



MULTIFAMILY REPORT

# Miami Makes Use of Lessons Learned

Winter 2021

**Rent Growth Stays on Upward Course**

**Construction Hasn't Lost Momentum**

**Investment Sales Remain Elevated**

# MIAMI MULTIFAMILY



## Rental Sector Holds Steady

As Miami continues to navigate the health crisis and ensuing economic hardship, the metro became an example of resilience in the face of adversity, according to a study by the Atlantic Council's Adrienne Arsht-Rockefeller Foundation Resilience Center. The report commended Miami's efforts to repurpose existing strategies—already tested against coastal vulnerabilities, disease outbreaks and economic difficulties. Despite the challenges, Miami real estate has endured, with multifamily rents up 0.4% to \$1,704 on a trailing three-month basis as of December, above the \$1,462 U.S. average.

Despite a slow pace, employers added some 24,400 jobs in the metro over the three months ending in November. But as a region heavily reliant on tourism, Miami has felt the full weight of job losses in the leisure and hospitality sector, which contracted by 19% and shed 63,300 position in the 12 months ending in November. On a positive note, following the \$900 billion federal relief package passed in late December, many Floridians had already started receiving the extra \$300 payments for the week ending Jan. 2.

Metro Miami had 35,969 units under construction as of December, with 87% of those aimed at high-income earners. The bulk of the pipeline (71%) is expected to come online through this year. More than \$2.2 billion in assets traded in 2020, representing a 19% decline from 2019.

## Market Analysis | Winter 2021

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### Recent Miami Transactions

#### Emera Port Royale



City: Fort Lauderdale, Fla.  
Buyer: Northwestern Mutual  
Purchase Price: \$180 MM  
Price per Unit: \$324,324

#### Mosaic at Miramar Town Center



City: Miramar, Fla.  
Buyer: Abacus Capital Group  
Purchase Price: \$124 MM  
Price per Unit: \$254,620

#### Park-Line Palm Beaches



City: West Palm Beach, Fla.  
Buyer: New York Life Real Estate Investors  
Purchase Price: \$115 MM  
Price per Unit: \$395,690

#### Solmar on Sixth



City: Fort Lauderdale, Fla.  
Buyer: Sterling American Property  
Purchase Price: \$92 MM  
Price per Unit: \$322,990

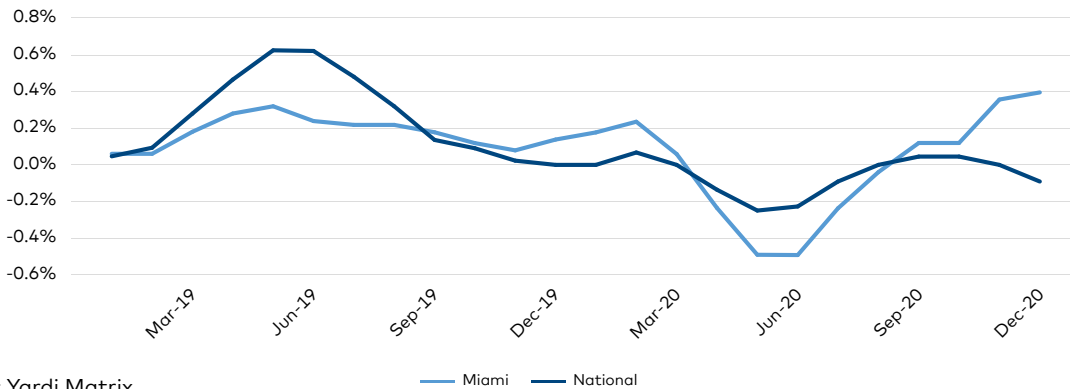
## RENT TRENDS

- ▶ Miami rents were up 0.4% on a trailing three-month (T3) basis as of December, while the national rate slid 0.1%. The metro's average stood at \$1,704, well above the \$1,462 U.S. figure. More than two years of consistent gains came to a halt in April 2020 (-0.2%) and prices remained on a negative trajectory through most of the summer. Rates started to pick up again in September (0.1%) and continued to improve over the third quarter. Year-over-year, Miami rents rose 0.2%.
- ▶ Rent evolution was mostly even across the quality spectrum—rates in the upscale Lifestyle segment were up 0.5% on a T3 basis to \$1,932, whereas prices in the working-class Renter-by-Necessity segment improved by 0.2% to \$1,378. While rates in the Lifestyle segment underwent

a negative spell between March and August, the RBN segment has enjoyed continued growth over the past 24 months.

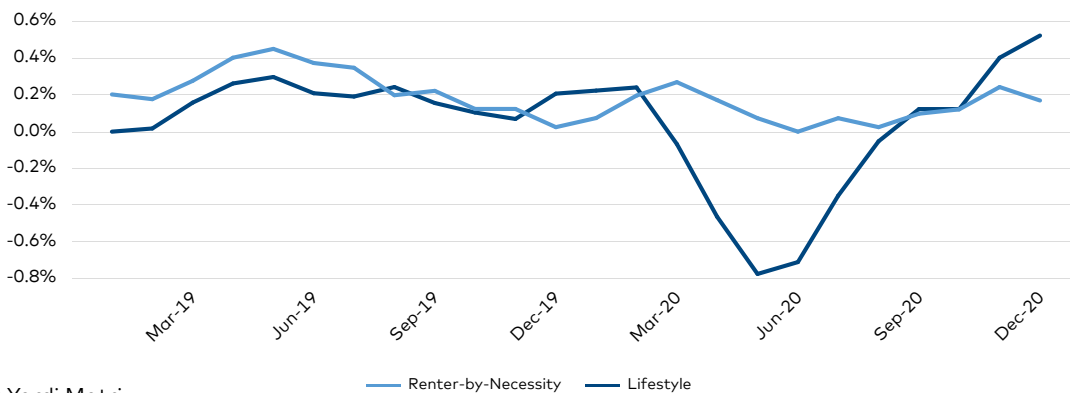
- ▶ Kendall (12.5% to \$1,473), Miami-Downtown (7.8% to \$2,165) and Goulds (7.7% to \$1,196) led rent growth in the 12 months ending in December. Rents in Miami-Wynwood—the most expensive submarket—slid 2.7% to \$2,408.
- ▶ The federal government's new \$900 billion stimulus package allocates \$25 billion for rental assistance, which will be distributed to households earning below 80% of the area median income. Florida is expected to receive some \$1.4 billion, according to the National Low-Income Housing Coalition.

### 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

- ▶ As of November, the unemployment rate was 6.4% in Florida and 7.0% in the Miami metro area, with the latter slightly below the 6.7% November national rate. All three figures marked improvements from previous months. Unemployment in the metro peaked at 13.4% in April, with the figure returning in May and July.
- ▶ In the 12 months ending in November, the metro lost a combined 169,400 jobs, with the leisure and hospitality sector contracting by 19% and shedding the most positions (63,300). Trade, transportation and utilities lost 27,200 jobs (-4.3%), closely followed by education and health services, down 24,500 positions (-5.9%). Construction was the only industry that saw growth—the sector gained 1,300 positions, for a 2.4% uptick. Over the three months ending in November, employers added some 24,400 jobs in the metro area.
- ▶ Following the \$900 billion federal relief package passed in late December, many unemployed Floridians began receiving additional \$300 payments for the week ending Jan. 2. Along with the weekly federal compensation, the package extends programs such as the Pandemic Emergency Unemployment Compensation program that extends claimants' windows of eligibility and the Pandemic Unemployment Assistance program that benefits gig and self-employed workers.

### Miami Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
15	Mining, Logging and Construction	56	2.2%
55	Financial Activities	191	7.7%
30	Manufacturing	90	3.6%
50	Information	48	1.9%
80	Other Services	111	4.5%
60	Professional and Business Services	431	17.3%
90	Government	302	12.1%
65	Education and Health Services	390	15.7%
40	Trade, Transportation and Utilities	602	24.2%
70	Leisure and Hospitality	271	10.9%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ The metro gained 583,000 residents in the past decade, for a 10.4% uptick, well above the 6.1% national rate.
- ▶ While steady expansion was mostly driven by immigration, population growth started to moderate in 2017 and turned negative in 2019 (-0.5%).

### Miami vs. National Population

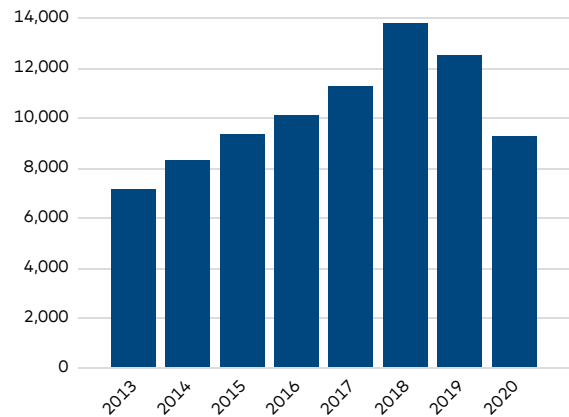
	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Miami Metro	6,086,935	6,149,687	6,198,782	6,166,488

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

## SUPPLY

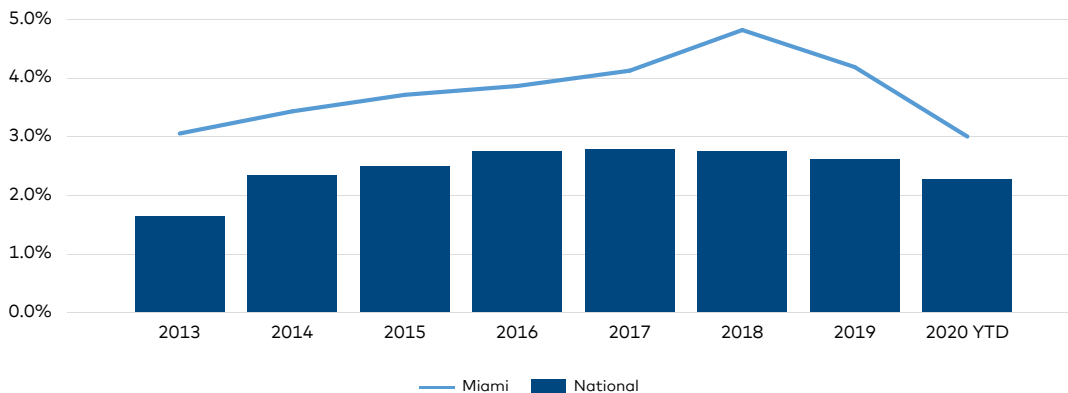
- ▶ Metro Miami had 35,969 units under construction as of December, with 87% of those aimed at high-income renters. The majority of the pipeline (71%) is expected to come online during the course of 2021. With multifamily faring better than other sectors and mostly withstanding the economic fallout, developers are plowing ahead—another 194,000 units were in the planning and permitting stages as of December.
- ▶ Developers completed 9,274 units last year, equal to 3.0% of total stock and 70 basis points above the national rate. New deliveries predominantly favored the Lifestyle segment, comprising 90% of total completions. Since 2013, developers have added an average 10,200 units to inventory each year, with deliveries peaking at 13,822 apartments in 2018. Completions have slightly moderated following that cycle high, with 2019 deliveries amounting to 12,533 units.
- ▶ Developers broke ground on some 15,309 units across 68 properties in 2020. Despite facing countless setbacks after the pandemic began, the figure is still in line with 2019's activity, when developers broke ground on 14,329 units in 45 communities.
- ▶ Fort Lauderdale–West (4,657 units) led development as of December, with Miami–Downtown (3,243 units) and Boynton Beach (1,856 units) rounding out the top 3. These submarkets account for more than a quarter of the metro's pipeline. Melo Development's Downtown 5th (1,042 units) in Miami was the metro's largest development underway as of December.

**Miami Completions** (as of December 2020)



Source: Yardi Matrix

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



Source: Yardi Matrix

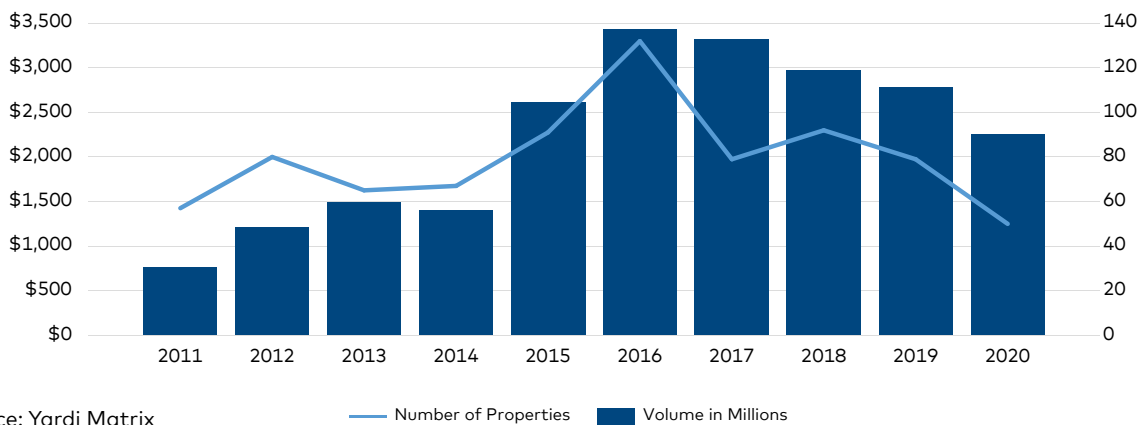
## TRANSACTIONS

- ▶ More than \$2.2 billion in assets traded in 2020, for a 19% decline compared to the previous year. While the pandemic-induced economic dislocation curbed transaction activity, deal velocity had already started to soften in 2017, following the cycle high of 2016, when transaction volume peaked at \$3.4 billion.
- ▶ A total of 12,373 units traded in 2020 through December, with investor interest distributed almost evenly between Lifestyle and RBN assets.

Of the 50 properties sold last year, 26 were RBN and 24 were Lifestyle communities. The average per-unit price stood at \$225,708 in 2020, the highest in at least a decade and well above the \$169,709 U.S. figure.

- ▶ Northwestern Mutual's \$180 million November acquisition of the 555-unit Emera Port Royale in Fort Lauderdale marked last year's largest deal. Mill Creek Residential Trust sold the 2017-completed community for \$324,324 per unit.

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



Source: Yardi Matrix

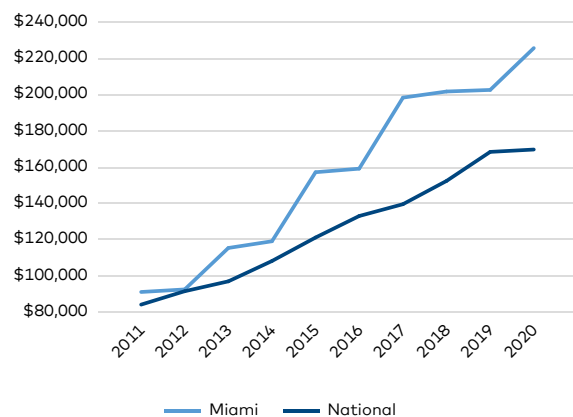
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Ft Lauderdale–West	325
Ft Lauderdale–East	275
West Palm Beach	267
Plantation	136
Miami–Upper East Side	132
Jupiter	127
Pembroke Pines	124

Source: Yardi Matrix

<sup>1</sup> From January 2020 to December 2020

### Miami vs. National Sales Price per Unit



Source: Yardi Matrix

## Top 10 Markets for Transaction Activity in 2020

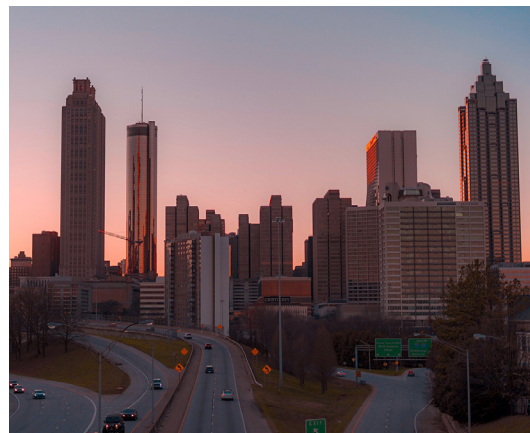
By Razvan Cimpean

Last year proved challenging for the multifamily sector, with year-over-year rent growth declining in many markets. The COVID-19 health crisis has seen renters in more dense and expensive gateway markets relocating to suburban areas and smaller U.S. cities, in search of affordable alternatives. The majority of investment activity has remained focused on established urban multifamily markets, but that, too, has been affected. The number and the amount of deals changed, with most assets trading for less than \$100 million.

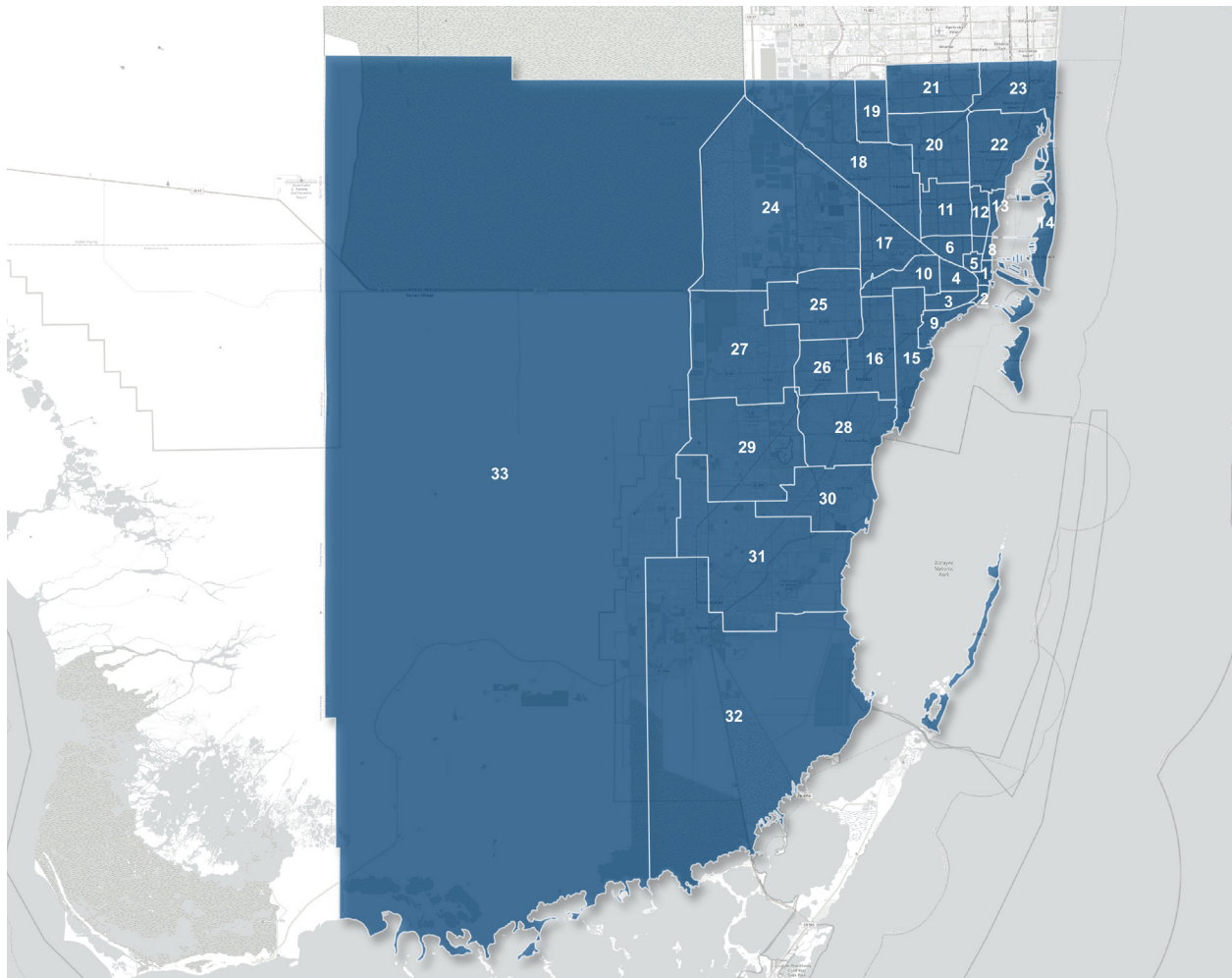
Rank	Market	Transaction Volume (MM)	Price Per Unit
1	Phoenix	\$5,879.7	\$187,251
2	Dallas	\$5,501.8	\$128,712
3	Washington, D.C.	\$5,468.2	\$235,076
4	Atlanta	\$5,253.5	\$142,429
5	Denver	\$4,435.8	\$247,160
6	Charlotte	\$2,959.3	\$158,235
7	Tampa	\$2,518.9	\$155,874
8	Austin	\$2,387.3	\$160,872
9	Miami	\$2,333.2	\$224,266
10	Houston	\$2,328.2	\$113,460

### MIAMI

Due to a heavily hit employment market in the wake of the health crisis, in April, Miami's unemployment rate jumped to a record-high 13.4 percent, the highest level in more than a decade. But the metro's business-friendly climate and solid pre-pandemic demographic trends have kept multifamily investment shielded from the harsher effects of the crisis and resulting economic volatility. Last year, investment volume totaled \$2.3 billion, down 16.1 percent from the previous year. Northwestern Mutual paid Mill Creek Residential Trust \$180 million for the 555-unit Emera Port Royale, in the metro's largest transaction last year.



## 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 December 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 December 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, December 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.

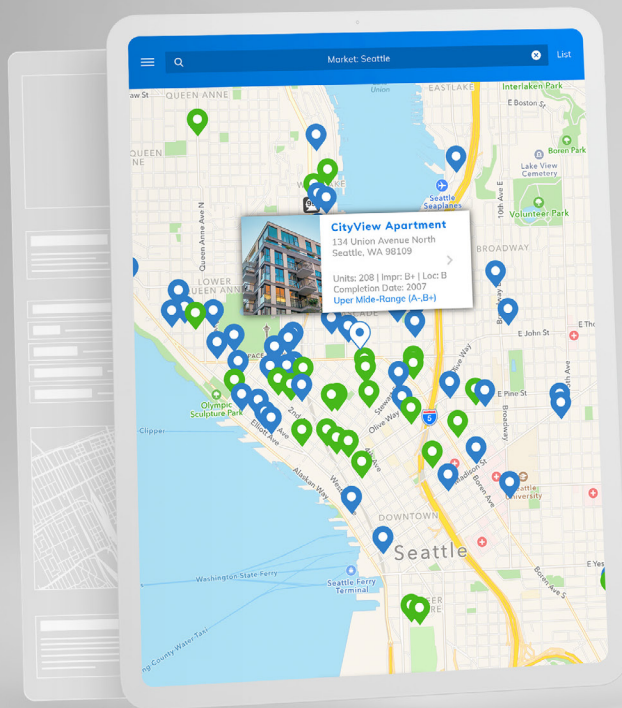
The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

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