomers seeking out new products are drawn off the beach.



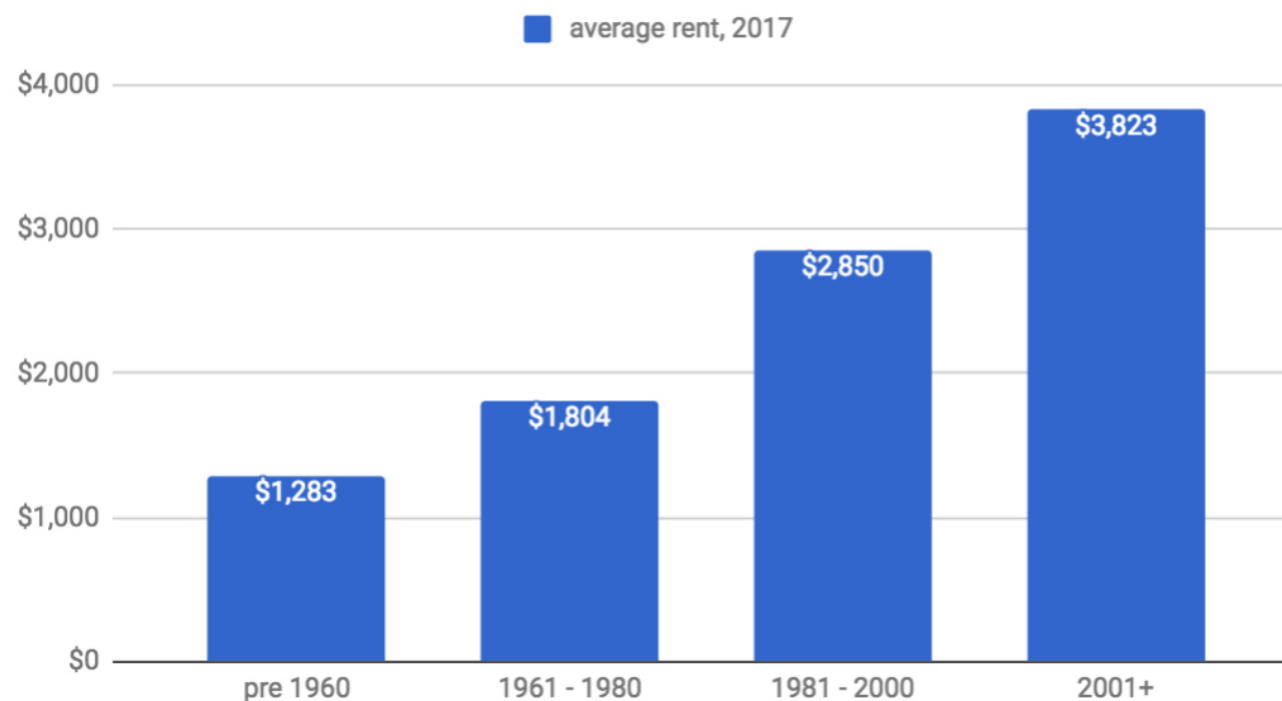
# NORTH BEACH RENTAL STOCK

## 2017 NORTH BEACH RENT SNAPSHOT: 867 UNITS RENTED, APT & CONDO

<p><b>Built pre 1960</b> 445 rented = 51.3% of market</p> <p><b>Avg price: \$1,283</b> <b>Median price: \$1,250</b></p>	<p><b>Built 1961 - 1980</b> 188 rented = 21.7% of market</p> <p>Avg price: \$1,803 Median price: \$1,700</p>
<p><b>Built 1981 - 2000</b> 54 rented = 6.2% of market</p> <p>Avg price: \$2,850 Median price: \$2,800</p>	<p><b>Built 2001 +</b> 180 rented = 20.8% of market</p> <p><b>Avg price: \$3,823</b> <b>Median price: \$3,100</b></p>

**POST 2000 INVENTORY REQUIRES INCOMES IN EXCESS OF \$150K**

North Beach Condos Rented, 2017: avg price by year built



In 2017, almost 50% of North Beach rentals were priced over \$1,800 / month.

Median household income in North Beach: \$40,775

Only pre-1960 inventory is priced at levels that middle-class renters can afford.

Renters seeking attainable, modern inventory are being drawn off the beach.

**North Beach needs new inventory that is priced at levels attainable by millennials and middle class renters.**

# **THE RESTRICTIVE REGULATORY ENVIRONMENT HAS MADE BUILDING SUPER LUXURY THE ONLY VIABLE OPTION**

**THIS OVERSUPPLY AT THE HIGH-END HAS OCCURRED DURING AN ONGOING DECREASE IN HOUSING SUPPLY FOR MIDDLE INCOME RESIDENTS.**

**WHY HAS NO NEW INVENTORY BEEN BUILT IN CMB FOR MILLENNIALS AND MIDDLE CLASS RESIDENTS?**

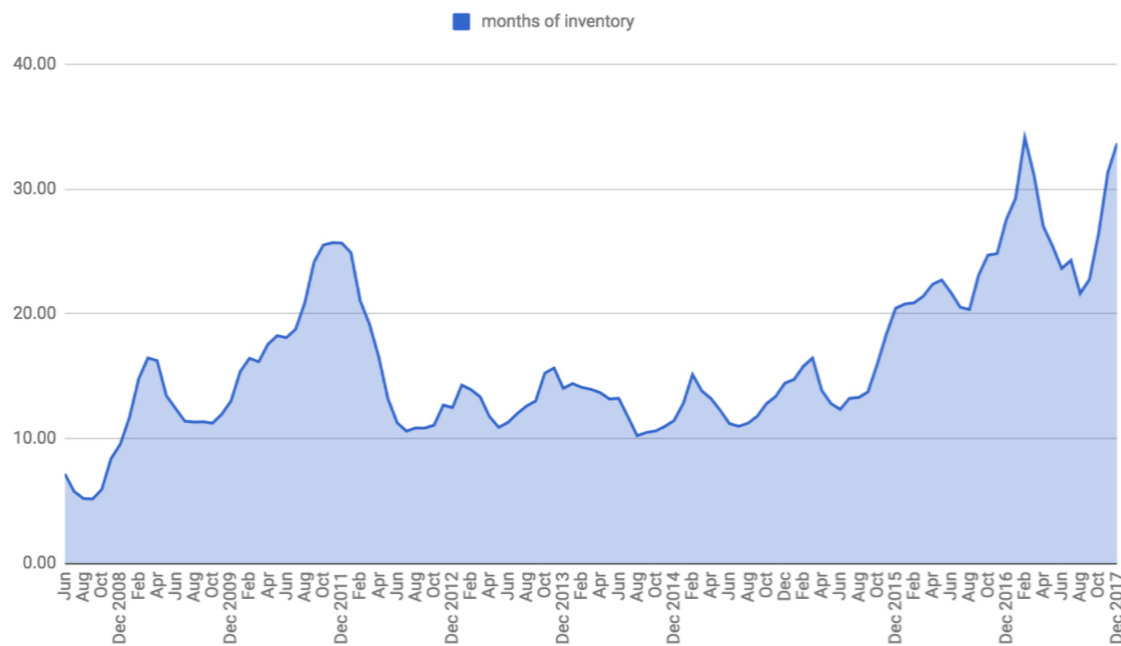
# LACK OF DIVERSIFIED HOUSING SUPPLY FUELS A GLUT IN THE CONDO MARKET AND PUTS OUR CITY AT RISK

## ZONING POLICY IS TO BLAME FOR THIS.

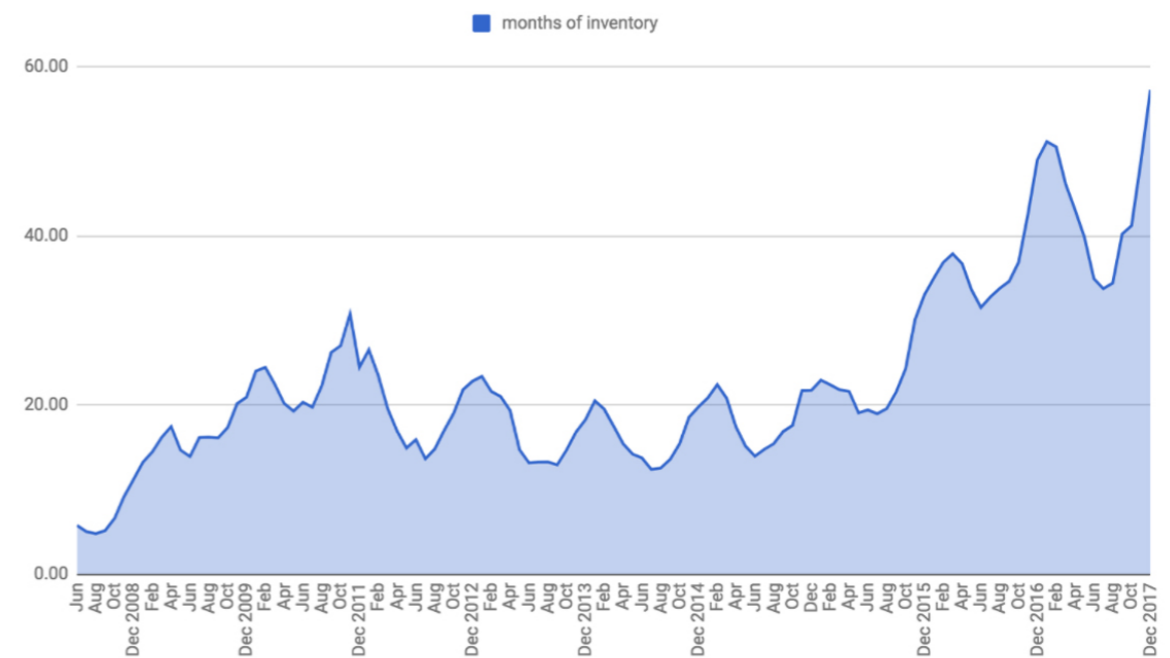
The current incentive structure have created a speculative bubble, with no new middle-ground inventory. 2017 Closed out with months of inventory at all-time highs, at levels far worse than during the previous market crash.

<b>\$500K - \$999K: 33.67 months</b> Previous high, November 2010: 25.71 months	<b>\$1M - \$2.99M: 48.28 months</b> Previous high, September, 2010: 25.97 months
<b>\$3M+: 86.4 months:</b> Previous high, March 2010: 62.57 months	

CMB Months of Condo Inventory, \$500K - \$999K



CMB Months of Condo Inventory: \$1M+



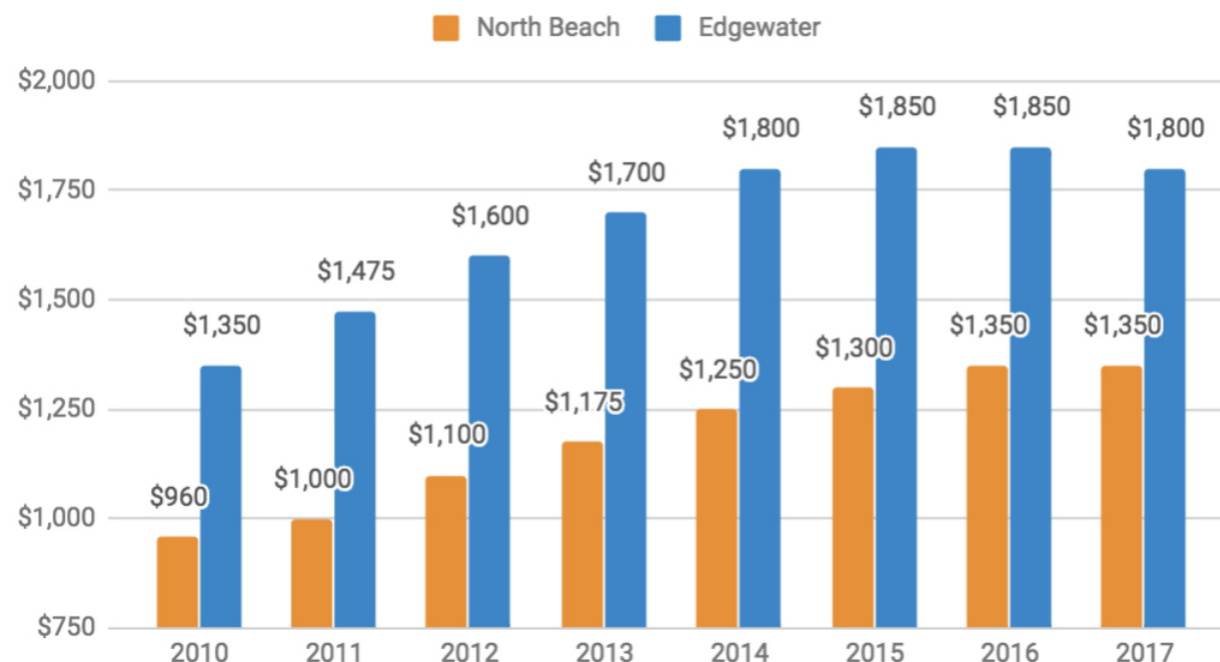
# INCENTIVES NEED TO BE CHANGED SO THAT COMMUNITY DRIVEN HOUSING CAN BE BUILT.

## CMB NEEDS HOUSING THAT IS ACCESSIBLE TO THE LOCAL WORK FORCE.

- \* The net effect of policies in place has made it extremely expensive to build, resulting in new inventory that is priced far beyond what local buyers can purchase. New inventory purchases are heavily all-cash and are marketed to outside buyers, most of whom do not become full-time residents.
- \* Increased density does not have to equal high rises. A modest increase in density and an introduction of new rental inventory would go a long way towards bringing community back to CMB.
- \* Parking: we are in the early days of the ongoing decrease in personal car ownership and the ongoing growth of the sharing economy. New inventory should be built with an eye towards the future and a decrease in parking requirements. This is especially true for inventory targeting millennials.

## MODERN INVENTORY IS BEATING OUT LOCATION

Median 1-Bdrm Rent, North Beach vs. Edgewater



**North Beach suffers from a lack of new inventory.**

**Property taxes, flood insurance, etc... have gone up far more than median rents in North Beach. Property owners are suffering.**

**Renters are choosing new, modern products over proximity to the beach.**

# **MIAMI BEACH DOES NOT SUFFER FROM GENTRIFICATION.**

## **THE PROBLEM IS STRATIFICATION.**

**NEW INVENTORY IS EXPENSIVE AND DEPENDENT UPON ALL-CASH SECOND AND THIRD HOME BUYERS, MOST OF WHOM ARE NOT LOCAL. ECONOMIC INCENTIVES ARE NOT ALIGNED WITH THE HOLDING OR BUILDING OF LOCALLY ACCESSIBLE MULTI-FAMILY BUILDINGS. RESTRICTIVE REGULATIONS MADE LUXURY PRODUCTS & HOTELS THE BEST USE OPTIONS.**

**VISITORS ARE ARRIVING IN INCREASING NUMBERS.**

**THE HOTEL INDUSTRY IS GROWING WHILE THE NUMBER OF FULL-TIME RESIDENTS IS DROPPING.**

**MIDDLE CLASS RESIDENTS SEEKING OUT ATTAINABLE, NEW PROPERTIES ARE BEING DRAWN OFF THE BEACH. CMB INVENTORY THAT IS ACCESSIBLE TO MIDDLE CLASS RESIDENTS IS PREDOMINANTLY PRE-1960.**

**THE CITY NEEDS A NEW PRODUCT FOR MILLENNIALS AND THE MIDDLE CLASS.**