

# PERSPECTIVE

Rothman & Tobin, P.A. | April 2016

## Happy Spring!

After a calm winter, spring is upon us. As the spring break crowds dissipate, South Florida's real estate is quietly calming as well. Now is a good time to assess where we are and where we may be headed.

In this newsletter, we'll also take a look at the 2016 legislative session. Governor Scott signed 36 bills into law. Florida's legislative session is short (60 days), and lawmakers try to cram in a lot. The net result is that very little legislation gets passed year to year.

## 2016 Legislative Session

The 2016 legislative session recently adjourned as of this writing. [Here's a look at some of the bills that were signed into law.](#)

- Under SB 342, homesteaded properties now may be rented out once a year in a single 30-day increment. This initiative began in Northeast Florida when residents wanted to rent their homesteaded properties during a golf tournament (The Players Championship) and the Daytona 500. Homestead exemption status will be jeopardized for properties that are rented out for more than 30 days over two consecutive years.
- [With the passage of HB 931, the state-run Citizens Property Insurance will contact homeowners directly about home insurance plans and options from private companies.](#) Should homeowners want to switch insurers, it'll be easier for them to know their options as Citizens will have to list all available offers.



## Time to Rethink Renting...?

Ownership is often perceived as a more financially stable decision and a sign of maturity with respect to principal residence property. Grown-ups own, while young adults rent. However, for many reasons this long-held belief seems to be evolving. Market volatility over the last 10-15 years, the mortgage crash at the end of the last decade, restrictive capital and debt requirements, and general demographic changes have planted seeds of doubt and discontent amongst actual and potential homebuyers. Historically, renting has been a sounder financial move for people at various stages of their lives. It allows for greater savings and flexibility. Recent urban development trends seem to favor renting. Likewise, excess development has brought many renters back to the city where neighborhoods have begun to take shape. Below, we offer a look at some segments of the rental market.

### Residential

Today, Miami renters share a high cost-burden, salary-to-rental cost ratio not too far off from larger cities with dreadful, storied (and often parodied) rental markets (think: Los Angeles and San Francisco). In fact, according to a new report by Zillow, Miami has become the third least affordable city in America, trailing only - you guessed it, LA and San Fran. NYC came in 4th. Many of Miami's newest condos offer exceptional amenities and are marketed toward international (and domestic) second- and third-home buyers, as opposed to locals, the working class, or the professional class.

### Commercial

Rents for commercial properties in Miami are at an all-time

- For environmentalists, HB 277 may incentivize you to go green. HB 277 "prevents an increase in the assessed value of residential properties as a result of installing a renewable energy source or a device."
- SB 1830 provides that counties may grant additional homestead exemptions of up to \$50,000 to qualifying low-income seniors. In addition, the ad valorem tax discount provided to disabled veterans now includes veterans who were not Florida residents when they entered the military.
- In a business-friendly move, HB 4013 "eliminates the lifetime maximum amount of tax refunds a business could receive under the Qualified Target Industry (\$7 million or \$7.5 million if located in an enterprise zone) and Qualified Defense and Space Flight Business Programs (\$7 million)."

## What Exactly Are the Panama Papers?

The Panama Papers are a data leak of over 11 million files from the Panamanian law firm, Mossack Fonseca, whose services include establishing and servicing offshore companies for clients. The files were given to a German journalist, who shared them with the International Consortium of Investigative Journalists (ICIJ), who further shared them with global media outlets. The papers detail the financial transactions of some of the world's most politically-connected and wealthy inhabitants. Offshore companies in and of themselves are not illegal, especially if the entities involved adhere to tax codes and if the monies involved are not the product of ill-gotten gains. However, the Panama Papers show how many abuse the system to create tax havens and/or to launder money. Almost as startling as the revelations themselves is the dramatic breach of attorney-client privilege.

high. In retail areas like Lincoln Road and Wynwood analysts are wondering if high rents are sustainable enough to give investors a return on their likewise pricey investments, high rents being of course dependent on high sales. We remain heavily dependent on tourist and second-home spending. Office space, likewise, is still in great demand, without significant amounts of new space coming on line.

### Triple Net

Triple net (Net-Net-Net or NNN) leases - which are long-term leases (generally 10-20 years) wherein the tenant agrees to pay the rent net of property taxes, building insurance, and operating costs - have been in great demand among investors looking for a stable return on investment. These properties have historically been leased to national, credit-worthy tenants whose retail sales are sufficient to sustain the rents.

### Snapshot: Miami's Rental Market

This chart looks at the number of households renting in Miami as a fraction of total Miami households. Given that the most recently analyzed figures are from 2014, these percentages are likely to have risen.

	2014	1 year change	3 year change
US	36.90%	+0.40%	+1.48%
Florida	35.95%	+0.74%	+2.67%
Miami	40.45%	+1.12%	+2.95%

source: Census ACS data

## Foreign Currency Update @ 3/28/16

Over the past six months, most of the seven foreign currencies followed in this newsletter have moved only a small degree, generally less than 6%. For instance, the euro and Canadian dollar, were essentially net unchanged. However, they did swing approximately 6% and 11%, respectively. In the less liquid group vs. the USD, the Israeli shekel rose just over 2%, the Chinese yuan fell 2%, and the Russian ruble fell about 5%.

Finally, after a long decline, the Brazilian real recouped almost 7% in the past six months. Conversely, the Argentinian peso became even weaker (-53%), especially after the new President Macri allowed the currency to freely float, and the official exchange ratio dropped 30% in one day. It continues to drop.

## Introducing...

We're pleased to introduce our new Of Counsel, Jania Braswell. With a background in engineering and law, Braswell practiced law in Brazil before moving to the US in 2000. She continues to practice immigration law through her own practice. Fluent in English and Portuguese, and conversant in French and Spanish, Braswell is a welcome addition to our legal team.