BERGER SINGERMAN
FLORIDA'S BUSINESS LAW FIRM

TAX CUTS AND JOBS ACT SPARKS OPTIMISM IN 2019 SOUTH FLORIDA REAL ESTATE MARKET

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No state income tax, appealing weather, and a stable economy—South Florida has always been a magnet for retiring Northerners, and with the new Tax Cuts and Jobs Act, the region has even more reason to woo businesses and residents to expand or relocate to South Florida. Local professionals agree and are optimistic about commercial real estate in 2019, according to a new survey released today by Berger Singerman, Florida's business law firm.

Results from the firm's fifth annual survey reveal that the majority of respondents predict the Tax Cuts and Jobs Act will increase the flow of investment capital into commercial real estate in South Florida in 2019, and over a third expect the 2019 South Florida commercial real estate market will be better than 2018.

"The positive outlook on the South Florida market is really very simple: we boast good weather, no state income tax, a booming tourism industry, and a growing population," said Marc Stephen Shuster, Hiring partner at Berger Singerman and member of the firm's Business, Finance and Tax Team. "The only long-term threat I see to this perfectly positioned market is climate change. While there are many efforts being made towards a sea-level rise solution, there is still a fear amongst some developers. However, as we look at the year ahead, I, as well as most of our survey respondents, expect 2019 to be another bright year for South Florida real estate."

"With the Tax Cuts and Jobs Act also comes the new Opportunity Zone program, which is intended to be a shot of adrenaline for the real estate market by giving certain projects the opportunity to take advantage of the powerful tax incentives," said Barry D. Lapides, partner at Berger Singerman and member of the firm's Business, Finance and Tax Team. "The guidelines for the program are still being digested, but from what we know about it, it's easy to understand why investors would be optimistic."

While overall results reinforce confidence, the survey shows there is still concern over rising interest rates, as 37 percent reported it is the most pressing issue facing the South Florida real estate market in 2019. Over a fourth of respondents (26 percent) are worried about a decrease in foreign investment in 2019, likely because of tariffs, the strong U.S. dollar and increasing interest rates. Foreign investment was closely followed by 24 percent of respondents believing oversupply is the most pressing issue. Last year's survey revealed that uncertainty of governmental policy and oversupply were the biggest concerns going into 2018.

"Despite some concern and uncertainty with the economy, I'm not surprised to see that most people are confident in the South Florida real estate market, especially with growing areas like Fort Lauderdale and Palm Beach County, where we are seeing considerable new development," said Jeffrey R. Margolis, partner at Berger Singerman and member of the Firm's Business, Finance and Tax Team.

In last year's survey, the industrial sector beat out multifamily as the commercial real estate sector expected to have the highest returns in 2018. But as prices continue to increase for industrial properties, 36 percent of respondents think multifamily will make a comeback and have the highest returns in 2019.

"Affordable multifamily rental apartments will remain one of the strongest property types. In the last couple of years, workforce housing has outperformed the condo and luxury multifamily segments," said Iryna Ivashchuk, partner and co-manager of the firm's Business, Finance and Tax Team at Berger Singerman. "Demand for

mid-market, affordable multifamily rental apartments will continue throughout the State of Florida because of the changing attitudes toward homeownership, the increase in population, and higher prices for single-family homes and luxury condominiums."

Other key findings include:

- 79 percent of respondents do not plan to adopt Bitcoin or other cryptocurrency into their commercial real estate transactions in 2019
- Retail and office tied (at 11 percent) as the asset class least likely to see the highest returns in South Florida in 2019; last year retail was the least likely with 5 percent and office came next with 15 percent

The survey from Berger Singerman, conducted November 2018, polled professionals in South Florida's real estate industry.

With experience spanning residential, multi-family, retail, office, industrial and hotel transactions, Berger Singerman's real estate, environmental and land use attorneys offer clients strategic advice and representation, in-depth industry knowledge and an unparalleled commitment to providing the highest level of service. The team has worked on transactions throughout Florida and the United States, as well as in Latin America and other international jurisdictions.

Related Practice Teams

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