



ECONOMIC TAPESTRY OF THE BISCAYNE BAY ISLANDS MIAMI BEACH

2018-2023



Henry T. Casado, MAI, SRA. AI-GRS, AI-RRS
888 S Douglas Road, 1612
Coral Gables FL 33134
M: 954.899.8070
E: admin@merc-val.com

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By Henry T. Casado, MAI, SRA

admin@merc-val.com

April 17, 2023

This study is specific to the submarket which includes Biscayne, San Marco, San Marino, Di Lido, Rivo Alto, Palm, Hibiscus, and Star Islands. The origin of the Venetian Islands can be

outlined as bottom high points that were made available to optimize aesthetic and functionality of Biscayne Bay. At the same time, the creation of these artificial Islands had an economic impact once established the value trends within its own submarket, which in comparison with other submarkets, scores at top levels.

This market analysis is focused on single-family houses only. The existing inventory of single-family consists of 813 houses of which 521 are waterfront representing 64% of the entire stock leaving a

balance of 292 dry lots. Mercatus has estimated a population of 5,252 for all Islands further divided into 3,936 in the Venetian Islands and 1,316 in Palm, Hibiscus, and Star. The composition of this inventory by Island is represented in the following table:

Single Family Residential Inventory by Island				
Island	Total	Waterfront	%	Dry
Biscayne	52	28	54%	24
San Marco	71	49	69%	22
San Marino	86	53	62%	33
Di Lido	170	97	57%	73
Rivo Alto	105	65	62%	40
Palm	143	101	71%	42
Hibiscus	152	94	62%	58
Star	34	34	100%	0
Total	813	521	64%	292

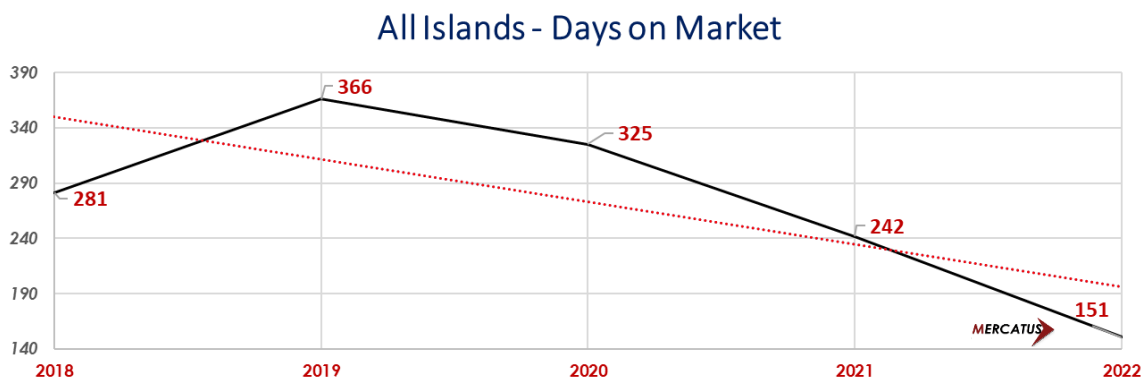
MERCATUS

This analysis has focused on five leading indicators to measure the activity of this market from 2018 to the present by examining **a.** Days-on-Market, **b.** Overall Average Price, **c.** Average Price per Square Foot, **d.** List-to-Price ratio, and **e.** Supply.

The analysis was applied to the two main segments of the composition, waterfront and dry lots. Further, each Island was addressed and ranked based on the transactional history.

ALL ISLANDS AT A GLANCE

The first indicator to consider is the time it takes to sell from the moment a property becomes a listing to the date is under contract. This is commonly known as Days-on-Market, and it serves to understand how dynamic a submarket is in each period. The trend reveals a constant decline year over year with an overall current DOM at 151 days inclusive of waterfront/dry lots.



The decline in exposure times is revealing an improvement of the market, mainly due to current economic conditions, desirability, and lack of supply.

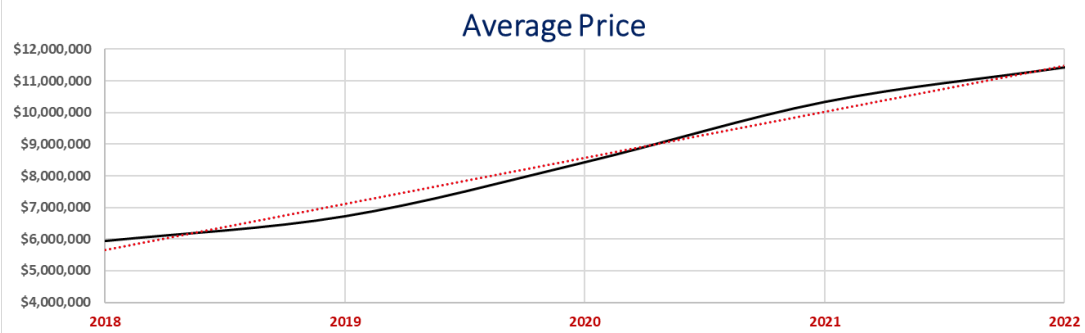
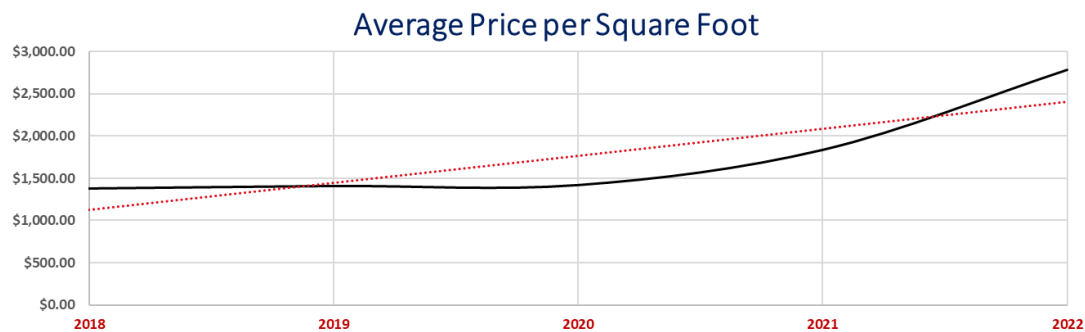
The Average Price and Average Price per Square Foot during 2018-2022 depicts an upward trend as shown in the following table.

The Venetian Islands + Palm, Hibiscus, Star, All Closed Sales						
Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2018	281	\$5,941,872		-14.0%	\$1,382.44	
2019	366	\$6,724,097	13.2%	-15.1%	\$1,412.13	2.1%
2020	325	\$8,432,811	25.4%	-14.1%	\$1,423.08	0.8%
2021	242	\$10,339,074	22.6%	-5.0%	\$1,837.58	29.1%
2022	151	\$11,431,231	10.6%	-8.9%	\$2,780.96	51.3%

The Average Sales Price growth has doubled in the five-year term studied, and 10.6% over 2021.

The Average Price per Square Foot reflects the overall Average Price growing 51.3% over 2021,

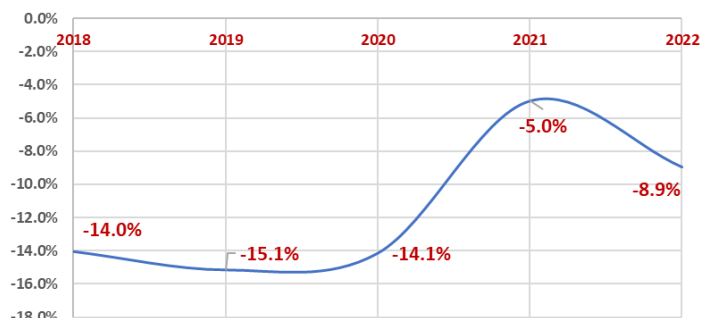
currently at \$2,781 per square foot. The chart below provides a visual aid of the growth recorded during this period.



Another threshold considered is the List-to-Price Ratio. This ratio constantly adapts to the decision and sophistication of the participants. Thus, is considered a real time market correction. The Miami market in general has experienced a shy difference from listing to the actual closing price. In the case of the Islands, the ratio has reduced significantly from a pre-pandemic 14-15% to 5-9% from the original listing price.

List-to-Price Ratio and Days-on-Market intrinsically relate to each other, as one regulates the other, because list price could shorten or prolong its offering time.

List : Price Ratio



Single Family Active Supply by Island					
Island	Waterfront	%	Dry	Total	%
Biscayne	4	14%	1	5	10%
San Marco	3	6%	0	3	4%
San Marino	5	9%	1	6	7%
Di Lido	7	7%	5	12	7%
Rivo Alto	3	5%	1	4	4%
Palm	4	4%	1	5	3%
Hibiscus	6	6%	4	10	7%
Star	1	3%	0	1	3%
Total	33	4.1%	13	46	5.7%

The active inventory consists of 46 properties representing 5.7% of the universe of houses in these Islands. There are 33 listings of the 46 that are waterfront which represents 4.1% of this specific submarket.

In 2022 the Average Sales Price of all Islands was \$11,431,231 with an average List-to-Price Ratio of 10.6%

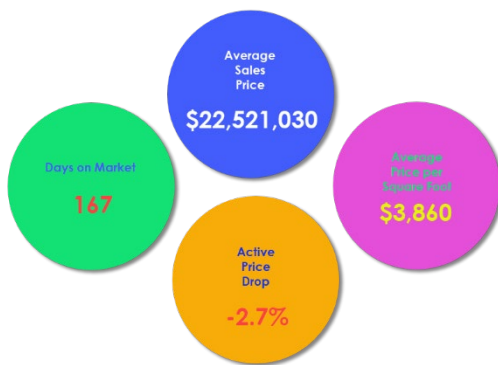
Given the relation between current average listing price, Days-on-Market, List-to-Price Ratio, and

considering the lack of inventory with all other elements remaining static, a forecast of the Average Price may be estimated using a variable List-to-Price ratio from 10-20% which would range from \$13,900,000 to \$15,600,000 or 22-37% over the Average Price of 2022.

Bear in mind that this first segment addresses all Islands whether waterfront or a dry lot.

The Venetian Islands + Palm, Hibiscus, Star, 2022 v. Active Inventory						
Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2022	151	\$11,431,231	10.6%	-8.9%	\$2,780.96	51.3%
Active	171	\$17,380,478	52.0%	-3.1%	\$3,139.39	12.9%
Forecast						
		MERCATUS				
List : Price Ratio	at 10.0%	\$15,642,430	36.8%		\$2,825.45	1.6%
	at 15.0%	\$14,773,407	29.2%		\$2,668.48	-4.0%
	at 20.0%	\$13,904,383	21.6%		\$2,511.51	-9.7%

ALL ISLANDS, WATERFRONT



At a glance, from the **active inventory** the Average Asking Sales Price of all waterfront properties is \$22,500,000 exhibiting a price drop of 2.7% over 167 days. The Asking Average Price per Square Foot is \$3,860.

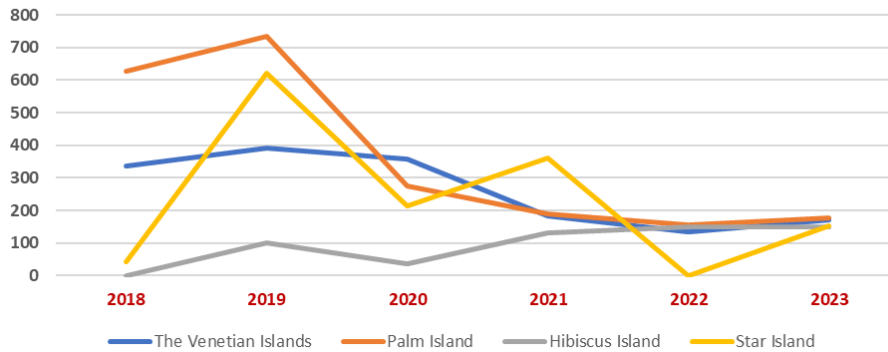
Using the same methodology and data collection, the closed average sales price during 2022 reflects a 38% increase from 2018 and a reduction in exposure time to 143 days on average.

The Average Sales Price in 2022 is recorded at \$15,000,000 indicating a 3.8% decrease over 2021 but with less exposure time of 143 days. The difference between the last two years is not significant.

All Biscayne Bay Islands, All Closed Sales, Waterfront						
Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2018	385	\$10,877,944		-15.4%	\$2,162.34	
2019	458	\$9,773,591	-10.2%	-15.8%	\$1,858.15	-14.1%
2020	324	\$11,805,935	20.8%	-14.1%	\$1,847.57	-0.6%
2021	252	\$15,605,752	32.2%	-4.2%	\$2,501.56	35.4%
2022	143	\$15,014,446	-3.8%	-12.8%	\$2,688.72	7.5%

2022 waterfront transactional history resulted 31% higher in Average Sales Price than all markets (waterfront/dry lots) combined, and 7 days short in Days-on-Market.

Days on Market, Islands in Contrast



Pre-pandemic times took typically between one to two years at large to sell a property.

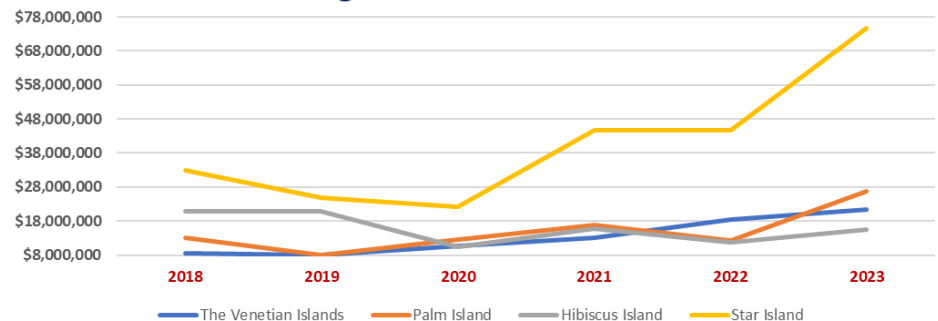
The trend on Days-on-Market progressively has dropped overtime to below 200 days.

In 2022 San Marino Island has the best timing with 128 days compared to the other Venetians Islands averaging 134 days.

Historically Star Island has the highest Average Sales Price recorded. In December 2021, a property on Star Island looking West sold for \$75,000,000 after 122 days of exposure. Until recently, 27 Star Island

Drive was actively marketed for 164 days at an asking price of \$74,650,000. Since there are only 34 single family lots in Star Island the number of listings and closed sales is lower than the other Islands.

Average Sales Price in Contrast



Excluding Star Island, the average range was \$11,800,000-\$18,300,000. The tug of prices between the Venetian, Palm, and Hibiscus is set by their views whether they overlook Downtown or the other Islands. There is also another submarket segment on the Venetian Islands since properties South of the Venetian Way tend to sell for more than properties looking to the North.

All Islands, 2022 v. Active Inventory, Waterfront						
Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2022	143	\$15,014,446	-3.8%	-12.8%	\$2,688.72	7.5%
Active	167	\$22,521,030	50.0%	-2.7%	\$3,859.53	43.5%
Forecast						
	at 10.0%	\$20,268,927	35.0%		\$2,419.85	-10.0%
	at 15.0%	\$19,142,876	27.5%		\$2,285.42	-15.0%
	at 20.0%	\$18,016,824	20.0%		\$2,150.98	-20.0%

Using the same technique previously used on the "All Islands" segment, an estimation of the market reaction can be forecasted using the historic and active listing pricing in conjunction with the List-to-Price Ratio. Logically, because of the relation between pricing and the negotiation of participants a range from \$18,000,000-\$20,300,000 may be the result of today's marketed inventory.

This analysis was careful to exclude teardowns and vacant land transactions because it would affect the intended single-family target. Nonetheless, teardowns and vacant land give leeway not only to the expansion of the inventory but also economic contribution towards a progressive market.

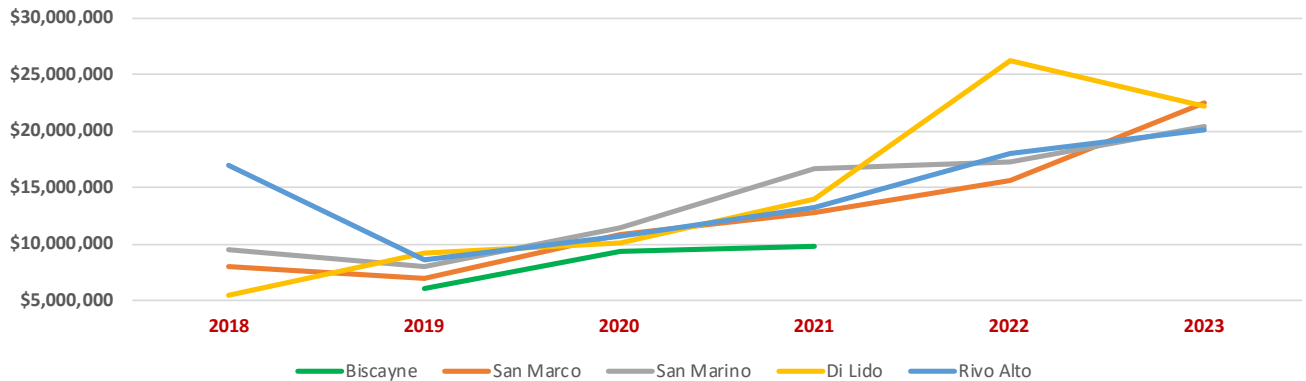
The 2018-2022 sales activity has accumulated to \$2,7 Billion Dollars. This amount equals to \$541,000,000 in gross sales per year.

This analysis also summarizes each submarket segment as presented below.

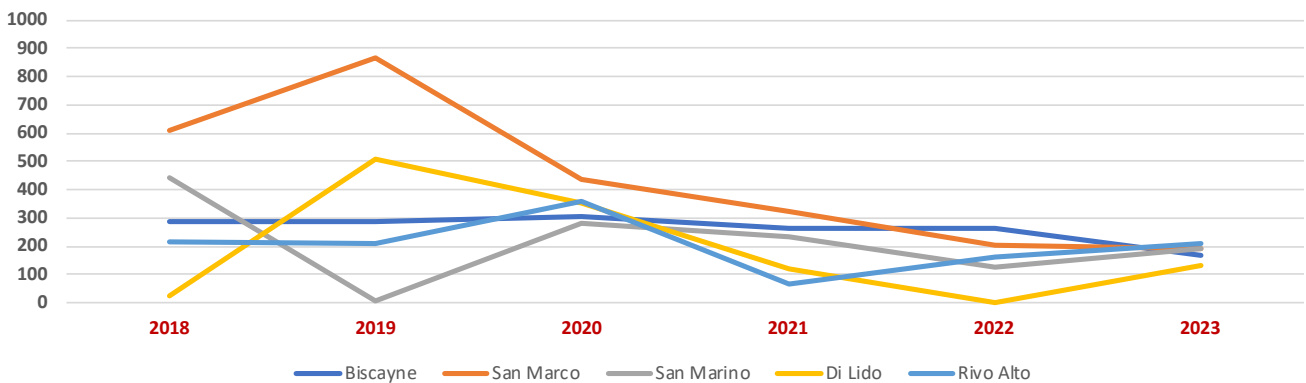
Average Sales Price						
Island/Year	2018	2019	2020	2021	2022	2023
Biscayne		\$6,112,500	\$9,272,667	\$9,735,000		\$20,848,750
San Marco	\$8,031,667	\$7,000,000	\$10,804,000	\$12,775,000	\$15,550,000	\$22,499,667
San Marino	\$9,457,600	\$8,000,000	\$11,450,000	\$16,655,000	\$17,325,000	\$20,370,000
Di Lido	\$5,518,750	\$9,162,333	\$10,153,333	\$14,022,273	\$26,250,000	\$22,185,714
Rivo Alto	\$17,000,000	\$8,525,000	\$10,739,275	\$13,189,000	\$17,974,823	\$20,100,000

Average Days on Market						
	2018	2019	2020	2021	2022	2023
Biscayne		289	303	262		168
San Marco	608	869	437	326	205	193
San Marino	443	7	283	232	128	190
Di Lido	27	509	353	121	0	131
Rivo Alto	215	213	359	63	163	207

The Venetian Islands, Average Sales Price



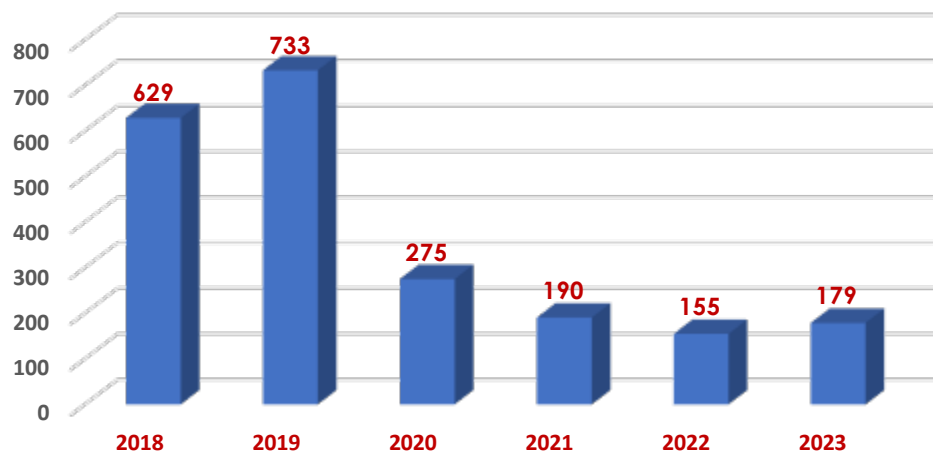
The Venetian Islands, Average Days on Market



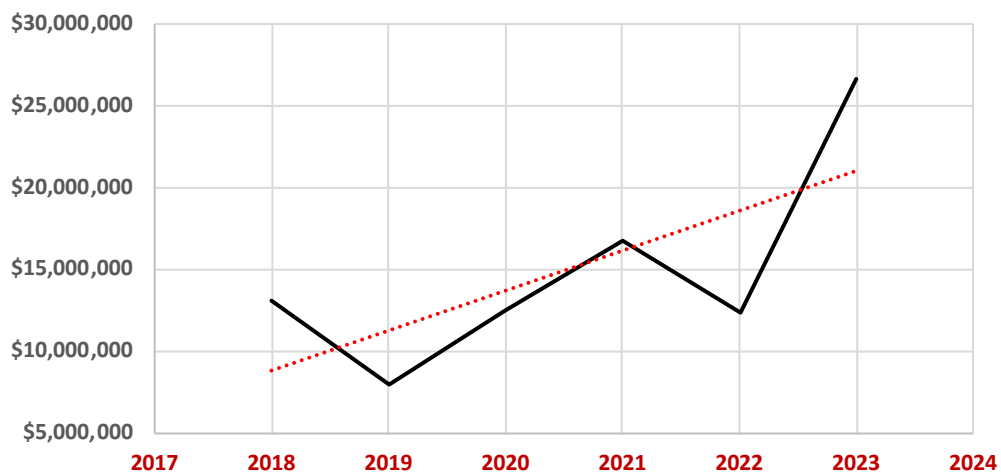
Palm Island Waterfront, 5-year Trend & 2023 Forecast

Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2018	629	\$13,086,250		-15.8%	\$1,819.93	
2019	733	\$7,990,000	-38.9%	-14.0%	\$1,312.68	-27.9%
2020	275	\$12,480,000	56.2%	-10.5%	\$1,874.65	42.8%
2021	190	\$16,805,460	34.7%	-8.4%	\$1,998.58	6.6%
2022	155	\$12,325,000	-26.7%	-22.2%	\$2,221.79	11.2%
2023	179	\$26,700,000	116.6%	-5.4%	\$4,391.25	97.6%

Palm Island - Days on Market

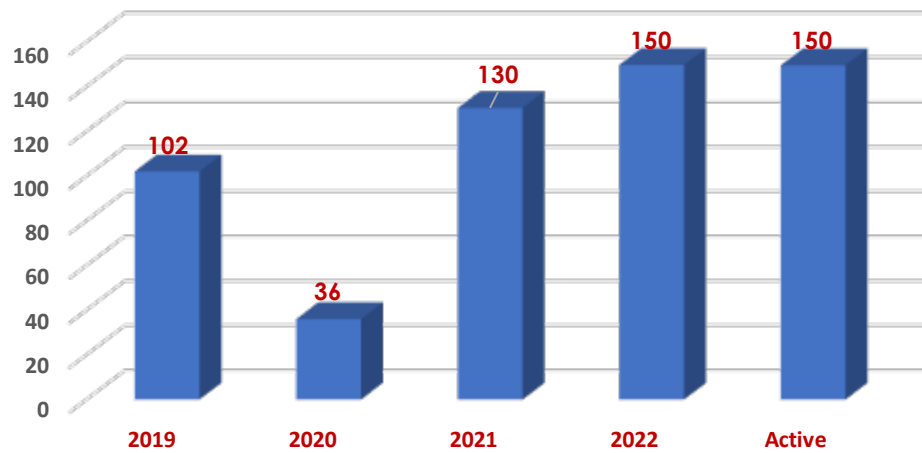


Palm Island - Average Sales Price

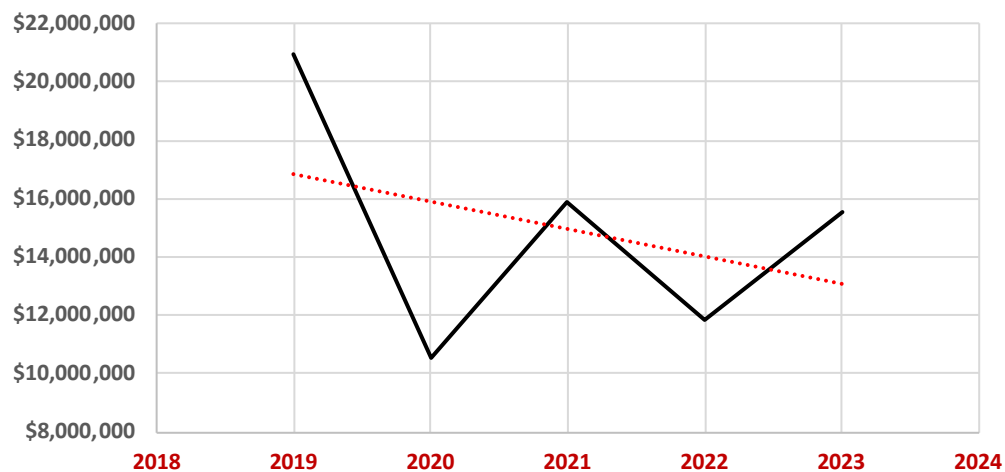


Hibiscus Island, All Closed Sales, Waterfront						
Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2018						
2019	102	\$20,950,000		-8.2%	\$2,666.93	
2020	36	\$10,542,500	-49.7%	-7.6%	\$1,495.39	-43.9%
2021	130	\$15,852,273	50.4%	-1.6%	\$2,817.42	88.4%
2022	150	\$11,825,000	-25.4%	-15.1%	\$2,344.00	-16.8%
Active	150	\$15,566,667	31.6%	-3.8%	\$3,208.53	36.9%

Hibiscus Island - Days on Market

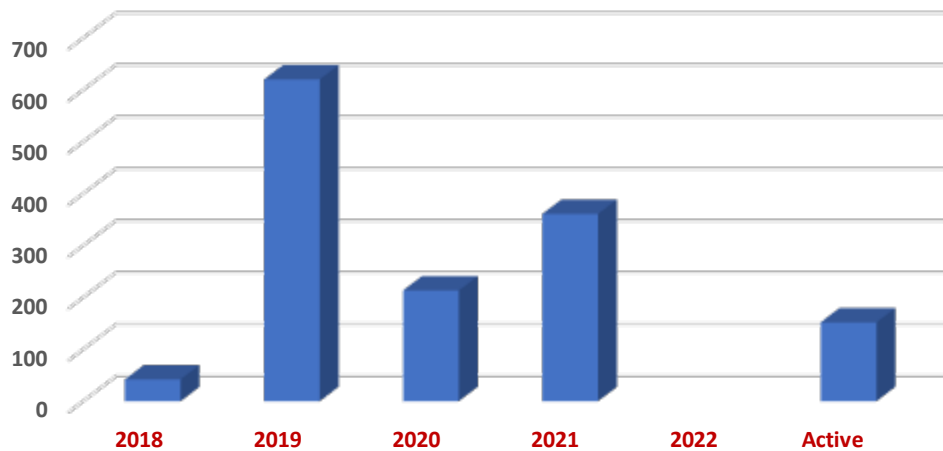


Hibiscus Island - Average Sales Price

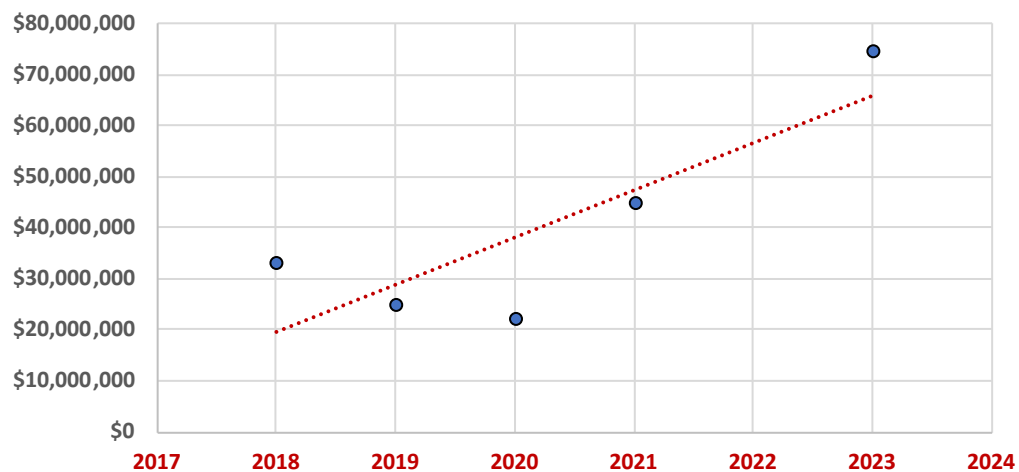


Star Island, All Closed Sales						
Year	DOM	Average Price	▲%	Average List : Price	Average \$PSF	▲%
2018	42	\$33,000,000		-17.5%	\$2,352.94	
2019	620	\$25,000,000	-24.2%	-49.0%	\$3,078.88	30.9%
2020	214	\$22,150,000	-11.4%	-22.8%	\$2,030.72	-34.0%
2021	361	\$44,750,000	102.0%	2.6%	\$4,260.11	109.8%
2022						
Active	152	\$74,650,000		-3.1%	\$3,144.88	

Star Island - Days on Market



Star Island - Average Sales Price



IN CONCLUSION

There are several external factors currently affecting the general market.

The one detrimental factor is undoubtedly the rising interest rate. The current interest rate is causing deceleration of the number of transactions, price and values, and is elongating exposure time on most properties when consummated.

On the other hand, in this unique situation of this specific market, the effects of the high interest rate are deterred by the lack of inventory availability.

Inflation in this case works in favor of sellers due to the once again connected scarcity of listings.

Other affecting external factors are potential pending international conflicts that could shift the priorities of the market, and on the opposite direction force, financing of fundings is not a problem because most closings are cash transactions that would later be financed at the new owner's time of choice.

The interconnecting bridges forming Venetian Way will be rebuilt. This project is currently under design and scheduled to begin construction in 2026. On the long run this project will benefit the market of these Islands, yet during construction the transactional activity may be affected in pricing and timing.

Given these conditions, the sites overlooking inwardly or with sunset views (looking West), are expected to continue its progressive path, which in continuum will benefit the other types of property that are dry lots, or are sunrise views (looking East), or properties North of the Venetian Way.

There are several recent, underway, or scheduled constructions that are maintaining or establishing new progressive levels of pricing. Under the principle that holds these happenings, the surrounding properties also benefit from these transactions.

ABOUT THE AUTHOR

Henry T. Casado is a Real Estate Appraiser, Reviewer, and a Real Estate Consultant, providing services as Mercatus Valuation.

He attended Johns Hopkins University, graduating with a Master's Degree in Real Estate Valuation. His professional credentials are enhanced by the Appraisal Institute's MAI, SRA, AI-GRS, and AI-RRS Designations as well as several appraiser's licenses from other states to include Florida, Texas, New York, and South Carolina. Among other areas of practice, he specializes in waterfront and luxury properties.



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