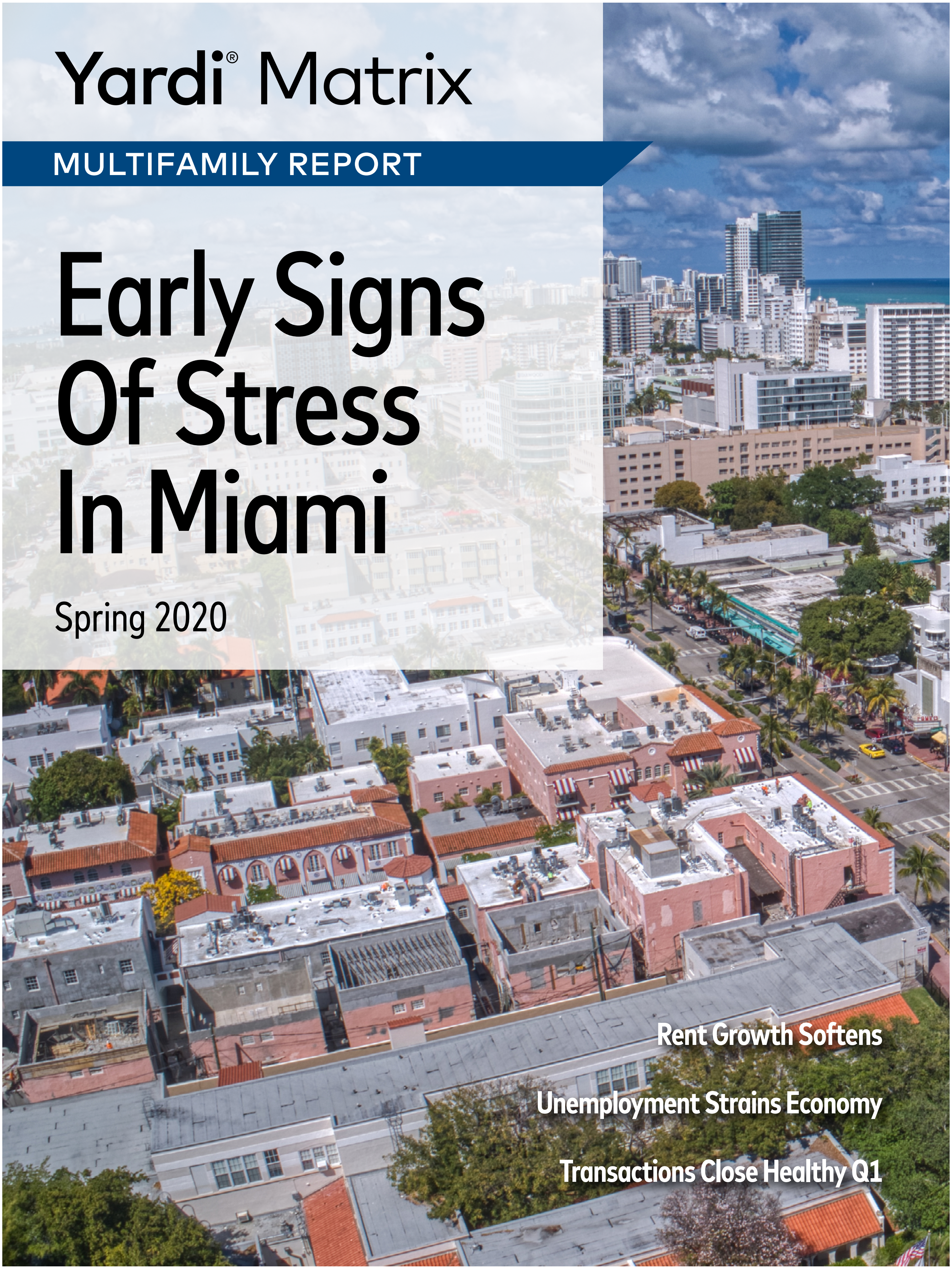
Yardi® Matrix

MULTIFAMILY REPORT

Early Signs Of Stress In Miami

Spring 2020



Rent Growth Softens

Unemployment Strains Economy

Transactions Close Healthy Q1

MIAMI MULTIFAMILY

Yardi® Matrix

Rent Growth Softens In South Florida

In 2019, Miami was among the healthiest multifamily markets in the U.S., fueled by above-trend job gains and positive demographic trends. However, rent growth started decelerating in the last quarter of 2019, partially due to a strong wave of new supply. The early effects of the coronavirus crisis started to emerge at the end of this year's first quarter, further dampening growth. Rates were up 0.2% on a trailing three-month basis as of March.

The metro gained 43,000 jobs in 2019 for a 1.9% uptick, 10 basis points above the U.S. figure. Alongside Dallas, Las Vegas, Orlando and Phoenix, Miami has consistently ranked among the top metros for job and population growth since the last recession. According to Yardi Matrix data, one-third of Miami's labor force is in high-risk sectors impacted by the pandemic. Although Florida is diversifying, its economy depends heavily on tourism, the hardest-hit sector. According to state officials, some 1.7 million people had filed unemployment claims as of April 21.

Miami added almost 2,000 units to its multifamily stock in the first quarter, all targeting the Lifestyle segment. With many residents working in relatively low-paying industries that have been highly impacted by the COVID-19 lockdown, demand for Renter-by-Necessity assets is likely to record increased volatility in the short and medium term.

Market Analysis | Spring 2020

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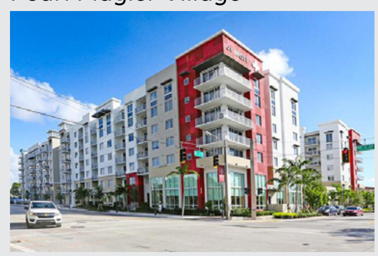
On the cover: Photo by Jacob Boomsma/iStockphoto.com

Recent Miami Transactions

Shorecrest Club

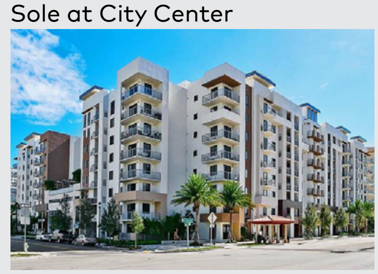
City: Miami
Buyer: CBRE Global Investors
Purchase Price: $132 MM
Price per Unit: $282,869

Pearl Flagler Village



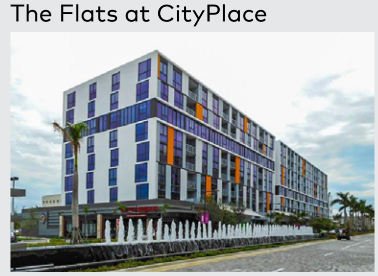
City: Fort Lauderdale, Fla.
Buyer: TA Realty
Purchase Price: $113 MM
Price per Unit: $321,429

Sole at City Center



City: West Palm Beach, Fla.
Buyer: Nuveen Real Estate
Purchase Price: $103 MM
Price per Unit: $328,552

The Flats at CityPlace



City: Doral, Fla.
Buyer: Harbor Group International
Purchase Price: $100 MM
Price per Unit: $330,033

RENT TRENDS

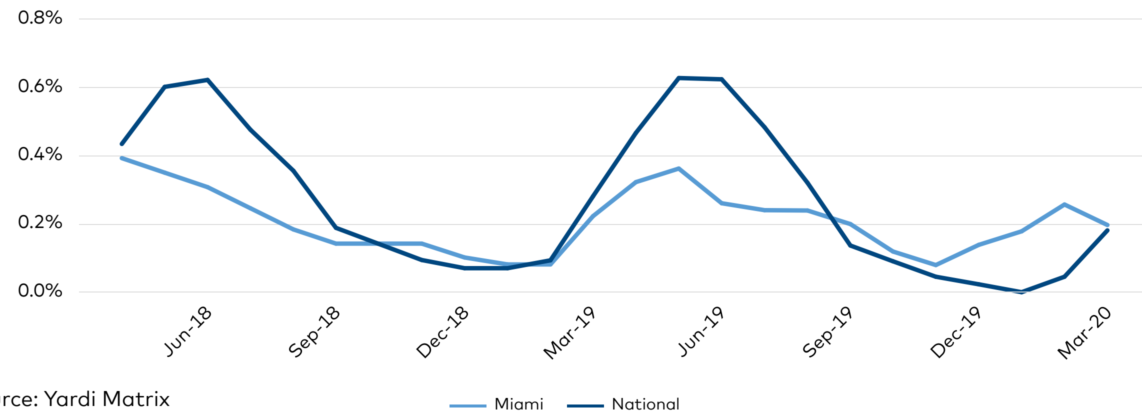
- Miami rents rose by 0.2% on a trailing three-month basis as of March, in line with the U.S. rate. Due to strong supply and seasonality, rent growth had already started tempering in the last quarter of 2019, and the aftershocks of the coronavirus pandemic are expected to deepen the trend. The metro's average rent stood at $1,695 in March, above the $1,474 national figure.

- With rates up by 2.9% year-over-year to $1,369, the working-class Renter-by-Necessity segment led growth. Despite the surge in upscale stock, Lifestyle demand endured, with rates advancing by 2.0% to $1,932. Prior to the COVID-19 crisis, rentals were one of South Florida's strongest asset types, greatly boosted by demand from residents priced out of buying a home.

- Urban submarkets offering easy waterfront access remained the most expensive, with Miami-Wynwood ($2,505) and Coral Gables ($2,502) leading the way. Several submarkets in West Palm Beach-Boca Raton recorded large increases in the 12 months ending in March, including Boca Raton-West (up by 9.0% to $1,961).

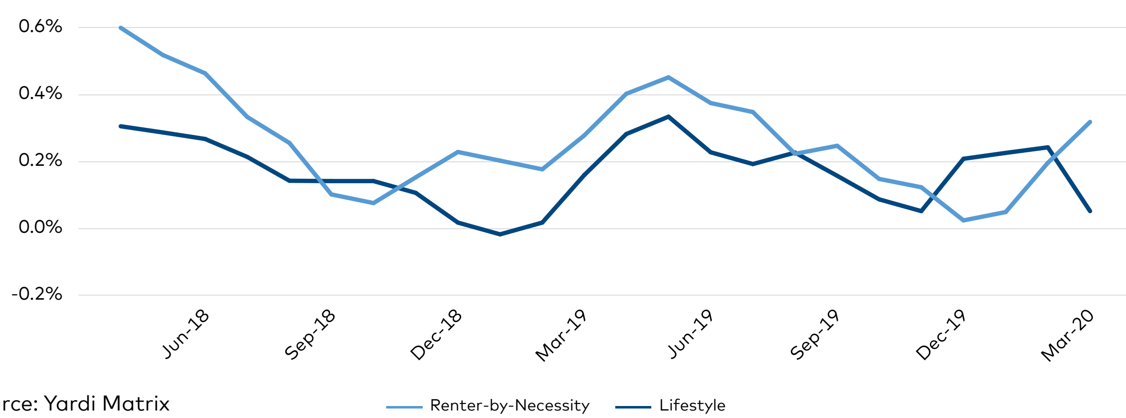
- Despite employment growth in Miami surpassing the national average last year, many residents work in relatively low-paying industries that have been hit hard by the unprecedented health crisis. As a result, Renter-by-Necessity demand is due for some volatility in the coming quarters, recording both headwinds and tailwinds.

Miami vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Miami Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- Trade, transportation and utilities (23.5%) accounted for the largest share of Miami's workforce at the start of 2020, while leisure and hospitality encompassed 12.7% of jobs. As one of the fastest-growing metros in the Southeast this economic cycle, Miami is now among the most vulnerable cities, as it is heavily dependent on several of the most-affected industries. A little over one-third of the metro's labor force is in sectors impacted by the health crisis.

- Miami's otherwise tight unemployment rate spiked between February and March from 2.8% to 4.3%, a direct effect of the pandemic; The rate is expected to jump to double digits with new data for April. According to state officials, some 1.7 million people had filed unemployment claims as of April 21.

- Metro Miami gained 43,000 jobs in 2019, a 1.9% uptick and 10 basis points above the U.S. average. However, Miami trailed other large Florida metros for employment growth: Orlando (3.4%), Jacksonville (2.9%) and Tampa (2.1%).

- With most industries struggling to deal with the coronavirus fallout, several projects have been postponed. The renovation of the Roger Dean Stadium in Jupiter, Fla., being financed through tourism taxes, is now on hold.

Miami Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	427	15.8%
70	Leisure and Hospitality	342	12.7%
90	Government	322	11.9%
60	Professional and Business Services	461	17.1%
40	Trade, Transportation, and Utilities	633	23.5%
55	Financial Activities	190	7%
15	Mining, Logging, and Construction	55	2%
80	Other Services	126	4.7%
50	Information	51	1.9%
30	Manufacturing	90	3.3%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In 2018, the metro gained 49,095 residents—a 0.8% uptick and 20 basis points above the national rate.

- Among major Florida metros, Miami saw the slowest growth, with Jacksonville (2.9%) leading the way, followed by Orlando (2.4%) and Tampa (1.7%).

Miami vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Miami Metro	5,998,284	6,086,935	6,149,687	6,198,782

Sources: U.S. Census, Moody's Analytics

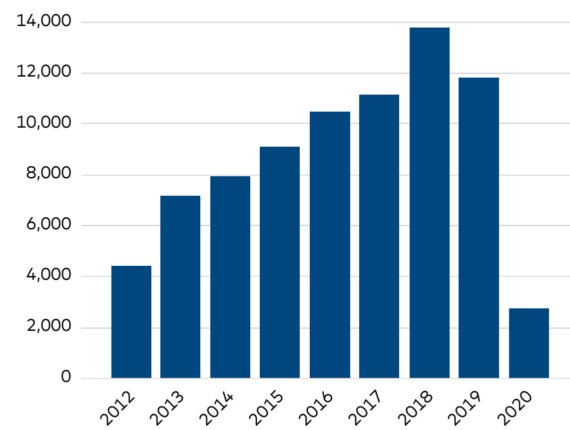
SUPPLY

- Miami had 31,726 units underway as of March, with the vast majority geared toward high-income residents. Roughly 60% of the projects underway are scheduled to come online by the end of this year. However, development delays are highly probable for many projects due to supply chain disruptions, workforce availability and additional regulatory hurdles brought by the health crisis.

- Multifamily developers added 1,966 units to Miami's stock in the first quarter of the year, all in the Lifestyle segment. Deliveries have surpassed the 10,000 mark each year since 2016, with oversupply concerns arising in the second half of 2019. As construction faces delays, developers of planned and prospective communities will have a hard time breaking ground in the current market climate; this affords existing stock a silver lining in the limited new supply.

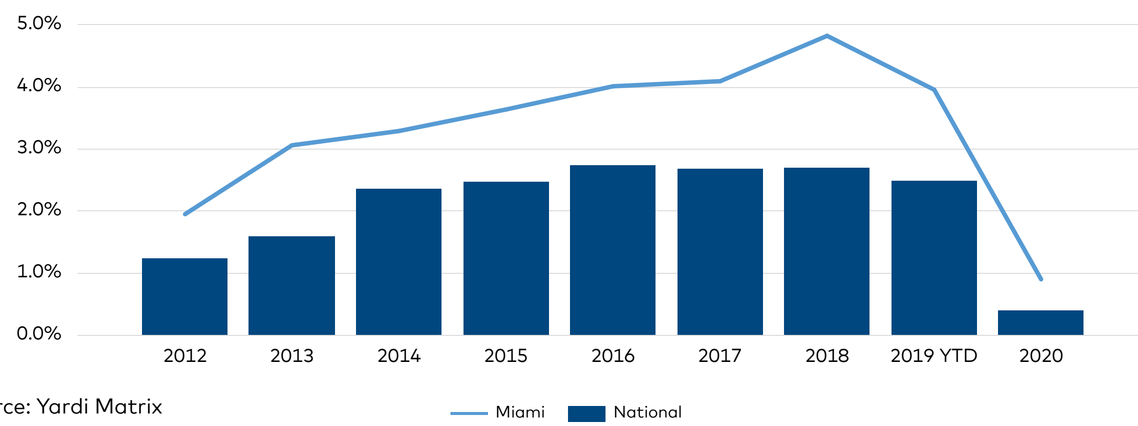
- Urban core areas continue to dominate the pipeline. Downtown Miami had 3,238 units under construction as of March, followed by Fort Lauderdale-West (2,955 units) and Boynton Beach (2,172 units). The largest project scheduled for completion this year is the 886-unit The One at University City, a student housing community near Florida International University. Using a $228 million construction loan, developer Global City Development and co-developers RER Ventures and Podium Developments are on track to complete the 20-story project for the 2020-2021 academic year.

Miami Completions (as of March 2020)



Source: Yardi Matrix

Miami vs. National Completions as a Percentage of Total Stock (as of March 2020)



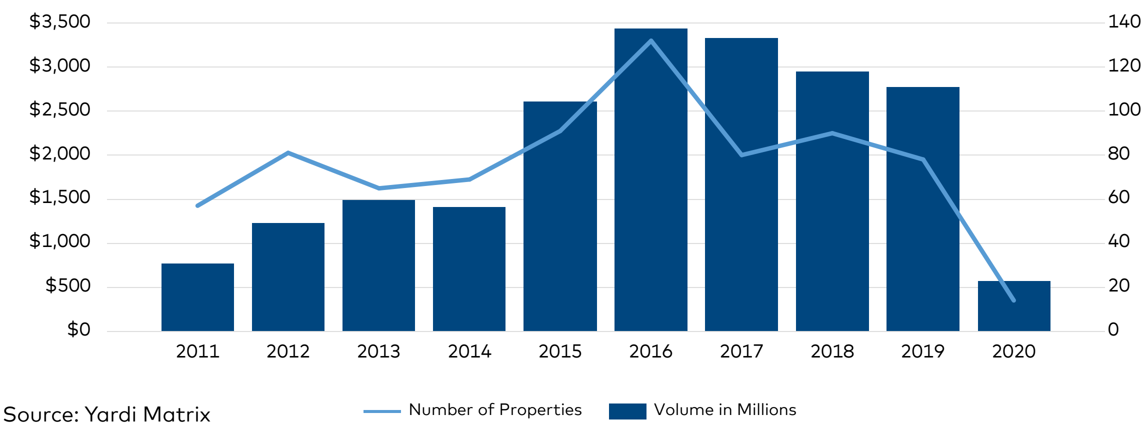
Source: Yardi Matrix

TRANSACTIONS

- Following last year's $2.8 billion total transaction volume, more than $570 million in assets traded in Miami in the first quarter of 2020. Despite this promising activity, several lenders withdrew from deals due to uncertainties related to the coronavirus crisis which, in turn, caused delays in closings or even deal cancelations. Meanwhile, the number of single-family and condo sales grew by 0.4% year-over-year through March in Miami-Dade and Broward counties, a Miami Association of Realtors report found.

- In the 12 months ending in March, the Fort Lauderdale area ($1.4 billion) attracted the most capital, with Pembroke Pines ($378 million) leading the way. The total transaction volume for the submarket was boosted by one of the largest 2019 multifamily deals in the metro: NexPoint Residential paid $322 million for the 1,520-unit Avant at Pembroke Pines.

Miami Sales Volume and Number of Properties Sold (as of March 2020)



Source: Yardi Matrix

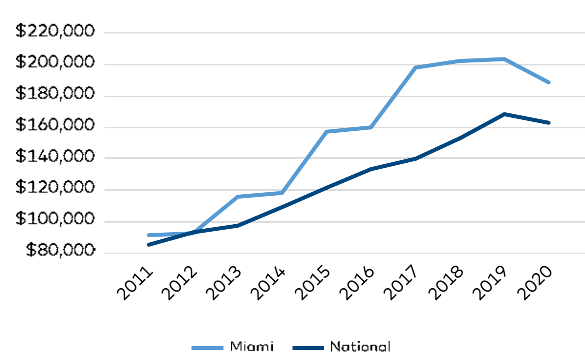
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Pembroke Pines	378
Fontainebleau-University Park	286
Fort Lauderdale-West	238
West Palm Beach	225
Lauderdale Lakes	146
Sunrise	137
Boca Raton-West	134

Source: Yardi Matrix

[1] From April 2019 to March 2020

Miami vs. National Sales Price per Unit



Source: Yardi Matrix

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MULTI-HOUSING NEWS

The Woman Behind Miami River's Transformation

By Adina Marcut

Lissette Calderon is president & CEO of Neology Life Development Group—a firm that focuses on redefining urban neighborhoods in South Florida. She is one of the first developers who decided to focus her work on revitalizing the Miami River waterfront. In the interview below, Calderon details her path toward waterfront development and explains what attracted her to the Allapattah submarket for the company's recent project—No. 17 Residences Allapattah.

What attracted you to the Miami River area?

One of the greatest pleasures I find in life is traveling. Having traveled to some of the world's greatest cities, the one thing I found they all have in common is that the river is at the heart of the city, and here was Miami with this opportunity for riverfront living that had been consistently overlooked.

I also believe that the river's authenticity is something that has always attracted me to the area and can be seen in some of Neology Life's projects along the water, like our latest Pier 19 Residences and Marina.

As a pioneer of development in the Miami River district, describe the area's transformation.

Since I first developed NeoLofts on the river almost twenty years ago, the River District has certainly undergone a renaissance from a strictly industrial-focused area to a true residential and commercial district. With new restaurants, a major retail complex under construction and recently opened residential projects, the Miami River is emerging as one of the most desirable waterfront communities in Miami.

Additionally, as more residents look for living options in uniquely positioned neighborhoods, the riverfront is increasingly becoming an attractive option for working professionals and families.

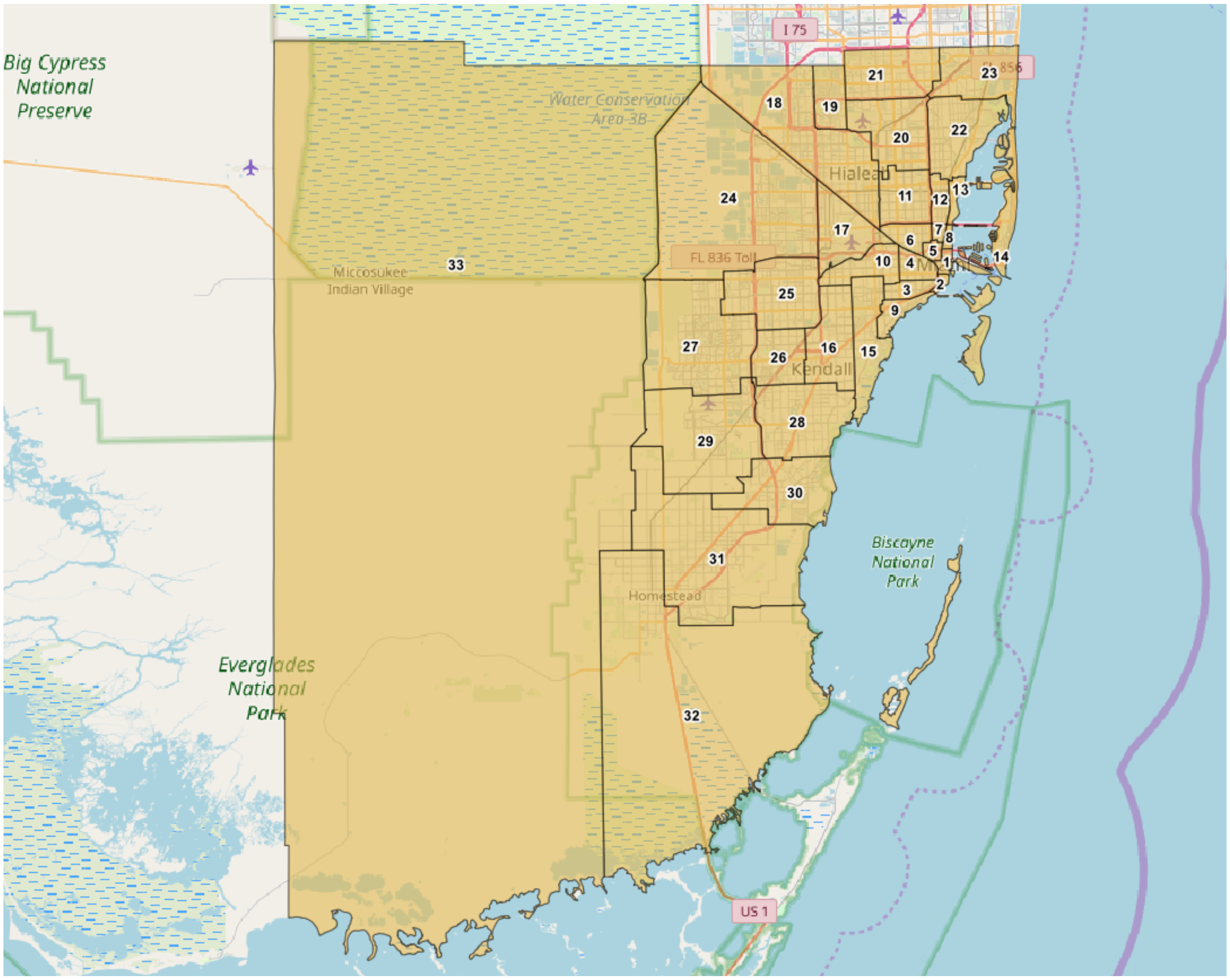
What's your approach when developing a new project in such a prolonged cycle?

Our mantra is holding for the long term. We take the cyclical nature of the market into consideration, as well as the patterns we are seeing not necessarily today or in four years, but we're really developing for the next generation.

Why did you choose Allapatah for one of your most recent projects, No. 17 Residences Allapattah?

As more residents look for living options in uniquely positioned urban neighborhoods, Allapattah is increasingly becoming an attractive option for nearby working professionals and families looking to enjoy the same amenities as people living in Brickell and Downtown. Allapattah is seeing significant residential and commercial real estate investment underway that will enhance the neighborhood's appeal and quality-of-life offerings. Our project, No.17 Residences Allapattah, will play a key role in bringing this vision to life in one of Miami's oldest neighborhoods. The 14-story, attainable luxury rental building will be comprised of 192 residential units, complete with seven ground-floor, walk-up units.

MIAMI SUBMARKETS



Area No.	Submarket
1	Miami–Downtown
2	Miami–Brickell
3	Miami–Coral Way
4	Miami–Little Havana
5	Miami–Overtown
6	Miami–Allapattah
7	Miami–Wynwood
8	Miami–Edgewater
9	Miami–Coconut Grove
10	Miami–Flagami
11	Miami–Liberty City
12	Miami–Little Haiti
13	Miami–Upper East Side
14	Miami Beach
15	Coral Gables
16	South Miami
17	Airport

Area No.	Submarket
18	Hialeah
19	Miami Lakes
20	Opa-locka
21	Miami Gardens
22	North Miami
23	North Miami Beach
24	Doral
25	Fontainebleau–University Park
26	Sunset
27	Kendall West
28	Kendall
29	Three Lakes
30	Goulds
31	Homestead
32	Florida City
33	Outlying Miami–Dade County

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also may span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.