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BOOMING SOUTH FLORIDA REAL ESTATE MARKET WON'T STOP IN 2017 ACCORDING TO BERGER SINGERMAN SURVEY

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Industrial Sector Poised to Deliver the Highest Returns as E-Commerce Continues to Grow

MIAMI, FL – **Jan 18, 2017** – Despite the initial uncertainty following the Presidential election, South Florida real estate professionals have an optimistic outlook on the commercial real estate market in 2017, according to a new survey released today by Berger Singerman, Florida's business law firm. Results from the third annual survey show that the majority of local real estate professionals expect 2017 will be better than 2016 for the South Florida commercial real estate market.

“We have seen record highs in the stock market, and increased consumer confidence. With confidence in the country’s economy comes confidence in the real estate market,” said Barry D. Lapides, partner at Berger Singerman and member of the firm’s Business, Finance and Tax Team.

The survey results show that 30 percent of respondents (an increase of 16 percent from last year) expect that the warehouse/industrial sector will have the highest returns in 2017, resulting from the growth of e-commerce and the need for warehouse and distribution centers. The growth of e-commerce and the increase in online shopping is also adversely impacting the outlook for brick and mortar retail stores with just 8 percent of respondents predicting that retail will provide the greatest returns (a decrease from 20 percent from last year).

“The increase in optimism for the industrial sector is a result of the need to locate distribution centers in areas that can accommodate same or next day delivery of e-commerce purchases,” said Jeffrey R. Margolis, partner at Berger Singerman and co-manager of the Firm’s Business, Finance and Tax Team. “The increase in the industrial sector goes hand-in-hand with the decrease of the retail sector; the growth in e-commerce drives demand for distribution facilities while diminishing the need for traditional retail stores.” “The growth of the import and export business through our ports, which is only expected to grow with the future of panama freighters, is also driving demand for industrial space,” stated James L. Berger, managing partner at the firm.

The survey results also reveal how age demographics are impacting real estate investment. Younger generations (50 percent of millennials and 36 percent of Gen Xers) have the most confidence in the warehouse/industrial sector, not only because of the growing e-commerce industry, but because it can provide a quicker return on investment.

“The investment styles of millennials, many of whom entered the investment market over the last ten years, are greatly influenced by the great recession. They have limited risk appetite for deals that have a longer hold horizon or require a lengthy repositioning period,” said Marc Stephen Shuster, partner at Berger Singerman and co-manager of the Firm’s Business, Finance and Tax Team. “The industrial sector is a more desirable commercial real estate investment than others that require more buildout -- with industrial, you typically don’t have to do much to transform the space.”

While overall results reinforce confidence in the real estate market, the survey reveals there is still concern over global economic conditions and the potential for global conditions to adversely impact the South Florida real estate market. A noteworthy 57 percent report global economic conditions as their primary reason for pessimism in the South Florida real estate market.

Many expect South Florida’s hotel and hospitality real estate industry to continue to generate large returns in 2017, although this sector is feeling the impact of alternative competition. About 57 percent of survey respondents expect that the growth of the sharing economy and non-traditional providers such as AirBNB will have a negative impact on the hospitality market this year. In fact, an overwhelming 69 percent expect that non-traditional providers and the sharing economy, referring to economic and on-line social transactional activity, will be the most disruptive technology/innovation factor to the real estate market this coming year. This is followed by drones and augmented reality at 17 percent and 14 percent, respectively, which may affect commercial space needs and jobs.

The results of the survey also reveal that 32 percent of respondents feel that Zika will adversely affect the hotel/hospitality industry. Interestingly, responses are a function of age demographic, with millennials perceiving Zika as a much bigger threat to the industry (41 percent) as compared to baby boomers (27 percent) and Gen Xers (32 percent).

“Millennials are more personally affected by Zika, whereas older generations see this as a temporary problem that will soon be forgotten,” said Margolis. Shusternoted “some people are threatened by Zika, but most don’t see it halting Miami tourism. South Florida just continues to be too attractive to avoid, and this is just a bump in the road.”

Other key results of the survey include:

- Despite the uncertainty of U.S. foreign relationships in 2017, 62 percent of respondents believe foreign investment in South Florida will remain at 2016 levels or increase.
- While respondents anticipate the most foreign investment in South Florida real estate will continue to come from Latin America, China and Brazil, the results of the survey also indicate that investors are expected to emanate from Europe, Canada and the Middle East.
- 26 percent of survey respondents believe that oversupply of residential properties and undersupply of industrial property is the most pressing issue facing the real estate industry.

The survey prepared and conducted by Berger Singerman in November and December 2016 (after the election), polled South Florida's real estate industry, including certain developers, investors, brokers, and executives from financial institutions and investment groups across all segments of the real estate industry.

With experience spanning residential, multi-family, retail, office, industrial and hotel transactions, Berger Singerman's real estate 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 with all types of entities touching the real estate sector throughout Florida and the United States, as well as in Latin America and other international jurisdictions.

The full survey can be accessed here.